Socio-psychological motives of socially responsible investors

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ABSTRACT

The 2008/09 World Financial Crisis underlined the importance of social responsibility for the sustainable functioning of economic markets. Heralding an age of novel heterodox economic thinking, the call for integrating social facets into mainstream economic models has reached unprecedented momentum. Financial Social Responsibility bridges the finance world with society in socially conscientious investments. Socially Responsible Investment (SRI) integrates corporate social responsibility in investment choices. In the aftermath of the 2008/09 World Financial Crisis, SRI is an idea whose time has come. Socially conscientious asset allocation styles add to expected yield and volatility of securities social, environmental and institutional considerations. In screenings, shareholder advocacy, community investing, social venture capital funding and political divestiture, socially conscientious investors hone their interest to align financial profit maximization strategies with social concerns. In a long history of classic finance theory having blacked out moral and ethical considerations of investment decision making, our knowledge of socio-economic motives for SRI is limited. Apart from economic profitability calculus and strategic leadership advantages, this article sheds light on socio-psychological motives underlying SRI. Altruism, need for innovation and entrepreneurial zest alongside utility derived from social status enhancement prospects and transparency may steer investors' social conscientiousness. Self-enhancement and social expression of future-oriented SRI options may supplement profit maximization goals. Theoretically introducing potential SRI motives serves as a first step towards an empirical validation of Financial Social Responsibility to improve the interplay of financial markets and the real economy. The pursuit of crisis-robust and sustainable financial markets through strengthened Financial Social Responsibility targets at creating lasting societal value for this generation and the following.

Keywords: Altruism, Behavioral Economics, Corporate Social Responsibility, CSR, Financial Social Responsibility, Identification, Innovation, Law, Leadership, Long-term, Self-Consistency, Socio-economics, Social Status, Socially Responsible Investment, Socio-psychological motives, SRI, Transparency, Values

INTRODUCTION

We live in the “Age of Responsibility.” In the aftermath of the 2008/09 World Financial Crisis, the societal call for responsible market behavior has reached unprecedented momentum. Responsibility is part of the human nature and complements corporate activities and financial considerations. The economic, legal, social and philanthropic responsibilities of the corporate sector are attributed in Corporate Social Responsibility (CSR). Financial Social Responsibility is foremost addressed by Socially Responsible Investment (SRI). Globalization, political changes and societal trends, but also the current state of the world economy, have leveraged a societal demand for ingraining responsibility into market systems.

Our time has been referred to as the “Age of Responsibility” in US president Barack Obama’s inauguration speech on January 21, 2009 (Washington Post, January 21, 2009). In the wake of the 2008 financial crisis, Obama called for a new spirit of responsibility that serves the greater goals of society. According to World Bank President Robert Zoellick the “new era of responsibility” features “changed attitudes and co-operative policies” steering responsible corporate conduct and socially responsible investment as means of societal progress (Financial Times, January 25, 2009).

Apart from governmentally enacted social responsibility of financial markets, human social responsibility emerged in modern economies in the wake of globalization, political and societal trends. In recent decades, multinational corporate conduct exhibited heightened levels of responsibility vis-à-vis society. Having gained in economic weight and political power, the majority of corporations tapped into improving the societal conditions by contributing to a wide range of social needs beyond the mere fulfillment of shareholder obligations and customer demands (De Silva & Amerasinghe, 2004; Kettl, 2006). Global players stepped in where traditional governments refrained from social service provision – foremost through privatization or welfare reforms.

International corporations also filled opening governance gaps when governments could not administer or enforce citizenship rights, new regulations were politically not desirable, feasible or even when governments had failed to provide social services (Steurer, 2010). By striving to meet citizenship goals, corporate executives integrated responsibility into ethical leadership that served multiple stakeholders in balancing economic goals with societal demands (DeThomasis & St. Anthony, 2006).

Today Corporate Social Responsibility (CSR) has leveraged into a pivotal factor to align profit maximization with concern for societal well-being and environmental sustainability. Corporations contribute to social causes beyond mere economic and legal obligations (Elkington, 1998; Lea, 2002; Livesey, 2002; Matten & Crane, 2005; Wolff, 2002). Nowadays almost all corporations have embedded social responsibility in their codes of conduct, introduced CSR in their stakeholder relations and incorporated social conscientious practices in their management (Crane, Matten & Moon, 2004; Werther & Chandler, 2006). The emergence of CSR as a corporate mainstream is accompanied by CSR oversight by stakeholders advocating for corporate social conduct (Reinhardt, Stavins & Vietor, 2008). By ingraining economic, legal, ethical, and societal aspects into corporate conduct, CSR attributes the greater goal of enhancing the overall quality of life for this generation and the following (Carroll, 1979).

In line with these trends, CSR has become an *en vogue* topic in academia. Academics challenge Milton Friedman’s proclamation of profit maximization as the primary intention for business activities and investigate innovative public private partnerships (PPPs) to contribute to social welfare (Moon, Crane & Matten, 2003; Nelson, 2004; Prahalad & Hammond, 2003). Under the guidance of international organizations, CSR developed into a means of global governance social service provision in innovative PPPs that tackle social deficiencies in the private sector.

Concurrent with corporations having started to pay attention to social responsibility, ethical considerations have become part of the finance world. Developing an interest in corporate social conduct, conscientious investors nowadays fund socially responsible corporations (Ahmad, 2008; Sparkes, 2002; The Wall Street Journal, August 21, 2008). In Socially Responsible Investing (SRI) securities are not only selected for their expected yield and volatility, but also for social, environmental and institutional aspects. In the special case of political divestiture, socially responsible investors refrain from contributing to politically incorrect market regimes. With trends predicting continuing globalization, corporate conduct disclosure and societal crises beyond the control of single nation states, the demand for corporate social responsibilities is believed to continuously rise (Beck, 1998; Bekefi, 2006; Fitzgerald & Cormack, 2007; Livesey, 2002; Scholte, 2000).

In the aftermath of the 2008/09 World Financial Crisis, SRI has become a prominent term (The Wall Street Journal, August 21, 2008; The Economist, January 17, 2008). With ongoing ‘Occupy’ movements around the world, the call for responsibility within corporate and financial markets has reached unprecedented momentum. Mainstream economic theories are challenged for having been preoccupied with demonstrating how markets are largely efficient, unregulated market forces working towards the best interest of the single market participant and the collective of societal constituents (Stiglitz, 2003). Financial crises theories have largely ignored socio-psychological notions of economic systems and socio-psychological facets of market participants (Soros, 2008). To avert a recurrent financial disaster in the future, a heterodox investigation of social responsibility of market actors are demanded by political and financial leaders. As for gaining an accurate understanding of economic markets, future research must widen the interdisciplinary lens and consider socio-psychological motives in corporate, economic and financial theories and models.

Gaining insight on the socio-psychological roots of Financial Social Responsibility could help delineating circumstances under which social responsibility is likely to occur, yet also grant insights on how to steer social conscientiousness in private sector markets. Unraveling socio-psychological triggers for financial social conscientiousness within corporate and financial markets provides an opportunity to foster a harmonious interplay of financial markets and real market economies.

As a first step in this direction, the following piece theoretically explores potential socio-psychological motives of socially responsible market actors. The paper opens with describing Socially Responsible Investment (SRI) in order to propose a theoretical framework of socio-psychological SRI motives including personal and social needs that may complement rational profit maximization endeavors and leadership advantages. Utility derived from altruism, innovation, transparency and social status prospects in the wake of ethicality are introduced as potential SRI drivers. In addition, self-enhancement and social expression of future-oriented SRI options may supplement profit maximization goals. Conclusions aid the ongoing adaptation and adoption of SRI with a special attention to the interplay of public and private contributions. In sum, this article explores innovative ways in which financial markets create value for society by the successful implementation of Financial Social Responsibility fostering the overarching goal of improving the living conditions for this generation and the following.

SOCIALLY RESPONSIBLE INVESTMENT (SRI)

Today social responsibility has emerged into an *en vogue* topic for the corporate world and the finance sector. Contrary to classic finance theory that attributes investments to be primarily based on expected utility and volatility, the consideration of social responsibility in financial investment decisions has gained unprecedented momentum (The Economist, January 17, 2008; The Wall Street Journal, August 21, 2008).

Financial Social Responsibility is foremost addressed in Socially Responsible Investment (SRI), which integrates personal values and social concerns into financial investments (Schueth, 2003). SRI is an asset allocation style, by which securities are not only selected on the basis of profit return and risk probabilities, but foremost in regards to social and environmental contributions of the issuing entities (Beltratti, 2003; Williams, 2005).

Socially responsible investors allocate financial resources based on profit maximization goals as well as societal implications. Pursuing economic and social value maximization alike, socially responsible investors incorporate CSR into financial decision making (Renneboog, Horst & Zhang, 2007; Schueth, 2003; Steurer, Margula & Martinuzzi, 2008). Socially conscientious investors fund socially responsible corporations based on evaluations of the CSR performance as well as social and environmental risks of corporate conduct. Thereby SRI becomes an investment philosophy that combines profit maximization with intrinsic and social values (Ahmad, 2008; Livesey, 2002; Matten & Crane, 2005; Wolff, 2002). SRI allows the pursuit of financial goals while catalyzing positive change in the corporate, finance and political arena (Mohr, Webb & Harris, 2001; Schueth, 2003).

As of today, SRI accounts for an emerging multi-stakeholder phenomenon with multi-faceted expressions. SRI features various forms and foci to align financial considerations with ethical, moral and social endeavors. Contemporary SRI practice comprises socially responsible screenings, shareholder advocacy, community investing and social venture capital funding (Steurer et al., 2008). Screenings integrate the evaluation of corporate financial and social performances into portfolio selections. Positive screenings target at corporations with sound social and environmental responsibility. Negative screenings exclude entities featuring morally and ethically irresponsible corporate conduct. Shareholder advocacy is the active engagement of shareholders in the corporate management by voting, activism and dialogue. The majority of shareholders exercise their voting rights by proxy resolutions, in which a third party has the right to advocate for the shareholders before the corporate board. Negative shareholder activism comprises political lobbying, consumer boycotts, stakeholder confrontation and negative publicity. In the case of political divestiture, socially responsible investors use their market power to attribute global governance goals. By foreign direct investment flows, SRI relocates capital with the greater goal of advancing international political development (Schueth, 2003; Starr, 2008). Community investing describes ear-marks of investment funds for community development, but also features access to financial products and services to un(der)served communities. Social venture capital supports pro-social start-ups and social entrepreneurs for the greater goal of increasing the social impact of financial markets.

The various SRI expression forms leverage Financial Social Responsibility into a multi-stakeholder phenomenon. By combining social, environmental and financial aspects in investment options, SRI encompasses a broad variety of stakeholder interests (Dupré, Girerd-Potin & Kassoua, 2008; Harvey, 2008; Steurer, 2010). Building the relationship between the financial world and society, SRI embraces multiple stakeholders ranging from *economic* (e.g., institutional and private investors), *organizational* (e.g., labor union representatives, banking executives, fiduciaries) and *societal* (e.g., representatives of international organizations and non-governmental organizations, governmental officials, public servants, nonprofits, media representatives, academics) actors.

The broad variety of SRI stakeholders can be explained by the history of Financial Social Responsibility (McCann, Solomon & Solomon, 2003; Solomon, Solomon & Norton, 2002; Sparkes, 2002). As SRI options have increased in size, number and scope in the wake of a qualitative and quantitative growth in the Western World within recent decades, SRI emerged into an investment philosophy adopted by a growing proportion of financial practitioners (McCann et al., 2003; Solomon et al., 2002; Sparkes, 2002). Over the last ten years, assets involved in social investing have risen four percent faster than all professionally-managed investment options in the US accounting for US $ 2.5 trillion or 20.7% of the US market in 2005 (Social Investment Forum Report). The rise in SRI is accompanied by the upcoming of stock exchange rating agencies, social responsibility impact measurement tools, social reporting and certifications.

Today the range of shareholder engagement possibilities is more sophisticated than ever and trends forecast a further maturation of SRI. The SRI market has reached unprecedented diversity featuring a wide range of multi-faceted SRI activities and a variety of stakeholder engagement possibilities. Financial Social Responsibility comprises commercial SRI retail to the public in socially screened separate accounts, mutual and pension funds, bonds and community development as well as hybrid instruments that undergo financial and ethical value tests (Mathieu, 2000; Rosen, Sandler & Shani, 1991; Sparkes & Cowton, 2004). The establishment and advancement of SRI retail and the adoption of SRI by major institutional investors has matured SRI from a margin to a more mainstreamed asset allocation style (Mathieu, 2000; Rosen et al., 1991; Sparkes & Cowton, 2004). SRI has been adopted by a growing proportion of investors around the world. The incorporation of social, environmental and global governance factors into investment options has increasingly become an element of fiduciary duty, particularly for investors with long-term horizons that oversee international portfolios.

The ascent SRI has been accompanied by a change in the qualitative nature of social investments. The current SRI notion is very different from the earlier ‘ethical investment’ based on negative screenings (McCann et al., 2003). Although a moral touch remains, the establishment of SRI retail funds and the adoption of SRI by institutional investors have turned SRI into a pro-active positive screening option. The growth of Financial Social Responsibility expressions has transformed SRI into an investment philosophy adopted by a growing proportion of investment firms and governmental agencies around the world (Knoll, 2008; Mohr et al., 2001; Sparkes & Cowton, 2004). The sophistication of socially responsible shareholder engagement has triggered an upcoming of social and environmental stock exchange rating agencies, SRI impact measurement tools, corporate social and environmental reporting and certifications on social, ethical and environmental corporate performance (Steurer et al., 2008). This trend goes hand in hand with business professionals and analysts monitoring as well as academia documenting Financial Social Responsibility.

As of today social responsibility has emerged into an *en vogue* topic for corporate executives, governmental officials, international public servants and stakeholder representatives. Due to globalization, worldwide business mergers, but also as for international deficiencies beyond the scope of nation states; the call for CSR and SRI has reached unprecedented momentum (Ahmad, 2008; Beck, 1998; Levitt, 1983; Livesey, 2002, Scholte, 2000). In the wake of the 2008/09 World Financial Crisis, corporate social misconduct and financial fraud have steered consumers and investors to increasingly pay attention to democracy and social responsibility within market systems (Roberts, 2010). Current stakeholder pressure addresses social responsibility of market actors and information disclosure of corporate and financial conduct. Legislative reforms enhance the accountability of financial market operations. With the era of liberalization being halted by the 2008 financial meltdown, the reinterpretation of the public-private sector roles in providing social services has leveraged social responsibility into a pressing debate. The renaissance of attention to responsibility as a prerequisite for the functioning of economic systems lets SRI appear as windows of opportunity to re-establish trust in fallible market systems (Little, 2008; Livesey, 2002; Matten & Crane, 2005; Trevino & Nelson, 2004). The current drive towards transparency and accountability of financial markets perpetuates the idea of financial social conscientiousness. For the future, economists and trend analysts attribute the emergence of SRI the potential to lift entire market industries onto a more socially conscientious level – if the majority of investors are social responsibility and social conscientiousness becomes a feature of everyday financial decision making.

Given the current demand for social responsibility within market systems, the common knowledge on SRI is fairly limited. Empirical studies on SRI are rare with the current body of research primarily targeting at efficiency and financial correlates of SRI. While market studies foremost focus on economic fundamentals, the knowledge on socio-psychological components of socially responsible financial decision making remains scarce. The writings on socially responsible investors address demographic variables and lifestyle factors, but neglect socio-psychological motives. Mild attention has been paid to socio-psychological foundations of SRI given the potential of Financial Social Responsibility to support and advocate for a sustainable market economy. In addition, until today the contributing drivers of SRI and success factors of Financial Social Responsibility are unexplained.

In the light of the current uprising of Financial Social Responsibility, the following paper will therefore explore potential socio-psychological SRI motives of socially conscientious investors to complement classic finance theories. As a first step towards a unified Financial Social Responsibility approach, a preliminary SRI framework will be presented to delineate potential circumstances under which SRI is likely to occur and by which financial social conduct could be triggered. The theoretical framework will introduce social and psychological factors contributing to financial social conscientiousness.

Being knowledgeable about SRI motives has manifold advantages. Overall describing SRI helps resolving societal losses imbued in the novelty, complexity and ambiguity of Financial Social Responsibility. Evaluating up-to-date research on financial social consideration will increase the effectiveness of Financial Social Responsibility and allow promoting SRI to the finance community.

Information on socio-psychological motives of socially responsible investors will also add behavioral insights to classic financial market theories. Potentially underlying SRI causes and triggers will be presented to become empirically tested in behavioral economics research on Financial Social Responsibility. Gaining a more sophisticated understanding of Financial Social Responsibility will help finding repeatable patterns and crafting policies to trigger SRI within financial markets and thus foster a more effective social responsibility implementation. In particular, depicting socio-psychological SRI factors may help delineating triggers and impacting success factors for SRI.

Overall, the research is targeted at unraveling the dynamics of social responsibility to increase social conscientiousness of the finance world. Engaging in the current discussion on Financial Social Responsibility will allow predicting future global trends in order to aid a productive interplay of public and private sector forces. Research on SRI in the aftermath of the 2008/09 World Financial Crisis will help understanding SRI as a means to re-establish trust in financial global governance to ensure financial market stability as a prerequisite for sustainable market economies and future guarantee of societal progress. Contributing to a successful rise of social responsibility within modern market economies is aimed at SRI becoming a mainstream feature of financial decision making serving the greater goal of fostering positive societal change.

SRI FRAMEWORK

Traditional financial market theory holds investment decisions being based on rationality (Baron, 2000; Carswell, 2002; Michelson, Wailes, van der Laan & Frost, 2004). Classical portfolio theory depicts investment allocations dependent on profit maximization of expected utility and volatility (Dupré et al., 2008; Harvey, 2008). The recent boom in socially responsible investment options but also the heightened attention to Financial Social Responsibility in the aftermath of the 2008/09 financial meltdown have leveraged the demand to understand irrational socio-psychological motives of investment behavior to unprecedented momentum (Beltratti, 2003). With the current body of SRI studies focusing on the supply side and financial performance, scarce is the understanding of socio-psychological motives for SRI (Brenner, 2001; Cuesta & Valor, 2007; Mohr, Webb & Harris, 2001).

In first attempts to analyze the reasons for socially responsible market behavior, demographic correlates revealed socially responsible investors to be well-educated, young and more likely to be female (Hayes, 2001; Rosen, Sandler & Shani, 1991; Sparkes, 2002). Socially responsible investors are described as perfectionists who are likely to serve in caring professions such as medicine, education or social work (Tippet, 2001; Tippet & Leung, 2001).

As for investment distributions, 80 percent of socially responsible investors have mixed portfolios and only 20 percent exclusively hold onto SRI options (Dupré et al., 2008). No significant levels of materialism, risk propensity and investment performance concerns are found for socially responsible investors, who tend to believe that SRI implies lower returns than ordinary market options (Sparkes, 2002).

First exploratory anecdotal evidence unravel on socio-psychological motives of SRI leads to a diverse and non-stringent picture: A survey of over 1,100 individual investors showed correlations between SRI and socio-psychological lifestyle factors such as post-materialism, self-image enhancement and social attitudes (Lewis, 2001 in Sparkes, 2002; Rosen et al., 1991). Socially responsible investors are described as liberal pro-environmentalist who are open to exotic cultures. As idealistic altruists, socially conscientious investors are less likely to be self-centered and hold onto traditional gender roles, religious and moral values (O'Neil & Pienta, 1994; Ray & Anderson, 2000; Sproles, 1985; Sproles & Kendall, 1986).

Investors potentially consider SRI for economic, psychological and social reasons. SRI grants multifaceted utilities to investors – some of them rational, others less in sync with classic homo oeconomicus assumptions. Monetary gratification may very likely be accompanied by socio-psychological values and human-imbued wishes for common goals compliance (Waldman, Siegel & Javidian, 2004). The underlying socio-psychological motives for investors exhibiting social responsibility and integrating ethicality in their portfolio choice are yet opaque. As classic finance theories have blacked out moral and ethical dimensions, a descriptive framework for Financial Social Responsibility has yet to be built (Dupré et al., 2008). In a first attempt to shed light on socio-psychological SRI facets, the following investor motives are proposed and described in detail in the following:

(1) The intention to maximize profits

(2) Altruism as the concern for the societal well-being

(3) Need for innovation and entrepreneurship

(4) Strategic leadership advantages through social status elevation

(5) Utility derived from transparency and information disclosure

(6) Self-enhancement through identification and self-consistency

(7) Expression of social values

(8) Long-term considerations

1. THE INTENTION TO MAXIMIZE PROFITS

Empirical investigations of the relationship between SRI and profitability offer no generalizable pattern (Butz, 2003; Hamilton, Hoje & Statman, 1993; McWilliams & Siegel, 2000). Up to date no stringent answer on the performance of SRI in relation to the overall market has been identified (Dixon, 2002; Jones, van der Laan, Frost & Loftus, 2008; Little, 2008; Mackey, Mackey & Barney, 2004). While some evidence holds SRI out- (e.g., Kempf & Osthoff, 2007), others underperforming the market (e.g., Fowler & Hope, 2007) and some studies report no difference of SRI to conventional market indices at all (e.g., Abramson & Chung, 2000; Boutin-Dufresne & Savaria, 2004).

For instance, since 1992 the Domini 400 Social Index has outperformed the S&P 500 (Harvey, 2008). Data of the 100 'Best Corporate Citizens' corporations underlined the SRI profitability to outperform the Standard & Poor's 500 Index (S&P 500) – an index of 500 widely-held stocks to measures the general market performance (Kotler & Lee, 2005). In addition, a pool of 277 corporations listed at the Toronto Stock Exchange exhibited a positive relation of social responsibility, positive financial return and low volatility from 1996 to 1999. Sector-specific investigations related corporate environmental responsibility to higher risk-adjusted returns (Cohen, Fenn & Konar, 1997; Posnikoff, 1997).

In contrast, stocks of 451 UK corporations with sound social performance were depicted to significantly under-, while corporations with low corporate social performance to considerably outperform the market (Brammer, Brooks & Pavelin, 2006). Within the Australian market, ethical funds were significantly undervalued in the market from 2002 to 2005 (Jones et al., 2008). In sync, McWilliams, Siegel & Teoh (1999), Meznar, Nigh & Kwok (1994), Ngassam (1992) as well as Wright and Ferris (1997) reported political divestiture to be associated with shareholder wealth loss.

No difference in the financial performance or volatility rates of SRI to the rest of the market was identified by Abramson and Chung (2000) as well as Boutin-Dufresne and Savaria (2004).

In closing, there is no stringent answer as to whether SRI is associated with an in- or decrease in shareholder return and volatility (Berman, Wicks, Kotha & Jones, 1999). Sometimes socially responsible financial market options increase shareholder value, in some cases SRI reduces shareholder profits and sometimes SRI does not deviate from ordinary financial options (Hamilton et al., 1993; Maux & Saout, 2004).

The inconsistency of findings is attributed to manifold SRI expression forms and measurement deficiencies. Positively screened SRI funds – that more likely feature IT-technology and alternative energy industries attracting innovative venture capital – tend to be more volatile, yet if successful, grant high profitability – e.g., solar energy funds have significantly outperformed the market in recent years and remained relatively stable during the 2008/09 World Financial Crisis.

As for excluding high-return, high-volatility industries such as petroleum, defense and addictive substances, negatively screened options are more likely to underperform in the market. At the same time negative screened market options are robust to overall market changes. Negative screening asset holders are more loyal to their choice in times of crises, which contributes to the stability of these options. Data on the profitability of political divestiture indicates a potential first mover advantage for early divestiture.

In a cost and benefit analysis, SRI implies short-term expenditures, but grants long-term sustainable investment streams. In the short run, screened funds have a higher expense ratio in comparison to unscreened ones – that is social responsibility imposes an instantaneous 'ethical penalty' of decreased immediate shareholder revenue (Mohr & Webb, 2005; Tippet, 2001). In addition, searching for information and learning about CSR is associated with cognitive costs. Screening requires an extra analytical decision making step – especially positive screens are believed to be more cognitively intensive than negative ones (Little, 2008). In addition, screening out financial options lowers the degrees of freedom of a full-choice market spectrum and risk diversification possibilities (Biller, 2007; Mohr & Webb, 2005; Williams, 2005).

On the long run, however, SRI options offer higher stability, lower turnover and failure rates compared to general assets (Dhrymes, 1998; Geczy, Stambaugh & Levin, 2003; Guenster, Derwall, Bauer & Koedijk, 2005; Schroeder, 2003; Stone, Guerard, Gületkin & Adams, 2001). Being based on more elaborate decision making, once investors have made their socially responsible decision, they are more likely to stay with their choice (Little, 2008). As a matter of fact, SRI options are less volatile and more robust regarding cyclical changes (Bollen & Cohen, 2004).

The unclear picture whether SRI leads to an in- or decrease in market value may stem from Financial Social Responsibility measurement deficiencies ranging from intangible and time-inconsistent pay-offs. SRI studies are methodologically limited by small sample sizes due to the relative novelty of Financial Social Responsibility, inconsistencies in the short time frames under scrutiny and differing modeling techniques used to estimate investment returns (Jones et al., 2008; McWilliams & Siegel, 1996; Mohr et al., 2001; Ngassam, 1992; Teoh, Welch & Wazzan, 1999). Most SRI studies do not take externalities on the wider constituency group into consideration, which lowers the external validity of the results and calls for a more whole-rounded examination of SRI (McWilliams et al., 1999).

When widening the interdisciplinary lens for SRI motives, it becomes apparent that socio-psychological motives of socially conscientious investors have not been studied sufficiently. Apart from the intention to maximize profits; the following framework proposes socio-psychological mechanisms that may impact on financial social conscientiousness. Altruism as the concern for the societal well-being as well as the need for innovation and entrepreneurship are potential SRI triggers. Financial Social Responsibility may also grant strategic leadership advantages through social status elevation prospects and utility derived from transparency and information disclosure. SRI options may allow self-enhancement through identification and self-consistency and an expression of social values of future-oriented, long-term focused socially-conscientious investors.

2. ALTRUISM AS THE CONCERN FOR THE SOCIETAL WELL-BEING

A mixture of egoistic and altruistic acts constitutes human behavior as both are features of human nature (Becker, 1976). The duality of altruism and egoism in human behavior is addressed as early as in ancient Greek writings. Already Socrates connected egoistic individual responsibility to altruism (Sichler in Weber, Pasqualoni & Burtscher, 2004). The altruism versus egoism predicament is also captured by Adam Smith (Beinhocker, 2007). In *An Inquiry into the Nature and Causes of the Wealth of the Nations,* Smith (1776/1976) proposes self-interest as the motivating force for all economic activity to cumulatively enhance societal well-being (Jones & Pollitt, 1998). In *The Theory of Moral Sentiments*, Smith (1759/1976) argues all human beings being selflessly interested in the well-being of others as for altruistic moral sentiments (Zak, 2008).

Altruism is captured as a state, by which individuals increase the fitness of others at the expense of their own (Wilson, 1975). As a source of value for those who give, altruism is associated with selfish pleasure (Brooks, 2008). Short-term intangible gratification of altruism is related to the warm glow – an internally rewarding positive feeling derived from the giver being conscientious of their pro-social behavior (Brammer, Williams & Zinkin, 2005; Frey & Stutzer, 2007; Heyman & Ariely, 2004). Granting meaning to the individual beyond the self, altruism contributes to the positive self-perception and well-being of the giver. As one of the most enduring human traits, altruism is evolutionary explained by the increased survival likelihood of those who are supported by others and dominance of supportive networks (Becker, 1976).

Today classic market fundamentalism is challenged by findings of the importance of altruism in decision making (Osnabrugge & Robinson, 2000). Contrary to classical economic assumptions of pure self-interest driving all human action, behavioral economist find altruism as a part of economic decision making in experiments (Frank, 2007). Behavioral economics introduce altruism and pro-social behavior in financial decision making analyses. Challenging classic portfolio theory that holds investments being purely based on rationality, business ethics describe affluent societies to exhibit altruism in investment choices deviating from pure profit maximization (Becker, 2008; Brooks, 2008; Frey & Stutzer, 2007). Economic psychology finds altruism as a pivotal motivation factor for investment allocations as investors exhibit pro-social concerns (Brooks, 2008; Csikszentmihalyi, 2003; Kirchler, 2001). Market behavior is captured to serve pro-social, altruistic endeavors. As socially conscientious investors are found to be willing to sacrifice profits for the sake of altruism, SRI is portrayed as an investment strategy that combines profit intentions with social considerations (Little, 2008). Within society, altruism breeds cooperation and creates long-term beneficial societal ties. Altruism contributes to collective trust and social capital as implicit prerequisites for any economic market activity and societal prosperity (Brooks, 2005; Frey, 2008).

Extended investors' altruism is expressed in investor philanthropy, which stems from a combination of tax exemptions for charity but also utility decline of marginal profits leading to a search for warm glow in giving beyond personal profit maximization (Holman, New & Singer, 1985). Investor philanthropy is most common in the US due to a combination of financial wealth accumulation, cultural values of giving and tax exemptions for charity. Prominent US investor philanthropists are Warren Buffett – who recently donated over 85 percent of his fortune to charity – and George Soros, who couples economic investments with philanthropy by leading the Soros Fund Management alongside the non-profit Open Society Institute and Soros Foundation (Bernstein & Swan, 2007; Soros, 1997, 2003).

3. NEED FOR INNOVATION AND ENTREPRENEURSHIP

Innovations are as old as mankind. Since industrialization entrepreneurial activities and innovations are the mainspring of societal progress and economic prosperity (Drucker, 1985; Schumpeter, 1951/1989). Already Karl Marx described the constant diffusion of innovations driving capitalism. Joseph Schumpeter (1934, 1951/1989) refined the idea of profit stemming from innovations. Entrepreneurs were captured to uniquely combine means of production to generate new products for innovation-seeking consumers. By efficiently using resources in an unprecedented, productive way, entrepreneurs spur innovative change. Entrepreneurial innovations drive productivity, create and extend markets and steer economic development in open market societies (Handy, 2006).

Entrepreneurs are in need of a supportive environment and advantageous societal settings that support their endeavors. While entrepreneurial activities are reported in various historical contexts and exist in almost all cultures, their degree of success depends on external, culture-related factors of institutional and regulatory frameworks, investment capital and societal values (Brooks, 2008; De Woot, 2005). As incubators for entrepreneurship, innovative milieus attract entrepreneurs and prosper innovations (Aydalot & Keeble, 1988). Libertarian, open market societies breed innovation by economic freedom, investment capital, private property securitization and social capital (Camagni 1991; Fromhold-Eisebith, 2004; Rodrik, 2007). In innovative milieus knowledge dissemination in sync with collective learning processes and expertise platforms stimulate entrepreneurial activities.

While innovations flourish best in regulatory leeway, the 2008/09 World Financial Crisis has drawn attention to an additional essential feature for the long-term success of entrepreneurial innovations in free-market hubs – social responsibility. The 2008 World financial meltdown underlined that creative entrepreneurs featuring dynamic energy, an extraordinary striving for innovative progress and high levels of risk acceptance can impose emergent and systemic risks to unregulated markets (Drucker, 1985; Goleman, 2006; Kirchler, 2001). While unregulated markets are essential for fostering an innovative climate, the past 2008/09 regulatory watchful eye over the market place has created an ‘Age of Angst’ featuring shied liquidity and corporate capital hoarding that may only be overcome by renewed attention to the importance of risky entrepreneurs driving innovation, yet who are also socially conscientious allowing free market innovations to prosper sustainably. Social responsibility as an essential safety protection beyond legal regulation ensures correct performance of contracts coupled with additional conscientiousness for social needs. In these functions, Financial Social Responsibility serves societal goals beyond the regulatory control.

Within financial market in particular, SRI is an innovative and entrepreneurial investment option that allows sustainable free market economic growth protected by a personal social responsibility taming personal excesses that can impose potential risks onto the economy (Waldman et al., 2004). As a means of stakeholder activism, SRI allows investors to reward societal progress and innovatively tackle social and environmental concerns. Especially positively screened SRI funds feature innovative corporations that pro-actively administer social responsibility beyond the legal requirements (Aiken & Hage, 1971; Little, 2008). Positively screened environmentally friendly corporations contribute to future-oriented funds that attract innovative and entrepreneurial investors (Blank & Carty, 2002; Coulson, 2002; Meyers & Nakamura, 1980; Russo & Fouts, 1997; Ziegler, Rennings & Schröder, 2002). In shareholder advocacy, SRI becomes a means to address social concerns (Little, 2008).

As an innovative capital allocation form for entrepreneurial spirits, SRI is preferred by venture capitalists and business angel investors. These future-oriented investors have an interest in innovative market options that steer societal change and sustainably improve societal conditions (Schueth, 2003). Social venture capitalists are prone to screen financial options for entrepreneurial opportunities. Venture capitalists seek to finance social entrepreneurs and early-stage businesses innovations. Venture funds feature relatively high risk in combination with extraordinary return expectations. Apart from high growth outlooks, venture capital funds serve as a source for innovative economic growth and international development within society (Gompers, Kovner, Lerner & Scharfstein, 2005).

Business angel investors are the oldest and most influential external entrepreneurial start-up funding source. In the US close to three million business angles invest more than US $ 50 billion in entrepreneurial corporations per year (Little, 2008). Business angels fund 30-40 times as many entrepreneurial start-ups than venture capitalists (Little, 2008). As innovative investors, business angels are attracted to entrepreneurial ideas, willing to take high risks and accept lower returns. Angel investors primarily finance early-stage projects that may require hands-on managerial involvement. As for interests in start-up corporations and early-stage ventures, business angels are less likely to make follow-up investments in the same entities. In the US individual angel investors are predominantly male, 35 to 40 years old – which is significantly older than the average venture capitalist – while their European counterparts are slightly older (Wetzel & Freear, 1996). Business angels are well-educated with 60 percent holding postgraduate degrees and 13 percent PhDs in various disciplines. Having more corporate exposure than venture capitalists, around 90 percent of business angels have prior corporate experience. Business angels tend to be more flexible than venture capitalists and make industry-wide investments. In recent decades, the overall market for business angels has grown quantitatively and qualitatively in the Western World.

4. STRATEGIC LEADERSHIP ADVANTAGES THROUGH SOCIAL STATUS ELEVATION

Social status is as old as mankind. Already ancient sources attribute rights and allocate assets based on status (DiTella, Haisken-DeNew & MacCulloch, 2001). All cultures feature some form of social status displayed in commonly-shared symbols. Social status attributions posit people in relation to each other in society based on individual characteristics but also group membership (Ball & Eckel, 1996; Hong & Bohnet, 2004; Huberman, Loch & Önçüler, 2004; Loch, Huberman & Stout, 2000; Ridgeway & Walker, 1995). Social status can be ascribed or achieved. Ascribed status – such as gender or race – is determined by birth. Achieved status is acquired throughout life by, for instance, education or occupation.

As ascribed status can be improved throughout life, relative status positions are assigned in zero-sum games – thus one individual's status gain lowers another ones' status. Individuals implicitly weigh their social status based in the number of contestants in ranks above and below them (DiTella et al., 2001). In societal hierarchies, status is related to a diverse set of opportunities. Different rules and availability of resources apply to variant social status positions (Young, 2011).

As an intrinsic fundamental human characteristic, people are concerned about their social status in relevant domains, leveraging social status striving into a pivotal motivation factor in human live (e.g., Coleman, 1990; Duesenberry, 1949; Friedman, 1953; Friedman & Savage, 1948; Mazur & Lamb, 1980; Ridgeway & Walker, 1995; Veblen, 1899/1994; Weber, 1978). Social status impacts on an individual's social identity and emotional state (Postlewaite, 1998). Status gains and superiority are associated with positive emotions and well-being derived from positive interaction (Bird, 2004; Brown, Gardner, Oswald & Qian, 2004; Galiani & Weinschelbaum, 2007; Hong & Bohnet, 2004). Individuals gain psychological satisfaction from being better off than others and feel uneasy when they see others doing better (Easterlin, 1974; Hopkins & Kornienko, 2004). Status losses evoke risk aversion and embarrassment driving a desire to enhance one's self-image to overcome unhappiness (DiTella et al., 2001; Harbaugh, 2006).

Status concern is evolutionary explained by an interest to win contests (Raleigh, McGuire, Brammer, Pollack & Yuwiler, 1991). The human-innate striving for status superiority even holds for collectives (Frank, 1985; Frey & Stutzer, 2002; Keltner, Gruenfeld & Anderson, 2003; Layard, 2005; Wichardt, 2008). In the social compound, we favor positive status superiority of our groups compared to groups one does not belong to (Tajfel, 1978; Tajfel & Turner, 1986). Social opportunities are based on favorable group membership (Meeker & Weitzel-O'Neill, 1977; Ridgeway, Berger & Smith, 1985). Group members with high status have more control (Bales, 1951; Berger & Zelditch, 1985), receive more credit for success (Fan & Gruenfeld, 1998) and enjoy higher degrees of well-being (Adler, Epel, Castellazzo & Ickovics, 2000). In contrast, low status group members are more likely to be neglected (Chance, 1967; Savin-Williams, 1979), more often blamed for failures (Weisband, Schneider, & Connolly, 1995) and feel more negatively (Mazur, 1973; Tiedens, 2000).

Social status superiority is favorable as for attached rights, honors and prestige (Berger, Fisek, Norman & Zelditch, 1977; Cole, Mailath & Postlewaite, 1992; Huberman et al., 2004; Postlewaite, 1998). Already Adam Smith (1759/1976) related social status advantages to consumption opportunities (Roussanov, 2009). Sociologists depict the economic utility of status expression through conspicuous consumption (Bolton & Ockenfels, 2000; Coelho & McClure, 1993; Congleton, 1989; Galiani & Weinschelbaum, 2007; Hopkins & Kornienko, 2004; Kahneman & Thaler, 1991; Konrad & Lommerud, 1993; Veblen, 1899/1994).

Leaders express and distinguish themselves from others by their possessions and social empathy. Sociologists outline conspicuous consumption as a leadership distinction (Coleman, 1990; Veblen, 1899/1994). Leaders are willing to pay premium prices for trademarked high-end goods and innovative first editions to differentiate themselves from others (Becker & Murphy, 2000). In addition, pro-social giving grants leaders control over their social environment and discourages others from causing harm to givers. In pro-social activities, leaders thereby create strong interpersonal networks that lift their position in hierarchies (Brooks, 2008).

SRI implies social status-enhancing leadership advantages for investors, when being perceived as innovative market option that allows investors to distinguish themselves from others and establish and maintain leadership positions through pro-social outcomes. As an innovative entrepreneurial financial market option, SRI implies first mover advantages as a competitive edge. The extra-step of screenings leverages SRI into high-end, branded products. Positive image transfer portrays socially responsible investors as pro-social leaders (Ait-Sahalia, 2004).

Related to advantageous power and wealth distributions, leaders are in the position to give to others and those who give distinguish themselves as leaders. Altruistic social responsibility and charitable giving thus imply additional leadership advantages. Pro-social behavior of leaders is accompanied by positive feedback and a benevolent climate of their admirers (Brooks, 2008). As altruism contributes to the social reputation of the altruist, social responsibility enhances the social status of leaders (Becker, 1976; Brooks, 2008; Hermann, 2008; Sichler in Weber et al., 2004). Pro-social behavior thereby grows into value for those who give and leads to higher personal standing and status, leadership effectiveness and ultimately greater success. For their charitable giving, socially responsible investors enjoy a positive reputation and social status advantages (Ait-Sahalia, 2004; Wright & Ferris, 1997).

SRI offers potential implicit or explicit strategies to express and enhance social status in the social arena. Based on Maslow's (1943) hierarchy of needs, one can only be Überethical if having reached a certain social status. Not having to worry about food and shelter, frees mental capacities to address higher societal, ethical needs and future-orientedly filling current legal gaps. As ethicality is perceived as noble act that grants others' respect, individuals may use SRI as a conspicuous social status symbol in the social compound. Beyond governmental regulation and legal obligations, the nobleness of Überethical SRI may thus bestow individuals with social status elevation prospects (Puaschunder, 2011a).

SRI serving a need for ethicality captures when human are overdoing what is required by the law. In the natural human drive to do good to others, human are outperforming legal regulation whilst incurring costs and impose risks onto themselves. Similar to Zimbardo's heroic imagination (2011a,b) describing the voluntary service to others that involves a risk to physical comfort, social stature or quality of life; this kind of Überethicality stems from the voluntarily filling of legal gaps or outperforming legal goals that impose costs and risks onto the individual. In closing current legal gaps, the evolutionary-based natural law of Überethicality is forerunning legal codifications if considering laws to be the expression of our shared nature and amalgamated sum of social norms in society (Cicero in Keyes, 1966; Puaschunder, 2011a). Socially responsible investors foresightedly fulfilling future regulatory requirements, which grants first-mover leadership advantage (Young, 2011).

Given the natural respect for the voluntary willingness to incur risks for the sake of pro bono-outcomes as well as leadership advantages attributed to pro-actively tackling ethical problems that will likely cover future regulation, SRI is thus an implicit social status elevation means. Under the assumption that individual's self-esteem being dependent on social status and human constantly wishing to maintain or gain positive social status, Überethical SRI choices can thus serve as a powerful social status pedestal to claim or regain social status in the aftermath of the 2008/09 World Financial Crisis.

5. UTILITY DERIVED FROM TRANSPARENCY AND INFORMATION DISCLOSURE

When consumers chose, they seek information about products and corporate performance to diminish uncertainty in purchase situations. Transparency of corporation conduct impacts on consumption choices. Like consumer choices, investment decisions depend on information about corporate conduct as a prerequisite for investors' trust. As for lowered stakeholder pressure and litigation risks, CSR information impacts on investors' behavior (Gill, 2001; Myers, 1984; Siegel & Vitaliano, 2006; Williams, 2005). Investors' access to information about CSR is a prerequisite for SRI (Crane & Livesey, 2002; Little, 2008; Mohr et al., 2001). Shareholders react positively to governmental transparency demands of CSR conduct and a lack of information on CSR makes investors refrain from SRI options (Cuesta & Valor, 2007; Williams, 2005). Publicity disclosed unethical corporate behavior leads to divestment and lowered stock prices for a minimum of six months (Dasgupta, Laplante & Mamingi, 1998).

The basis for shareholder activism is transparency and information disclosure, monitoring of corporate conduct, accountability of the implementation of corporate codes of social conduct as well as internal and external CSR oversight. In the search for trustworthy information on CSR and corporate conduct externalities, socially conscientious investors primarily use corporate track records and shareholder resolutions on social and environmental performances (Graves, Rehbeim & Waddock, 2001; Little, 2008). Access to CSR information is formally granted through fiduciary obligations and spearheaded by respective security and transparency legislations (Bazerman & Tenbrunsel, 2011). In the largest SRI market, fiduciary responsibility to a variety of stakeholders is attributed by the US Statement of Investment Principles (Goodpaster & Matthews, 2003). Since the 2000, trustees have been required to disclose – as a part of their Statement of Investment Principles –

the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realization of investments. This measure was introduced to encourage socially responsible investments in pension funds (Hennigfeld, Pohl & Tolhurst, 2006). SRI selections are also influenced by information-sharing networks, word-of-mouth and emotional display (Thaler & Sunstein, 2008).

In the global arena, international organizations play a key role in defining transparency of SRI practices (Matten & Crane, 2005). From a global governance perspective, transnational entities are pivotal in institutionally supporting Financial Social Responsibility and streamlining SRI practices around the globe (Matten & Moon, 2004). International organizations define SRI standards and guideline the Financial Social Responsibility implementation in order to foster financial markets' global governance impetus on international development goals.

An instrument of CSR transparency is the United Nations Global Compact, which helps moving towards a universal consensus on the minimum standards of corporate social conduct in the areas of labor standards, human rights, poverty reduction, health and workplace safety, education and community engagement. The participation of corporations in the UNGC is foremost ensured through multi-stakeholder partnerships that target at leveraging the quality of corporate commitment to UN principles. The partnerships integrate CSR into corporate practices at the operational level throughout all hierarchical layers. The UNGC participants are advised to change corporate policies in sync with the Ten Principles.

Another effort targeted at ingraining CSR information into everyday investment decision making are the Principles for Responsible Investment (PRI). The United Nations Global Compact and the United Nations Environment Programme Finance Initiative launched the PRI at the New York Stock Exchange to ingrain social responsibility in asset owners and financial managers' investment decisions in April 2006. This public-private-partnership initiative was set up to increase the number of socially responsible investors and steer SRI by creating models for positive change within the investment community. The PRI are supported by the UNGC Conference Board, the chief executive officers of 20 global corporations, the International Finance Corporation of the World Bank Group, the Swiss Government, Columbia University and the UNEP Finance Initiative. Under the auspice of the UNGC and the UNEP Finance Initiative, the PRI invite institutional investors to consider SRI and mobilize chief executives of the world's largest pension funds to advance SRI on a global scale. The principles are designed to place Financial Social Responsibility into the core of financial managers and asset owners' investment decision making regarding pension funds, foundation assets and institutional endowments. At the one-year anniversary of the PRI, more than 170 institutions representing approximately US $ eight trillion in assets had committed to the PRI. Corporations that join the PRI report concomitant tangible (profit gain, efficiency, product innovations, market segmentation) and intangible (reputation, employee morale) benefits.

In February 2008 the UN Conference on Trade and Development (UNCTAD) launched the 'Responsible Investment in Emerging Markets' initiative at the Geneva PRI office. This PPP targets at fostering transparency and disclosure of emerging financial markets. The key constituents are stock exchange and financial analyst communities as future SRI drivers to support the UNGC goals. In addition, NGOs are invited to advance financial market transparency and accountability (Roberts, 2006).

In the wake of the 2008/09 World Financial Crisis, corporate governance failures and responsibility deficiencies of market actors have pushed stakeholder calls for transparency of corporate conduct, accountability of shareholder meetings, standardized tracking of proxy voting and accessibility of shareholder meetings (Gärling, Kirchler, Lewis & Van Raaij, 2010). As a positive externality of the financial crisis, the drive towards transparency and accountability within financial markets is likely to foster SRI in the future. Access to information is believed to lower economic default risks of socially irresponsible corporate conduct and contribute to uprising SRI trends.

6. SELF-ENHANCEMENT THROUGH IDENTIFICATION AND SELF-CONSISTENCY

While socially responsible investors are interested in financial profitability, at the same time they want their portfolio choice to conform with their personal opinions and societal norms (Little, 2008; Statman, 2007; Williams, 2005). Socially responsible investors are willing to sacrifice financial returns for aligning their investment allocations with personal and societal values (Statman, 2008). Financial Social Responsibility allows investors to attribute causes that are in line with their beliefs and societal values. As a means to integrate ethicality in economic decision making, SRI enables investors to address social norms that may resonate with their personal values (Knoll, 2008). SRI thereby serves intrinsic obligations to uphold protected values of morality (Alperson, Tepper-Marlin, Schorsch & Wil, 1991; Frey & Irle, 2002; Sparkes & Cowton, 2004). When paying attention to protected values, decision makers depart from rationality (Bazerman & Moore, 2008). Socially responsible investors fund ethical causes about which they personally care and refrain from ethical infringements. These protected values of ethicality are relatively stable across cultures and the drive towards social responsibility in investment decisions a natural behavioral law (Baron & Spranca, 1997; Puaschunder, 2011b).

The integration of personal ethics in their portfolio decision making and the perception of the investment decisions being in sync with personal protected values lets investors identifying with their choice (Mohr & Webb, 2005). The alignment of beliefs and actions evokes identification with investments that grants investors the notion of self-consistency. Self-consistency contributes to the self-enhancement of socially responsible investors (Frey & Irle, 2002; Schueth, 2003).

Emotions related to protected values may play a key role. Emotionality makes individuals resistant to economic utility considerations. Honing social values with investments triggers positive feelings related to solidarity on common goals. Groups bestow with self-worth elevating pride when members are complying with socially-favorable goals and shame arises when individuals act socially irresponsible. Fear of social status losses breaks unfavorable anti-social habits. Forced trade-offs from deontological ethics result in resistance, anger and denial by wishful thinking. By serving a positive self-reaffirmation of investors and granting a favorable mood of investors, SRI contributes to a benevolent climate between the finance community and real economy actors.

7. EXPRESSION OF SOCIAL VALUES

Everyday economic decisions are influenced by social considerations. Social motives also underlie financial decision making (Frey & Stutzer, 2007; Hong & Kacperczyk, 2006). Social norms are a prerequisite for Financial Social Responsibility. In particular, SRI enables investors to align personal economic endeavors with social obligations and express their social conscientiousness to others (Hitsch, Hortaçsu & Ariely, 2005).

Socially responsible economic activities can leverage into a form of expression of social conformity (Soros, 1995; Statman, 2000). When paying attention to SRI in their decision making, investors can express of social conformity (Sichler, 2006). SRI signals attention to culturally-endorsed social values that help connect investors with social reference groups. SRI thereby expresses accordance of personal values with societal norms of the wider society. The expression of personal values in SRI is attributed to stem from an internal need for conformity of words and deeds with social norms and societal values (Hofmann, Hoelzl & Kirchler, 2008). Individuals who care about their pro-social images signal their conformity with societal norms in socially responsible investment choices (Huberman et al., 2004).

The accordance of market interactions with social norms expresses positive, meaningful social identities. Stemming from the positive image of socially responsible corporations and the social gratification of pro-social behavior, socially responsible investors benefit from reputation and prestige gains (Derwall & Koedijk, 2006; Hong & Kacperczyk, 2006; Schroeder, 2003; Simons, Powers & Gunnemann, 1972; Stone et al., 2001; Webster, 1975). Expressing social norms in their investment behavior empowers socially responsible investors as for the social gratification of their pro-social choice. Socially conscientious financial decision making also grants influential expressive powers to change corporate policies and practices. SRI gives investors the right to vote at the shareholders' general assembly as well as the possibility to put forward resolutions on corporate governance. Shareholder advocacy influences corporate policies with positive societal implications (Mohr et al., 2001). As a positive externality, the expression of personal values in SRI positively contributes to the overall long-term societal progress.

8. LONG-TERM CONSIDERATIONS

Starting in the 1970s in the wake of shareholder activism, financial markets increasingly became attentive to socio-political circumstances over the last decades. Concurrently diminishing power of nation states in a globalizing world shifted social responsibility onto the private sector (Ahmad, 2008; Puaschunder, 2010). Since the 1990s capitalism grew into the triumphing market system and an upcoming financial market dominance was forecast. In the wake of financial markets' worldwide outreach in socio-political affairs and rising levels of social venture capital in international development, Financial Social Responsibility increasingly advanced into a global governance means.

The 2008/09 World Financial Crisis, however, put new perspectives on financial markets' global hegemony and sparkled societal interest in Financial Social Responsibility. In the aftermath of the 2008/09 financial downturn due to short-termism, the call for sustainable financial markets built on lasting values and economic stability stemming from a long-term investment prospect has reached unprecedented momentum.

In general, investment decisions are based on reflections about future prospects. Investment strategies can build sustainable financial returns if considering lasting, long-term societal implications (Crowther & Rayman-Bacchus, 2004). Long-term viability of corporate conduct is ensured by CSR. Socially attentive corporate conduct features sustainability considerations of corporate executives who are mindful of future risks and social impacts of their decision making. CSR grants long-term stability of corporate conduct as for creating a supportive business environment and decreasing stakeholder pressure and litigations risks (Little, 2008; Posnikoff, 1997; Sparkes, 2002). As socially responsible corporate conduct attributes long-term perspectives, when taking rising CSR trends into consideration, SRI offers lasting financial prospects and impact on society (Dupré et al., 2008; Little, 2008; McWilliams et al., 1999). From a multi-stakeholder perspective, SRI implies long-term positive societal outcomes (Sparkes, 2002). SRI ensures that corporations are held accountable for any social and environmental impacts and investments are in line with societal values (Sparkes, 2002). By shifting capital from socially disapproved to socially conscientious corporations, SRI fosters corporate social performances. Investor interested in 'social change' put their investments to work in ways that sustainably improve the overall quality of life. Socially conscientious investors thereby use SRI as a long-term strategy to contribute to society (Knoll, 2008; Schueth, 2003).

By offering long term prospect, SRI also breeds economic stability and societal advancement. As for being incentivized by first mover leadership advantages, more and more corporations may pay attention to social responsibility in the future. Accompanied by followers, the rising supply of SRI in combination with a heightened demand for the integration of personal values and societal concerns into financial decision making may prospectively leverage social conscientiousness to become a standard feature of investment markets. On the long run, the integration of SRI into the overall competitive model will further sophisticate social responsibility in corporate conduct (Starr, 2008; Stiglitz, 2003). Financial market demand and supply geared towards SRI will qualitatively sophisticate the option range in a more socially responsible way. In addition if the majority of investors are socially conscientious, socially responsible corporations will continuously benefit from increasing investment streams. Directed capital flows to socially responsible market options will thereby sustainably contribute to CSR and SRI trends (Dupré et al., 2008). Overall, financial markets attuned to social responsibility will lift entire industries onto a more socially conscientious level (Trevino & Nelson, 2004). As such SRI is attributed the potential to positively impact on the financial markets and create socially attentive market systems that improve the overall standard of living and quality of life for this generation and the following.

DISCUSSION

The article addressed potential Financial Social Responsibility drivers. Building a framework of socio-psychological SRI motives helped opening the black box of classic economic models to authentically capture investment decisions in order to foster the implementation of Financial Social Responsibility in the post-2008/09 World Financial Crisis era.

After the steady rise of SRI in recent decades, stakeholder concerns for Financial Social Responsibility has reached unprecedented momentum in the wake of the 2008/09 World Financial

Crisis. In the aftermath of economic downturns, SRI appears as a window of opportunity for fostering social progress. As a consequence legislative reforms and governmental regulations currently promote transparent social responsibility in financial markets. Transparency and accountability of financial social market operations are believed to sophisticate SRI into a mainstream feature of financial decision making. As a crisis-robust market strategy, SRI offers to implicitly ensure security and sustainability of markets. SRI appears as a window of opportunity for implementing Financial Social Responsibility whilst re-establishing trust in financial markets.

Investigating socio-psychological motives of Financial Social Responsibility is meant to aid recommendations on how to integrate social responsibility in financial markets and add information to overcome ambiguity of SRI in order to leverage SRI from a niche market solution to a state-of-the-art financial practice. In particular, the outlined socio-psychological motives may help providing information on SRI in order to advance the idea of Financial Social Responsibility. Overcoming a lack of information about socially conscientious financial practices can help building a shared understanding of social investment within the financial community. In line with the mere exposure effect, access to information on SRI fosters the integration of environmental and social governance in financial decision making (Frey & Irle, 2002). Information disclosure about the stability and effectiveness of SRI will help driving consumer confidence in markets. Outlining SRI as a market choice with several tangible and intangible utilities for investors will promote Financial Social Responsibility and stimulate the demand for SRI. The combined supply and demand increase will result in a quantitative and qualitative extension of SRI, which will further push the financial industry’s efforts to innovate SRI. With the rising importance of transparent Financial Social Responsibility and financial institutions integrating social, environmental and governance issues into investment analysis; social investment criteria will also become part of the fiduciary duty of trustees, financial advisers, asset managers and intermediary institutions.

To strengthen these trends, financial institutions and experts are encouraged to consider environmental and social responsibility in a variety of ways. Information on CSR and SRI should become part of financial market operations. Media reports may inform asset managers and financial analysts about the link between CSR and SRI. Supervisory bodies could help promote the inclusion of SRI criteria in financial management. Accounting entities, rating agencies and index providers should adopt environmental and social governance standards as a basis for evaluation criteria that guarantee the concurrent financial and ethical performance. Stock exchange advisors can help by communicating listed corporations the importance of environmental and social responsibility governance. Asset managers should encourage brokers to conduct SRI screenings. Investors are recommended to request information on SRI and develop SRI proxy voting strategies. Pension fund trustees can help by considering environmental and social criteria in the formulation of investment mandates. Consultants and financial advisers should incorporate environmental and social corporate governance in their portfolio allocation strategies and accept social responsibility as a state-of-the-art of fiduciary obligations. Financial analysts will then assess market opportunities with respect for social contributions and actively participate in ongoing voluntary responsibility initiatives.

The SRI community must ensure that Financial Social Responsibility is constantly innovated. Analysts should assist policy makers in setting up a SRI framework that reflects practitioners' needs. Financial experts can sophisticate Financial Social Responsibility measurement models and contribute to research on environmental and social investments. Governmental assistance must contribute to the implementation and administration of CSR and SRI with attention to private sector and civil demands. As the basis for stakeholder engagement and monitoring, transparency and accountability are key for advancing corporate and financial social market behavior. Novel SRI options that fulfill unmet responsibility needs will open the market for socially responsible economic growth whilst bringing societal change.

The newly emerging CSR and SRI phenomena also open avenues for future research with on social responsibility trends. Academic institutions should nurture the financial community's ethical sense. Business schools and think tanks could support SRI research and offer financial ethics education. Financial economists are advised to integrate socio-economic factors into standard economic profit maximization models. Concurrently behavioral economists should aim at explaining human decisions making fallibility on responsibility considerations and ethicality perceptions (Shu, Gino Bazerman, 2011a, b).

Future research may study SRI in a qualitatively and quantitatively nested approach. Qualitative interviews on the social perception of SRI will help resolving societal losses imbued in the novelty of the phenomenon and aligning incoherent viewpoints on SRI. Exploratory studies may capture predicted SRI trends with attention to socio-economic success factors of Financial Social Responsibility and stakeholder-specific SRI nuances. Quantitative market assessments may feature the event study methodology as the state-of-the-art analysis technique for capturing the impact of SRI on corporate success. Financial market experiments may complementary test microeconomic effects of divestment behavior. Research on bounded decision making could reveal implicit and accidental financial social irresponsibility and may validate the proposed socio-psychological SRI framework to distinguish moderator variables of investors' willingness to trade off financial profits for social gratifications. The findings will reduce cognitive barriers of decision making predicaments and lead to educative means for steering behavioral patterns in a more socially conscientious direction.

Additional investigations of the perception of SRI in the aftermath of the crisis could determine in what way the financial crisis has changed the financial community's view of market responsibility. Paying attention to the 2008/09 World Financial Crisis may help deriving recommendations for research-based transparency campaigns that promote SRI as a stable market option during times of crisis throughout the financial community and thereby raise the stakeholders' confidence in Financial Social Responsibility. The predicted trend of the rising of SRI should be captured by additional research on up-to-date corporate and Financial Social Responsibility conduct determining the strengths and weaknesses of private sector contributions to social welfare. All these profound research findings will serve as a basis for stimulating SRI innovations that lead to the concurrent economic prosperity and societal advancement.

Overall, the paper explored innovative corporate and financial market potentials to create value for society. A Financial Social Responsibility framework portrayed the manifold potentials of SRI to re-establish trust in financial markets by finding the optimum interplay of deregulated market systems and governmental control in ensuring market-driven social responsibility. The proposed socio-psychological SRI motives framework targeted at outlining ways how to better capture the effects of Financial Social Responsibility on economic markets and societal systems in order to provide recommendations for a successful rise of social responsibility within modern market economies. All these endeavors are aimed at fostering Financial Social Responsibility as a future guarantor of sustainable economic stability and societal progress throughout the world.

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