

A STUDY ON ETHICAL COMMITMENT OF INSTITUTIONAL INVESTORS ON STOCK PRICES

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ABSTRACT

This study explores the ethical commitment of institutional investors and its impact on stock prices institutional investors, including pension fund, insurance companies, and mutual funds holds significant impact over financial markets. As ethical considerations such as environmental, social and governance (ESG) criteria gain prominence, understanding how these factors affect investment decisions and stock performance becomes crucial.

This research aims to examine the relationship between the ethical commitment of institutional investors and stock prices. Companies with strong ethical commitments may shows low volatility due to investor confidence in their long-term sustainability and governance practices. Conversely firms with poor ethical standards might experiences higher volatility due to increased risk and uncertainty. The main purpose of the study is to identify the impact of ethical commitment of institutional investors on stock prices. The survey was conducted in the medchal district and data was collected using convenience sampling method. To analyses the data, statistical method such as “chi - square” is used. The chi square test revealed an association between gender and age. The test revealed an association between that there is a significant impact of ethical commitment of institutional investors on stock prices.

INTRODUCTION

The title “ethical commitment of institutional investors on stock prices” refers to a Study or research topic explores the relationship between ethical commitment of institutional Investors and financial performance of the companies. This study specifies about the Considerations of how ethical actions of institutional investors can impacts the financial Performances of the business. Institutional investors are the one who pools the large amounts of Money to invest in various financial markets. When investors prioritize ethical considerations, it can actually have positive impact on their stock prices. Being ethical and committed institutional investors can have positive Impact on financial performance in few ways.

First, it can enhance the reputation of the investor, attracting socially responsible investors who Value ethical practices this can lead to several potential benefits. Second the companies with Strong ethical practices often have better long-term sustainability, reducing the risk and Enhancing returns. Lastly ethical investments can align with consumer preferences, leading to Increased demand or profitability for ethical companies so by prioritizing ethics, it can show Positive impact towards financial success of the company.

REVIEW OF LITERATURE

Ahmed Firdhauz Zainulabidin(2022)

The main aspect of the study conducted on Malaysia. The study looks at the relationship between Ethical commitment and fiscal performance in companies and whether institutional investors play A part in moderating this relationship. The experimenters set up that companies with advanced Ethical practices tend to have better fiscal

performance. Still, the results regarding the moderating Effect of institutional investors were inconclusive. The study suggests that institutional investors Can enhance corporate performance through external monitoring mechanisms but this parts Seems to drop after the introduction of Malaysian code on corporate governance (MCCG)2017. Overall, the study contributes to the understanding of agency proposition and the significance of Ethical practices in creating value for companies.

Mohamed Eskandar(2020)

The fiscal performance of ethical finances in different regions and concludes that there is a cost Attached to ethical investing. an analysis of 964 mutual funds comprising of socially responsible Finances (SRFs) and the sharia compliant equity funds (SCFs) suggest that : a)except for global funds, both types of finances underperform in the market, b)both types of finances are preferred for investment in growth and momentum stocks, and c) SRFs are preferred for small capitalized stocks whereas SCFs do not follow any specific style or investment strategy.

These findings are probably due to the lack of diversification opportunities and poor managerial Skills. The results are robust to different asset pricing models and macroeconomic factors.

Giovanni c. Landi(2019)

Over last several times the issue of Social Finance has endured a deep interest from academics As a exploration Field to concentrate, as well as there has been growing attention on social Standing practices, aiming at measuring ethical Commitment posted by companies. The impact Of Commercial Social Responsibility (CSR) on the profitable and fiscal Performance of Companies has aroused curiosity among experimenters and interpreters, which have been leaving request Tone- regulation and effectiveness enterprises. So the study highlights the ethical Investments impacts the fiscal performance.

Choi, Tae Hee/ Jung,Jinchul(2008)

A variety of stakeholders including investors, corporate managers, customers, suppliers, Employees, researchers, and government policy makers have long been interested in the Relationship between the financial performance of a corporation and its commitment to business Ethics. As a subject of research, the relation between business ethics and corporate valuation has Yet to be thoroughly quantified and investigated. This article is an effort to amend this Inadequacy by demonstrating a statistically significant association between ethically Commitment and financial valuation measures. Consistent with anecdotal evidence we have Found a significant association between the ethical commitment of Korean companies and their Valuation on the Korean stock market.

Christopher J Cowton (2004)

Ethical investment finances are retail fiscal products which explicitly add social and ethical Aims Or constraints to normal fiscal criteria in opting their underlying share portfolio. By means of a Case study of a UK fund, this paper explores how the relationship between ethical criteria and Fiscal performance might be handled which is one of the critical issues that arising in putting Ethical investment into practice the exploration conforms perception of a pressure between the Implementation of an ethical policy and the achievement of good financial performances and it Identifies some of the ways which fund managers might seek to cope with the pressure. However The study suggest that there is a possibility if the institutional investors shows the ethical Commitment it will impact financial success.

RESEARCH METHODOLOGY

RESEARCH GAP

Previous Studies have explored how institutional investors ethical commitments impacts various Aspects of financial markets. However, there's limited understanding about how exactly Institutional investors ethical commitments influences stock prices. This Study aims to fill this Gap by investigating the direct connection between institutional investors ethical commitments and Fluctuations in stock prices.

NEED OF THE STUDY

This study is necessary for a number of reasons. First off, Institutional investors are incorporating ethical standards more and more into their investment Plans as a result of growing awareness of the importance of ethics in investing decisions.

Second, in a time of increased ethical consciousness and corporate social responsibility, investors, Regulators, and stakeholders want to know how much ethical commitments affect stock prices and Market behaviour.

Thirdly, a crucial information gap exists in the financial literature about the Relationship between stock prices and institutional investors' ethical commitments due to the Absence of thorough research on the subject.

PURPOSE OF THE STUDY

The Study Intends to answer that the Institutional investors Ethical commitments can influence Their investment decisions and subsequent impact on stock prices.

PROBLEM STATEMENT

In recent years, ethical investing has gained significant attention as investors increasingly prioritize Socially responsible practices. However, there remains a gap in our understanding of how the Ethical commitment of institutional investors influences stock prices. This study aims to address This gap by investigating the direct relationship between institutional investors' ethical behaviour and its impact on stock market performance. By examining the extent to which ethical commitment Affects stock prices and overall financial market stability, this research will contribute valuable Insights to the field of ethical investing.

OBJECTIVES OF THE STUDY

- 1) To understand different types of ethical and unethical practices in the stock market
- 2) To Analyse the level of ethical commitment of institutional investors influencing in stock market

RESEARCH DESIGN

This Research will employ a mixed method approach, integrating both qualitative and quantitative Methodologies to comprehensively investigate the relationship between ethical commitment of Institutional investors and stock prices. Data collection will involve a combination of surveys, Interviews and financial analysis. By using comprehensive approach we will get a deeper Understanding of this relationship and provides valuable findings.

RESEARCH TYPE: Descriptive in nature.

Sampling Technique : Simple Non random sampling technique was utilised for the Purpose of the study.

DATA COLLECTION METHODS

Primary data: Here the survey conducted by questionnaire to gather opinions and insights from Institutional investors regarding their ethical Commitments.

Secondary data: On the other hand, Secondary data refers to information that has already been collected by someone Else for a different purpose. It can come from sources like books, articles, reports, or online Databases.

POPULATION: 100

SAMPLE SIZE : 90

SAMPLE UNIT : Medchal

QUESTIONNAIRE:

A well-structured questionnaire with straightforward questions is employed for data gathering. Closed-ended, Likert-scale, and multiple-choice items are all included in the survey

TOOLS USED: Google forms, Microsoft excel , Bar graphs and Chi- square test

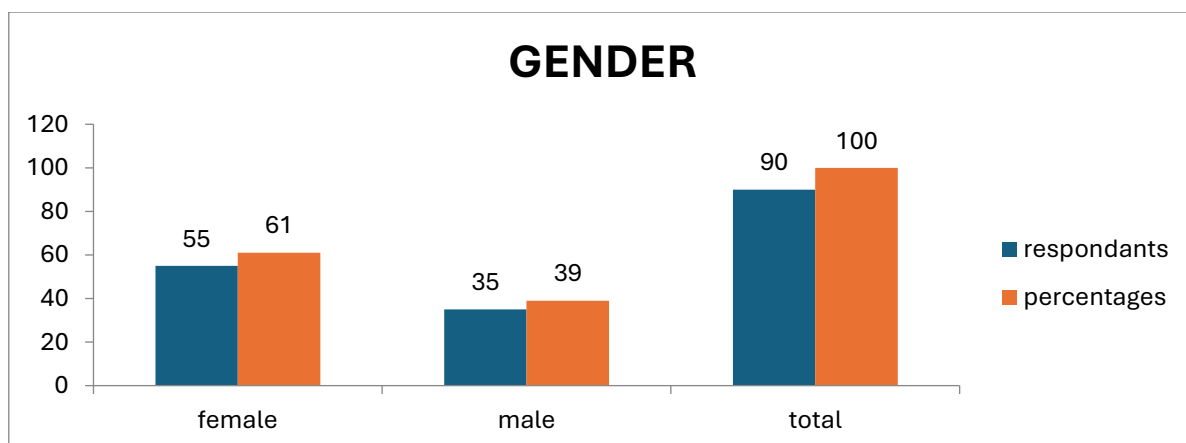
HYPOTHESIS:

H0 : There is no significant impact of ethical commitment on stock prices

H1 : There is a Significant impact of ethical commitment on stock prices

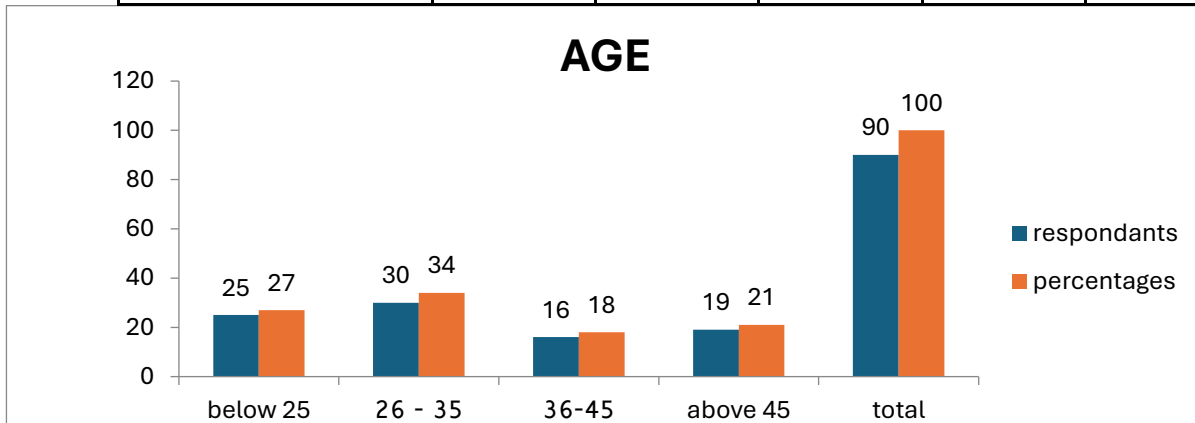
DATA ANALYSIS

Gender	Female	Male	Total
Respondants	55	35	90
Percentages	61	39	100



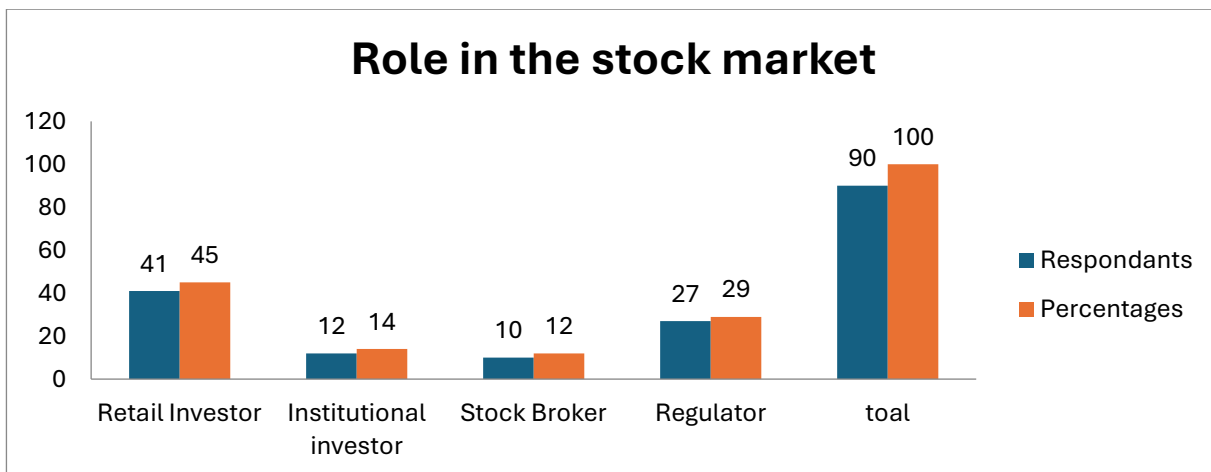
Interpretation : The total respondents are 90 out of which are male 61% and 39% are female.

Age	below 25	26 - 35	36-45	above 45	total
Respondants	25	30	16	19	90
Percentages	27	34	18	21	100



Interpretation: it is observed that the majority of the respondents followed in the range between 26 - 35 with 34%.

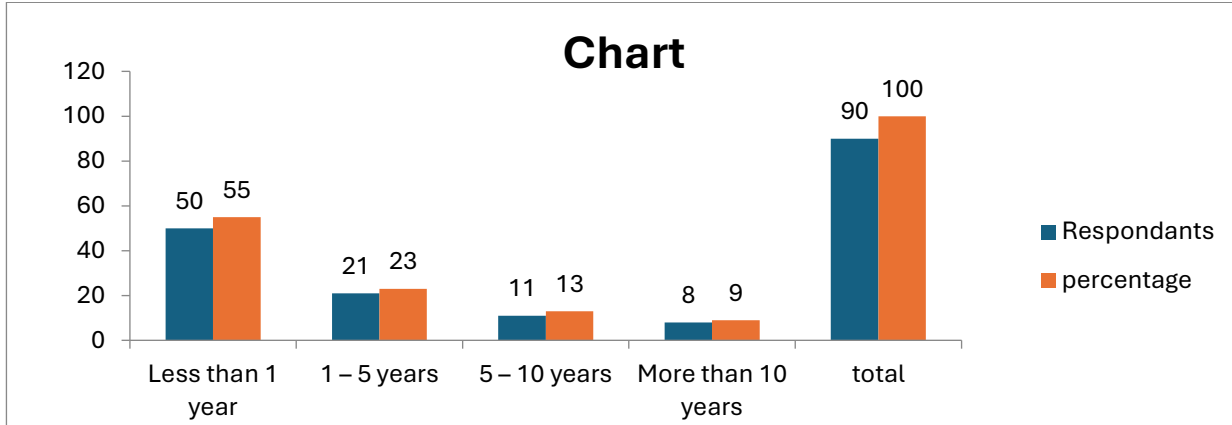
what is your role in the stock market ?	Retail Investor	Institutional investor	Stock Broker	Regulator	Total
Respondants	41	12	10	27	90
Percentages	45	14	12	29	100



Interpretation : most of the respondents are retail investors with 45% and next follows regulators of 29%.

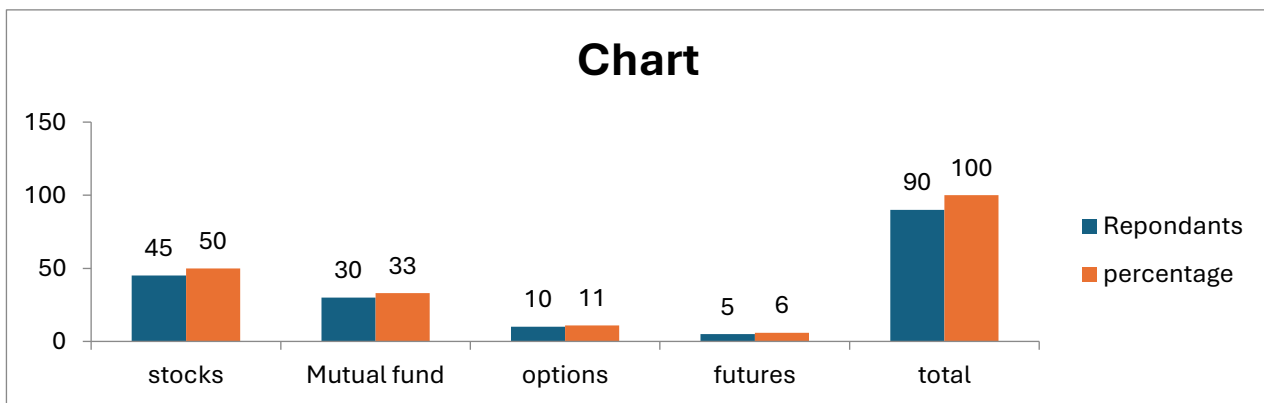
How long have you been involved in stock market?	Less than 1 year	1 – 5 years	5 – 10 years	More than 10 years	Total
Respondants	50	21	11	8	90

percentage	55	23	13	9	100
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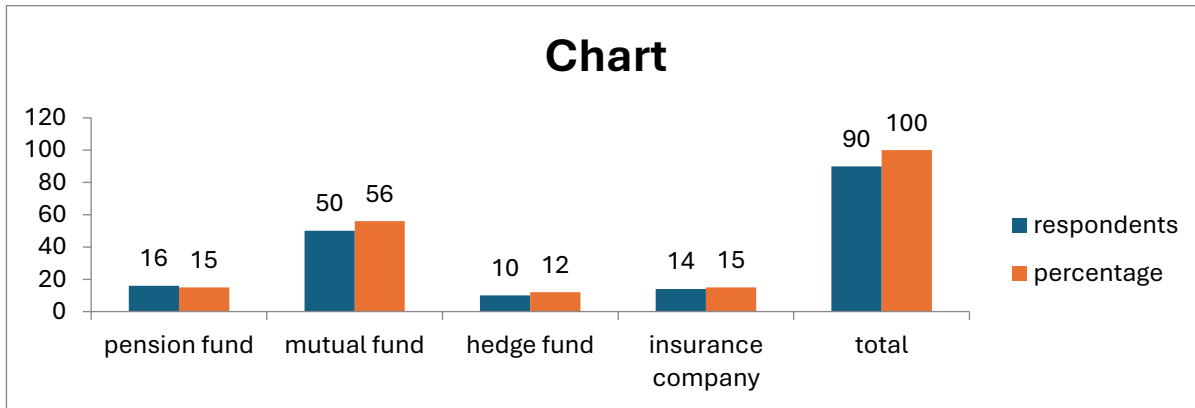
Interpretation : 9% of respondents are involved in the stock market with more than 10 years of experience and with 55% of respondents are having less than 1 – 5 years of experience in the stock market.

In which type of investment you would like to invest?	Stocks	Mutual fund	Options	Futures	Total
Repondants	45	30	10	5	90
percentage	50	33	11	6	100



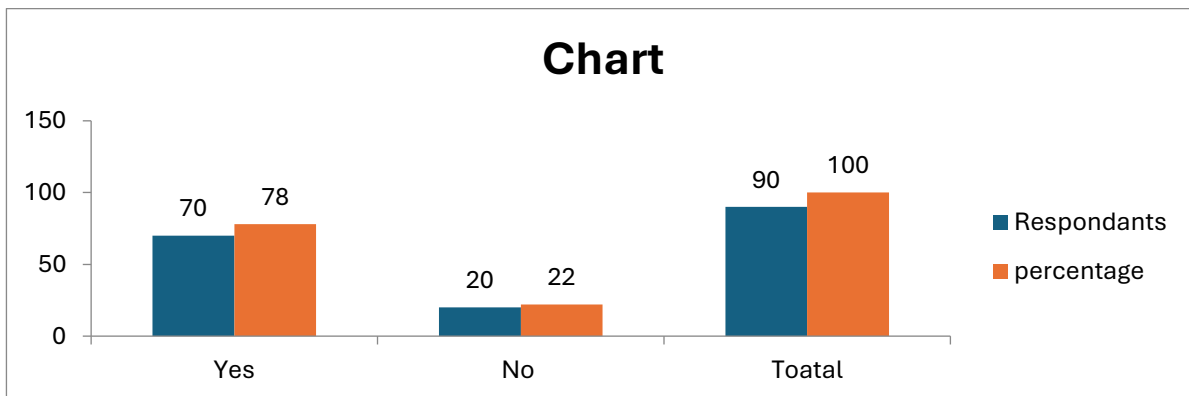
Interpretation : majority of the respondents are interested to invest in stocks with 50% and some respondents were interested in mutual funds with 33% and the remaining respondents are in options with 11% and 6% respondents are from futures.

What type of institution do you represent?	Pension fund	Mutual fund	Hedge fund	Insurance company	Total
Respondents	16	50	10	14	90
Percentage	15	56	12	15	100



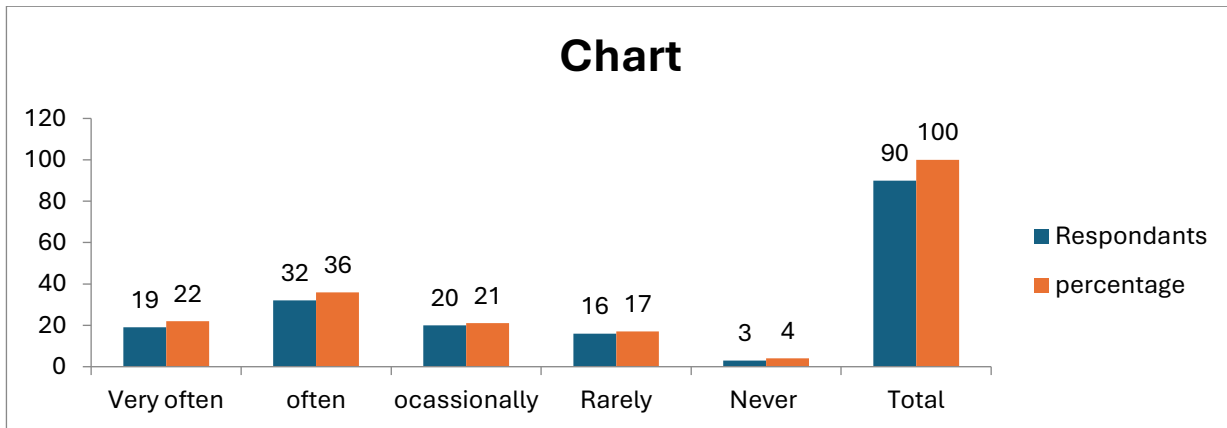
Interpretation : Most of the respondents represents from mutual funds with 56% and 15% are from pension fund and insurance company and remaining 12% are represents hedge funds.

Does your institution have a formal ethical policy?	Yes	No	Toatal
Respondants	70	20	90
Percentage	78	22	100



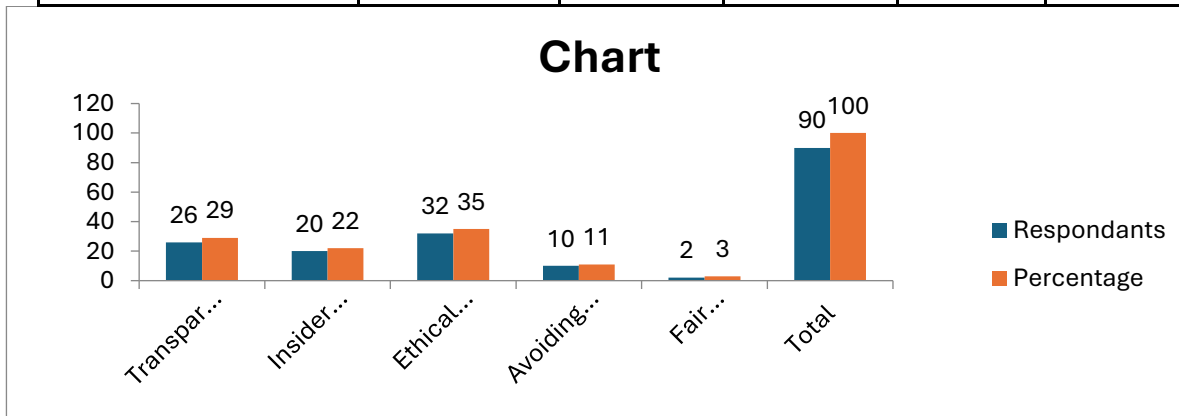
Interpretation : most of the respondants express that they are having ethical policy in their institution with 78%

How often do you observe ethical practices in the stock market	Very often	often	occasionally	Rarely	Never	Total
Respondants	19	32	20	16	3	90
Percentage	22	36	21	17	4	100



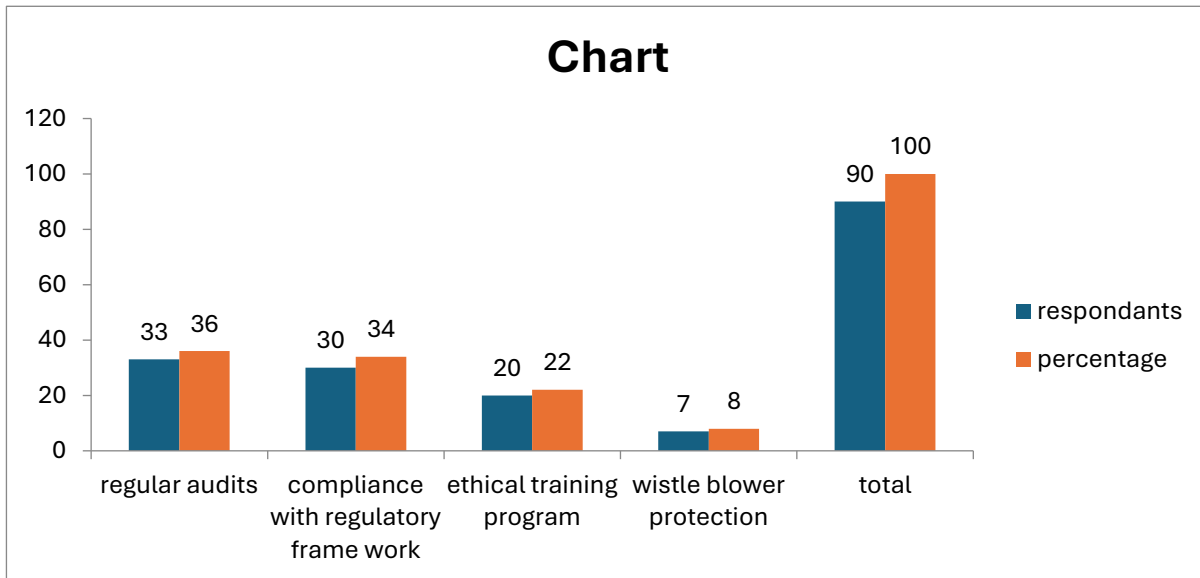
Interpretation : majority of the respondents are observed that there is having often ethical practices are involved in the stock market with 36%

Which of the following ethical practices do you consider important in the stock market?	Transparency in financial reporting	Insider trading prevention	Ethical corporate governance	Avoiding conflicts of interest	Fair treatment of shareholders	Total
Respondants	26	20	32	10	2	90
Percentage	29	22	35	11	3	100



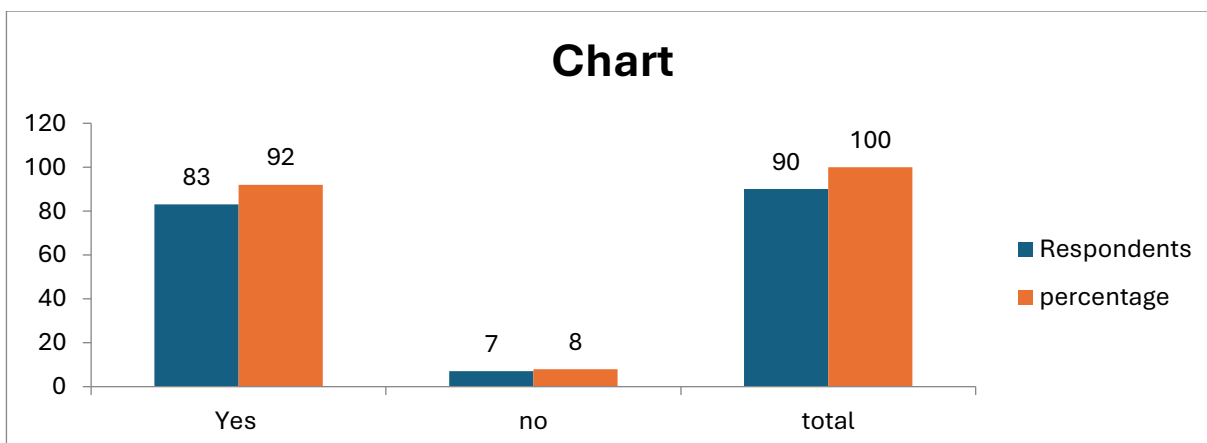
Interpretation : most of the respondents with majority of 35% are considered that ethical corporate governance is very much important in the stock market.

What measures does your organization use to promote ethical practices?	Regular audits	Compliance with regulatory frame work	Ethical training program	Whistle blower protection	Total
Respondants	33	30	20	7	90
Percentage	36	34	22	8	100



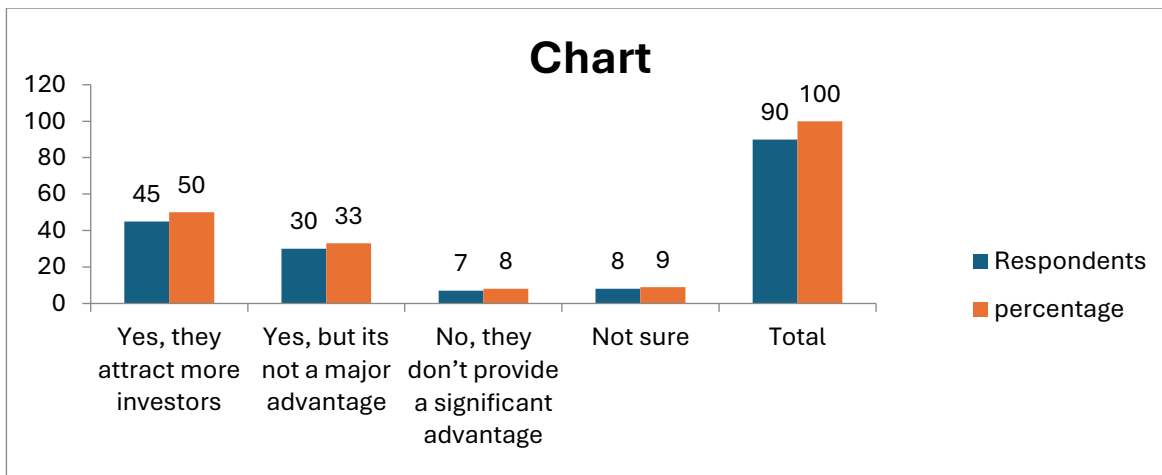
Interpretation : majority of the organizations are having regular audits with 36% and compliance with regulatory frame works are involved in some organizations with 34%.

Have you observed an impact on stock prices due to ethical commitment?	Yes	no	total
Respondents	83	7	90
Percentage	92	8	100



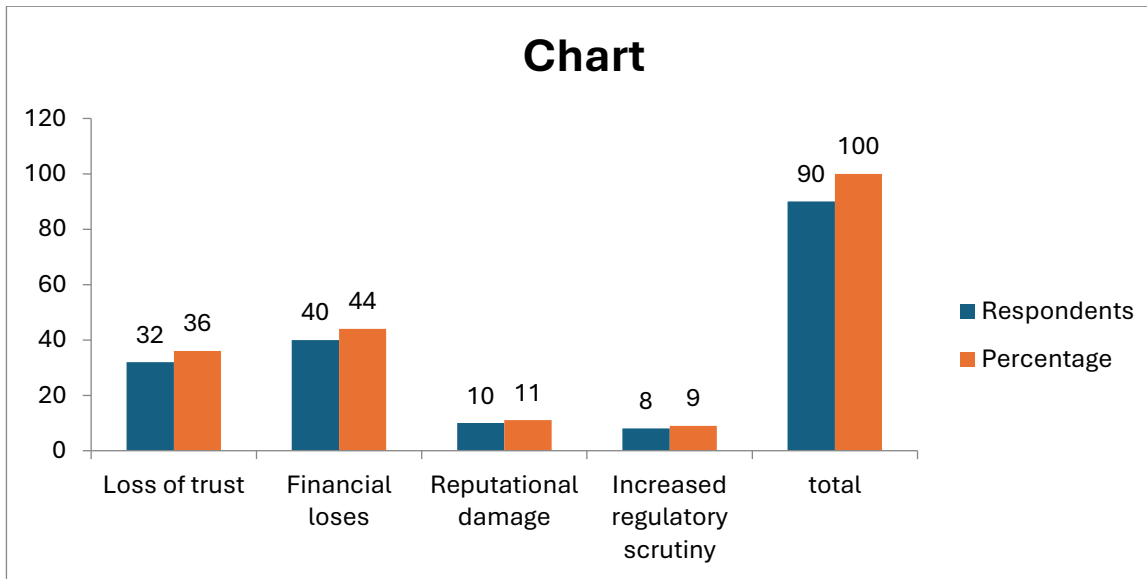
Interpretation : 92% of the respondents are observed that there is a n impact on stock prices due to ethical commitments.

Do you believe ethical commitments provide a competitive advantage in the stock market	Yes, they attract more investors	Yes, but its not a major advantage	No, they don't provide a significant advantage	Not sure	Total
Respondents	45	30	7	8	90
Percentage	50	33	8	9	100



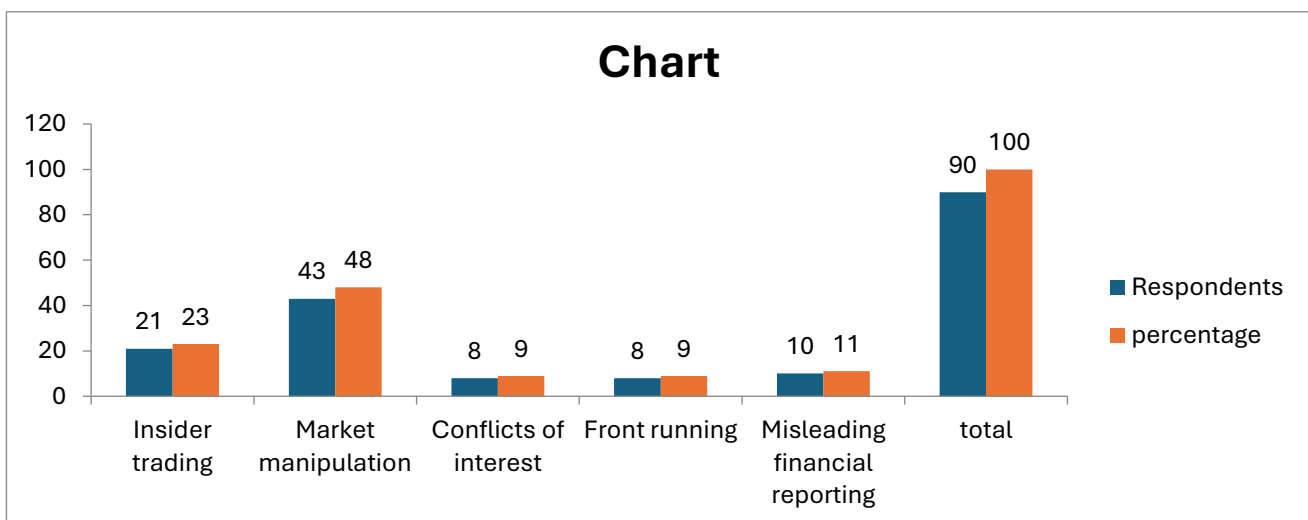
Interpretation : with majority of 50% respondents believes that ethical commitments provide a competitive advantage in the stock market.

How do unethical practices in the stock market affect your organization	Loss of trust	Financial losses	Reputational damage	Increased regulatory scrutiny	Total
Respondents	32	40	10	8	90
Percentage	36	44	11	9	100



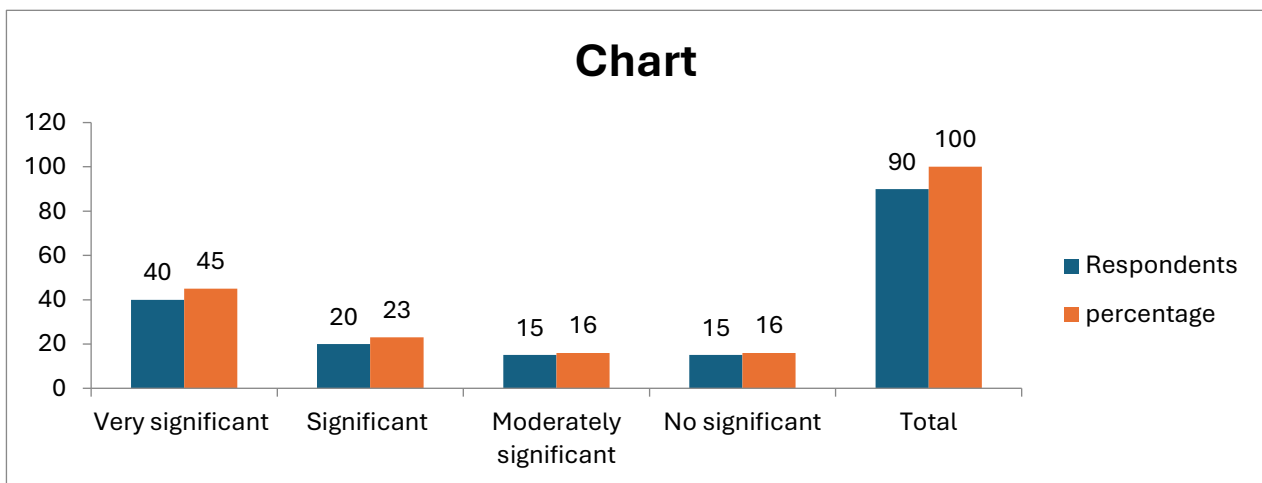
Interpretation : most of the respondents are said that financial losses occurs due to unethical practices in the stock market with the majority of 44% .

Which of the following unethical practices have you observed in the stock market?	Insider trading	Market manipulation	Conflicts of interest	Front running	Misleading financial reporting	Total
Respondents	21	43	8	8	10	90
Percentage	23	48	9	9	11	100



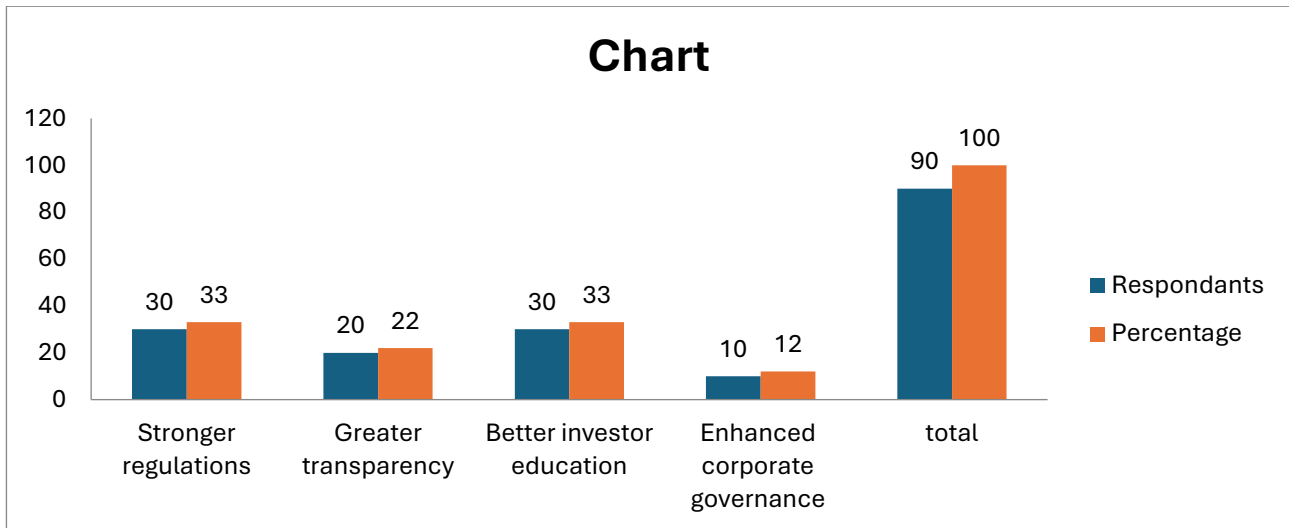
Interpretation : Most of the respondents with 48% of majority observed that market manipulation is one of the unethical practices in stock market.

How significant do you think unethical practices are in the stock market?	Very significant	Significant	Moderately significant	No significant	Total
Respondents	40	20	15	15	90
Percentage	45	23	16	16	100



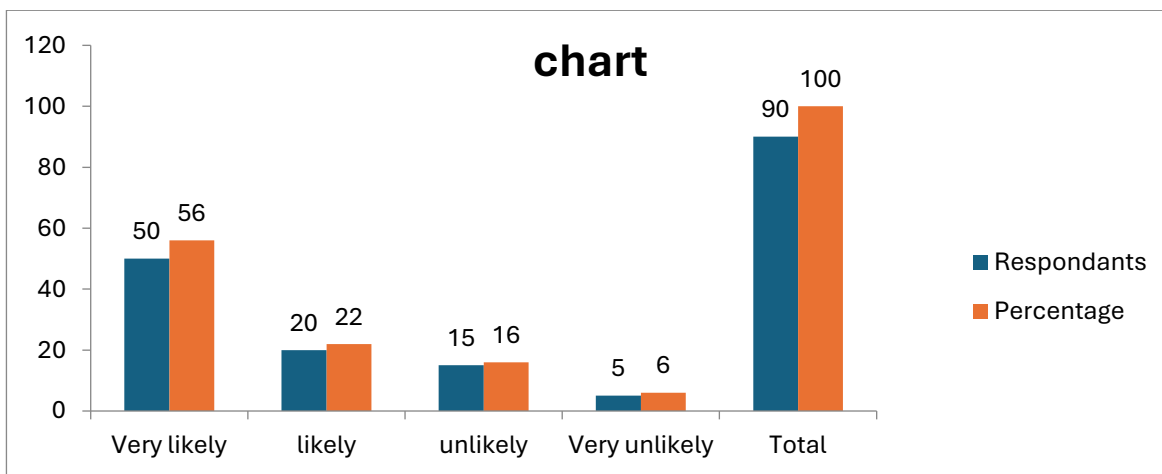
Interpretation : majority of the respondents believe that unethical practices are very significant in the stock market with 45% .

What do you believe is the most effective method to combat unethical practices in the stock market?	Stronger regulations	Greater transparency	Better investor education	Enhanced corporate governance	total
Respondants	30	20	30	10	90
Percentage	33	22	33	12	100



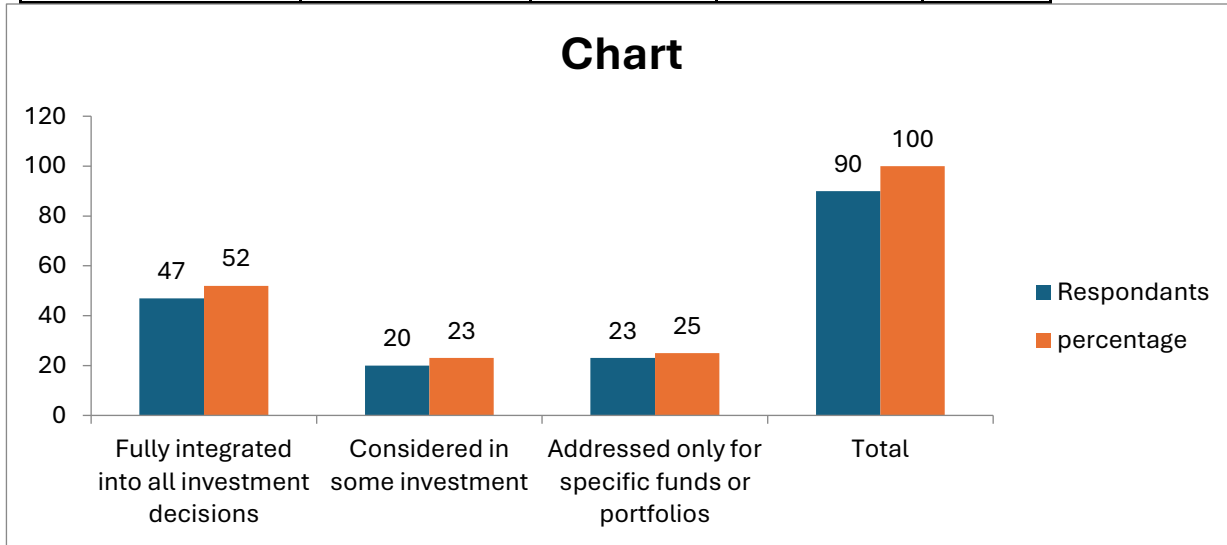
Interpretation : the larger portion of the respondents are suggested that stronger regulations and Better investor education is the most effective method to combat unethical practices in the stock market with 33%.

How likely are you to support unethical practices if observed?	Very likely	likely	unlikely	Very unlikely	Total
Respondants	50	20	15	5	90
Percentage	56	22	16	6	100



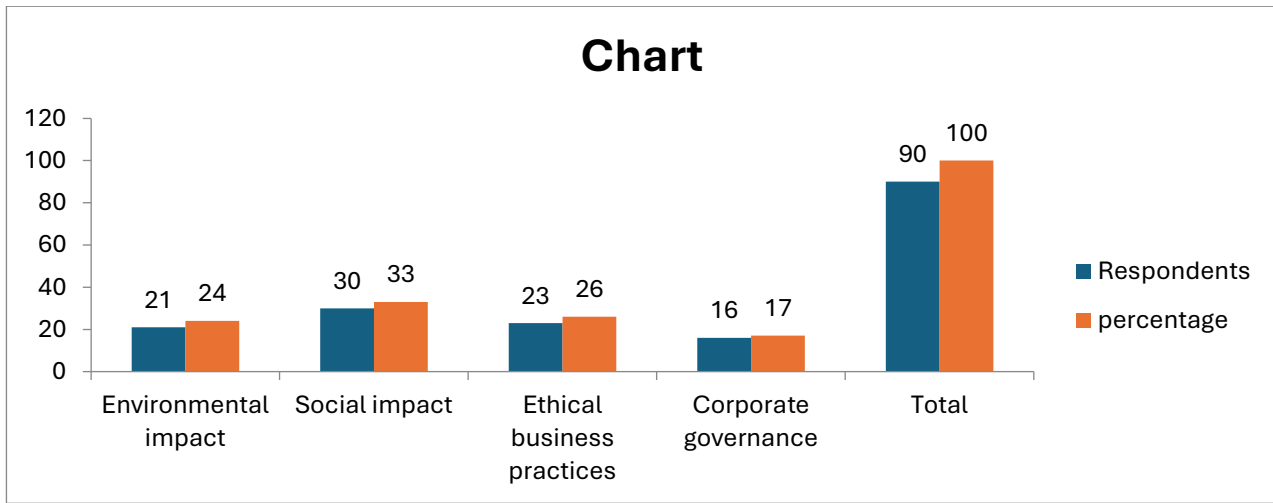
Interpretation : 56% of the respondents are said they are very likely to report unethical practices. This suggest that participants are strongly inclined to take action when they see unethical behaviour in the stock market.

How does your institution integrate ESG factors into investment decisions?	Fully integrated all into investment decisions	Considered in some investment	Addressed only for specific funds or portfolios	Total
Respondants	47	20	23	90
percentage	52	23	25	100



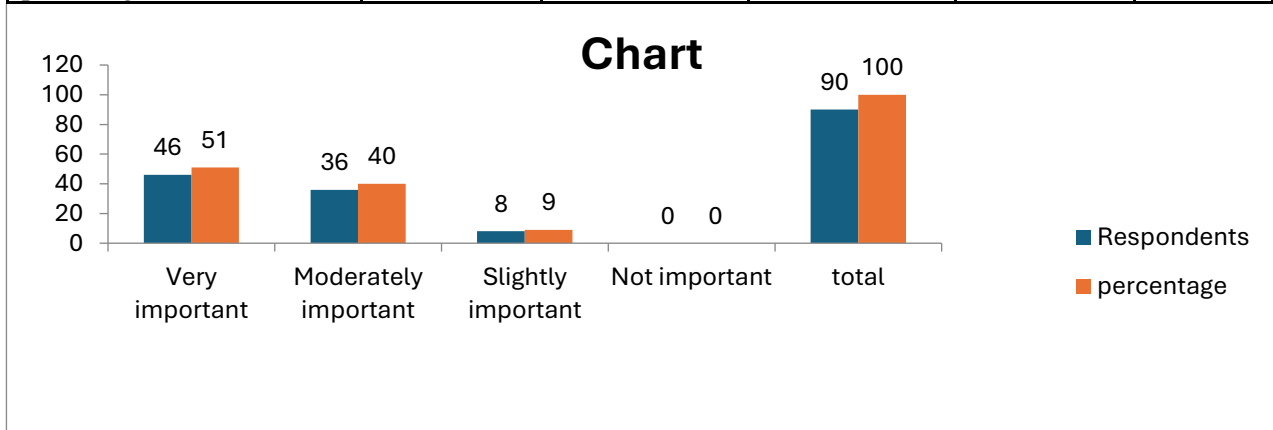
Interpretation : 52% of the respondents were said that ESG factors are fully integrated into all investment decisions.

Which ESG factors are most important to your institution	Environmental impact	Social impact	Ethical business practices	Corporate governance	Total
Respondents	21	30	23	16	90
percentage	24	33	26	17	100



Interpretation : most of the respondents were answered that social impact is the important factor for the institutions with the majority of 33%

How important do you think ethical commitment is for the long term performance of your institutions investments?	Very important	Moderately important	Slightly important	Not important	total
Respondents	46	36	8	0	90
percentage	51	40	9	0	100



Interpretation : majority of the respondents with 51% were answered that it is very important that ethical commitment is for the long term of the institutions investments.

STATISTICAL TOOLS FOR ANALYSIS

H0 : There is no significant impact of ethical commitment on stock prices.

H1: there is a significant impact of ethical commitment on stock prices.

Gender	Yes	No	total
Male	30 (27.22) [0.28]	5 (7.78) [0.99]	35
Female	40 (42.78) [0.18]	15 (12.22) [0.63]	55
Total	70	20	90

The chi-square statistic is 2.0872. The p-value is .148538. The result is not significant at $p < 0.05$.

since p value is less than 0.05 we reject H0 and accept H1. So there is a significant impact of ethical commitment on stock prices.

RESULT			
	Yes	No	Row totals
Below 25	24 (19.44) [1.07]	1 (5.56) [3.74]	25
26 - 35	29 (23.33) [1.38]	1 (6.67) [4.82]	30
36 - 45	14 (12.44) [0.19]	2 (3.56) [0.68]	16
Above 45	3 (14.78) [9.39]	16 (4.22) [32.85]	19
Coloumn totals	70	20	90 (Grand total)

The chi- square statistic is 54.1113. The p-value is < 0.00001 . The result is significant at $p < 0.05$

FINDINGS

- The total respondents are 90 out of which are male 61% and 39% are female.
- It is observed that the majority of the respondents followed in the range between 26 – 35 with 34%.
- Most of the respondents are retail investors with 45% and next follows regulators of 29%.
- 9% of respondents are involved in the stock market with more than 10 years of experience and with 55% of respondents are having less than 1 – 5 years of experience in the stock market.
- Majority of the respondents are interested to invest in stocks with 50% and some respondents were interested in mutual funds with 33% and the remaining respondents are in options with 11% and 6% respondents are from futures.
- Most of the respondents represents from mutual funds with 56% and 15% are from pension fund and insurance company and remaining 12% are represents hedge funds.
- Most of the respondents express that they are having ethical policy in their institution with 78%

SUGGESTIONS

Recommend educational initiatives to raise awareness about the importance of ethical investing. This could involve internal company training, industry conferences, or public awareness campaigns to promote ethical commitment.

Encourage the use of technology and data analytics to improve ethical investing and others could explore how AI big data can enhance the ability to make informed ethical investment decisions.

explore the relationship between ethical commitment and stock prices. This can be done through case studies or comparative studies that evaluate whether companies with higher ethical commitments experience different stock price patterns

CONCLUSION

The study of ethical commitment of institutional investors on stock prices reveals that ethical considerations play a significant role in shaping investment behaviours and market outcomes. Companies with strong ethical practices often attract more investment from institutional investors, which can lead to positive market perception and consequently higher stock price.

Ethical commitment from investors can companies to adapt responsible practices reducing the level of risk that could negatively impact stock prices. Companies with stronger ethical practices can increase investment from the institutions contributes to higher prices.

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