



**R.Aishwarya**  
**Student MBA**

## **ETHICAL INVESTING**

In the last few decades there have been rising number of investors who are choosing their investments not only from the financial perspective i.e. in terms of returns but also based on what kind of impact their investments have on society.

Ethical investing refers to practice of using one's ethical principles as the primary filter for the selection of securities for investing. Generally ethical investors encourage corporate practices that promote environmental stewardship, consumer protection, human rights and diversity. They avoid businesses involved in alcohol, tobacco, gambling, pornography, fossil fuel production etc. The areas of concern recognized by the ethical practitioners are sometimes summarized under the heading of ESG issues: environment, social justice and corporate governance.

Ethical investment refers to an investment strategy which aims for attractive financial returns to investors and simultaneously ensures a positive impact on society. It is a philosophy which attempts to balance the regard for morality of a firm's activities and return on investment. Ethical investors seek to invest (usually through mutual funds or unit trust) in firms which make a positive contribution to the quality of environment and life.

### **How to invest ethically**

Apart from analyzing the historical, current and projected performance of investments it is also important to confirm the company's commitment to ethical practices. Research is essential for accurately determining whether an investment coincide with one's ethical values especially when investing in an index or mutual fund.

The investing strategy employed may be a **Positive screening** criteria commonly used by ethical funds to invest in those companies who produce innovative products that are beneficial for the environment and society, follow religious values, promote good governance, protect human rights and ensure good employee standards.

**Negative screening** criteria is used where investing in companies involved in alcohol production, animal testing, gambling, tobacco, weapons production, use of child labour, pornography, ozone layer depletion and genetic manipulation is avoided.

Ethical investment practice originated from the US in the mid 1960's. Especially in the last couple of years the industry has boomed. Today, ethical investing is growing at a faster pace than conventional investing. In the beginning of the year 2010, the professionally managed assets following ethical investing strategies stood at astonishing 3.100 billion US dollars. This is growth of 380% since 1995. Ethical investing in India is still at a nascent stage. Over 50 active investors have poured in more than \$5.2 billion. About \$1.1 billion was invested in 2016 alone. The market for ethical investing has seen significant growth in the last few decades. Currently there are three funds available in the market –Tata Ethical Fund, Taurus Ethical and Reliance ETF Shariah BeEs. There is a need for more such schemes to be introduced by other mutual fund houses as ethical investing ensures a sustainable future.

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