RESEARCH OF INVESTMENT OPPORTUNITIES IN Socially RESPONSIBLE BUSINESS IN LITHUANIA

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Abstract. In the presented paper there is analyzed the idea and essence of CSR as the basis of socially responsible investment, made an analysis according to the sectors of socially responsible companies listed on Vilnius Stock Exchange (Nasdaq OMX Vilnius), afterwards set the special criteria for companies selection for the further portfolio formation. Finally, there are formed two different investment portfolios – of traditional companies and of socially responsible companies which accordingly are compared in risk, efficiency and profitability.

Keywords: CSR; socially responsible investing; investing portfolio; Vilnius Stock Exchange (Nasdaq OMX Vilnius); profitability; risk


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1. Introduction

Changes in the global environment inevitably lead towards harmony and responsibility. Recently more and more attention is paid to the companies, whose activities are based on the principles of corporate social responsibility (CSR hereinafter). Together with the development of socially responsible business ideas, opportunities to invest into such business appeared. Investing in socially responsible business is called as socially responsible investing – it is the practice of incorporating environmental, social and governance factors into the decision making (Umlas 2008; Šimberová et al. 2015; Laužikas, Mokšekčienė 2013; Wahl, Prause 2013; Tvaronavičienė et al. 2014; Ignatavičius et al. 2015; Goyal, Sergi 2015; Endrijaitis, Alonderis 2015; Scaringelli 2014; Dzemyda et al. 2015; Caurkubule, Rubanovskis 2014; Prause 2014; Bikas et al. 2014; Prause, Hunke 2014; Raudeliūnienė et al. 2014; Vasiliūnaitė 2014; Mathur et al. 2013; Tvaronavičienė et al. 2013; Laužikas, Dailydaitė 2013; Caurkubule,
Rubanovskis 2014). Such investors see the investment as an extension of their life – style or identity (Glac 2009). Umlas (2008) call such investors, unlike traditional or mainstream investors, as long-term investors because their goals go beyond return on investment to broader aims such as changing corporate behavior or increasing corporations’ accountability for their impact on society.

Socially responsible investments can be directed in three major directions: financial profitability of the investment, company's social activities and ecological integrity (Pivo 2005). Not always such integrity can be easily achieved; it depends on many factors, such as creativity, susceptibility to innovations, entrepreneurship eco-system etc. (Laužikas, Mokšeckienė 2013; Wahl, Prause 2013; Tvironavičienė et al. 2014; Ignatavičius et al. 2015; Goyal, Sergi 2015; Scaringelli 2014; Dzemyda et al. 2015; Caurkubule, Rubanovskis, 2014; Prause 2014; Bikas et al. 2014; Prause, Kunke 2014; Raudeliūnienė et al. 2014; Vasiliūnaitė 2014; Mathur et al. 2013; Tvironavičienė et al. 2013; Laužikas, Dailydaitė 2013; Caurkubule, Rubanovskis 2014).

With the social - economical development of the society, the number of relatively new – socially responsible funds has been increasing significantly during the past few years (Plakys 2009). Typically, such mutual funds concentrate in socially – economically strong and attractive countries or sectors (Bivainis, Volodzkienė 2008). For example, during the past few decades, Europe took the biggest part in the world (approx. 65%) of total assets in socially responsible investment market that is mainly inspired by growing number of such funds, especially in countries such as Belgium or France. Despite this fact, Baltic States market is still lagging behind significantly. Therefore, the main purpose of this paper is to analyze the opportunities of investment in socially responsible business in Lithuania.

2. CSR as the basis of socially responsible investment

Together with the changing role of the business, nowadays investing got a different meaning – as a socially responsible investing. SRI concept has been changed from the very beginning when it was associated only to the moral side of the investors. Nowadays SRI has wider and more flexible meaning – emphasizes not only the ethical or moral aspects, but the financial returns are no less important for the investor (Slapikaitė, Tamošiūnienė 2013). As more and more investors are willing to incorporate their social and environmental beliefs into the investment decisions, socially responsible investing became a steadily growing market segment. Generally, socially responsible investing can be described as an investment strategy that seeks to maximize both financial return and ensure social welfare (Slapikaite, Tamošiūnienė 2013; Howell 2008). Or in other words, it is trying reconcile two different objectives - investing for profit and implementation of social environment. Also it can be defined as a process that includes social activities and investing in environmental sectors capabilities (Bello 2005; Plakys 2009; Fowler, Hope 2007).

Talking about the content of such investments, it should be noted that socially responsible investing is essentially interested in promoting the adherence to the positive aspects of the company’s activity that are implemented through the corporate social responsibility strategy. But it also pays a lot of attention to industries and companies that act as “bad” for society. These industries and companies that include businesses involved in gambling, tobacco, weapons and alcohol are called as „sinful“ investment categories and are often eliminated from the investment portfolio (Carter 2007).

Although according to many economic theories, the primary role of business is profit maximization, recently the role of business in the society has been changed – it is expected from the business to be more active in actions related to social, environmental issues and other challenges, not only profit oriented (Kinnel 2009; Slapikaitė, Tamošiūnienė 2013). So, corporate social responsibility can be considered as a wide range of processes covering the entire product or service development process and environmental, social, financial and ethical aspects that affect the process. The main principles of corporate social responsibility are (Bagdonienė, Paulavičienė 2010; Climent, Soriano 2011; Rutkauskas at al. 2008):
(a) Ethics - vision, values, goals, behaviour and culture;
(b) Sustainability – business processes, supplychain, manufacturing and product design;
(c) Responsibility –relationship between the company and interested parties: the government, employees, customers, suppliers and society.

Due to the economical and cultural specifics, application of CSR principles in Lithuania is still at an early stage of growth – there are not many companies and public organizations (non-profit organizations, business associations, academic societies) that apply CSR strategy in their everyday business, no CSR index fixed or CRS forum established yet. Therefore, the discussions about socially responsible investing have launched recently, accordingly issues and related problems about forming investment funds of such businesses are not widely analyzed in Lithuania. In view of the current situation, the next parts of this paper will be appointed for the analysis of socially responsible investment opportunities’ specifics in Lithuanian market.

3. Theoretical aspects of investment portfolio formation

The investment portfolio is described as a pool of financial assets – bonds, shares or derivative securities that can be formed in two different ways. The first one is when primarily deciding by what asset classes the portfolio should consist of, later the securities are selected. This way is called as “from the top to the bottom”. The second way is when selecting the most attractive securities without paying attention to the asset class – this way is called as “from the bottom to the top” (Valakevičius 2011).

In the traditional literature about investment portfolio formation, only two factors are assumed to directly influence the investment optimization problem:
- The expected portfolio return (positively influence);
- Risk (negatively influence) that is usually measured by the variance of returns.

Socially responsible investing that seeks to maximize both financial return and social good seek additionally includes social criterias into the portfolio formation. Investors that invest into socially responsible companies believe that by combining certain social criteria with rigorous investment standards, they can identify securities that will earn competitive returns and help build a better world (Glac 2009). Also, it is believed that companies that meet higher standards of social responsibility tend to be a better positioned for long-term performance and carry lower risk (Bogoslaw 2008; Cortez et al. 2009; Kalwarski 2008).

Despite the above mentioned differences, both types of investments, traditional investment and investing in socially responsible business, should be evaluated and compared according to the same principles – profitability, risk and diversification of the portfolio. According to the modern portfolio theory devised by H. Markowitz in year 1952 each investor seeks to maximize the expected portfolio return and minimize risk. In order to asses the set of he portfolios, the return of each portfolio and the standard deviation of the profitability should be calculated. H. Markowitz theory identifies three assumptions, which are made by the investors (Žilinskij, Rutkauskas 2012; Dzikevičius 2004; Chieffe et al. 2009):
- Investors care about profit and avoid risk;
- Decisions are rational;
- Decisions are made in order to maximize the benefits.

A comprehensive portfolio assessment requires the following data (Žilinskij, Rutkauskas 2012):
- Expected profitability of each financial instrument (in this research only shares will be used);
- Standard deviation of the profitability as the risk measure of each financial instrument;
- Covariance as the profitability proportion ratio of each financial instrument.

Although H. Markowitz theory gets a lot of criticism, as the portfolio cannot be solely measured by the standard deviation and average return, nevertheless the advantages of the modern portfolio theory will be used in the research – profitability and risk measures will be calculated and compared as the most important indicators of the investment portfolio performance:
(a) Treynor ratio that combines both – the profitability and risk. The higher Treynor ratio – the better it is. And if Treynor ratio is higher than the benchmark it means that the portfolio can be considered as efficient in accordance with market;

(b) Beta coefficient that measures the sensitivity of a share price to movement in the market price. If Beta coefficient is negative, the returns of stocks move to the opposite direction than the market. A beta below 1 can indicate investment with lower volatility (risk) than the market, Beta more than 1 can indicate higher volatility (risk) than the market);

(c) Sharpe ratio uses standard deviation to measure a fund’s risk-adjusted returns. The greater the standard deviation is - the greater portfolio’s volatility;

(d) Jensen’s alpha measures the risk-adjusted performance of an actively managed portfolio comparing to the market returns. A positive Alpha means that a portfolio has beaten the market, while a negative value indicates underperformance. (Rutkauskas, Martinkutė 2007; Valakevičius 2011)

The main axes for evaluating performance, as it was discussed before, are financial return and risk. Measuring the risk is not enough to compare different investments – the financial return should be evaluated as well. Therefore, the average profitabilities of the portfolios will be calculated as well.

4. Socially responsible business at Vilnius Stock Exchange

After discussing the concept of social responsibility and its driving forces, this part of the paper will analyze socially responsible investment opportunities in Lithuania based on the information available at Vilnius Stock Exchange (or Nasdaq OMX Vilnius). It is important to emphasize the fact that companies listed at Nasdaq Omex Baltic (including companies listed at Vilnius Stock Exchange) are classified according to the activities into certain industries. Classification into industries is based on Global Industry Classification Standard (GICS hereinafter) includes further sectors:

- Energy;
- Materials;
- Manufacturing;
- Consumer goods and services;
- Daily consumption of goods and services;
- Health care;
- Finance;
- Information technology;
- Telecommunications;
- Utilities (maid service).

The Figure 1. shows that most of the companies (47% of total or 15 companies) listed at Vilnius Stock Exchange are classified as consumer goods and services industry (industry 3000). The second place is for manufacturing industry (2000) where 6 companies at Vilnius Stock Exchange are assigned. The third place take companies from the Utilities industry (7000).
The company that declares itself as a socially responsible company, does not give the possibility to measure the performance of its socially responsible activities in the scope and quality. One of the criteria to show that the company can be considered as a socially responsible globally is being a member of the United Nations Global Compact (UN Global Compact). The worldwide largest voluntary corporate social responsibility initiative – UN Global Compact brings together businesses and organizations, United Nations Organization (UNO hereinafter) and the civil society on the basis of established universal principles in areas such as human rights, workers' rights, environmental protection and the fight against corruption.

While analyzing Lithuanian companies that belong to the mentioned agreement (UN Global Compact), it is noted that this agreement has been accepted by 84 companies and organizations in Lithuania. Comparing to the other Baltic countries Lithuania is the leading country, in Latvia this Agreement has only 11 members - companies and organizations, in Estonia only 5 - mostly small and medium-sized enterprises. Figure 2 shows Global Compact’s members in Lithuanian by the type of organization. Small and medium-sized enterprises are dominating and compound 43% of total number of companies. The main obstacle to the development of CSR is that in Lithuania there is too little disperse of CSR practices that demonstrate the business benefits of CSR. Therefore, it is often that CSR is understood as extra-cost operations and its value for the company is almost immeasurable.
In order to examine the extent of socially responsible companies at Vilnius Stock Exchange, it is important to set the criteria by which a company can be considered as a socially responsible. In this research companies are selected to the portfolio if it meets any two of the below mentioned criterias:
- The company is the member of UNGlobal Compact;
- The company is the member of Lithuanian Association of the Responsible Business (LAVA), representing office of UN Global Compact in Lithuania, and extension of the activity of former organization NAVĮT (National Network of Enterprises);
- The company provides public reports about its socially responsible activity.

Source: www.unglobalcompact.org
Table 1. Socially responsible companies listed on Vilnius Stock Exchange market

<table>
<thead>
<tr>
<th>Company</th>
<th>Full name</th>
<th>Market</th>
<th>Industry</th>
<th>Industry Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>APB</td>
<td>Apranga</td>
<td>Vilnius Stock Exchange</td>
<td>5000 Daily consumption of goods and services</td>
<td>5300 Retail</td>
</tr>
<tr>
<td>CTS</td>
<td>City Service</td>
<td>Vilnius Stock Exchange</td>
<td>2000 Manufacturing</td>
<td>2700 Industrial goods and services</td>
</tr>
<tr>
<td>IVL</td>
<td>Invalda</td>
<td>Vilnius Stock Exchange</td>
<td>8000 Finance</td>
<td>8700 Financial services</td>
</tr>
<tr>
<td>SAB</td>
<td>Šiaulių bankas</td>
<td>Vilnius Stock Exchange</td>
<td>8000 Finance</td>
<td>8300 Banks</td>
</tr>
<tr>
<td>LES</td>
<td>LESTO</td>
<td>Vilnius Stock Exchange</td>
<td>7000 Utilities sector</td>
<td>7500 Utilities sector</td>
</tr>
<tr>
<td>TEO</td>
<td>TEO LT</td>
<td>Vilnius Stock Exchange</td>
<td>6000 Telecommunications</td>
<td>6500 Telecommunications</td>
</tr>
<tr>
<td>UTR</td>
<td>Utenos trikotažas</td>
<td>Vilnius Stock Exchange</td>
<td>3000 Consumer goods and services</td>
<td>3700 Personal care and household goods</td>
</tr>
<tr>
<td>LNR</td>
<td>Lietuvos energijos gamyba</td>
<td>Vilnius Stock Exchange</td>
<td>7000 Utilities sector</td>
<td>7500 Utilities sector</td>
</tr>
</tbody>
</table>

Source: http://www.nasdaqomxbaltic.com/market/?pg=industry&list%5B%5D=BAMT&list%5B%5D=BAIT&list%5B%5D=BAFN&sectors%5B%5D=8000

While analyzing companies listed on Vilnius Stock Exchange, it was determined that from the 32 listed enterprises only 8 of them are acting in accordance with the principles of social responsibility and meet formerly mentioned socially responsible business criteria (Table 1). Therefore, it is obvious that the idea of socially responsible business is not very popular among Lithuanian enterprises and the possibilities of socially responsible investment portfolio creation are rather limited.

From all of the socially responsible companies listed on the Vilnius Stock Exchange, two of them (Invalda, Šiaulių bankas) are assigned to the financial services industry, other two companies (Lesto, Lietuvos energijos gamyba) to the utility sector. The rest of the companies belong to the different industries. So, as the research results show, there are limited socially responsible companies listed on Vilnius Stock Exchange and they all operate in different industries. Forming the investment portfolio of such companies, the investments might be rather well diversified and that could accordingly reduce the investment risk.

In order to compare the investment portfolio formed by socially responsible companies to the traditional investment portfolio in risk and return, there should be selected the same industry first. Another important thing for comparison of the investment portfolios – to select similar sized companies in volume of sales and equity.

4. Investment portfolio’s formation – portfolio of socially responsible business versus traditional portfolio

For the further survey there were formed two different investment portfolios – one consisting of four socially responsible companies (SAIP1 hereinafter), another consisting of four ordinary companies that are acting in the same industry as socially responsible companies (TIP1 hereinafter). Each company’s shares takes equal proportion in the portfolio – 25 percent. The amount invested into each portfolio is 8 000 LTL and the portfolios were formed according to 04/01/2010 stock prices (Table 2).
Table 2. SAIP1 and TIP1 portfolio formation on 04/01/2010 opening prices

<table>
<thead>
<tr>
<th>PORTFOLIO - SAIP1</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stock price (opening), EUR</td>
</tr>
<tr>
<td>CTS</td>
<td>1.88</td>
</tr>
<tr>
<td>APB</td>
<td>0.78</td>
</tr>
<tr>
<td>UTR</td>
<td>0.33</td>
</tr>
<tr>
<td>VBL</td>
<td>2.60</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PORTFOLIO - TIP1</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stock price (opening), EUR</td>
</tr>
<tr>
<td>PTR</td>
<td>1.07</td>
</tr>
<tr>
<td>LNS</td>
<td>0.08</td>
</tr>
<tr>
<td>SNG</td>
<td>0.17</td>
</tr>
<tr>
<td>KBL</td>
<td>0.52</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: http://www.nasdaqomxbaltic.com/market/?pg=stats&lang=lt

After forming the portfolios, the following step is comparative analysis - the portfolios will be compared in portfolio returns, standard deviations, Sharpe and Treynor ratios, Beta and Jensen’s alpha. The profitability of the portfolios will be measured for the period 04/01/2010 – 17/01/2011, the risk ratios will be measured for 04/01/2010.

4.1. Portfolios’ profitability analysis

The analysis of the portfolios’ profitability was started on 04/01/2010, for 17/01/2011 the biggest price rise in portfolio SAIP1 was fixed of VBL company (Vilniaus baldai) - stock price jump by 73.95% and APB (Apranga) by 60.86%. In portfolio TIP1 the biggest changes were fixed to PTR company – stock prices rise by 48.46% and to KBL company (52.12%). Comparing the results, prices of socially responsible companies’ shares has rose more in the period 04/01/2010 – 17/01/2011 comparing to the ordinary companies (Table 3).

Table 3. SAIP1 and TIP1 portfolio profitability analysis, period 04/01/2010 – 17/01/2011

<table>
<thead>
<tr>
<th>PORTFOLIO - SAIP1</th>
<th>Company</th>
<th>Stock price, 04/01/2010</th>
<th>Amount of shares</th>
<th>Invested amount, LTL</th>
<th>Part in the portfolio, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTS</td>
<td>6.48</td>
<td>309</td>
<td>2,000</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>APB</td>
<td>2.70</td>
<td>741</td>
<td>2,000</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>UTR</td>
<td>1.14</td>
<td>1,754</td>
<td>2,000</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>VBL</td>
<td>8.99</td>
<td>222</td>
<td>2,000</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td>3,026</td>
<td>8,000</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PORTFOLIO - SAIP1</th>
<th>Stock price, 17/01/2011</th>
<th>Variation, LTL</th>
<th>Variation, %</th>
<th>Dividends, LTL</th>
<th>Total portfolio value, LTL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTS</td>
<td>10.01</td>
<td>3.53</td>
<td>35.26</td>
<td>80.34</td>
<td>3,169.85</td>
</tr>
<tr>
<td>APB</td>
<td>6.90</td>
<td>4.20</td>
<td>60.86</td>
<td>200.07</td>
<td>5,311.18</td>
</tr>
<tr>
<td>UTR</td>
<td>1.12</td>
<td>-0.02</td>
<td>1.79</td>
<td>0.00</td>
<td>1,964.91</td>
</tr>
<tr>
<td>VBL</td>
<td>34.52</td>
<td>25.53</td>
<td>73.95</td>
<td>985.68</td>
<td>8,665.32</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,266.09 19,111.26</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PORTFOLIO - TIP1</th>
<th>Company</th>
<th>Stock price, 04/01/2010</th>
<th>Amount of shares</th>
<th>Invested amount, LTL</th>
<th>Part in the portfolio, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTR</td>
<td>1.07</td>
<td>3.70</td>
<td>541</td>
<td>2,000</td>
<td>25</td>
</tr>
<tr>
<td>LNS</td>
<td>0.08</td>
<td>0.29</td>
<td>6,897</td>
<td>2,000</td>
<td>25</td>
</tr>
<tr>
<td>SNG</td>
<td>0.17</td>
<td>0.57</td>
<td>3,509</td>
<td>2,000</td>
<td>25</td>
</tr>
<tr>
<td>KBL</td>
<td>0.52</td>
<td>1.80</td>
<td>1,111</td>
<td>2,000</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td></td>
<td>12,058</td>
<td>8,000</td>
<td>100</td>
</tr>
</tbody>
</table>
Accordingly the portfolios’ values were calculated for the closing day 17/01/2011. Portfolio’s SAIP1 value was 19,111.26 LTL, and it means that the fund has generated more than twice of the invested funds including dividends. Meanwhile portfolio’s TIP1 value was lower and amounted to 13,914.03 LTL for the end of the period and that means that the portfolio of socially responsible companies is more profitable comparing to the traditional portfolio.

4.2. Portfolios’ performance and risk analysis

Continuing the analysis of two different portfolios, the next step is performance and risk analysis. In order to assess the variability of stock returns, the standard deviations must be calculated. The higher average standard deviation of the profitability means the greater deviation from the average yield – which in turn means the higher risk. The average profitability of the portfolio is the average return of all stocks profitability average, while the standard deviation is not equal to the average of the stocks standard deviations. The standard deviation of the portfolios is calculated based on the correlation and covariance between the stocks of the companies (Table 4).

Table 4. Portfolios’ performance and risk indicators comparison, period 04/01/2010 – 30/12/2010

<table>
<thead>
<tr>
<th>Company</th>
<th>The average quarterly profitability</th>
<th>The standard deviation of the portfolio</th>
<th>Beta</th>
<th>Treynor ratio</th>
<th>Sharpe ratio</th>
<th>Jensen’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIP1</td>
<td>20.31%</td>
<td>10.53%</td>
<td>0.92</td>
<td>17.78</td>
<td>1.55</td>
<td>8.32</td>
</tr>
<tr>
<td>TIP1</td>
<td>16.90%</td>
<td>17.28%</td>
<td>1.92</td>
<td>6.74</td>
<td>0.74</td>
<td>-3.83</td>
</tr>
</tbody>
</table>

Source: created by authors

The average quarterly profitability of SAIP1 portfolio was higher (20.31%) comparing to the traditional portfolio TIP1 average quarterly profitability – 16.90%. Traditional portfolio standard deviation was greater (17.28%) comparing to the socially responsible investment portfolio standard deviation (10.53%) which in turn means the higher risk of TIP1 portfolio. The higher standard deviation of TIP1 portfolio was mainly caused by company’s SNG shares with the standard deviation of 28.03%.

Beta of TIP1 portfolio was almost twice higher than Beta of SAIP1 portfolio, which confirms the assumptions that the risk of TIP1 portfolio is higher comparing to SAIP1 portfolio risk. Also Beta ratio indicates that all companies shares are moving to the same direction as OMX Vilnius Index return.

Further estimating Treynor ratio which measures the efficiency of the portfolio based on risk (calculated Beta), or also called as reward-to-volatility ratio. Parallel evaluation of the portfolios indicates that SAIP1 portfolio has much better efficiency (SAIP: 17.78, TIP1: 6.74). As Sharpe ratio is related to Treynor ratio, it also shows better results of SAIP portfolio (Sharpe ratio 1.55) comparing to TIP1 portfolio (Sharpe ratio 0.74), and that means better efficiency of the portfolio management – each risk unit have more gain. Summarizing the results of two different
portfolios, it is obvious that the portfolio of socially responsible business (SAIP1) is more attractive on efficiency and risk basis.

In order to compare portfolios’ results to OMX Vilnius Index, Jesnen’s alpha was calculated. The ratio helps to indicate how portfolio ensures adequate returns in comparison to its risk. As seen from Table 4. Jensen’s alpha of TIP1 portfolio is negative (-3.83) and that means that the portfolio’s results are worse comparing to the market. And vice versa, SAIP1 ratio was positive (8.32) – that means that the formed portfolio generates better results than OMX Vilnius Index.

Conclusions

Socially responsible activity of the company is being determined by moral and material driving forces. Recently more and more companies with the main purpose – profit maximization together declares some more aims – such as sustainable development of the company, closer and more sustained business relations with interested parties: suppliers, customers, investors, government institutions.

The essence of socially responsible investing is not only focusing on investor’s needs but also on selected investment’s influence on society, employees, environment and market in which the company operates. Socially responsible investment funds are different from the traditional due to the companies that are included into the portfolio. Social activities of the companies can be assessed by positive filtering – responsible use of resources, education and training of the employees and society, equal rights and opportunities, etc., or by negative filtering – animal testing, tobacco or alcohol production, abuse of labor force, impact on the environment or other negative aspects.

From 32 companies listed on Vilnius Stock Exchange market, only 8 companies met the selected socially responsible criterias. For the further survey there were formed two different investment portfolios – SAIP1 of socially responsible companies and TIP1 of traditional companies. All selected companies were acting in the same industry. Also, while forming two different investment portfolios, it was found that there are limited opportunities to select socially responsible companies similar in size and sector to the traditional companies.

The portfolios were analyzed during the period 04/01/2010 - 17/01/2011. The research results show that SAIP1 portfolio generated better profitability results than TIP1 portfolio. Also, there was made efficiency and risk analysis of the portfolios for the period 04/01/2010 – 30/12/2010, and the results moved to the same direction – SAIP1 portfolio was more efficient and less risky compared to the traditional portfolio. Nevertheless, it should be noted that reliability of the research results is limited due to the small sample size - there are not so many socially responsible companies listed on Vilnius Stock Exchange market, also the selected periods are rather short. Therefore, the research results could be more precise by selecting wider sample size – including socially responsible companies established in other countries as well or selecting informal socially responsible criterias, not only official ones.

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