

A case study of Andelskassen Oikos

SOCIAL RESPONSIBLE INVESTING



An Examination of the Impact of a Number of Influential Variables on
SR-Investors Socially Responsible Investment Behavior.

Master Thesis
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November 2010

Executive summary

Do human beings always act rationally? Research within the field of socially responsible investing (SRI) suggests that investors are not only placing considerable emphasis on profitability analysis, they also seem to be using methods that are not aligned with the rational investor norm. This has occupied philosophers and social scientists for centuries, and this predicament spurred our curiosity to explore the matter. Hence, the objective of this master thesis is to shed light on this subject. This is done through a survey of clients in the Danish ethically profiled bank Oikos, and with conventional bank clients as a control group. The study examines various factors' impact on SRI behavior, and is based on a sample of 251 respondents; 177 respondents are clients in the cooperative bank Oikos while the remaining 74 respondents are clients in what can be classified as conventional commercial banks.

Our study makes three main contributions to the field of social responsible investing. First, we developed a model where a number of hypotheses suggested in existing academic literature on SRI are being tested. This model is expanded with two new areas of research that have been suggested to have an impact on the SRI behavior: preferences and knowledge about investment type. Secondly, we provide insights for providers of financial products, Oikos in particular, into how conventional bank clients and clients in Oikos differ. Hereby the rational assumption behind the majority of economic models is being questioned. Thirdly, we argue that the findings are transferrable to other Scandinavian countries, because of the similarities between them.

By exploring five different areas, which from previous studies are expected to have an influence on SRI behavior, and by comparing the characteristics of the clients in Oikos and the conventional banking clients, we have identified the major contributing factors in explaining the dependent variable "proportion of portfolio invested in SRI". The findings prove that pro-social attitudes, perception of risk, knowledge about the investment type, gender and age of the investor are significantly important factors in explaining SRI behavior. Furthermore, we can confirm that the clients in Oikos and the conventional bank clients possess different characteristics with regards to attitudes, preferences and knowledge about investment types. We find that SRI may be driven more by investor attitudes toward the social purpose of the investment than by financial returns. It is also

found that investors who are concerned with social issues appear to extend this behavior into their portfolio strategies. Finally, we explain the selection of Oikos by three different motivations: altruism, egoism and abhorrence for commercial banks.

To summarize, this master thesis will provide an increased understanding of the behavior of current clients in Oikos, which we expect will be an important factor in enabling the management in Oikos to eventually formulate an appropriate future strategy.

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Part I: Introduction to the Study

1. Preface

This thesis is dedicated to a study of the social responsible investment (SRI) behavior of clients in the Danish ethical profiled bank, Oikos. The intention of the study is to increase the understanding of how various factors explain investor behavior in regard to SRI. Our interest within this field was initially triggered by a curiosity for understanding the mechanisms influencing a behavior that seems to deviate from economic rationality.

Oikos has a distinctive ethical profile, where clients can select a savings account or a deposit account that pays no interest, but where the money deposited on the accounts are made available for microloans in the Third World (see section 6.3.). In the attempt to understand *how* various factors impact this SRI behavior, a model is developed with the purpose of testing the impact of five variables. The study is based on a survey of 251 bank clients, whereof 177 respondents were clients in the cooperative bank Oikos and 74 respondents were clients in conventional commercial banks. The two groups are also being compared in order to explore if there are any differences between the group of socially responsible (SR) clients and the conventional bank clients.

This study contributes to the field of SRI by increasing the understanding of the behavior of a very specific group of SR investors. To our knowledge, a study which combines economic theory with psychological aspects has never been made in a Danish banking context.

1.1. Acknowledgements

We would like to thank Oikos for allowing us access to their clients and data, and for taking the time to answer questions and participate in interviews. We would especially like to thank Director Allan Andersen, Communication Manager Gullmai Sørensen, and Vice Chairman for the Representatives Flemming Kramp for their comments, commitment and interest in the project. Finally, a great thanks to Wencke Gwozdz for statistical supervision and persistent and patient explanations, and to Kai Hockerts for supervision during the entire process and for pushing and encouraging us to perform the best we could.

2. Introduction

We live in a world where we continue to face new challenges; the economic crisis, global warming and poverty alleviation, just to mention a few. These issues can be gathered under one umbrella: An increasing need for sustainability and responsiveness to change.

Within the area of investing, there has been an increasing attention towards SRI, and the field has continued to emerge during the past decades. There are different versions and dimensions of SRI, where one example is investments with a focus on microfinance. The United Nations named the year 2005 "*The year of microcredit*" in recognition of micro-finance as a promising solution in alleviating poverty. Also, the Nobel Committee endowed the founder of Grameen Bank, Muhammad Yunus, with the Nobel Peace Prize in 2006. Many poor people in Bangladesh, and later also in Africa, as well as large parts of Asia, have reported escaping moderate and extreme poverty due to the work of SRI.

Investors and companies hereby play a key role in the development of a sustainable world. Much debate focuses on the responsibility of companies running their businesses in a socially responsible manner. In the light of the financial crisis much debate is also on how investors should rethink the fundamentals of company valuation. The increasing interest in social responsibility has been exploited by the people behind Oikos, a Danish bank with a specific focus on ethical and responsible behavior. The original idea of Oikos was a new take on the ordinary understanding of banking activity. The innovative addition is that Oikos not only offers conventional banking products and activities, but is also involved in supplying microloans to social entrepreneurs in the Third World. This is a phenomenon where a group of people have declined a future return (in financial terms) in favor of acting socially responsible. By depositing money in an interest-free account, or by investing in a share, the clients in Oikos are indirectly contributing to the alleviation of poverty. The decision about declining a future return is very interesting from an economic perspective, which is why we have decided to dedicate this thesis to a study of this behavior.

Despite the fact that the idea of a bank with an ethical profile seems very reasonable, with the current focus on SR behavior, the business model of Oikos is facing a paradox. From an economic point of view, the investor will always seek to maximize return and

proportionally minimize the risk exposure. Therefore it seems contradicting to seek to combine the approach of profit-maximizing clients with the altruistic approach of idealists intending to alleviate poverty. Nevertheless, this is one of the challenges Oikos is facing. The management in Oikos has a strong desire to increase the number of clients. One of the prerequisites for this is to understand what made the current clients in Oikos select the bank, as well as to understand how this behavior deviates from conventional investors.

2.1. Field of Study

One of the most significant additions to the marketplace in the recent years has been the ongoing introduction of products and services that appeal to the social consciousness of the consumers (Nilsson, 2008). Most areas of the marketplace are considering their position in this discussion; many companies within all industries are now explicitly addressing their corporate social responsibility, pension funds are offering SRI alternatives to their clients, mutual funds are converting parts or the entire business to SRI and also private consumers are taking a stand.

The increase in SRI is argued to be a product of three societal trends (Krumstiek, 1997; Nilsson, 2009; Bengtson, 2007). The first one is grounded in a transition happening in the general population, where people increasingly are becoming “investors” instead of “savers” (Nilsson, 2008). The second trend is that there has been an increase in consumer concern within issues of social, ethical and environmental character (Nilsson, 2008; Beal et al., 2005; Hellsten and Malling, 2006). The third trend is that changes in values, norms and culture can be used to explain the growth of SRI (Bengtsson, 2007). These tendencies all support the existence of Oikos (See section 6.3.).

In this thesis we want to examine if there is a possible causality between SRI behavior and a number of influential variables: 1) social, environmental and ethical factors (SEE), 2) financial preferences, 3) financial perception, 4) knowledge about investment type, and finally 5) socio-demographic factors. Also we want to explore if there are any differences between the clients in Oikos and our control group of conventional clients.

The field of study is hereby a case study of SRI behavior combined with a comparative study between the clients of Oikos and clients in conventional commercial banks.

2.2. Research Question

As the introduction above illustrates; awareness about ethical alternatives has increased, and the demand for ethically profiled products has grown proportionally (Nils-son, 2009; Beal et al., 2005). This coherence is interesting from the perspective of Oikos. The vision of Oikos is to expand its customer segment, as this will consequently enable Oikos to supply a larger number of loans to the Third World. As a prerequisite for succeeding with expanding the customer segment Oikos needs to have an understanding of the characteristics and motivation of their current clients. Also the management finds it important to increase awareness about where their clients differ from conventional bank clients, in regards to attitudes, preferences and perceptions, as these clients might be in the segment of potential future clients.

In surveying this phenomenon we intend to combine literature from neoclassical theory, behavioral economics and consumer behavior. The fact is that despite an increasing attention towards the area of SRI behavior, there is still a gap in the literature concerning the understanding of private SR investor's behavior and motives for investing (Nils-son, 2009; Glac, 2008). Only little research was found that use the theory of behavioral economics to explain SRI behavior. Also, the present study attempts to shed light on the controversy between the neoclassical rational approaches of investors compared to the more financial irrational approaches that can be explained by applying behavioral economics and consumer behavior. On the basis of the above-mentioned reasoning, this thesis seeks to investigate the following research question:

Why did the clients in Oikos select an ethically profiled bank?

The research question serves as an umbrella for the overall objective of the thesis, whereas the sub-questions below will shape the actual structure of the thesis and enable us to finally answer the overall research question.

Sub questions

1. Is there any significant difference in the proportion invested in SRI between the two groups?
2. How can investors' SRI behavior be explained with regard to:
 - Pro-social attitudes?
 - Financial preferences?
 - Financial perception?
 - Knowledge about SRI?
 - Socio-demographic factors?
3. How does the behavior of the clients in Oikos differ from rational economic behavior?
4. What recommendations can Oikos derive from the findings of the study?

2.3. Definitions

In the following section some of the core concepts of this paper will briefly be defined. Some of the definitions will be discussed further into detail in the theory and hypothesis formulation sections.

Altruism can be defined as *"... a motivational state with the ultimate goal of increasing another's welfare"* (Batson and Shaw, 1991:108). The definition indicates that being an altruist, you are willing to give up some of your own wealth in order to increase other people's wealth.

Behavioral economics is *"...an umbrella of approaches that seek to extend the standard economics framework to account for relevant features of human behavior that are absent in the standard economics framework"* (Diamond and Vartiainen, 2007:1).

Bounded rationality implies how people have limited information, is subject to cognitive restrictions of their minds, and is limited by the amount of time provided for the decision-making (Camerer and Loewenstein, 2002).

Cognitive biases are common tendencies to acquire and process information by filtering through one's own likes, dislikes, and experiences (www.businessdictionary.com).

Commercial bank is a bank that has the objective of increasing shareholder value. When referring to commercial banks, these could be Nordea, Danske Bank, etc.

Cooperative bank is a bank that belongs to its members. The members are at the same time the owners and the customers of the bank

Egoism can be explained as “... a motivational state with the ultimate goal of increasing one’s own welfare” (Batson and Shaw, 1991:108).

Heuristics are “approximate rules of thumb or educated guesses, which we apply when making decisions or judgments that involve complex choices or incomplete information. They are employed as a way of making decisions in a context where the information necessary to make strictly rational decisions is not available or computable by an individual” (Ernst and Young, 2008:40).

Institutional investors are large organizations that collect great sums of money and invest professionally on behalf of others. Institutional investors include insurance companies, banks, pension funds, hedge funds as well as mutual funds; hence private investors are not included (www.investopedia.com).

Investment is defined as the act of investing money. An investment involves an active consideration of where to place the money.

Microfinance: The definition from Barman et al. is applied, where microfinance is “... the provision of financial services on a small scale for target groups that have been excluded by the banks” (Barman et al., 2009:53).

Saver is a person who set aside money for future use.

Socially Responsible Investment (SRI) is defined as “a generic term covering ethical investments, responsible investments, sustainable investments, and any other investment processes that combines investors’ financial objectives with their concerns about environmental, social and governance (ESG) issues” (Eurosif, 2008).

Socially Responsible Investors (SR investors): In continuation of the definition above, an addition will be made, as we in this study analyze a very specific group of SR investors, namely the clients in Oikos. Therefore, when in following referred to SR investors,

the group of concern is specifically all clients in Oikos, as well as conventional bank clients who have some involvement in SRI. This definition is important, as the clients in Oikos may possess other characteristics than what would normally be perceived from SR investors, and the findings may therefore not be directly transferrable to “conventional” SR investors (See elaboration on SR investors in section 5.1.)

Value is an important and enduring belief or ideal about what is good or desirable and what is not. Values exert major influence on the behavior of an individual and serve as broad guidelines in all situations (www.businessdictionary.com).

2.3.1. Terminology in the Regression Analysis

In the regression analysis, described in section 7.2.2., various variables will be applied in testing how they impact the SRI behavior. The definition of these variables will be described below:

Social, environmental and ethical (SEE) impact on the investors SRI behavior is explored by examining the investors’ pro-social attitude and perceived consumer effectiveness.

Pro-Social Attitudes (PSA) Pro-social attitudes are tested by asking the respondents to rank how important they perceive five different ethical behaviors, within the areas of; employee rights, environmental involvement, human rights against discrimination, unethical production, and finally corruption and bribery (Appendix 1).

Perceived Consumer Effectiveness (PCE) refers to “...the notion that consumers are *more likely to act on a social issue if they believe that their behavior help to solve the issue in question*” (Nielsen, 2008:311). We test the concept by questioning whether the respondents perceive their actions to make a difference within various areas (Appendix 1).

Financial preferences concern how various alternatives are preferred compared to one another. In the questionnaire we apply the following levels of each of the three variables:

Investment Type: *Inv_Mic*: Investments with a focus on microfinance, for example Oikos, MyC4, Kiva etc. *Inv_Clean*: Investments with a focus on clean-tech, like wind-, solar, bio-fuel and other kinds of alternative energy sources. *Inv_IT*: Investments with a focus on IT, such as investments in IBM, Microsoft, HP or other computer or IT-related compa-

nies. *Inv_Alco*: Investments in companies that are producers of alcohol, as for example investing in Carlsberg or Heineken.

Return: *Return_AMR*: Investments where it is possible to receive a return *above* market rate, *Return_MR*: Investments where a return *at* market rate can be obtained and *Return_BMR*: Investments where it is possible to receive a return *below* market rate. The term *market rate* refers to what the investor alternatively could have gained from investing in a market index like C20 or S&P500.

Risk: *Risk_Fully*: The investment is fully guaranteed and there is no financial risk of loss combined with investing, *Risk_Partly*: The investment is partly guaranteed why some risk may be combined with the investment. *Risk_Not*: The investment is not guaranteed and there may be a high risk of loss.

One could argue that the definitions of risk and return are rather weak, seen from a financial point of view. However, the intention with these definitions was to reach people “at the same level”, instead of applying too sophisticated financial terms. Hereby we attempted to avoid losing responses from people who were not familiar with the economic definitions.

Financial Perception concerns how the respondents perceive risk and return. Perception is found to be a determining factor when investors consider investment alternatives (Nilsson, 2008; Statt, 1997).

Knowledge is defined as the knowledge about the different investment types we explore in the questionnaire.

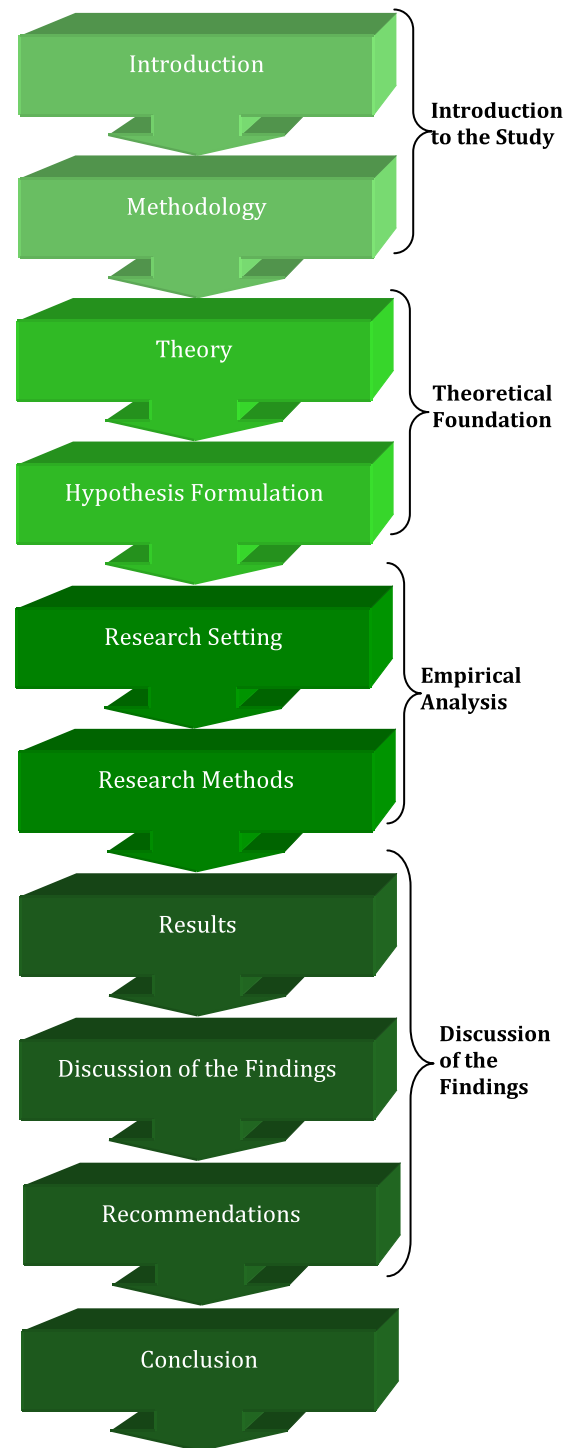
2.4. Project Structure

As the illustration shows, this master thesis is divided into four parts. The introduction shaped the foundation for the area of research and introduced the overall topic. The formulation of research questions was followed by definitions of the key terms in the thesis. The following methodology section will provide an outline of the scientific purposes and explanations of the methodological foundation of the thesis, including the choices performed during the decision-making process as well as the consequences of those.

In the theory section, literature about neoclassical economics, behavioral economics and consumer behavior is outlined. In the following section the hypotheses are formulated. The purpose is to review previous research within the field of investigation, as well as to enable us to select relevant theories for exploring the research question at hand.

The context of the problem is outlined in the research setting section, where the business concept of Oikos will be explained into details. A review of the research method and statistical approach succeeds this section.

Finally the results of the project will be explained and discussed, followed by the recommendations to Oikos. The thesis is finalized with the conclusion of the entire project.



3. Methodology

In the following section, the methodology applied will be explained. This chapter provides a description of how the answer to the research question: *“Why did the clients in Oikos choose an ethically profiled bank?”* has been achieved. Furthermore, a discussion of the research design, the sources of information, validity and limitations are outlined.

The key elements of the problem-oriented empirical studies and the linkages between these are shown in figure 1. All four elements are interconnected and interdependent; indicating that knowledge obtained through empirical studies is generated through an iterative process. This means that new knowledge influences all the other elements, which is why a continuous reformulation of hypotheses and research question has been performed throughout the entire process of writing the thesis (Andersen, 2006).

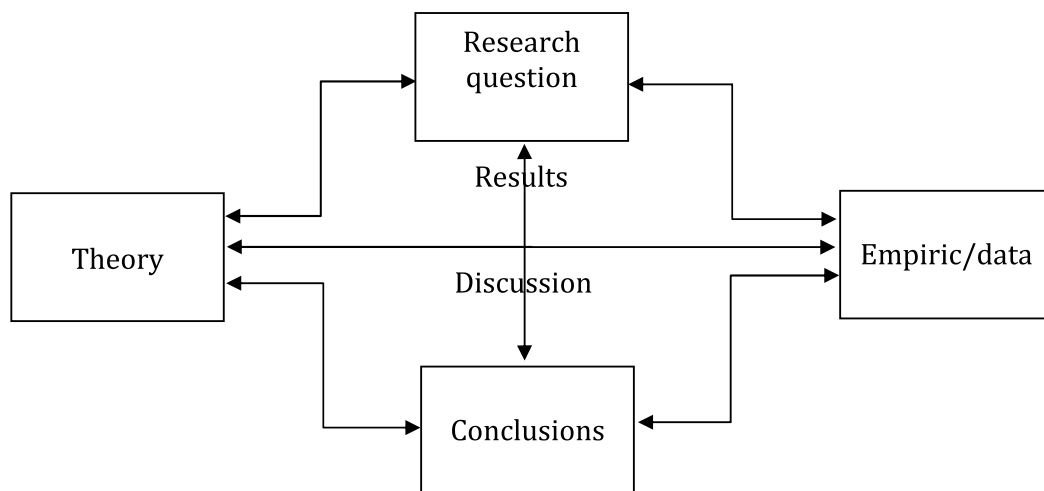


Figure 1: The production of knowledge

Source: Own production with inspiration from Andersen (Andersen, 2006:24)

3.1. Research Philosophy and Approach

This paragraph will briefly describe the research perspective applied in this thesis. The research philosophy influences how one view the relationship between knowledge and the process by which it is developed (Saunders et al., 2007). A positivistic approach would state that the world constitutes of only physically observable phenomena, and the researcher is completely independent (Saunders et al., 2007). By taking a positivistic approach only what is measurable is relevant. On the other hand interpretivism assumes

that knowledge can simply be understood from the point of the individual, who exists in a particular culture or organization (Blumberg et al., 2005). In this master thesis, the researchers find themselves in neither of these extremes. The researchers acknowledges the relevance of both approaches, as our theory development starts with hypothesizing fundamental laws and deducing what observations supports or rejects the theoretical predictions of our hypotheses (Blumberg et al., 2005). However, these fundamental laws are insufficient in understanding the complexity of our research question, as we offer an interpretation of how people are influenced by beliefs and emotions. The thesis acknowledges the specific motivations and interest of the population of investigation (Blumberg et al., 2005). Thus, the research philosophy applied in this paper will be the critical realism.

In critical realism, it is believed that some ultimate or absolute truth exists, but this truth however, is always limited in content or scope (Blumberg et al., 2005). Critical realism accepts the existence of a reality independent of human. To illustrate critical realism, the picture of the iceberg can be applied. In order to understand what we experience on the actual level, „the top of the iceberg“, we have to go „under the water“ to deeper structures and relations that are not directly observable, as only a small part of the complete entity is visible to us. Hereby we obtain the opportunity to understand the deeper structures of why people decide to invest in SRI. It is necessary to explore the subjective meanings motivating people's actions in order to be able to understand these (Saunders et al., 2007). For the same reasons, we cannot reach an overriding truth about why investors and companies value social responsibility differently, but we seek to come closer to the truth by exploring the field of study in dept. We also accept that our findings in this master thesis might not apply in few month times.

The research approach applied is deductive in the sense that we intend to draw conclusions about a specific case through the application of general theories and principles (Andersen, 2006). A deductive approach is characterized by the aim to explain casual relationships between variables and allows testing of the hypotheses the thesis addresses (Saunders et al., 2007). Also, the study will primarily apply a static approach where the research question will be examined in a given time rather than in a period of time.

3.2. Research Strategy

We are employing triangulation in order to increase the credibility of the data (Saunders et al., 2007). Triangulation refers to the use of different data collection methods in order to ensure that the data is really explaining what we want it to explain (Saunders et al., 2007). In this thesis both quantitative as well as qualitative primary data have been collected. To fully understand the business concept of Oikos, significant amounts of data is derived from interviews with employees, board members of Oikos and from questionnaires answered by the clients in Oikos and by a control group of conventional bank clients.

As the focus of the thesis is to provide an answer to the research question: *“Why did the clients in Oikos choose an ethically profiled bank?”*, the question calls for an explanatory research rather than a descriptive. This has some implications for the methodology applied. The explanatory approach is chosen to apply and exploit the theoretical insight of SRI, while yet allowing for empirical data to enhance the understanding of the rationality underlying the investment decisions (Saunders et al., 2007). The emphasis will be on understanding how various factors impact the SRI behavior and how the clients in Oikos differ from conventional bank clients. Furthermore, the study is a static single case study where the questionnaires provide a snapshot of the attitudes and preferences of the clients in a specific bank at a given point in time (Saunders et al., 2007). A case study is a strategy *“... for doing research, which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”* (Saunders et al., 2007:93).

The case study method has often been criticized arguing that the study of a small number of cases offer no ground for reliability and generalizability of the findings (Saunders et al., 2007). However, the method can be strengthened by applying quantitative data analysis methods, as is the case in our study. On the other hand, the few observation units and many variables that characterizes a case study, leads to a relatively high validity. The researcher can ensure the validity, by maintaining focus on the subject throughout the entire investigation. Despite the arguments for a lack of reliability, researchers continue to use the case study method, as it is relevant for understanding and exploring specific relationships in depth.

3.2.1. Information Sources

As mentioned above, this study is developed on a combination of both qualitative and quantitative methods. The regression model is based on quantitative data collected through questionnaires of the clients in Oikos and of a group of conventional banking clients. The discussion is based upon results from both the regression model, as well as on other qualitative findings from the questionnaires and interviews.

The **primary sources** of information were:

- 177 questionnaires completed by the clients in Oikos (1293 possible).
- 77 questionnaires completed by the control group.
- Numerous semi-structured interviews with employees in Oikos; Director in Oikos; Allan Andersen, Communication Manager; Gullmai Sørensen, Vice President of the “Representatives”; Flemming Kramp, and Chairman of the Board; Ivor Palmer Jørgensen.
- Explorative telephone interviews with five clients in Oikos.

The **secondary sources** of information can be classified as:

- Academic articles, reports and publications
- Websites of public organizations and Oikos
- Books on the subjects: Consumer Behavior, Investment Theory, Socially Responsible Investing and Behavioral Economics.

3.3. Source Criticism

The control group has been obtained through convenience sampling, and constitutes of people from our network, as well as from their extended networks. The group might not be a completely representative sample of the population because of this sampling method. The questionnaires were distributed on various social network pages, as well as through our relatives' professional and private networks. Hereby we attempted to reach respondents with different age, educational backgrounds, as well as geographical distribution (see appendix 2 and table 5).

The theoretical articles applied in this thesis, are from scientific journals, acknowledged newspapers and from various interest organizations, which are assessed to be reliable

and trustworthy. However, it is recognized that articles can be biased, since the authors may have their own agenda and opinion on the subject. This has been taken into consideration when referring to these sources in the paper. Furthermore, as the backtracking technique to some extent was applied when reviewing previous findings from the articles, they may have a tendency of supporting the same view. As it is recognized that other scholars and researchers may have different approaches to this subject, we also performed more broadly defined searches. The paper attempts to present a diverse spectrum of literature in order to make the analysis more nuanced and credible.

When relying on quantitative data collected through a questionnaire, it is crucial that the questions are framed unambiguously and in a way that are non-interpretive (Andersen, 2006). As the questionnaire to some extent is based on a previous study, the reliability is assessed to be high, since it is assumed that many of the questions and the structure already have been pretested and undergone a critical adjusting process (Nilsson, 2009). Nevertheless it has to be acknowledged that surveys on ethical issues can potentially suffer from the acquiescent bias, implying that respondents reply what they expect people want to hear (Schlegelmilch, 1997).

3.4. Delimitations and Assumptions

The following section will highlight some of the limitations and assumptions behind this study.

3.4.1. Delimitations

The focus of this study concerns the behavior of private investors, why we choose to delimit from covering commercial and institutional SR investors.

The geographical scope of the thesis is delimited to concern investors in Denmark. The reason is that the Oikos branches are located only in Denmark, why the respondents are residing in Denmark. Nevertheless the behavior of the clients may be equal to the behavior of investors from countries with similar cultural characteristics as Denmark.

With regard to SEE factors, this study only investigates pro-social attitudes (PSA) and perceived consumer effectiveness (PCE). We have decided not to include trust as an independent variable, which Nilsson does in his study (Nilsson, 2008). This decision is substantiated in reflections we had in retrospect, after receiving the answers from the

clients in Oikos. The clients were specifically asked how they much they trust Oikos, which is why we were not able to frame a question in a comparable manner for the control group.

We are focusing on the supply side of SRI, by delimiting the study from exploring many of the issues regarding the demand side of SRI, in this case microfinance. The figure below illustrates the area of analysis:

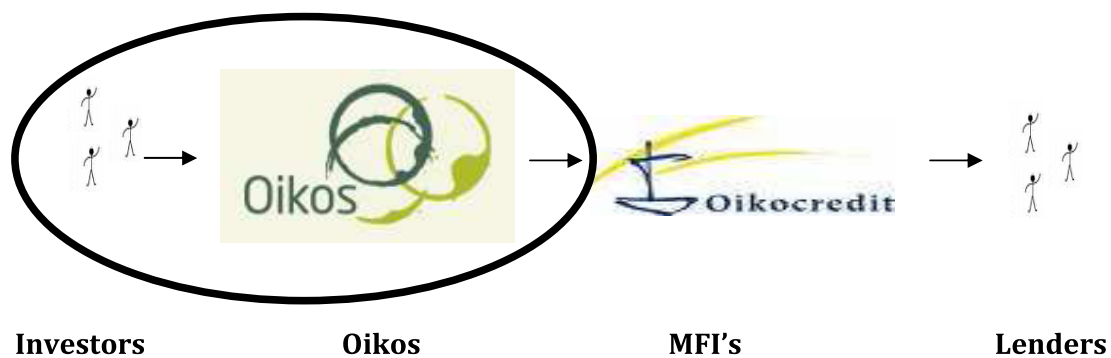


Figure 2: The area of analysis – the sphere between investors and Oikos

Source: Own production

As the figure illustrates, the survey concerns a very limited and specific group of investors, why the results may not be generally applicable to SR investors as such. Also, we are not going to consider the actual performance (financial results) of Oikos compared to conventional banks, as this would have been a study in itself. The same is asserted in regard to determining if SRI in general or if Oikos specifically is a good investment (Schlegelmilch, 1997). Finally, we will delimit the study from analyzing the consequences of applying either a positive or a negative screening strategy from the investor's point of view.

3.4.2. Assumptions

Oikos is being promoted as an ethical bank with a focus on microfinance. Hereby there is an implicit assumption that supporting microfinance is perceived as being socially responsible. We do not take a stand in the discussion of whether or not microloans really are an appropriate way of fighting poverty in the Third World, but this is an implicit assumption that this is the case throughout the paper. This assumption is supported by Deutsche Bank Research (Deutsche Bank Research, 2007).

Preferences for SRI may change as social issues evolve over time (Barney et al., 2007). However, as long as Oikos' actions are consistent with the general definition of social responsibility – that is, as long as Oikos attempts to improve social or environmental conditions; Oikos is considered ethical and socially responsible.

To avoid misinterpretations in the analysis the following assumption is considered necessary; from interviews with employees in Oikos and from phone interviews with five Oikos clients we became aware of the paradox that none of the clients in Oikos know the exact relationship between the products they have in the bank and the proportional percentage of money made available for microloans. Therefore we assume that all clients believe that their involvement in Oikos cause a relative increase in the total number of microloans supplied, as that is what is being communicated from Oikos. In the questionnaire for the Oikos clients, we therefore explicitly stated that all engagements with Oikos count as SRI. This decision is made, based on the fact that it requires a proactive approach to deposit money in Oikos, and also based on the fact that money deposited on an account in Oikos could alternatively have been placed in assets or options elsewhere.

This study examines where the seemingly irrational behavior of the clients in Oikos differ from the behavior of conventional bank clients. Hereby we make an implicit assumption that the control group represents the rational behavior, without being able to determine for sure whether that is really the case. Since the objective was to compare the clients in Oikos with clients in conventional banks, this assumption is however found necessary.

Part II: Theoretical Foundation

4. Theory

In order to understand why the clients chose to invest in Oikos, and to explore how their behavior differs from traditional rational investment behavior, it is found appropriate to introduce the rationale behind SRI behavior. In the following section the theory applied in this study will be explained.

4.1. Neoclassical Economics

Neoclassical economics presupposes that if markets work freely and nothing will prevent their rapid clearing, the economy will prosper. The consumer is assumed to act as an economic man; being rational, utilitarian (considering his self-interest) and having perfect information (Lewis and Mackenzie, 2000; Herzog, 2008). Utility is defined as an indicator of a person's overall wellbeing, and is used to describe preferences (Varian, 2002). The consumer will choose the consumption bundle, which yields the highest possible utility and hereby optimizes the person's utility function. The basic idea of rational choice theory is that the behavior of people reflects the choices made to maximize their benefits and minimize their costs (Heding et al., 2009). Hence, the abandonment of the return condition will always reduce the utility (Beal et al., 2005). Since the vast amounts of economic literature and models have rationality as one of the underlying assumptions (Ernst and Young, 2008; Beal et al., 2005), neoclassical economics is applied in this study, to initially understand where SR investors differ from conventional investors. However, neoclassical theory can only partly explain the behavior of SR investors, and therefore we will support the discussion with theories concerning irrationality, which take the anomalies entering the investment decision into account. Furthermore, during the past 30 years there have been some concerns of whether classical economic theory can adequately explain the human behavior (Ernst and Young, 2008). In the following section, we will discuss alternative theories that can be applied in the explanation of SRI behavior.

4.1.1. Altruism

If everyone acted rationally and utility maximizing from an economic point of view, one could argue that there would be little demand for SRI due to the possible lower return on investment (Beal et al., 2005:71). This coherence is found interesting when seeking to understand the clients in Oikos, as they are disclaiming a proportion of their possible future return in order to help others. Neoclassical economics explain SRI by arguing that people support others to ultimately benefit from the action themselves (Batson and Shaw, 1991). This behavior is what theorist Auguste Comte described as egoism (Batson and Shaw, 1991).

Comte stated that there are two types of individual motivation; egoism and altruism respectively. Egoism can be defined as “... a motivational state with the ultimate goal of increasing one's own welfare” (Batson and Shaw, 1991:108). On the other hand, altruism is defined as “... a motivational state with the ultimate goal of increasing another's welfare” (Batson and Shaw, 1991:108). The altruist's utility is a function of both own welfare as well as others' welfare; “...an altruist is willing to reduce his own consumption in order to increase the consumption of others” (Becker, 1976:818). How much of his income the altruist is willing to give up depends on several things, such as income level, the cost associated with the action and the necessity of the help given (Becker, 1976).

Comte acknowledges that some people are driven by a true unselfish desire to help others whereas other people will have an underlying egoistic self-interest in the seemingly helpful action (Batson and Shaw, 1991). Advocates for egoism claim that everything you do, no matter the benefit of others, you do to ultimately benefit from it yourself. On the other hand, advocates of altruism do not completely deny this, but nuance the interpretation in stating that there are more to it, such as the satisfaction that can be obtained from benefiting someone else than yourself (Batson and Shaw, 1991). When attempting to understand the behavior of the clients in Oikos, these two different approaches are considered.

4.2. Behavioral Economics

According to economic theory, the world and its participants are, for the most part, rational “wealth maximizers”. However, there are many instances where emotions and psychology influence our decisions, causing us to behave in unpredictable or irrational

ways. Various scholars have contributed to the field of irrational economic behavior or the field of behavioral economics. In the 1960s cognitive psychology dominated the field and the brain was considered an information-processing device, serving as a stimulus-response machine (Camerer and Loewenstein, 2002; Heding et al., 2009). Nobel Prize laureate Herbert Simon (Simon, 1955) proposed the expression and theory of “bounded rationality” to explain a more realistic formation of the human problem-solving ability (Gilovich et al., 2002). Behavioral economics is founded on this assumption about bounded rationality; people are making decisions under constraints such as time, knowledge and money, hence they are optimizing under constraints (Ariely, 2009). Behavioral economics evolved as an addition to the neoclassical theory, and is continuously being developed (Camerer and Loewenstein, 2002). However, Kahneman and Tversky are generally seen as the origin of the science of behavioral economics (Ernst and Young, 2008). Cognitive psychologists identified a wide range of decision-making “anomalies” (Camerer et al., 2003). Anomalies are observations that are difficult to “rationalize” which is why explanations must be found within more implausible assumptions (Loewenstein and Thaler, 1989). Hence, behavioral economics combine knowledge from psychology and sociology with traditional neoclassical economic models, and present insights to the influence of habits, emotions, cognitive capabilities and social norms in affecting the individual behavior (Ernst and Young, 2008).

In neoclassical economics, financial markets are assumed to be efficient. Contrasting this view, behavioral economics argues that there are limits to the efficiencies of the market. Thus, where neoclassical economics argues for rationality and efficiency, behavioral economics challenges this view by suggesting that individuals do not always behave rationally and that financial markets therefore are unlikely to be perfectly efficient. Lewis et al. argue that a dual explanation of behavior is necessary; *“People are motivated in the economic realm by self-interests and moral considerations as well”* (Lewis and Mackenzie, 2000:180). Often investors have different mental accounting approaches connected to the money they obtain from different sources. They do not treat every dollar they possess equally, as many economists assume they do (McKinsey Quarterly, 2010). According to a recent McKinsey study, behavioral economics can make the above irrationality more predictable (McKinsey Quarterly, 2010). One could argue that beha-

behavioral economics steps in when neoclassical models lack explanatory power in predicting the behavior of people.

Behavioral economics concerns how individuals believe that they are maximizing the overall value as a result of their decisions, even though they might be far from this, due to the boundaries of rationality and limited information processing (Gilovich et al., 2002). Also behavioral economics acknowledges that the deficiency in maximizing from an economic point of view can alternatively be explained by the fact that people may have different objectives. Thus, when individuals find themselves in situations that require important decisions and consideration, such as selecting a pension investment or a house loan, they go through a series of mental processes. These processes often imply that people use simplifying strategies to cope with complex decisions (Kahneman and Tversky, 1974). Such rules of thumb in decision-making processes are called heuristics and are used by people to ease decision-making. An effective and quick decision-making process can be useful, but it may also result in some less fortunate biases and suboptimal solutions when the heuristic fail to produce a correct judgment.

While this is ignored in the standard economic models, we intend to employ this phenomenon in explaining the behavior of the clients in Oikos, as they, like all other human beings, do not have the ability to process and compute the expected utility for all possible alternatives.

4.2.1. Biases

Biases are predispositions towards errors and occur when the previously mentioned heuristics are applied inappropriately (Shefrin, 2007). Biases are a result of intuitive thinking and can play an essential role in understanding the underlying considerations and preferences concerning SRI. One can simplify the understanding by stating that a heuristic is the strategy you follow and the bias is the outcome of this strategy, if the heuristic is applied wrong. In the following, the biases that are found relevant for this study will be described.

4.2.1.1. Social desirability bias

The social desirability bias occurs when respondents reply to questions in a way that can be perceived favorable by others (Fisher, 1993). When people know they are being

watched they tend to behave differently in order to achieve social acceptance. People are often not willing to, or simply not capable of, reporting accurately on sensitive topics for ego-defensive or for impressive reasons (Fisher, 1993). This social desirability bias can impact how people for example have reported their preferences in the questionnaire. The respondents will be aware that the indirect recipient of the results is Oikos, and therefore may have a tendency to seek to “please” by reporting what they expect is appropriate to report.

4.2.1.2. Herd Behavior

Another bias people frequently apply to reduce time spending and costs is herding, where you simply rely on the information of others. Information can be costly to acquire and in some cases even out of reach. When investing socially responsible the main purpose might be to “do good”, and collecting information about return, risk or possible future gains from the investment may have a second priority. In that case the investors simply rely on information from others (Bikhchandani et al., 1998). When exposed to uncertainty people make decisions by watching what other people do, and then copy this behavior. Psychologists have found that people make use of this “social comparison” to “...inform their beliefs and decisions even when it contradicts facts or their better judgment” (Gounaris and Prout, 2009:77). One of the reasons why herd behavior happens is the pressure of conformity. Since most people are social beings and have a natural desire to be accepted by others, this pressure can be a powerful force.

4.2.1.3. The Confirmation Bias

People encounter information that is consistent with their own beliefs, and spend little time searching for arguments that question their view. The confirmation bias arises partly due to the fact that the human mind is designed to retrieve information from memory, which implies that information supporting the initial view becomes more accessible (Gounaris and Prout, 2009). People become victims of the confirmation trap because the natural limits to our attention and cognitive processing force us to search for information selectively (Bazerman and Moore, 2009). When selectively paying more attention to information that supports own opinions, a result can be that important information is ignored and decisions are made based on the wrong assumptions. The conformity bias strongly pushes people to conform their judgments to the judgments of

other people. People take cues from their peers about the proper way to act. In investing, the confirmation bias suggests that an investor is more likely to look for information that supports his/her original perception about the investment, rather than searching for information that contradicts it. As a consequence, this bias often results in wrong decision making from a rational point of view, as one-sided information tends to distort the investor's frame of reference, leaving the investor with an incomplete picture of the situation.

4.2.2. Loss Aversion

Kahneman and Tversky developed prospect theory in the mid-seventies (Kahneman and Tversky, 1979). It started out as two experimental demonstrations about the same problem presented in different ways. They discovered two things. First, that depending on how they framed the questions the answers would differ, and second; that losses, psychologically, have twice the importance than gains have. As a consequence there is a tendency for people to strongly prefer avoiding losses compared to acquiring gains. This implies that a person who loose \$100 will lose more “satisfaction” than another person would gain from winning \$100. People often demand much more to give up an object than they would be willing to pay to acquire it, also known as the endowment effect. Loss aversion can cause people to avoid changes, even though the changes might be for the better in the long term (Thaler and Sunstein, 2008). Hence, loss aversion leads to inertia; a strong desire to stick to current opinions (Thaler and Sunstein, 2008).

4.3. Consumer Behavior

As mentioned above, there are many different factors influencing the SRI behavior of the clients in Oikos. The connection between consumer and investment behavior has been the subject of a number of studies (Williams, 2007). Consumer behavior is the study of when, why, how, and where people do or do not buy a service or a product (Lundquist and Sirgy, 2006). By applying this theory, we will attempt to understand the symbolic consumption of the clients in Oikos. Symbolic consumption is the process through which consumers, on the basis of symbols, buy, consume and dispose products and services (Lundquist and Sirgy, 2006). According to consumer behavior, consumers buy and use goods and services for more than their utility but also for which images the various

goods represent. Hence, a great part of consumption is symbolic as it reflects the personalities, lifestyle, and desire of consumers.

Often consumers buy a good or service in order to express their self-image. Consumers can have several selves reflecting the different roles in their daily lives. The different self-images concern how people see and wish to see themselves, but it also reflects how they believe others perceive them (Lundquist and Sirgy, 2006). The self-image called the ideal private self-image is found interesting to discuss in the context of the clients in Oikos. The private self-image concerns how the clients in Oikos would like to look upon themselves, whereas the public self-image concerns how the clients in Oikos would prefer to be looked upon by others.

4.4. Summary

The perception of investors being exclusively rational in the neoclassical economic sense is being questioned by behavioral economics. When selecting Oikos in favor of a conventional bank; the clients in Oikos are to some extent rejecting a future return in favor of benefitting others. Thus, behavioral economics will be applied in the discussion to support the explanation of the SRI behavior of the clients in Oikos.

Furthermore, heuristics in some cases violates the logical principles and can lead to errors and biases (Camerer and Loewenstein, 2002). Heuristics allows people to use simplifying strategies to cope with complex decisions, and provides fast answers when time or cognitive capabilities are limited (Kahneman and Tversky, 1974). Many variables have an impact on how we make decisions, but as stated above it is rather unusual for people to always make completely objective and rational decisions. More likely biases from prior experiences and beliefs have an impact on the decision-making. A better understanding of these biases leads to better judgments, which is why we intend to apply the various biases to the behavior of the clients in Oikos.

Consumer behavior is applied in this thesis for Oikos to gain a better understanding of their clients' behavior. Consumers buy and use goods and services for other purposes than maximizing their utility, but also for what images the various goods represent.

5. Hypothesis Formulation through a Literature Review

In the following section existing literature will shape the foundation for the hypotheses formulation. First, the background of SRI will be explained to ensure a common understanding of the literature covering the field of analysis, and to set the stage for how SRI and SR investors are defined in the context of Oikos. Following this section, the reader is presented to the model on which the study is founded. The model is an extended version of a model developed by Jonas Nilsson (Nilsson, 2008).

5.1. The Background of SRI in General and in the Context of Oikos

Socially responsible investments originate from what was previously called ethical investments. Ethical investment is an older phrase from the mid 1700s in Jewish and Christian traditions (Horst et al., 2007; Schueth, 2003). It was further developed in the US, building on the church's traditional concern for subjects like alcohol, tobacco and gambling. These areas of concern were by many religious institutions called the "sin" industries (Schlegelmilch, 1997; Schueth, 2003). In Europe ethical investing began to develop mainly in Britain by the end of the 1980's, and in the beginning of the 1990's it spread to several other European countries (Sparkes, 2002).

Time has passed and the concept "ethical investment" has more or less been replaced with the term "socially responsible investment" (Sparkes and Cowton, 2004). According to Sparkes and Cowton, the phrases "ethical investment" and "SRI" more or less explain the same concept (Sparkes and Cowton, 2004). This is also supported by Horst et al., whom find the terms used interchangeably (Horst et al., 2006). The difference if any, is that ethical investment is an older term and to a higher extent is founded on the values of the church (Sparkes and Cowton, 2004).

Numerous different and sometimes ambiguous explanations of SRI have been made (Rosen et al., 1991), however, most scholars agree upon the goal of combining social, ecological and financial objectives (Nilsson, 2008:6). To be specific, SRI can be defined as *"...a set of approaches, which include social or ethical goals or constraints as well as more conventional financial criteria in decisions over whether to acquire, hold or dispose of a particular investment"* (Schwartz, 2003:195). Other scholars broadly define SRI as *"the integration of personal values, social considerations and economic factors into the invest-*

ment decision" (Michelson et al., 2004:1). Considering the definitions above, and taking the context of Oikos into consideration, we define SRI as *"investments where personal values and societal concern is actively integrated in the investment decision, concerning all financial means like deposit accounts, pensions as well as conventional investments"*.

As discussed above, the objective of investing socially responsibly is, inter alia, to fulfill the social objectives of the investor and generate a financial return (Nilsson, 2009). In the literature, SR investors are broadly speaking said to be driven by two different motivations besides financial return. On the one hand, people want to "feel good" by depositing their money in an account where they can "work" in accordance with their personal values, and on the other hand, there are people who want to improve the quality of life and positively change society (Schueth, 2003). These two types of motives within the individual are by Comte called; egoism and altruism respectively. As mentioned before, we will not decide here whether the clients in Oikos are driven by one or the other motives, but this matter will be further elaborated in the discussion. However it is found appropriate to explicitly define SR investors, as they should be understood in this context; *"investors where financial return is not the core aspect of an investment, but where personal attitudes, preferences and perception to a larger extent plays a role"* (Nilsson, 2008).

This definition is chosen for two reasons. First of all, it is important to clarify that many of the bank clients in this survey are not investors who invest socially responsible to gain a higher financial return. Secondly, many of the clients in Oikos are placing money on a deposit account in Oikos that does not yield any return, which is why we assume that financial return cannot be their initial motivation. This key assumption touches upon the core area of interest for our survey.

5.2. Hypothesis Formulation

In the attempt to explain the behavior of the clients in Oikos, we have explored what has been proven before, as well as what has been suggested by previous literature to have an impact on SRI behavior. In formulating the hypotheses, we draw on findings from other studies; specifically the framework builds on a reiteration and extension of Nilsson's study from 2008 (Nilsson, 2008). Nilsson surveyed how the behavior of investors in SR mutual funds in Sweden can be explained. His model consisted of three areas; 1) Social, environmental and ethical factors, 2) Financial perception and 3) Socio-demographic variables. To obtain a more sophisticated understanding of the relationship between SRI and the influencing variables, we chose to add two more areas to our model. The two new areas we expect have an impact on the SRI behavior, are financial preferences and knowledge about the investment type, respectively. These two variables have been suggested by scholars as variables that might have an impact on the SRI behavior (Nilsson, 2008; McLachlan and Gardner, 2004; Juravle and Lewis, 2008). As the figure on the following page illustrates, the hypotheses have consequently been divided into the following five areas; 1) Social, environmental and ethical factors, 2) Financial preferences, 3) Financial perception, 4) Knowledge about the investment type, and 5) Socio-demographic factors.

The underlying notion of the theoretical model is hereby that many factors might have an impact on SRI behavior. The sign at the bottom of every square indicates the direction of the relationship to be expected between the dependent variable and the independent variables (Nilsson, 2008). It should be mentioned that the dependent variable, SRI behavior, is quantified by measuring the proportion of the respondent's portfolio *which is actually invested in SRI*. The dependent variable will be discussed further in section 7.2.2.1.

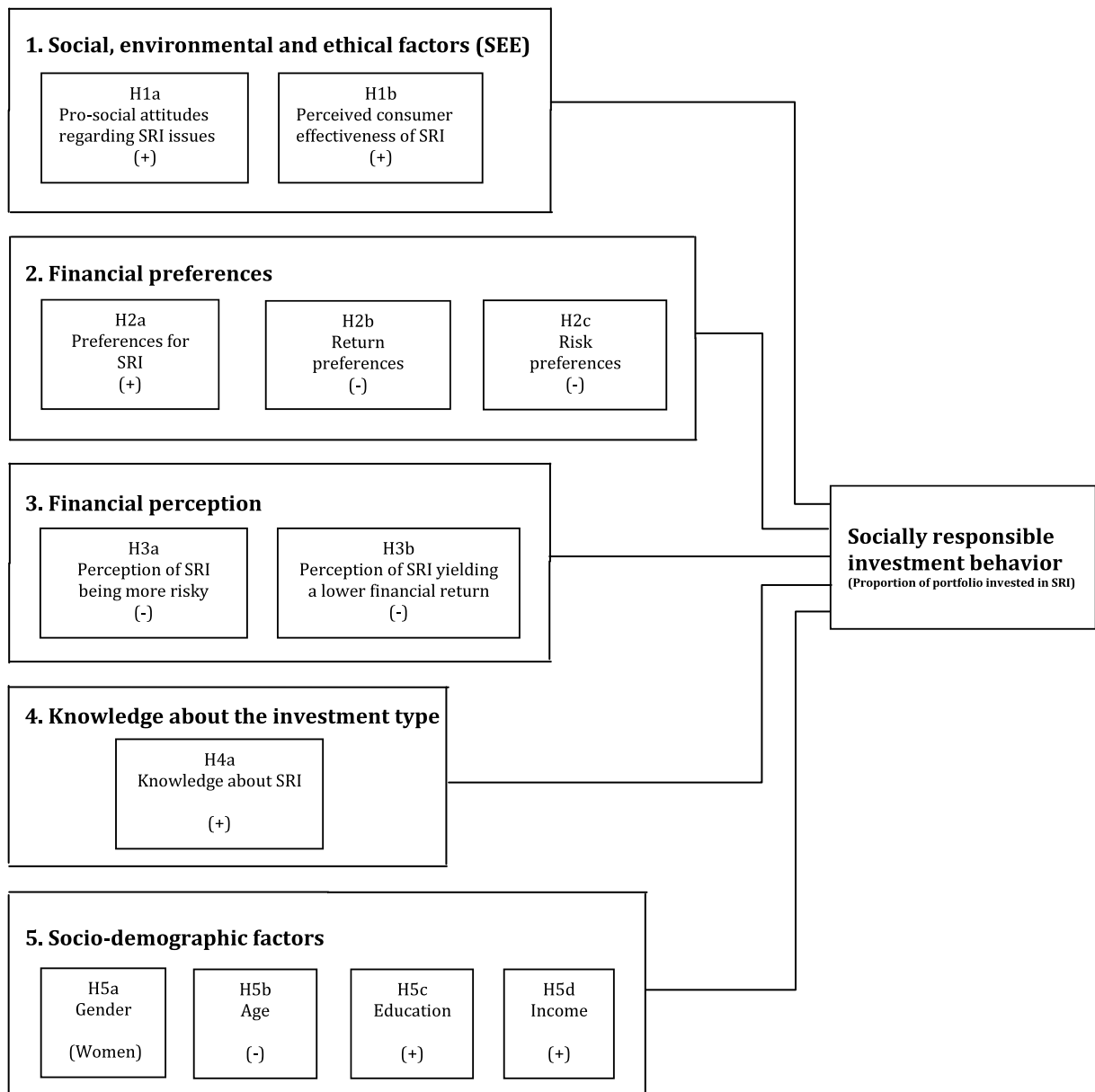


Figure 3: Influential variables on SRI behavior

Source: Own production, with inspiration from Jonas Nilsson, 2008.

The five above-mentioned areas will be tested regarding their impact on SRI behavior. Each hypothesis will be deduced from what has previously been found, and adapted to the context of Oikos. Therefore the literature review is intended to enable a formulation of valid and satisfactory hypotheses, and to put our study into context with previous research.

5.2.1. Pro-Social Attitudes

In recent years attention towards SRI has been growing with rapid pace (Lewis and Mackenzie, 2000; Nilsson, 2008; Beal et al., 2005; Williams, 2005; Hellsten and Mallin, 2006). According to the Social Investment Forum study from 2006, almost 10% of the dollars invested in the USA are invested after socially responsible principles (Kempf and Osthoff, 2007). Furthermore, results from a survey conducted in the Western World report that 90% of the population in general is worried about the environment and 50% of the population is concerned with ethics and corporate issues (Nilsson, 2008).

The measurement of SRI behavior is very complex, as people tend to have inflated intentions about their own actions towards what is found socially desirable (Nilsson, 2009:309). Many consumers claim that they are willing to spend more on environmentally friendly products. However, when it comes to the actual purchase they simply do not follow through on these beliefs (Glac, 2008), or they claim that the products are too expensive to purchase (Roberts, 1996). Straughan and Roberts find that a person, who is concerned about the environment, is still unlikely to be pro-active in a behavioral sense unless the person feels that s/he can be effective in combating environmental issues (Straughan and Roberts, 1999). Nevertheless, the conclusions of previous research state that pro-social attitudes are likely to be correlated with SRI behavior (Alwitt and Pitt, 1996; Nilsson, 2008). Thus pro-social attitudes are likely to be an explanatory factor of the SRI behavior (Nilsson, 2009). We expect that investors, who have a positive attitude towards pro-social issues, will also have a higher proportion of their portfolio invested in SRI:

Hypothesis 1a: Pro-Social attitudes towards the issues addressed in SRI will have a positive impact on the SRI behavior.

$$H_0: \beta_{PSA} = 0 \text{ and } H_1: \beta_{PSA} \neq 0$$

Perceived consumer effectiveness (PCE) is understood as the likelihood that you will take action on an issue, if you believe your action will make a difference (Nilsson, 2009). Understood in an SRI context; PCE regards the individuals' perception that the investment will have an impact on the issues addressed in the invested causes. A previous study by Roberts showed that consumers believe that they can help solve environmental problems, and PCE was found to be the best predictor of the dependent

variable; ecologically conscious consumer behavior (Roberts, 1996). From a study by Rosen et al., it was found that SR investors strongly agree that SRI can have an impact on the society (Rosen et al., 1991). This is supported by Nilsson's study, which proves that PCE along with pro-social attitudes are significantly important predictors of consumers' investments in SRI profiled mutual funds (Nilsson, 2008). Moreover, Straughan and Roberts, find that PCE provides the greatest insight into ecologically conscious consumer behavior (Straughan and Roberts, 1999). It is hereby expected that PCE is an explanatory factor, as people are assumed to be more likely to invest in SRI, if they have the confidence that their investment will make a difference. Thus we can formulate the following hypothesis:

Hypothesis 1b: High perceived consumer effectiveness in relation to SRI will have a positive impact on the investors' SRI behavior.

$H_0: \beta_{PCE} = 0$ and $H_1: \beta_{PCE} \neq 0$

5.2.2. Financial Preferences

We want to investigate the impact of the underlying preferences of SR investors, as literature is scarce on the subject (Nilsson, 2009). This is done by performing a conjoint analysis that has the purpose of revealing the true preferences of the clients (North and de Vos, 2002).

In neoclassical economics investors are primarily concerned with risk and return (Bondt et al., 2008; Nilsson, 2008). However, it seems like the development in recent years has been that some investors to a higher extent are incorporating their own values and emotions into the investments (Ernst and Young, 2008). These values are often a result of both internal and external influence. This can lead to the preferences of people being biased from both the social desirability bias and the confirmation trap, in the sense that personal values will be affected by the opinion of acquaintances. In the case of Oikos, it is assumed that the clients have stronger preferences for microfinance-profiled investments. This assumption is based on the fact that the objective of microfinance is to alleviate poverty, which might be a value the clients in Oikos can identify with. Another explanation can be that clients in Oikos can easily recall information about microfinance because of their relationship with Oikos. Hence, decisions may consequently be made

based on the information that was most easily retrieved from memory (Heding et al., 2009). To embrace the preferences of the total sample, we will look upon both microfinance and clean-tech as representatives of SRI, since the control group may have little or no knowledge about microfinance investments. It should be noted that preferences are not stable (Ernst and Young, 2008). The investor preferences found in this study may therefore change, as preferences, like other social issues, evolve over time (Barney et al., 2007). People have different objectives when investing (Statman, 2008). These objectives will eventually impact the final investment decision, and will be reflected in the preferences. If the investor is primarily concerned with obtaining a high return, the social benefit of the investment will have a lower priority. On the other hand if it is the social impact of the investment type that primarily matters to the investor, the risk and return prospect will mean less. On the basis of the above, we can formulate the following hypothesis with regard to preferences for investment type:

Hypothesis 2a: Higher preferences for SRI than for conventional investments will have a positive impact on the SRI behavior.

$$H_0: \beta_{\text{Preferences_SRI}} = 0 \text{ and } H_1: \beta_{\text{Preferences_SRI}} \neq 0$$

It has previously been found that SR investors have preferences for return on their investments, but that the financial criterion is combined with an ethical aspect (Nilsson, 2009; Hellsten and Mallin, 2006). Hence, it cannot be claimed that investors who invest in SRI are exclusively socially concerned. Nilsson found that there are two groups of investors; on the one hand investors who find financial return to be the most important when investing in SRI, and on the other hand investors who do not have financial return as their main objective when investing (Nilsson, 2009). Other studies have found that even though people have different preferences, one common preference is the achievement of returns (McLachlan and Gardner, 2004; Rosen et al., 1991). Glac has also found that the majority of SR investors are just as interested in financial performance of their investments as conventional investors (Glac, 2009). This reveals that the greater part of SR investors seem to have preferences for the financial performance of their investments to the same extent as conventional investors. For some SR investors, SRI is therefore not an act of charity or an attempt to assuage a guilty conscience (Lewis and Mack-

enzie, 2000; Rosen et al., 1991). However, it seems like SR investors derive utility from both financial and non-financial characteristics of their investments (Lewis and Mackenzie, 2000). McLachlan and Gardner, who attempted to prove that SR investors have lower preferences for return, oppositely found that return is important for conventional investors as well as for SR investors (McLachlan and Gardner, 2004).

Existing literature hereby indicates that return most likely will have a decisive impact on the investor behavior (Glac, 2009). That being said, we expect the relationship between preferences for return and SRI behavior to be as follows:

Hypothesis 2b: Investors with preferences for a high return will be less likely to invest a large proportion of their portfolio in SRI.

$$H_0: \beta_{\text{Preferences_Return}} = 0 \text{ and } H_1: \beta_{\text{Preferences_Return}} \neq 0$$

Since there is only limited literature on the subject of how preferences influence SRI, it is assumed that an increased risk exposure will lead the investor to demand a higher possible return. As written above, existing literature indicates that return will most likely have a large impact on the investment decision (Glac, 2009; McLachlan and Gardner, 2004; Rosen et al., 1991). From this information and from a neoclassical economic approach, we can assume that risk has the same influence since there is a correlation between risk and return (Nilsson, 2008). Also existing literature finds that SR investors tend to be slightly risk-averse (Rosen et al., 1991). Thus, we expect the following relationship to be found:

Hypothesis 2c: High risk averseness will have a negative impact on the investors' proportion of portfolio invested in SRI.

$$H_0: \beta_{\text{Preferences_Risk}} = 0 \text{ and } H_1: \beta_{\text{Preferences_Risk}} \neq 0$$

5.2.3. Financial Perception

When attempting to understand the SRI behavior of the clients in Oikos, it is found interesting how the perception of SRI impacts this behavior. *The way a product is perceived by consumers is a much more important influence on their behavior than any objective characteristic it may have*" (Statt, 1997). From a neoclassical approach the

perception of risk is one of the most important factors, as there is no such thing as “free lunch” when it comes to investing (Bowerman and O’Connell, 2007). Commercial banks often have a rather rigid perception of the market of microfinance and its clientele, and “frequently dismiss this segment as both too risky and too expensive” (Rhyne, 2009:14). This can have a negative impact on the investors’ perception of SRI (Nilsson, 2008). However, it has been argued that perception of risk is also influenced by attitudes and feelings, and individual investors will most likely assess the risk exposure differently depending on their own perceptions (Ernst and Young, 2008). According to Nilsson’s study, little research has been made focusing on perception of risk in the SRI context (Nilsson, 2008:312). Lewis and Mackenzie’s study from 2000 finds that SR-investors have different perceptions of the relationship between risk and SRI (Lewis and Mackenzie, 2000). They find that almost 19% of SR investors perceived SRI as being more risky than conventional investments; however the same number states the exact opposite. The majority of investors, 57.8%, perceived SRI as being just as risky as conventional investments (Lewis and Mackenzie, 2000). In 1991 Rosen et al., found that SR investors tend to be fairly risk-averse (Rosen et al., 1991). Hereby the following hypothesis can be formulated:

Hypothesis 3a: A perception of SRI as being more financially risky than conventional investments will have a negative impact on the SRI behavior.

$H_0: \beta_{\text{Perception_Risk}} = 0$ and $H_1: \beta_{\text{Perception_Risk}} \neq 0$

Classical economic theory argues that rational investors would focus on historic performance combined with risk and return compositions when evaluating the best investment alternative (Nilsson, 2008). This statement is founded on the fundamentals of financial theory; that risk and return are correlated; implying that having the opportunity to obtain a higher return requires that one is willing to be exposed to a higher risk (Nilsson, 2008). Previous studies have found that there is no or little difference between the return that can be obtained from SRI and conventional investments (Hellsten and Malling, 2006; Nilsson, 2008; Beal et al., 2005; Kreander et al., 2005; Starr, 2008).

However, in this section of the model, focus will be on the perceived performance instead of actual measureable risk and return, as it is the perception that often impacts the actual investment behavior (Nilsson, 2009). The literature on perception of return from

investing in SRI is relatively mixed. McLachlan found no significant difference between conventional and SR investors in terms of how important both groups perceive financial return when investing (McLachlan, 2004). Rosen et al. found that investors expect SRI to yield the same return compared to other types of investments (Rosen et al., 1991). Nonetheless, Lewis and Mackenzie have found that investors perceive return on SRI as lower than conventional investments (Lewis and Mackenzie, 2000). In their study, they find that over 42% of ethical investors believe that SRI yields a lower rate of return than ordinary investments. Often investors make decisions based on their individual perceptions, which is why the perception with regard to risk and return is important (Nilsson, 2009).

Nilsson's study from 2008 found that perception of return is significant in explaining SRI behavior (Nilsson, 2008). Thus, if people perceive SRI as yielding a higher return than conventional investments, they are more likely to invest in SRI (Nilsson, 2008). Similarly, the opposite relationship can be expected, based on the knowledge about investors experiencing twice the amount of pain from financial losses than they experience satisfaction from gains (Gounaris et al., 2009). This connection leads to the concept of loss aversion, which can explain why investors will always seek to avoid experiencing a loss of profit. On the basis of the findings from the literature above, the following hypothesis can be formulated:

Hypothesis 3b: A perception of SRI yielding a lower financial return than conventional investments will have a negative impact on the social responsible investment behavior.

$$H_0: \beta_{\text{Perception_Return}} = 0 \text{ and } H_1: \beta_{\text{Perception_Return}} \neq 0$$

5.2.4. Knowledge about Investment Type

Little research has been made concerning how knowledge about SRI will influence SRI behavior (Nilsson, 2008). Therefore it is found relevant to include knowledge about the investment types in this study, as it is expected to have an influence.

In a decision making-process, investors evaluate “...information about the available decision options and the associated outcomes based on their salient decision frame and integrate this information to arrive at a decision that fits their preference set” (Glac, 2009:44).

Knowledge and information about the possible alternatives are thereby perceived important in the decision-making.

Numerous previous studies find that SRI investors tend to have a higher education (Williams, 2007; McLachlan et al., 2004; Rosen et al., 1991; Nilsson, 2009; Straughan and Roberts, 1999), which can be argued to increase awareness about the available alternatives. Schueth finds a positive correlation between the information-level of the investors and the level of responsibility in investing (Schueth, 2003). Additionally, investing often requires a lot of time, knowledge and involvement from the consumer, which also supports the expectation about knowledge having an impact on the SRI behavior (Nilsson, 2009). Hereby we formulate the following hypothesis:

Hypothesis 4a: Higher knowledge about SRI will have a positive impact on the social responsible investment behavior.

$H_0: \beta_{\text{Knowledge_SRI}} = 0$ and $H_1: \beta_{\text{Knowledge_SRI}} \neq 0$

5.2.5. Socio-demographic Factors

The influence of socio-demographic factors is also found important in understanding the SRI behavior (Nilsson, 2008). We intend to explore how four socio-demographic factors have an impact on the SRI behavior, namely; gender, age, education and income.

According to several scholars, women are more likely to invest a greater proportion of their portfolio in SRI (Nilsson, 2009; McLachlan et al., 2004; Sparkes, 2002; Beal et al., 2005; Williams, 2005). This is also supported by Schueth's study from 2003 where it is found that 60% of socially conscious investors are women (Schueth, 2003). The following hypothesis is formulated based on the above:

Hypothesis 3a: Women are more likely to invest a larger proportion of their portfolio in SRI.

$H_0: \beta_{\text{Gender}} = 0$ and $H_1: \beta_{\text{Gender}} \neq 0$

Previous studies on the subject of SRI states that socially concerned investors tend to be higher educated and younger (Williams, 2007; McLachlan et al., 2004; Rosen et al., 1991; Nilsson, 2009; Straughan and Roberts, 1999). Also, there is a general belief that younger people are more likely to be affected by environmental concerns, since they have grown up in a period with high focus on environmental issues, and hereby are more sensitive to these issues (Straughan and Roberts, 1999). Studies also show that younger investors have a less diversified portfolio, but also find that these investors have relatively smaller investment portfolios (McLachlan et al., 2004).

Hypothesis 3b: Younger investors are more likely to invest a larger proportion of their portfolio in SRI.

$$H_0: \beta_{\text{Age}} = 0 \text{ and } H_1: \beta_{\text{Age}} \neq 0$$

Beal et al.'s study from 2005 finds that investors in SRI are more likely to be women, post-graduate, middle aged and have an average income (Beal et al., 2005). This is also to some extent supported by Straughan and Roberts, who find most green consumers to be woman, young, making average to high income and being well educated (Straughan and Roberts, 1999). According to Williams, previous studies have found that the income level is higher for SR investors, since it is believed that an "ethical penalty" from lower returns or from less diversity in portfolios might arise (Williams, 2005). As a result it might be argued that ethical investors are likely to be wealthier and hereby are more able to bear this financial cost (Williams 2005). From the literature review above, the following hypotheses can be formulated:

Hypothesis 3c: Investors with higher education are more likely to invest a larger proportion of their portfolio in SRI.

$$H_0: \beta_{\text{Education}} = 0 \text{ and } H_1: \beta_{\text{Education}} \neq 0$$

Hypothesis 3d: Investors with higher income are more likely to invest a larger proportion of their portfolio in SRI.

$$H_0: \beta_{\text{Income}} = 0 \text{ and } H_1: \beta_{\text{Income}} \neq 0$$

5.3. Summary

As outlined above the hypotheses in this study are divided into five areas, in accordance with the research question; 1: Pro-social influence, 2: Financial preference, 3: Financial perception, 4: Knowledge about investment type, and 5: Socio-demographic factors, respectively. Three of the variables have been tested before, but financial preference and knowledge about SRI are two areas that been suggested by previous scholars as variables that might have an impact on the SRI behavior (Nilsson, 2008; McLachlan and Gardner, 2004).

Part III: Empirical Analysis

6. Research Settings

In the following section the research setting of this paper will be outlined. The objective is to ensure a common understanding of the concept behind Oikos and the context in which the bank is operating. Oikos is a Danish ethical bank that cooperates with different intermediaries in supporting social entrepreneurs in the developing world with microloans. In the first part of the section a quick glance will be made of the Danish SRI market, followed by a description of the challenges facing the Third World financial markets. Finally, the research setting of the thesis is set, by outlining the concept behind Oikos with regard to the vision of the bank, partners, clients, business model, and finally the financial results.

6.1. Social Responsibility in a Danish Context

In recent years the Danish market for SRI has grown, after it has been historically slow to accept SRI (Eurosif, Denmark, 2008). This can be credited to the majority of fixed income securities in Danish investment portfolios, where only few years back in time there were no SRI alternatives (Eurosif, Denmark, 2008). Now the total SRI market in Denmark amounts to €114.5 Billion (Eurosif, Denmark, 2008). Today, many of Denmark's largest pension funds, such as PFA and ATP, have adopted SRI approaches (Eurosif, Denmark, 2008), hence the SRI market in Denmark is primarily driven by the institutional investors. The prospect of the Danish SRI market is positive as the market is expected to grow even more in the future (Eurosif, Denmark, 2008), especially as a result of the fact that Danish banks and other institutions have signed the six UN principles (UNPRI) for responsible investments (PwC, 2010).

Also the Danish consumers are increasingly focusing on social responsibility, and a study has in fact shown that social responsibility is the most important driver of corporate reputation (Morsing et al., 2008). Furthermore the same study indicated that 96% of the Danish consumers think that Danish companies should take action on social responsibility (Morsing et al., 2008).

6.2. Financial Markets in the Third World

Another perspective that should be considered when exploring the research setting is the market structure of the microloan recipients. They face comprehensive challenges, which will be described below.

The financial markets in the developing world are often very fragmented, consisting of informal, formal and semiformal lenders (Pham and Lensink, 2007). The interest rates for formal lenders typically range between 10-18%, for semi-formal lenders 18-63% and for informal lenders, also known as loan sharks, from 24% to as high as 720% (Wright and Alamgir, 2004:13). The availability of credit in the formal market is often very limited, leaving lots of space for the informal lenders to exploit the market. Lack of access to capital is often one of the key barriers for people who want to leave poverty, through for example establishing or improving a business venture.

Microfinance institutions (MFIs) have become increasingly important players in the race for alleviating poverty (Goodman, 2008). In 2006 the Nobel Peace Prize committee recognized microfinance as *“an important liberating force”* and an *“ever more important instrument in the struggle against poverty”* (Sengupta and Craig, 2008:9). In its beginning, the microfinance sector was driven by a non-profit approach, but in recent years new entrants to the market have set up a wide range of more traditional financial instruments to fund the MFIs (Goodman, 2008). This tendency is an indication of how the sector is going through a process from being primarily donor-driven to becoming more return driven (Deutsche Bank Research, 2007). There are more reasons for this, but most importantly; there is not enough donor aid or capital available for the MFIs to sufficiently support people in the Third World, who currently do not have access to lending money on reasonable terms.

In the beginning of the transition skepticism occurred from the private sector, as many business leaders did not perceive low-income people as being creditworthy customers (Rhyne, 2009). However, many MFIs have recently shown that investing in microfinance can be profitable, which have attracted private investors with sizeable amounts of money (Goodman, 2008). Now commercial MFIs are the fastest growing category, and as investors become more familiar with microfinance, more microfinance investment funds target private investors (Goodman, 2008).

The total number of people served by microfinance is unknown, but it is estimated that the “industry” now serves over 100 million people, where most of them are being reached by profit-generating institutions (Rhyne, 2009).

6.3. The Business Concept of Oikos

Despite the tendency towards an increasing focus on attracting capital through profit generating investment opportunities, Oikos is maintaining its non-profit profile. The bank has chosen an alternative approach by combining conventional banking activities with the involvement in microloans.

6.3.1. Idea and Vision

Andelskassen Oikos is a Danish based cooperative bank with an ethical profile. The name *Oikos* originates from the Greek language and can be translated to “household”. Oikos possess the conventional banking characteristics, such as providing deposit accounts, pensions and student loans, but do also supply funding for microfinance organizations and projects that support socio-economic development in emerging markets. Oikos’ mission is to provide low-interest loans to the world's poor, who have no other options for borrowing money on reasonable terms. The values of Oikos are developed on the foundation of “*helping others so they eventually are able to help themselves*”, and consist of three elements; create loan opportunities to change the living conditions of the poorest; to promote a more equitable and sustainable social and economic development through justice, and lastly, to collaborate with individuals and organizations sharing the same ethical beliefs as Oikos (www.oikos.dk).

Oikos was founded in 1994 in Bjerringbro, Denmark. The figure below illustrates some of the most important events in the history of Oikos:

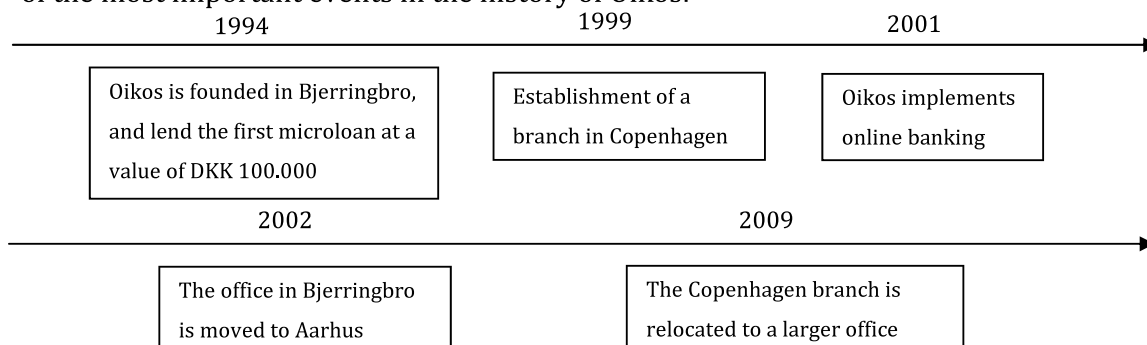


Figure 4: Timeline of important events in the history of Oikos

Source: Own production (www.oikos.dk).

Oikos is managed by:

- a) The Representatives (Repræsentantskabet)
- b) The Board (Bestyrelsen)
- c) The Executive Director (Direktionen)

At the annual general assembly held each spring, the Representatives are being selected, and the annual report is reviewed. Shareholders, as a minimum, hold one share of DKK 1.000. The share capital makes up the biggest part of the equity in Oikos. Each shareholder has one vote regardless of percentage of shares held. Usually between twenty-one to thirty-one committee members are selected. The Representatives are often persons with relations to Oikos or some of its larger partners. The responsibilities of the Representatives are to elect the Board members, and to supervise in the overall development of the bank as well as in the work of the Board. When larger decisions are made, the Board is obliged to inform the Representatives. The Board is elected annually, and the eligible are the shareholders of Oikos. The Board consists of seven to nine members. The Board's objective is, in cooperation with the executive director, to manage the business of Oikos. No remuneration or economic benefits is associated with the work of either the Board or the Representatives.

There are a total of three employees in the bank. The executive director is CEO Allan Andersen, who was hired in April 2010. Allan Andersen is the only employee at the Copenhagen office. Gullmai Sørensen and Mona Pedersen represent the Aarhus branch.

At a general meeting in May 1999 the board adopted a set of ethical guidelines for Oikos' operations. The guidelines outline Oikos' attitude towards handling of money, the environment, ethics and loan criteria for projects to benefit the world's poor (www.oikos.dk). Hence, Oikos refrain from currency speculation and similar ventures, but want to invest in ethical projects and securities at home and abroad. Since Oikos' closest partners (MFIs and other organizations) use the Euro currency, Oikos is obliged to have some transactions in this currency. This should, however, not be considered as speculation, but more of a practicality. Transparency as well as operating at the lowest possible cost throughout the entire business, is some of the main priorities of Oikos.

6.3.2. Business Model

The business model of Oikos is very interesting, and unique in many ways. The combination of bank activities and microloans are not seen anywhere else in the World. As mentioned, it is possible for clients to have an account that pays no interest, or alternatively an account that offers between 0.25–0.75% on the interest bearing accounts. If the deposit account exceeds DKK 25.000 clients can obtain a 1.5% interest rate. All interest options on deposits can be seen in appendix 3.

Below the relationship between Oikos and their collaborators is illustrated. Oikos supports social entrepreneurs in three different ways.

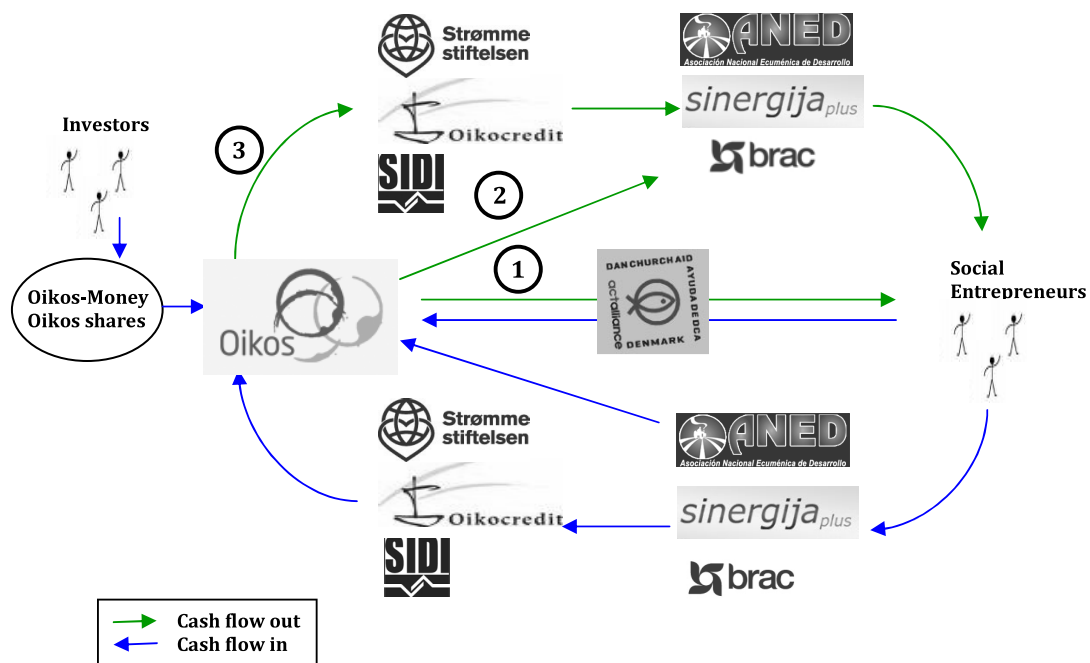


Figure 5: The business model of Oikos

Source: Own production

The first way is through a direct offering of funds to small entrepreneurs. Here Dan Church Aid is the only intermediary, however Oikos is directly involved in a single project named "Trekking in Nepal", without the guarantee from Dan Church Aid. This project is secured by six of the clients in Oikos who each guarantee the loan by having collateral of DKK 10.000 involved in the project. This composition enables Oikos to maintain an interest between 1-4% for this project.

The second way is through MFIs such as Aned Bolivia, Sinergija Plus and Brac. Their role is to act as intermediaries between Oikos and the entrepreneurs. The interest rate for the borrowers is here between 15-20%, which illustrates that adding another intermediary increases the interest rate for the borrowers .

The third way is through large capital funds and organizations such as SIDI, Strømme Foundation and Oikocredit. They support other MFIs such as Aned Bolivia and Lak Jaye. Hereby, the money from Oikos passes through numerous intermediaries before reaching the social entrepreneurs. The interest rate for the borrowers is here between 25-40%. Oikos prefer to have these intermediaries since that increase the security of the lending, and is perceived less costly for Oikos compared to if the bank was to establish the relationships itself. The repayment process is carried out in the same sense, obviously in the reversed direction. When there are partners involved, they are always responsible for guaranteeing the loans. If there are no intermediaries involved, individual persons account for the loan, as it is the case with the “Trekking in Nepal” project.

Oikos is not financially secured if any of the partners go bankrupt. Oikocredit, Dan Church Aid and Strømme Foundation however are big corporations with a large equity, why the chances of bankruptcy are considered limited. The number of money invested in microcredit, is depending on the proportion deposited in accounts that pay no interest, the so-called “Oikos Money”, and the number of shares bought by the clients.

In 2009 the equity in Oikos accounted to DKK 5.4 million (www.oikos.dk). Each single loan commitment with the MFIs can maximum mounts up to 25% of the equity in Oikos, which corresponds to approximately DKK 1.35 million. In 2009 lending to the Third World amounted to DKK 10.976 million, an increase from 2008 DKK 9.321 million (Annual Report, Oikos, 2009). However, due to restrictions of a maximum 8% yearly increase in loan growth following the Danish Bank Package I, Oikos has until recently (October, 2010) not been able to increase their microloan offerings. According to the management in Oikos, it was entirely of signaling reasons that Oikos chose to join the Bank Package I (www.oikos.dk). At that point in time, no one could predict how comprehensive the financial crisis and its consequences would be. To avoid unnecessary speculations about the solidity, Oikos chose to join. As a result of an increase in the number of Oikos Money and the restrictions following Bank Package I, Oikos currently

have a surplus of Oikos Money. Due to regulatory laws 10% of the balance has to be kept in available funds, which mean that the remaining 90% can be used for loans.

Oikos is interested in most projects, but has limited human resources and time to control the projects. Oikos supports many different projects such as building houses in Sri Lanka after the tsunami in 2004, as well as women in Bolivia who are trying to start their own business. Hence, Oikos is involved in many different industries such as fishing, retail, house building, etc. The number of money lend out to individual projects varies from DKK 60.000 to DKK 1.35 million (again max. 25% of Oikos' equity). Oikos has engagements that last over longer periods, so the bank is not solely involved in isolated cases. Until now, Oikos has supported approximately 20 projects in cooperation with its partners as well as individually.

6.3.3. Partners

Oikos cooperates with a number of Danish and international organizations all possessing extensive experience within the microfinance industry. Oikos provides loans for projects and its partners guarantee for the quality in planning and execution, in close cooperation with the local borrowers (www.oikos.dk). The partnerships most often arise because organizations approach Oikos with a request for collaboration. Oikos' major partners are the Danish Dan Church Aid (Folkekirkens Nødhjælp), Strømme Foundation in Norway and SIDI in France. Oikos receive between 1-4% in annual return on the investment from their partners, depending on whom they collaborate with. Dan Church Aid is the largest partner, as they guarantee 50% of Oikos' loans and are responsible for evaluating the creditworthiness of the social entrepreneurs who are to receive microloans from Oikos.

6.3.4. Clients in Oikos

There are approximately 1.505 clients in Oikos whereof 662 are also shareholders (www.oikos.dk). The clients in Oikos are relatively diverse, in the sense that some of them have their entire portfolio invested in Oikos, whereas other clients only have a minor proportion. The clients in Oikos can have a deposit account where they can choose whether or not they wish to receive an interest rate. If not, the money is distributed as "Oikos Money". The money used for microloans consist of money from "Oikos

Money” and shares respectively. Hereby there is room for both conventional as well as more ethical oriented banking clients.

Oikos makes sure that every individual client does not invest more than DKK 750.000 in “Oikos Money”, to ensure that the invested money is covered by the guarantee from “Garantifonden” (www.gii.dk).

6.3.5. Financial Results

Oikos has experienced an ongoing growth since the establishment of the bank in 1994. The table below illustrates some of the key financial figures from the recent two years:

Financial numbers	2009	2008
Deposits	63.585.369	49.131.064
Balance	69.983.763	54.696.883
Profit after tax	-81.217	-167.571
Equity	5.364.525	5.225.743

Table 1: Financial results

Source: www.oikos.dk and Oikos’ Annual Report, Oikos, 2009.

2009 was a busy year for Oikos, as the bank experienced a strong increase in inquiries from potential new clients. The financial crisis caused that many banking clients were reevaluating their banking commitments, which in some cases opened up for new business for Oikos. This led to an increase in deposits of 29%, from DKK 49.1 million in 2008 to DKK 63.6 million in 2009 (Annual Report, 2009). The deposit surplus expanded, which increased the difference between deposits and loans from DKK 13.5 millions in the end of 2008 to DKK 26.2 millions in the end of 2009 (Annual Report, 2009). In 2008 Oikos chose to join the Danish Bank Package I in order to ensure their customers' deposits (Annual Report, Oikos, 2009). This has meant a substantial additional cost as well as a cap on how much Oikos can lend out. The Danish Bank Package I, has hereby to some extent been a barrier for the continuation of previous year's growth (Annual Report, Oikos, 2009). As of October 2010, Oikos is no longer part of the Bank Package I.

The balance has increased considerably from DKK 54.6 million in 2008 to DKK 69.9 million in 2009. After Tax Profit was in 2009 DKK -81.217, which is an improvement from the 2008 figure of DKK -167.571. Equity has increased from DKK 5.2 million in

2008 to DKK 5.4 million in 2009. The solvency rate in Oikos is 16.8 % (Annual Report, Oikos, 2009 and appendix 4), implying that Oikos' assets exceed its liabilities, and the bank is therefore perceived creditworthy. For Danish banks there is a regulatory solvency requirement of minimum 8% (www.nationalbanken.dk).

Deposits in interest-free accounts grew from DKK 31 million in 2008 to DKK 33 million in 2009, while interest-bearing accounts increased from 2008 DKK 18 million to DKK 30 million in 2009 (Annual Report, Oikos, 2009).

In 2009 Oikos bought bonds worth almost DKK 8 million due to the large increase in deposit surplus the bank were not able to lend out. Furthermore Oikos has approximately DKK 1 million invested in shares, however this number is decreasing. The board in Oikos did not agree upon about whether Oikos should invest in shares. The tipping point was that Oikos had to diversify to decrease its risk exposure. Oikos now has shares in Oikocredit, JAK Andelskassen, Nordisk Kabel og tråd, Simcorp, TrygVesta, ALK-Abello and Greentech Energy Systems (Annual Report, Oikos, 2009).

6.4. Summary

In this section the market for microfinance was described, seen from both the Danish and the developing world point of view. The SRI market in Denmark is emergent, but is still primarily driven by institutional investors. The Danish consumers are increasingly focusing on social responsibility, also with the CSR of companies possessing an important role in this discussion.

Like the SRI market in Denmark, the microfinance industry is growing as well. The MFIs have become increasingly important players in the race for alleviating poverty. Oikos is somewhat acting as an intermediary between these players. Oikos cooperates with different MFIs and organizations in supporting social entrepreneurs in the developing world with microloans. Oikos has a very unique and complex business model. As far as we have been informed by the bank, and after what we have been able to find, they are the only bank of its kind in the World.

7. Research Methods

The following section examines how we approached the investigation of our research question. An explanation of the data collection procedure initiates this section, followed by an explanation of how we prepared the data for the analysis. Finally, the construction of the regression model will be explained followed by the descriptive statistics.

7.1. Data Collection

To be able to explore how the clients in Oikos differ from conventional investors, we established a control group consisting of randomly chosen people in our own network. They were asked to further distribute the questionnaire to their personal and professional networks. By applying this method we have knowledge about only a fraction of the respondents, and as the diversity in the results from the socio-demographic section show, the respondents account for a randomly distributed sample with regard to age, education, income and gender (See table 5).

7.1.1. Research Design

We initially approached the study by executing interviews with various stakeholders in Oikos. First numerous semi-structured explorative interviews of the employees in Oikos was conducted (Chairman of the Board, Ivor Palmer Jørgensen; Vice Chairman for the Representatives, Flemming Kramp; CEO, Allan Andersen; and Communication Manager Gullmai Sørensen). The purpose was to obtain a general understanding of the field of SRI and to understand the business model, values and priorities of Oikos, as much as gaining a picture of the important issues we were likely to encounter in the research. Also, the semi-structured interviews were particularly applied to obtain an understanding of the relationships to be expected between the dependent variable and independent variables (Saunders et al., 2007). This was particularly found important in this case, as the vast amount of theory on the subject of SRI concerns “regular” SR investors, who may not possess the same characteristics as the clients in Oikos.

Afterwards five explorative telephone interviews of clients in Oikos were conducted in order to fully understand the business model, processes, and products in Oikos, seen from the customer point of view. The interviews were also conducted to obtain a better understanding of the clients’ knowledge about Oikos. These five clients were randomly

chosen, and should present the client base. The data collected via the telephone interviews were finally incorporated in the development of the questionnaire.

As a result of the variety of interviews, we argue that confidence was increased, in addressing the most important issues with regard to the clients in Oikos. The advantage of these interviews is that it is possible to gain a deeper insight of the interviewee's knowledge, as the structure of the interview opens up for new aspects and information related to the subject discussed (Saunders et al., 2007). None of the interviews were transcribed, but served as background knowledge for the study to enable us to frame the questions properly.

7.1.2. Questionnaires

Since our study to a considerable extent is founded on Nilsson's study from 2008 on SR mutual fund investing, we found it appropriate to develop our questionnaire with inspiration from his investigation as well (Nilsson, 2008). The questionnaire was extended to include questions about the investors' preferences, to serve as the background for the conjoint analysis, as well as with questions concerning the investor's knowledge about the investment types. The questionnaires for the clients in Oikos had an extra section with questions related to their relationship with the bank.

Before sending out the questionnaire, it was pilot-tested by employees in Oikos (Gullmai Sørensen, Allan Andersen and Flemming Kramp), and by numerous independent and impartial persons (Christophe Rapp, waiter; Erik Hansen, plumber; Line Olesen, journalistic student; Anne Schultz, nurse; Rune Dandal, consultant; Morten Jensen, cand.merc.fir), all with different educational and professional background. None of the test persons had been involved in the development of the questionnaire and hence had no insight that could disrupt their objectivity. After testing the questionnaire a few corrections were made, and the questionnaire was finally sent out to the respondents.

The format of the questionnaire was a self-administered online questionnaire, and it was sent out electronically through the official Oikos newsletter mail. Employing this type of distribution channel we intended to create confidence and underline the professional objective of the questionnaire. Hereby it was also proven to the clients that the survey was made in cooperation with Oikos, to increase the incentive for responding and avoid a neglecting of the impact of their response (Dillman, 2007). The cover letter from Oikos

therefore stated that by answering the questionnaire, respondents were not only able to help Oikos increase their knowledge about the clients, but we also gave them the option of receiving a summary of the results from the survey, to give them a further insight to the findings.

Answering the questionnaire took approximately 15 minutes, depending on the respondent's relationship with Oikos; as mentioned, a higher involvement with Oikos (being a client) implied a more extensive questionnaire. The questionnaire was available from Tuesday the 15th of June to Tuesday the 29th of June, with one reminder sent out on Tuesday the 22nd of June.

7.1.2.1. The Structure of the Questionnaire

Each questionnaire consisted of a section with the trade-off questions related to the conjoint analysis, an attitude section covering the SEE approach and the risk and return perception of the investors, an Oikos-related section, and finally a socio-demographic section (See appendix 1). A Likert-style rating scale was applied, where respondents were asked how strongly they agreed or disagreed with statements on a four and five-point scale. The questionnaires were made in 12 different versions, six for the Oikos customers and six for the control group respectively. The fact that this was a necessity will be explained further below, but in short it was because all versions differed with regard to the conjoint questions, as well as the fact that the Oikos-related part was left out of the questionnaires for the control group.

Conjoint Section

To explore the real preferences of the clients in Oikos, we chose to include a conjoint analysis in the regression model. This action had some methodological consequences, as it required an extensive data preparation to obtain compatibility between the conjoint data and the input for the regression model.

Paul Green originally developed the conjoint method in the 1970s. In the 1980s the first computer based model was available, and the conjoint method has since become one of the most popular quantitative tools used in marketing research (www.sawtooth.com). We are performing the conjoint analysis to understand how preferences for investment type, risk and return impact the SRI behavior, as well as to explore if there are any dif-

ferences in the preferences of the clients in Oikos compared to conventional bank clients.

The conjoint analysis uses experimental design and statistical techniques to measure the effect each attribute of a product has on consumer choices. By relying on the results from the conjoint analysis, instead of data solely based on attitude questions, it is possible to derive and determine the real preferences (North and de Vos, 2002). As mentioned above, three attributes were explored in the model; preferences for investment type, financial risk, and financial return. Each attribute could possess three or four different levels. A matrix of the possible levels is illustrated below:

Attributes			
Levels	Investment type	Return	Risk
	Microfinance	Above market return	Fully guaranteed
	Clean-tech	Market return	Partly guaranteed
	IT	Below market return	Not guaranteed
	Alcohol		

Table 2: Product alternatives

Source: Own production

Explanation of the Attributes

As the purpose of the conjoint analysis is to explore how people perceive different product alternatives made up by the mentioned attributes, it is important that the attributes are salient in influencing the investment decision (North and de Vos, 2002). In accordance with neoclassical economics, risk and return are determining factors when evaluating investment alternatives. However in the case of Oikos, we expect the type of the investment to have an impact as well. The focus on microfinance is specific for Oikos, as this is where the bank differentiates from conventional banks. The measurability of the attribute investment type also had an impact when evaluating it as a salient attribute. The reason was, that it was found more realistic to ask people to evaluate investment types than for example the social impact of the investment.

Within all attribute levels we chose to have a “neutral attribute” level in order to simplify and ease the following data analysis. The various levels of **investment types** were chosen to somewhat mirror the expected perceptions of different investment types. IT was chosen to be the neutral attribute, where microfinance and alcohol was chosen to represent an ethical and a “bad” non-ethical investment, respectively. To add another layer to the analysis we decided to include an extra attribute level, namely clean-tech. The purpose of this attribute was for us to be able to reveal if the SRI behavior of the clients in Oikos was influenced by the specific profile of the investment. We hereby wanted to explore if the clients in Oikos held strong preferences specifically for microfinance, or if their preferences in a broader sense aimed at investments with a general SR approach. It is also important to note here that the attributes included in the conjoint analysis should be actionable, so the management in Oikos can act upon the findings, for example by including clean-tech when considering future investment objectives. The illustration below indicates the perceived coherence between the perception and the attractiveness of the different investment types.

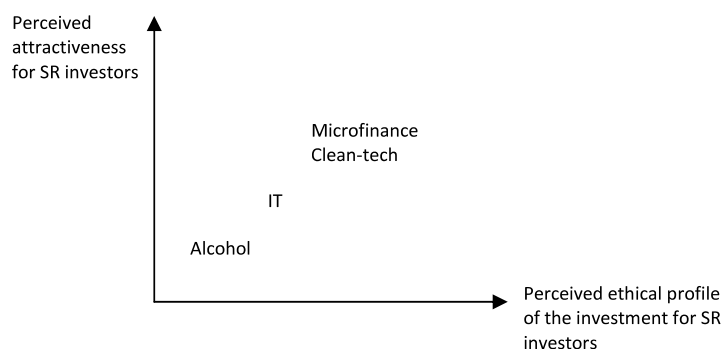


Figure 6: Expected perception of different investment types

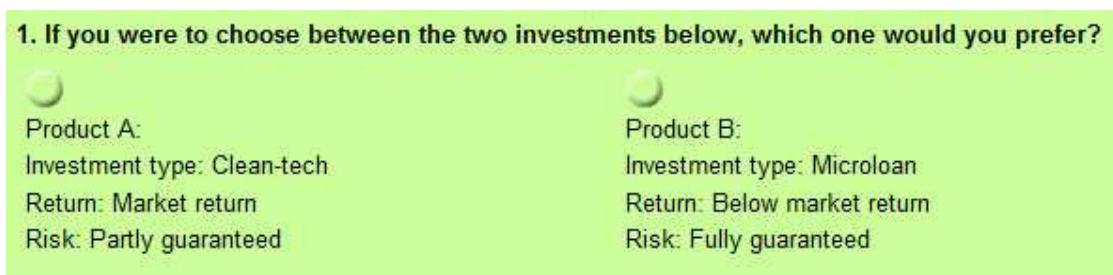
Source: Own production

When setting the stage for the **return** attribute, it was found appropriate that the neutral level equaled the return, which alternatively could be obtained from investing in the market. In the questionnaire the notion “investing in the market” is defined as investing in the Danish C20 index. We chose this index, to ensure a common understanding and an identical interpretation among the respondents, as the index is expected to be an index the majority of people can relate to. Representing the better and the worse alternative, the values “above market” and “below market” rate was chosen. With regard to **risk** the neutral attribute was chosen to be “partly guaranteed”, as hardly any investments are

completely risk free. As opposing values representing respectively the better and the worse alternative, “fully guaranteed” and “not guaranteed” was chosen.

According to the matrix in table 2 there were 36 ($4 \times 3 \times 3$) possible product profile combinations, which should be considered. To make the study reliable, we had to test the preferences for all combinations. At the same time, we would risk to bore the respondents if all were to answer all possible combinations within this one part of the questionnaire. Therefore we employed what is called a fractional factorial design, which enabled us to reduce the number of stimuli profiles to be evaluated compared to the full profile approach (Malhotra and Birks, 2007). Practically this meant that the respondents were only exposed to 6 questions containing 12 different possible product combinations. To create reliable product combinations we used the free conjoint software tool from www.lasir.net to develop the 36 random combinations (www.lasir.net). The final questionnaire was prepared in Survey Monkey, as this was the only provider who covered all our needs with regard to layout and question type (www.survey-monkey.com).

The conjoint analysis method we chose is called a choice-based conjoint analysis (North and de Vos, 2002). The respondents are presented with stimuli in the sense of two different products, which are made up by the attribute levels illustrated in table 2. The perceived desirability of the product is hereby the determinant factor. An example from the questionnaire is as follows:



1. If you were to choose between the two investments below, which one would you prefer?

<input type="radio"/>	<input type="radio"/>
Product A:	Product B:
Investment type: Clean-tech	Investment type: Microloan
Return: Market return	Return: Below market return
Risk: Partly guaranteed	Risk: Fully guaranteed

Figure 7: A conjoint example from the questionnaire, with two product alternatives.

Source: Own production

When the two product alternatives are being evaluated, the respondent face a trade-off and have to consider what he finds most important, and on which of the parameters s/he is willing to sacrifice.

Attitude Section

The section following the preference questions the questionnaire was framed to reveal the attitudes of the respondents. The respondents were asked to estimate how important they perceived various statements. From these results we were then able to derive their overall pro-social attitudes (PSA) and perceived consumer effectiveness (PCE). The PSA cover general statements about ethical matters, whereas PCE reveals how much the respondent believe in that individual actions towards ethical issues really makes a difference. Within this part of the questionnaire the respondent's perception of risk and return in regard to SRI was also revealed, as well as their knowledge about the four different investment types was explored. Finally the respondent stated the proportion of the portfolio invested in SRI, which is the dependent variable in the regression model.

Oikos Related Section

Only clients in Oikos were exposed to this part of the questionnaire. The purpose of this section was to explore the relationship between the clients and Oikos, and to understand their reasons for selecting Oikos as a bank. We do not deal with all of the questions from this section, but only the ones that relate to our research objective.

Socio-demographic Section

The final part of the questionnaire concerns the socio-demographic characteristics of the respondents. To be able to say something about the respondent's political orientation, we initially collected information regarding the preferences for different Danish newspapers. Occupation was also included in the questionnaire, but we eventually decided to exclude these variables from the analysis, as we lacked valid scientific information on the two subjects, to support our findings.

7.2. Data Preparation and Descriptive Statistics

Below the various methods for the data analysis applied in the thesis will be explored. In regard to the conjoint analysis each step in the data preparation process will be explained to ensure a common understanding of how the final partial utilities, which are being added to the regression, have been attained. Following the development of the regression model is outlined.

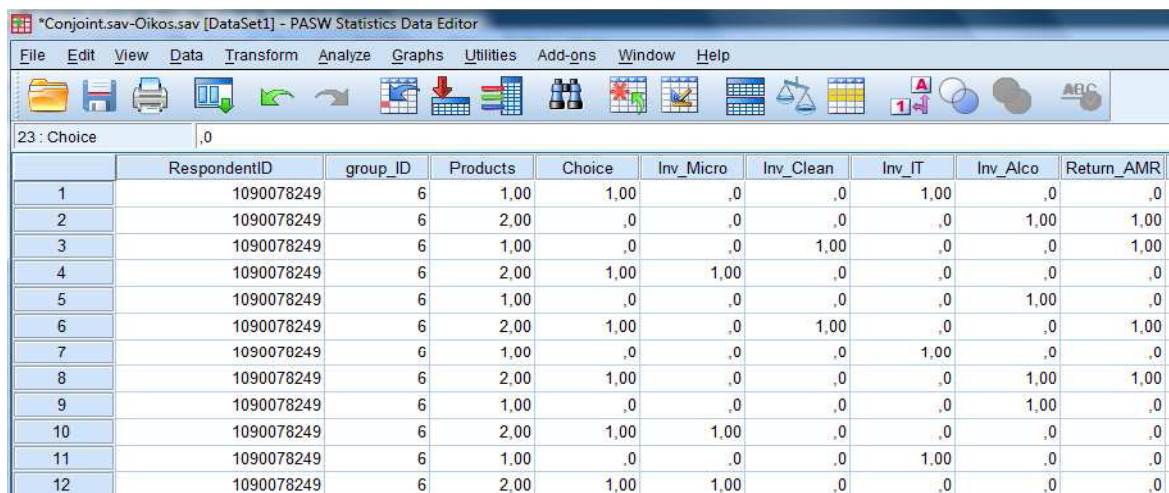
As explained, the data originated from two different sources; the clients in Oikos and the control group of conventional banking clients. The data was prepared in *SPSS: an IBM Company*, which is a computer program developed in 1968 to be used for statistical analysis in social sciences. Afterwards, the Likert scale applied in the questionnaire was converted to a scale being more statistically sound. Practically the numerical data extracted from Survey Monkey held the values of 1, 2, 3, 4, and 5, corresponding to the statements; completely agree, agree, indifferent, disagree, and completely disagree. These values were converted into 2, 1, 0, -1, and -2 respectively. Converting the values enabled us to determine whether there was a positive or negative impression in regard to the tested assertions. Some of the questions asked in the questionnaire had a reverse questioning structure, to avoid that the respondents mechanically responded the same when they were asked questions in the matrix structure, while hereby making sure that they considered each question independently. These questions are of course given the opposite values in the regression model, as the one mentioned above (-2, -1, 0, 1, 2) to obtain comparability throughout the answers.

Furthermore, the data preparation for each of the hypotheses was thoroughly carried out, as explained in the next section. Having prepared the data for the analysis, we ended up having a response rate of 177 out of 1293 people (7 %) for the Oikos customers, and 74 people for the control group. It should be noted though, that the exact number differs, since some respondents left the questionnaire during the completing of it. This is however taken into consideration by making use of the different tools in SPSS. As the questionnaires for the control group were distributed in our network, we do not know how many possible answers we could have received, and therefore do not know the respondent rate.

7.2.1. Developing the Conjoint Analysis

The description below concerns model 2, financial preferences. Model 2 is the conjoint part of the regression model, which was the first one to be prepared. The data had to go through a relatively comprehensive conversion before it was compatible with the data format applied in the regression analysis. When executing a conjoint analysis, a partial utility on a group level is obtained. These utilities indicate the relative preferences on the respective group level. These values have to be calculated on the individual level as well, to be compatible with the regression model. The complete process of preparing the data will be explained below.

In order to finally achieve the utilities for each attribute on a respondent level, the data had to undergo numerous conversion steps. First, to find the partial utilities on a group level, it was necessary to perform a logistic regression with the attributes expressed as dummy variables as illustrated in the dataset below.



	RespondentID	group_ID	Products	Choice	Inv_Micro	Inv_Clean	Inv_IT	Inv_Alco	Return_AMR
1	1090078249	6	1,00	1,00	,0	,0	1,00	,0	,0
2	1090078249	6	2,00	,0	,0	,0	,0	1,00	1,00
3	1090078249	6	1,00	,0	,0	1,00	,0	,0	1,00
4	1090078249	6	2,00	1,00	1,00	,0	,0	,0	,0
5	1090078249	6	1,00	,0	,0	,0	,0	1,00	,0
6	1090078249	6	2,00	1,00	,0	1,00	,0	,0	1,00
7	1090078249	6	1,00	,0	,0	,0	1,00	,0	,0
8	1090078249	6	2,00	1,00	,0	,0	,0	1,00	1,00
9	1090078249	6	1,00	,0	,0	,0	,0	1,00	,0
10	1090078249	6	2,00	1,00	1,00	,0	,0	,0	,0
11	1090078249	6	1,00	,0	,0	,0	1,00	,0	,0
12	1090078249	6	2,00	1,00	1,00	,0	,0	,0	,0

Figure 8: Example from SPSS

As mentioned each respondent was faced with two product combination alternatives. Therefore in the logistic regression "Choice" is the dependent variable. The partially utilities obtained through this regression, illustrate the relative importance of the various attributes on a group level. To obtain the correct values, one attribute level is left out of each of the two regressions, to serve as the reference attribute. The values of the other attributes are therefore relative numbers, which refer to this attribute. The attributes, which are left out, are the ones considered being neutral (Investment type = IT, Return = Market rate return, and Risk = Partly guaranteed). The partial utilities of

these attributes are calculated afterwards. It is important to note, that the values below are only relative numbers, and do not explain anything themselves. They indicate the relationship between the attributes and nothing else. One can hereby only interpret the direction of the preferences in the sense that a positive number indicates a positive effect, whereas a negative number indicates a negative effect. The table from SPSS looks as follows:

	B
Step 1 ^a Inv_Micro	2,019***
Inv_Clean	1,320***
Inv_Alco	-,986***
Return_AMR	,063***
Return_BMR	,120***
Risk_Fully	,922***
Risk_Not	,596***
Constant	-1,053***

Table 3: Group level partial utilities of the Oikos clients

Source: SPSS

When calculating the partial utilities of the remaining attribute levels, the sum of one attribute level should be zero. An example on how to calculate the partial utilities is illustrated below:

$$0 = \text{Inv_Micro} + \text{Inv_Clean} + \text{Inv_IT} + \text{Inv_Alco},$$

Inserting the values, and calculating the value for IT:

$$0 = 2,019 + 1,320 + \text{Inv_IT} + -0,986 \Rightarrow \text{Inv_IT} = -2,353$$

Likewise the partial utilities for the remaining attributes are calculated

$$0 = \text{Return_AMR} + \text{Return_BMR} + \text{Return_MR} \Rightarrow \text{Return_MR} = -0,183$$

$$0 = \text{Risk_Fully} + \text{Risk_Partly} + \text{Risk_Not} \Rightarrow \text{Risk_Partly} = -1,517$$

In the same way, the partial utilities or probabilities for the control group are calculated. The results from the two groups are shown below:

	Oikos	Control Group
Micro	2,019***	-0,040***
Clean	1,320***	0,617***
IT*	-2,353***	-0,248***
Alco	-0,986***	-0,328***
Sum	0	0
Return_AMR	0,063***	0,369***
Return_MR*	-0,183***	0,379***
Return_BMR	0,120***	-0,749***
Sum	0	0
Risk_Fully	0,922***	0,934***
Risk_Partly*	-1,517***	-0,404***
Risk_Not	0,596***	-0,530***
Sum	0	0

*The calculated partial utilities

Table 4: Partial utilities of both Oikos' clients and the control group on a group level

Source: Own production

We need to go one step further with the data analysis, as we intend to use the results in the regression analysis. To obtain meaningful values the following steps are being executed.

The data is being sorted, so only the actual choices are now left in the dataset. The dummy variables are substituted with the partial utility values from table 4. Following, the dataset is restructured in SPSS, with the respondent ID being the identifier variable. To finally obtain the utility for each attribute on the respondent level, the number of times the respondent was faced with the attribute-alternative, like for example micro-finance, was counted. The final utility is hereby calculated by the following formula:

$$\text{Attribute utility}_{\text{Respondent level}} = \text{Partial value} * \left(\frac{\text{Amount of times chosen}}{\text{Amount of times it was an option}} \right)$$

For example respondent ID 1090078249 chose a product that consisted of microloans as investment type three out of three times, which implies a partial utility of microloans for this specific respondent equivalent to: $2,019 * \left(\frac{3}{3} \right) = \underline{\underline{2,019}}$

The same procedure is executed for each attribute for each respondent, whereby the unique single estimator for each respondent and attribute is finally obtained. Hereby the conjoint input is ready to be included in the regression model.

7.2.2. Developing the Regression Model

In order to thoroughly explore the coherences between the dependent and the independent variables, a multiple regression model was build. The purpose of the regression model was to demonstrate if our set of independent variables could explain a proportion of the variance in the dependent variable SRI, ideally at a significant level. Also, by a comparison of the betas, it can establish the relative predictive importance of the independent variables.

7.2.2.1. The Dependent Variable

When assessing the dependent variable, we followed the approach of Nilsson's 2008 study, by conceptualizing behavior as the proportion of the respondent's entire portfolio, which is invested in SRI (Nilsson, 2008). In the questionnaire, the behavior is measured by asking the respondents to determine the percentage of their portfolio, which is placed in what can be characterized as SRI. Using a measure of actual behavior instead of behavioral intentions hopefully will avoid us to get trapped in the problem with inflated intentions, which has often been an issue in the social responsibility discussion (Nilsson, 2008:316)

We are aware that there is some uncertainty linked with our definition of SRI. In the questionnaire SRI is defined as all investments that are integrating personal values, and have other purposes than obtaining a satisfactory financial return. It was up to the individual to define what they considered as being SRI. Hereby we wanted people to state only that proportion of their entire portfolio, which was invested with moral considerations incorporated. This definition is made, because investors may have different motivations for investing in the same asset. An example could be investing in the Danish Windmill producer Vestas. Some investors might be driven by the SR purpose of supporting an environmentally friendly industry, whereas other investors will be driven by the profit that can be obtained from investing in Vestas. Depending on the motivation for executing this investment, the respondent will either include or exclude this investment in his/her portfolio of SRI. The same is evident with the clients in Oikos, where it has been have explicitly defined that any involvement with the bank counts as a SRI. Hereby the percentage of the portfolio invested where social concern was incorporated in the investment decision can be derived.

Another consideration that should be made when discussing the dependent variable is that it can be different what people include in their total portfolio. The term portfolio can cover everything from bank accounts, pensions, house loans, etc. However the assumption is that a portfolio is made up by bank accounts, pension, investments, bonds, shares, and other available funds.

7.2.2.2. The Independent Variables

We want to explore the relationship between the dependent variable, proportion of the portfolio invested in SRI, and the independent variables below:

- SEE (Social, Environmental and Ethical factors) covering the respondents Pro-Social Attitudes (PSA) and Perceived Consumer Effectiveness (PCE).
- Financial Preferences (FPr) explaining the preferences of the respondents with regard to investment type, risk, and return.
- Financial Perception (FPe) explaining how people perceive SRI with regard to risk and return.
- Knowledge about the investment types: microfinance, clean-tech, IT and alcohol.
- Socio-Demographics factors explaining the impact of age, gender, income and education.

Additionally, a dummy variable is added to the model, to account for the subgroups in the regression model (Bowerman and O'Connell, 2007). This variable is called “Source” in the regression model, and is expressed in the following way:

$$D_i = \begin{cases} 0 = Oikos\ clients \\ 1 = Control\ group \end{cases}$$

7.2.2.3. The Regression Model

As a result, the multiple regression model is constructed as follows:

$$\begin{aligned} SRI = & \beta_0 + \beta_{PSA}x_{PSA} + \beta_{PCE}x_{PCE} \\ & + \beta_{I_Mic}x_{I_Mic} + \beta_{I_Clean}x_{I_Clean} + \beta_{I_Alco}x_{I_Alco} + \beta_{AMR}x_{AMR} + \beta_{BMR}x_{BMR} + \beta_{Fully}x_{Fully} + \beta_{Partly}x_{Partly} \\ & + \beta_{SRI_More_Risky}x_{SRI_More_Risky} + \beta_{SRI_Lower_Return}x_{SRI_Lower_Return} \\ & + \beta_{K_Mic}x_{K_Mic} + \beta_{K_Clean}x_{K_Clean} + \beta_{K_IT}x_{K_IT} + \beta_{K_Alco}x_{K_Alco} \\ & + \beta_{Age}x_{Age} + \beta_{Gender}x_{Gender} + \beta_{Edu}x_{Edu} + \beta_{Income}x_{Income} + \beta D_{Source} + \varepsilon_i \end{aligned}$$

As we want to explore if the variables can explain some of the variation in the dependent variable, we test if the betas are significantly different from 0. We estimate the betas applying the Gauss-Markov Theorem, where “*OLS gives BLUE*” - The Ordinary Least Square method gives the Best Linear Unbiased Estimators (Boeye, 2004:104). An OLS regression is a mathematical procedure that generates a straight line that minimizes the sum of squared deviations of the actual values from the predicted regression line.

The formula is as follows:

$$SEE = \sum_{i=1}^N \varepsilon_i^2$$

The purpose with the regression analysis is to test if there is a relationship between the dependent and the independent variables. The hypotheses are being tested applying an F-test where the null-hypothesis and the alternative hypothesis are set up as follows:

$$H_0 : \beta_0 = \beta_1 = \dots = \beta_i = 0 \qquad H_1 : \text{At least one of the } \beta_0, \beta_1, \dots, \beta_i \neq 0$$

Hereby the significance of the overall model is being tested, to explore if at least one of the betas are different from zero. Also each of the beta values is being tested, to see if they are significantly different from 0. Here a t-test is applied, where the null-hypothesis and the alternative hypothesis are:

$$H_0 : \beta_i = 0 \qquad H_1 : \beta_i \neq 0$$

The null hypothesis is always what is being tested, which is obviously also the case here. The null hypothesis may be rejected but it can never be accepted, based on one single test. This also implies that a test can have two outcomes; the null hypothesis is rejected and the alternative hypothesis accepted, or that the null hypothesis is not rejected based on the evidence (Malhotra and Birks, 2007).

When executing a regression analysis, some assumptions have to be made. In order to avoid the estimates of the parameters to be biased (obtaining BLUE; Best Linear Unbiased Estimates) the following assumptions for the residuals are made (Bowerman and O’Connell, 2007).

- The residuals should be normally distributed, i.e. $\varepsilon_i \approx NID(0, \sigma_\varepsilon^2)$.
- The residuals should be independent. The value of the error term ε corresponding to an observed value of y should be statically independent of the value of the error term corresponding to any other observed value of y .
- The expected value (and the mean) of the residuals should be equal to zero (“white noise”).
- The variance of the residuals σ_ε^2 should be constant.

Hereby the model with the highest Adjusted R^2 coefficient, a minimized “standard error of regression”, eliminate multicollinearity, and obtain β 's with significance above the 90% confidence level, is attempted obtained (Bowerman and O'Connell, 2007).

7.3. Summary

The section above has explained how the research in this thesis is designed. The study is based on a questionnaire with both quantitative as well as qualitative questions, and will be interpreted and analyzed applying the results from both areas.

The quantitative part of the data analysis consists of both a conjoint analysis as well as a multiple regression analysis. In order to obtain compatibility between the regression model and the data obtained from the conjoint analysis, the conjoint data had to undergo a comprehensive transformation. When the data was prepared it was included in the regression model, which explores the impact of five areas on the dependent variable “proportion of portfolio invested in SRI”.

Part IV: Findings

8. Results

Below the results we obtained from our questionnaire will be explored. We will evaluate the influence of SEE, preferences, perception, knowledge, and socio-demographic factors in explaining the SRI behavior. First, the descriptive results from the socio-demographic section will be illustrated. The dependent variable will be discussed, followed by the results from the regression analysis, which leads to the actual answers to the hypotheses. Eventually the differences between the two groups will be addressed by comparing the means between the two groups. The section is finalized with the qualitative findings.

8.1. Sample Characteristics

The answers from the questionnaires revealed the following distribution of the respondents:

8.1.1. Socio-demographics

The following table is based on responses from 177 of the Oikos clients, as well as 74 responses from the control group.

		Oikos	Control Group
Gender	Male	46%	55%
	Female	54%	45%
Age	Average (years)	49	41
	≤ 50	53%	69%
	> 50	47%	31%
Geography	Zealand & islands	66%	25%
	Funen & islands	4%	33%
	Jutland & islands	30%	42%
Education	No university degree (< 3 yrs)	15%	35%
	Bachelor Degree (3-4 yrs)	38%	38%
	Master Degree (≥5 yrs)	47%	27%
Income (DKK)	<200.000	19%	11%
	200.000-399.999	35%	27%
	400.000-599.999	25%	19%
	600.000-799.999	14%	27%
	800.000-999.999	5%	11%
	1.000.000-1.499.999	1%	4%
	>1.500.000	1%	1%

Table 5: Socio-demographic results from the questionnaires

Source: Own production

The samples are relatively equally distributed in regard to gender, with a small majority of female respondents in the Oikos group and a small majority of male respondents in the control group. The average age of respondents is lower in the control group with a mean of 41 years compared to 49 years in the Oikos group. The geographical distribution is most likely an indicator and consequence of where the Oikos branches are located. As mentioned, Oikos have branches only in Copenhagen and Aarhus, which can explain the concentration of respondents from Zealand and Jutland. The control group is more equally distributed throughout Denmark, which was also the initial intention. The Oikos sample represents a group of highly educated people, where 85% of the respondents at a minimum have a Bachelors Degree. Accordingly the same number is slightly lower in the control group, with 65%. The newest number from StatBank Denmark states that the average income for a household in Denmark was 443.208 DKK in 2007 (www.statistikbanken.dk). In the questionnaire the highest concentration of Oikos clients make between 200.000-399.999 DKK a year, maybe indicating that the customer segment consists of many students and retired people, which is also illustrated in the age distribution (Appendix 2). In the control group there are an equal number of people with income in the range from 200.000-399.999 DKK and 600.000-799.999 DKK.

8.1.2. Dependent Variable

The dependent variable in this study is as mentioned “proportion of the portfolio invested in *SRI*”. The table below illustrates how this variable is distributed among the two groups:

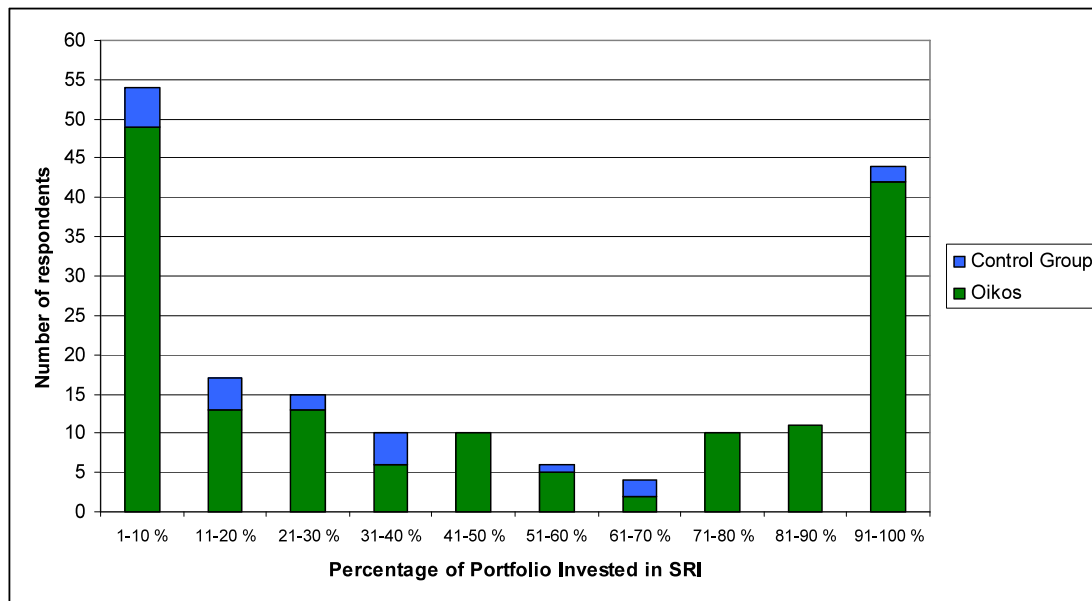


Figure 9: Distribution of the dependent variable (181 respondents)

Source: Own production

As the graph illustrates, the distribution is very scattered. The tendency among the Oikos clients is that they tend to have either a majority of their portfolio, or oppositely a minimum of their portfolio, invested in SRI. Nevertheless there is a clear picture indicating that the Oikos clients have a larger proportion of their portfolio invested in SRI, compared to the control group of conventional bank clients. It should be noticed that the graph only illustrates the distribution of the clients who actually invest in SRI. The total sample is also made up by 70 non-SR investors, whereof 16 respondents are stakeholders in Oikos (recipients of their newsletter) and 54 respondents are from the control group. To obtain an understanding of the differences between the two groups, we have decided to express the distribution in another way. This is done by calculating the average proportion of the portfolio the two groups have invested in SRI. Not surprisingly there was a significant difference between the two groups, as the table below indicates:

Source		N	Mean
SRI	0 Oikos	177	45,3523 ^{***}
	1 Control Group	74	9,6486 ^{***}

Table 6: The average proportion of portfolio invested in SRI, 251 respondents

Source: SPSS

The numbers illustrated in table 7 answer the first sub-question of *“What is the average proportion of portfolios invested in SRI of the two samples?”*. On average, the clients in Oikos have invested 45% of their portfolio in SRI, whereas the same number for the control group only amounts to 10%.

8.2. Regression Analysis

Before interpreting the results from the regression analysis, we will briefly comment on the simple correlation matrix of the data (see appendix 5). To avoid misunderstandings, it should be explicitly stated that the matrix and the regression model consist of responses from both Oikos and the control group.

8.2.1. Correlations

The correlation matrix cannot be relied upon alone, but can give a preliminary understanding of the data. The reason for exploring the matrix is that the phenomenon multicollinearity can interfere with the results. Multicollinearity happens when the independent variables in the regression are related or depending on each other (Bowerman and O’Connell, 2007:588). Therefore, when developing a regression model, it is important that the independent variables are not too strongly mutually correlated, as this can have an impact on the robustness and validity of the model.

When examining for multicollinearity, a rule-of-thumb is that none of the correlations may exceed 0.9 (Bowerman and O’Connell, 2007:588). As none of the correlations between the independent variables in the matrix exceed this limit of 0.9, no severe multicollinearity is found in the dataset. This indicates that a potentially useful relationship between the independent variables and the dependent variable SRI might exist.

However, even moderate multicollinearity might still be a problem. Thus, the possible problems and consequences of multicollinearity will be examined, after having explored the results from the regression model.

8.2.2. Regression Analysis

Before testing the entire model, five smaller regression models were made, within each of the areas we wanted to investigate. The purpose of this is to identify the impact of the variables on the dependent variable SRI, before including all variables to the final model. The smaller models indicate the relationship between the dependent and the various

independent variables. By adding all variables to the regression, a more pure effect is obtained, in the sense that for example the “age” variable might be incorporated in the perception variables, when age is not included in the model. By adding this variable to the final model, this matter is controlled for.

The reason that some of the variables are significant in the smaller models M1-M5, but not in M7 (table 8), might be due to the fact that Model 1 to 5 includes fewer variables. For example gender and income contribute less overlapping information, and because of this these variables have more additional importance in the model (Bowerman and O’Connell, 2007:590). When developing the final model, numerous versions were tested, in order to obtain the best model where all variables adequately worked together in describing, predicting and controlling the dependent variable (Bowerman and O’Connell, 2007:590). M7 will eventually be the model applied in answering the hypotheses. Further argumentation regarding reflections on this matter, will be made in the section that succeeds the table.

Models								
Variables	Levels	M1	M2	M3	M4	M5	M6	M7
Social, Environmental and Ethical factors								
PSA		8,32** (4,06)					11,30** (4,76)	11,34** (4,62)
PCE		4,27 (4,16)					1,77 (4,74)	1,73 (4,57)
Financial preferences (Conjoint analysis)								
Investment type	Inv_Mic	-2,84 (6,16)					-6,67 (6,64)	- -
	Inv_Clean	-4,88 (9,04)					-2,15 (9,4)	- -
	Inv_Alco	18,53 (13,18)					25,96* (14,85)	- -
Return	Return_AMR	22,69 (41,05)					11,09 (46,92)	- -
	Return_BMR	-14,19 (24,23)					-24,17 (25,92)	- -
Risk	Risk_Fully	13,32 (10,67)					16,9 (11,74)	- -
	Risk_Not	1,34 (14,85)					-1,53 (16,38)	- -
Financial perception								
Risk	SRI more risky		4,15* (2,53)				5,33** (2,68)	4,82* (2,64)
Return	SRI lower return		-2,4 (2,73)				-5,38* (2,97)	-4,74* (2,64)
Knowledge about investment type								
Micro loan					8,70** (3,41)		6,62* (3,73)	6,08* (3,68)
Clean-tech					0,45 (4,17)		1,75 (4,68)	2,41 (4,61)
IT					3,71 (4,6)		3,77 (5,19)	5,04 (5,02)
Alcohol					-10,81*** (4,08)		-7,54* (4,39)	-9,00** (4,31)
Socio-demographics								
Gender						10,99** (4,77)	7,69 (5,22)	10,12** (5,05)
Age						-0,34** (0,16)	-0,54*** (0,18)	-0,47*** (0,17)
Education						2,29 (2,44)	3,02 (2,50)	2,14 (2,43)
Income						-3,14* (1,94)	-1,18 (2,01)	-1,96 (1,95)
Dummy variable								
Source	(Dummy)	-27,48*** (5,54)	-52,39*** (20,26)	-34,25*** (5,02)	-24,98*** (5,80)	-32,98*** (5,81)	-42,28* (21,98)	-17,52** (7,11)
Model information								
N (Obs.)		250	250	250	250	221	221	221
F-value		21,546	7,005	18,637	13,972	11,872	4,584	6,675
P-value		0	0	0	0	0	0	0
Adjusted R ²		0,198	0,162	0,175	0,207	0,198	0,246	0,251
Note: ***p<0,01, **p<0,05, *p<0,1; Standard errors in parentheses								

Table 7: Output from the multiple regression model

Source: Own production

8.2.3. Model Reflections

Before going into details in describing the results, a few comments should be made about the model. First of all, the model is rather extensive, why one could argue that some variables could have been added with the sole objective of maximizing R^2 . This is not the case, as the variables in the model have all been added for sound theoretical reasons. Also, when evaluating the model, adjusted R^2 was considered instead of R^2 . The adjusted R^2 is a modification of R^2 that adjusts for the number of explanatory terms in a model (Bowerman and O'Connell, 2007). Unlike R^2 , the adjusted R^2 increases only if the new variable improves the model more than would be expected by chance. Interpreting the explanatory power of the model from the adjusted R^2 , therefore penalize for the magnitude of the added variables. This eventually leads to an explanatory power of 25.1% of the model, which implies that 25.1% of the variation in SRI can be explained by the independent variables in our study. This factor is considered satisfactory.

A general rule when interpreting a multiple regression is that there should be at least 10 times as many respondents than independent variable (Jaccard & Wan, 1996). In our case, an immediate prerequisite for the validity of the model, is that the response sample exceeds 10×20 independent variables = 200 respondents ($13 \times 10 = 130$ respondents as a minimum in model 7). Having a response rate of 221 in model 7 hereby satisfies this prerequisite. It should be mentioned, that the conjoint analysis will be based on a slightly larger sample than the multiple regression model. This is due to the fact that the conjoint part was in the beginning of the questionnaire, and some respondents left the questionnaire prior to completion. The multiple regression model eventually will be based on responses from 221 respondents.

Another very important reflection that should be made is that the conjoint section of the regression model did not show any significant results, except for preferences for investing in alcohol (Inv_Alco) having a significantly positive impact on SRI. No significant correlation was found between Inv_Alco and SRI in the correlation matrix, why the sudden significant relationship found in the multiple regression model is regarded with suspicion. One of the factors that may explain this relationship is multicollinearity, where the interdependence of the independent variables ends up having implications for the validity of the model. As a consequence of the conjoint analysis not being significant, increasing the standard deviation of the model, as well as the absence of increasing

the explanatory power of the model, we decided to test the implications of excluding this part of the model. Doing so, increased the adjusted R^2 , decreased the standard deviation of the model, as well as resulted in significance in the age-variable, as has been proved to be significant in previous studies (Williams, 2007; McLachlan et al., 2004; Rosen et al., 1991; Nilsson, 2009; Straughan and Roberts, 1999). Model 7 will hereby be the final model, when answering the hypotheses.

Even though the conjoint analysis did not prove any significant results in explaining SRI, it still revealed some of the differences between the two groups. Therefore the results from the conjoint analysis will still be taken into consideration when the means between the two groups are being compared in section 8.4.

A final comment should be made concerning the robustness of the model. A rather large impact on the outcome of the model was found, when either removing or adding the different independent variables. For example we decided to include knowledge about alcohol and IT in the model, since the explanatory power of the model hereby was improved. The fact that the model is rather sensitive, somehow questions the robustness of the model. Nevertheless, the study will eventually be based on model 7.

8.2.4. Answering the Hypotheses

The following section is divided into five smaller sections, in order to be able to answer the hypothesis within each of the tested areas. First a comment will be made on the results, which is followed by the final confirmation or rejection of the hypothesis as a result of the regression results.

8.2.4.1. Social, Environmental and Ethical Factors

When testing the social, environmental and ethical factors, pro-social attitudes (PSA) was found to have a positive impact on SRI behavior. This implies that a concern for ethical issues increase the likelihood of investing more of the portfolio in SRI. The same is not evident in the case of perceived consumer effectiveness (PCE); where the results do not find higher PCE to have a significantly positive impact on SRI behavior. In this study, PCE was measured by asking the respondents whether or not they believed that the money they invested socially responsible made a difference with for instance environmental issues and fighting poverty. The overall result is that both SR investors

and conventional investors believe their actions make a difference, but it does not necessarily mean that they invest more. It should here be noted that the questions did not specifically refer to the effectiveness of *investing* responsible, as questions like fighting pollution were also added. The result can therefore indicate that PCE might impact the traditional consumer purchases, but not have the same influence when investing in a bank.

The findings support PSA in hypothesis 1a, whereas PCE in hypothesis 1b cannot be supported.

8.2.4.2. Financial Preferences

The results in regard to preferences do not prove any statistically significant results. This is rather surprising, as it was expected that positive preferences for microfinance and clean-tech would be the salient variables in affecting the dependent variable. However, no consistent significant connection is found when the preferences for the other investment types, risk and return are added to the regression. Also, including the conjoint analysis in the regression model increased the standard deviation, as well as decreased the explanatory power of the model. Consequently, the conjoint section was excluded from the regression model.

As this part of the model is excluded from the regression, hypothesis 2a cannot be supported, as higher preferences for SRI than for conventional investments did not prove to have a positive impact on the SRI behavior. Likewise no support was found for hypothesis 2b and 2c, which is why it cannot be determined if lower preferences for a high return will have a positive impact on the social responsible investment behavior, or if low risk willingness will have a negative impact on the SRI behavior.

8.2.4.3. Financial Perception

Before interpreting the results with regard to financial perception, it is important to note that the questions were framed in a negative direction by saying “SRI is more risky than conventional investments” (why -2 on the five-point scale equals completely agree, and 2 equal completely disagree). Therefore a positive number indicates that the res-

pondent disagree with the statement about SRI being either more risky or yielding a lower return. To ease the understanding of the coherence, it is illustrated in the figures below:

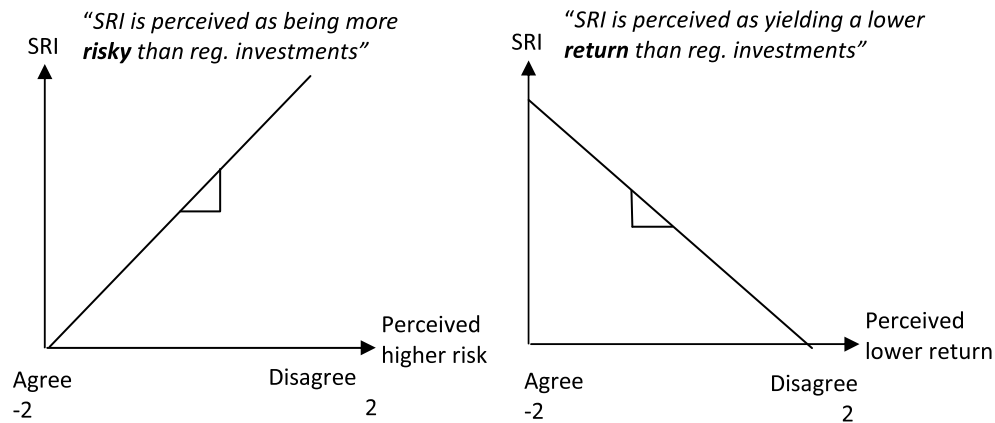


Figure 10: Perception of risk and return

Source: Own production

The results with regard to perception of risk and return are both significant at a 90% confidence level. As the figures illustrate, the relationship between the dependent variable, “proportion of portfolio invested in SRI”, and the independent variable “perception of SRI being more risky than conventional investments” is positive confirms our expectations that investors who perceive SRI as being more risky than conventional investments, tend to invest less of their portfolio in SRI. With regard to return, there is an interesting negative connection, implying that investors who have the perception that SRI yields a lower return tend to invest more of their portfolio in SRI. The last finding is rather remarkable, because it contradicts rational economic theory to invest more in an area that are expected to yield a lower. In the discussion, this finding will be further elaborated. From these results we can draw the following conclusions about the hypothesis:

The findings support hypothesis 3a where a perception of SRI being more risky than conventional investment was expected to have a negative impact on the proportion of the portfolio invested in SRI. Hypothesis 3b cannot be supported, as an inverse relationship than what was expected was found, where a perception of SRI yielding a lower return than conventional investments, has a positive impact on the proportion of the portfolio invested in SRI.

8.3.4.4. Knowledge about Investment Type

With regard to knowledge we expected more knowledge about SRI to have a positive impact on the SRI behavior. Knowledge about microfinance proved to have a significant positive impact on the proportion of the portfolio invested in SRI, whereas there was no significant effect with knowledge about clean-tech. As expected knowledge about IT was not a significant factor in explaining SRI. Knowledge about investing in alcohol however proven to have a significant negative effect on SRI, indicating that a broad knowledge about investing in alcohol had a significantly negative effect on the SRI behavior.

As stated in the questionnaire, investing in both microfinance and clean-tech was defined as SRI. As only knowledge about investing in microfinance proved to have a significantly positive effect on SRI, and clean tech proved to have no effect, hypothesis 4a can only be supported concerning microfinance and not clean-tech.

8.2.4.5. Socio-demographic Variables

The results in regard to the socio-demographic variables are as follows; In model 5, significant relationships were found for women being more likely to invest in SRI, younger investors being more likely to invest in SRI, as well as people having a higher income being more likely to invest in SRI. In the final model however, age and gender were the only significant factors.

What can be concluded with regard to the socio-demographic part of the regression is that significance was found, supporting hypothesis 5a of women being more likely to invest in SRI was found, as well as support was found for hypothesis 5b, stating that younger investors are more likely to invest a larger proportion of their portfolio in SRI. Finally there was no support for hypothesis 5c about investors with higher education being more likely to invest in SRI as well as no support was found for hypothesis 5d about investors with higher income being more likely to invest in SRI.

8.3. Comparison of Means between Oikos and the Control Group

One of the sub-questions concerns whether and how clients in Oikos and the control group differ in regard to the five areas of investigation. The section below will explore the differences in the means between the two groups within the factors related to model 1 to 4, to explore if any significant differences can be found. The model concerning socio-demographics has already been discussed in section 8.1.1., which is why no further explanation is given concerning that section.

8.4.1. Social, Environmental and Ethical factors (M1)

The table below illustrates the mean differences of the two groups in regard to SEE. The attitudes were measured on a five-point scale from -2 to 2.

Source		N	Mean
PSA	0 Oikos	182	1,3440***
	1 Control Group	77	,6961***
PCE	0 Oikos	181	1,4475***
	1 Control Group	74	,7534***

Table 8: Mean comparison, PSA and PCE

Source: SPSS

As the numbers indicate, there are strongly significant differences in PSA and PCE between the two groups. In both cases the mean is significantly higher in the Oikos group, which is also what was expected.

8.4.2. Preferences (M2)

The following section will reveal the results from the conjoint analysis, in regard to differences in preferences between the two groups. The results concern all three attributes; preferences for investment type, return and risk respectively.

8.4.2.1. Preferences – Investment Type

Table 10 indicates the means of the partial utilities on the respondent level with regard to preferences for investment type. The numbers in the conjoint analysis are all relative, which is why comparison should also be relative.

Source		N	Mean
Inv_Mic	0 Oikos	186	1,6591***
	1 Control Group	79	-,0180***
Inv_Clean	0 Oikos	186	,9045***
	1 Control Group	79	,4138***
Inv_IT	0 Oikos	186	-,9001***
	1 Control Group	79	-,1184***
Inv_Alco	0 Oikos	186	-,2006**
	1 Control Group	79	-,1396**

Table 9: Mean comparison, preferences investment type

Source: SPSS

As expected, the results in table 10 illustrate that investing in microfinance is the preferred investment type for clients in Oikos. There is a strong significant difference in the preferences within all investment areas; only preferences for alcohol are significant at a 95% confidence level, whereas the others are significant at a 99% confidence level. Surprisingly, the control group has negative preferences for investing in microfinance, whereas their preferences for investing in clean-tech are positive. Also the Oikos clients have positive preferences for investing in clean-tech, which indicate that, the positive preferences for investing in this area is shared between the two groups. The results regarding investing in IT and alcohol are rather surprising. As the control group has slightly lower preferences for alcohol than for IT, as expected, the opposite is present for Oikos. This group has strong negative preferences for investing in IT, whereas the negative preferences for investing in alcohol are much less evident. This will be further elaborated in the discussion.

8.4.2.2. Preferences – Return

The table below shows the results from comparing the means of the two groups concerning return preferences.

Source		N	Mean
Return_AMR	0 Oikos	186	,0382***
	1 Control Group	79	,2217***
Return_MR	0 Oikos	186	-,0860***
	1 Control Group	79	,2045***
Return_BMR	0 Oikos	186	,0546***
	1 Control Group	79	-,2627***

Table 10: Mean comparison, preferences return

Source: SPSS

All of the results are significantly different between the two groups. There are no surprising results when examining the results of return preferences of the control group. As expected, the control group has positive preferences for investing when return equals or exceeds what can be achieved from investing in the market. Also the control group has negative preferences for returns below market return, indicating that the return has an impact on the choice of investment for this group of people. When exploring the results of the Oikos clients, the results are more remarkable. The mean is highest when return is below market rate, as well as the fact that the clients in Oikos have negative preferences for a return at market rate. Also the preferences for a return above market rate are significantly lower than the same number from the control group. The clients in Oikos hereby seem to have very deviant concern for return, which will be discussed further in the discussion.

8.4.2.3. Preferences – Risk

The table below indicates the mean with regard to preferences for risk:

Source		N	Mean
Risk_Fully	0 Oikos	186	,5661
	1 Control Group	79	,5992
Risk_Partly	0 Oikos	186	-,6758***
	1 Control Group	79	-,1825***
Risk_Not	0 Oikos	186	,3100***
	1 Control Group	79	-,1760***

Table 11: Mean comparison, preferences risk

Source: SPSS

There is no significant difference between the preferences for fully guaranteed investments between the two groups. When exploring the preferences for investing in investments with a partly guaranteed risk profile, the clients in Oikos have strong negative preferences, whereas the control group has almost the same preferences for investing when the risk profile is partly or not guaranteed. Both results are slightly negative. Clients in Oikos however, seem to prefer risky investments since the mean for investments that are not guaranteed is higher compared to investment which is partly guaranteed investments. The Oikos clients are hereby less risk averse than the control group.

8.4.3. Perception (M3)

The table below illustrates the comparison of means between the two groups, in regard to perception of risk and return. Perception was measured on a five-point scale from -2 to 2, where a positive number again indicates that the respondents disagree with the statements.

	Source	N	Mean
SRI_More_Risky	0 Oikos	178	,2022
	1 Control Group	74	,0270
SRI_Lower_Return	0 Oikos	178	-,6011**
	1 Control Group	74	-,2973**

Table 12: Mean comparison, perception risk and return

Source: SPSS

There are no significant differences between the two groups, when exploring the perceptions of SRI and risk. Both groups have positive means, indicating that none of the groups perceive SRI as being more risky than regular investments. Concerning return, the means are significantly different. The clients in Oikos agree that SRI is perceived as yielding a lower return. Again this can be a result of the fact that clients in Oikos do not expect to receive a return from investing in Oikos. Also the control group agrees with this statement.

8.4.4. Knowledge (M4)

From the table below, it is evident that the groups are significantly different when it comes to knowledge about microfinance, IT and alcohol. Knowledge was measured on a scale from 1 to 4, with 1 being “no knowledge” and 4 being “detailed knowledge”.

Source		N	Mean
Knowledge_Micro	0 Oikos	178	2,8764***
	1 Control Group	74	2,1486***
Knowledge_Clean	0 Oikos	178	2,3034
	1 Control Group	74	2,3784
Knowledge_IT	0 Oikos	178	1,8146***
	1 Control Group	74	2,3108***
Knowledge_Alco	0 Oikos	178	1,6011***
	1 Control Group	74	2,1892***

Table 13: Mean comparison, knowledge

Source: SPSS

As expected the mean in regard to knowledge about microfinance is highest in the Oikos group. The control group means are approximately the same within all four investment areas, indicating that there is none of the investment areas they know more about than others. The Oikos group however, has relatively low means with regard to knowledge about investing in IT and alcohol. In both cases the knowledge is significantly lower than the control group.

8.4. Qualitative Findings

The following section will explain some of the qualitative that was found interesting and relevant for this study. The findings below only concern the clients in Oikos, as all the questions were related to their relationship with Oikos. First, the respondents were asked to state and rank up to five decisive reasons for why they chose Oikos as a bank. Figure 10 illustrates the findings, with the five most important factors marked with green stripes.

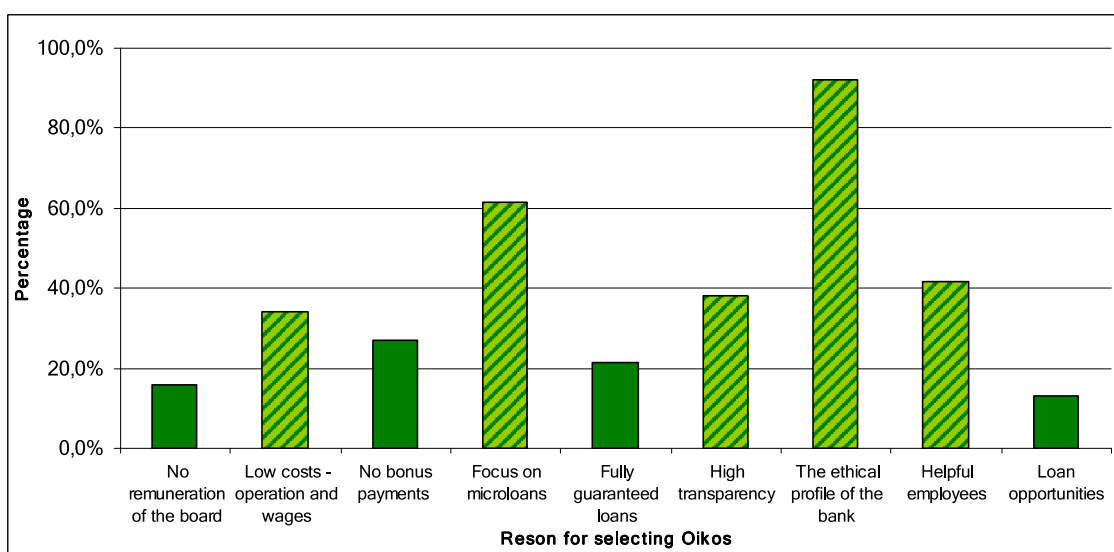


Figure 11: Reasons for selecting Oikos

Source: SPSS

The most important reasons were found to be the following: The ethical profile of the bank, the focus on microloan, helpful employees, high transparency, and low cost.

The respondents were also asked to state the reasons for why they chose to invest ethically. The 161 SR investors in Oikos all answered the questions, which were distributed as illustrated below:

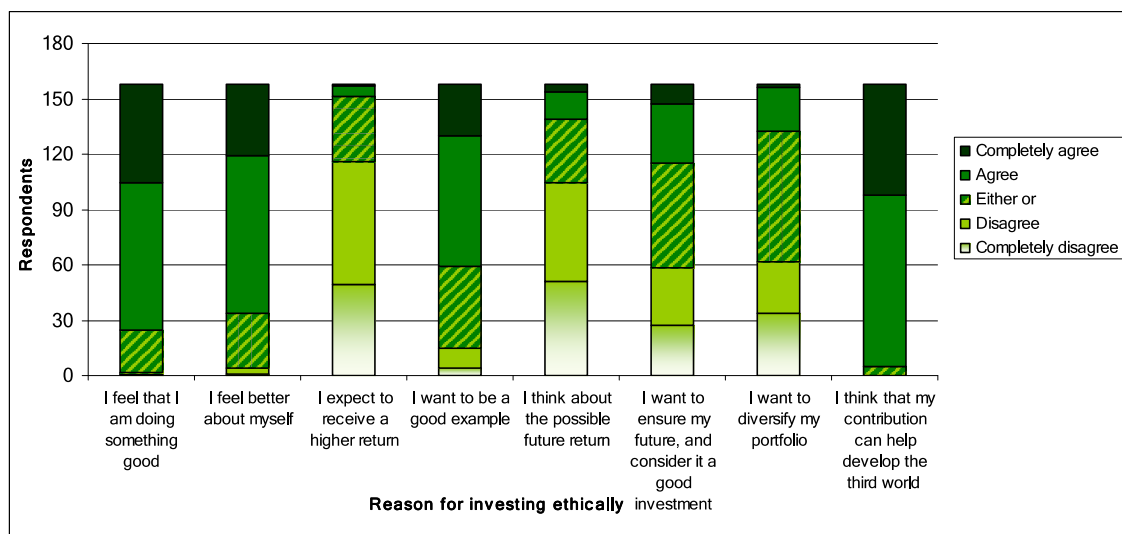


Figure 12: Reasons for investing ethically

Source: Own production

The majority of the clients invest ethically because they believe that they can make a difference, and because they feel better about themselves. The majority of the clients in Oikos did not invest in the bank because of financial reasons.

Furthermore, the clients had the opportunity to support their selections with a comment. These comments have been grouped into the following reasons:

- “To me, money is not something you possess, it’s something you distribute”.
- “In my world, “*good karma*” is also a return, and I want to *actually* do something, instead of just *wanting* to do something”.
- “When having the ability to see beyond your own nose, you have the obligation to act upon what you see”.
- “I find it cool to challenge and change the cash flows in the financial systems”.
- “It is a backlash of what I have experienced in the financial sector lately”.

The clients were also asked to state which products they had in Oikos. It was found that 59% of the respondents have shares in Oikos and 57% have a deposit account, which pays no interest. Also 69% of the respondents revealed that they had other bank relationships than Oikos, which was caused by numerous explanations. The ones that were most often repeated were the following:

- Old habit or laziness in closing the old account
- Family tradition
- Dispersion of risk
- The too minimalistic net-banking in Oikos
- Want to retain contact with the local society
- Satisfaction with previous financial institution
- Requirement from employer or business relations

97% stated that Oikos' involvement in microfinance had a crucial or partially impact on their selection of Oikos. Only 3% do not find this coherence critical (appendix 2).

8.5. Summary

Below the findings from the multiple regression model, the mean comparisons, as well as results from the qualitative findings, will be listed.

From the multiple regression model support was found for the following hypothesis: **Hypothesis 1a**: PSA has a positive effect on the SRI behavior. **Hypothesis 3a**: A perception of SRI being more financially risky than conventional investments has a negative impact on the proportion of the portfolio invested in SRI. **Hypothesis 4a**: Partial support was found for how knowledge about SRI impact the proportion of portfolio invested in SRI. However, this was only the case with microfinance and not with clean-tech as was expected. Finally support was found for **hypothesis 5a** and **5b**, indicating that age has a negative impact on SRI behavior, as well as women being more likely to invest a larger proportion of their portfolio in SRI.

When comparing the means of the two groups, differences were found within several areas. Within the areas of PSA and PCE, the clients in Oikos had significantly higher means, indicating that they possess a higher concern for ethical issues, as well as expect to be able to make a difference – more than the control group does. Concerning preferences, the clients in Oikos have highest preferences for investing in microfinance, and have strong negative preferences for investing in IT. The control group on the other hand, prefers to invest in clean-tech compared to microfinance. Five out of six of the results from the mean comparison, concerning the risk and return preferences, are significantly different between the two groups. The clients in Oikos are less risk averse,

and prefer a return below market rate. Regarding perception, SRI is not perceived more risky than investing in conventional investments for any of the groups. The mean regarding perception of return is negative for the clients in Oikos, implying that this group expects to receive a lower return from investing in SRI. The results obtained from comparing the means in regard to knowledge about the four investment areas, reveals that the Oikos clients have significantly higher knowledge about investing in microfinance, as well as significantly lower knowledge about investing in the IT and alcohol industry. The two groups have almost equal knowledge about investing in the clean-tech industry.

The qualitative results revealed that the key reasons for selecting Oikos as a bank, were because of the ethical profile of Oikos, the focus on microloan, helpful employees, high transparency, and low cost. The main argument for investing ethically were that the clients wanted to feel better about themselves, wanted to be a good example, as well as contribute to the development of the Third World.

9. Discussion

In the following section the main findings of this study will be discussed. The section is divided into two parts. The first part will discuss the interesting findings derived from both the regression model as well as the mean comparisons concerning how the SRI behavior can be explained. Focus will be on the results that deviate from what was expected, and on those findings that should be further considered by the management in Oikos.

The second part will specifically discuss the answers to the research question of this Master Thesis; *“Why did the clients in Oikos choose an ethically profiled bank,”* by combining and reflecting on the key findings of the study. A discussion of how and why the behavior of the clients in Oikos differs from rational economic behavior will be made, followed by a discussion of what we believe are the three main drivers for choosing Oikos as a bank.

The analysis of the data led to the key findings listed below. We have found that the clients in Oikos selected the bank because:

- They are driven by other motives than a pure financial gain. Their preferences for risk and return differ remarkably from conventional investors.
- They gain a different return from incorporating their values in the investment decision.
- They refuse to compromise on moral and ethics – also when deciding upon banking relationship.

9.1. Discussion of the Findings

The questions about the rationality of humans and the impact of feelings and emotions have occupied philosophers and social scientists for centuries (Etzioni, 1987). Neoclassical economics and ethical investment literature suggest three potential reasons for why people invest some or all of their funds ethically; to obtain a superior financial return, to obtain non-wealth returns, and lastly to contribute to social change (Beal et al.,

2005). These motivations are neither excluding nor exhaustive, but it is a starting point for discussing the SRI behavior of the clients in Oikos.

9.1.1. Pro-Social Attitudes & Perceived Consumer Effectiveness

Not surprisingly, a positive significant relationship was found between **PSA** and the SRI behavior, which led to an acceptance of hypothesis 1a. The mean for the Oikos group was significantly higher than for the control group with regard to PSA. This further supports the hypothesis that a concern for ethical issues leads to a more positive SRI behavior, since the clients in Oikos in general have a higher proportion of their portfolio invested in SRI. The findings are in line with what has previously been found, which is why they will not be further elaborated (Nilsson, 2008; Alwitt and Pitt, 1996).

An interesting finding, however, is that **PCE** did not have a significant influence on SRI behavior. Previous studies have found PCE to be a significant influential variable on SR behavior (Straughan and Roberts, 1999; Nilsson, 2008; Roberts, 1996). The expected coherence was that if the SR investor believes that the investment will actually benefit a third party, the investor will be more likely to invest. Nevertheless, when comparing the means of the two groups, both groups were found to have a positive PCE mean. Even though the mean from the Oikos group was significantly higher, the control group was also found to have a positive belief in PCE. The fact that both groups believe that individual involvement can make a difference is a rather interesting finding because the control group does not seem to act upon the conviction by investing in SRI. The fact that no support was found for PCE, can be caused by various reasons.

The increased media coverage of poverty and environmental disasters illustrate how complex and comprehensive these problems are. Being faced with such stories on a daily basis may lead to some kind of information-overload, which can affect PCE in a negative way, since the extension of the problems can be overwhelming (Ernst and Young, 2008). Also, the magnitude of the problems might push the respondents to believe that solutions can only be found at a governmental or corporate level (Nilsson, 2008). One could assume that the belief in making a difference as an individual might decrease proportionally with the size of the problem to be solved.

Another explanation could be found in the problem about inflated intentions. Although the control group possesses both positive PSA and PCE, they are not actively doing any-

thing about it. This finding reveals a gap between attitude, perception and behavior. Many people claim to be ethical consumers, but the market share of ethical products reveal something else (Nilsson, 2008; Alwitt and Pitts, 1996). For instance, there has been an increased attention towards climate change, and on how humans can emit less CO₂. Still, people's consumption patterns have largely failed to respond to these recommendations. The same coherence can also be illustrated by the following paradoxes; even though people are aware that alcohol is unhealthy, they ought to work out more, and they should save more up for their retirement, this does not necessarily make them act upon it (Ernst and Young, 2008). This applies for buying ethical products as well, or investing in an ethical bank. People are aware that in the long run this might be a better choice, but it does not mean that they will actually do it. This can, to some extent, be explained by the notion *loss aversion*. The coherence can be pictured by the figure of prospect theory, which is a part of the behavioral economics literature:

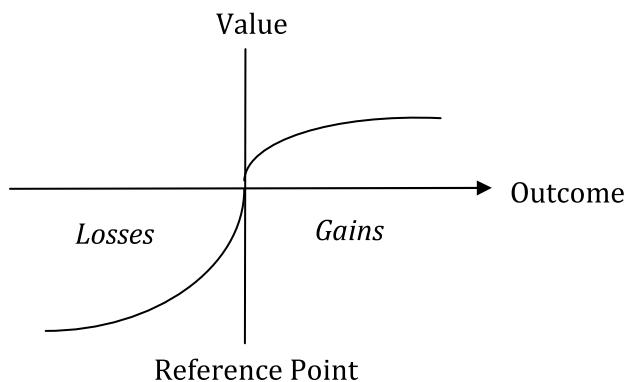


Figure 13: Prospect Theory
Source: Kahneman & Tversky, 1979

The graph illustrates how people prefer avoiding losses to acquiring gains (Ernst and Young, 2008). Moving right on the x-axis the option of increasing outcome only gives half the value than what is perceived from an equivalent move in the opposite direction. So even though people believe that their investments will make a difference, avoiding losses may have a higher priority.

9.1.2. Financial Perception and Preferences

The results obtained from including preferences in the regression model were rather disappointing. None of the variables proved to be significant, which is why, as men-

tioned before, it was eventually decided to leave out the conjoint analysis from the model. Nevertheless, the results from the conjoint analysis were explored by comparing the means between the two groups.

The Oikos clients had relatively higher preferences for investing in **microfinance** compared to any of the other investment areas. The causality combined with this question can be discussed, since we cannot prove if the clients initially invested in Oikos as a result of higher preferences for microfinance, or if the preferences for microfinance have been developed as a result of positive connotations towards what Oikos is doing. According to the qualitative results, 60% of the clients in Oikos stated that they chose Oikos because of the bank's involvement in microfinance, but this statement may also be affected by the above causality.

Even though the questionnaires were anonymous, the clients in Oikos may have been influenced by the *social desirability bias* and therefore replied and framed their response in a way that can be perceived favorable by others (Fisher, 1993). Sending out the questionnaire in Oikos' newsletter may have influenced the clients and indirectly made them select microfinance when exposed to this option. Therefore, they knew that they would satisfy the management in Oikos, and from this action achieve indirect social recognition. Alternatively, the difference in preferences for investing in microfinance can be caused by the *availability bias*. The clients in Oikos could more easily retrieve information about microfinance investments than the clients from conventional banks. This can cause the Oikos clients to be more likely to select this investment option in the conjoint analysis.

Both groups were found to have positive preferences for investing in **clean-tech**. Hereby, one could argue, that Oikos is excluding a segment by maintaining their focus solely on microfinance. Nevertheless, the involvement in microfinance is one of the deep-rooted values of Oikos. Therefore, careful considerations should be made before Oikos changes or expands its profile. What should also be considered from the results, are the fact that preferences for clean-tech did not prove to be a significant explanatory factor of SRI behavior. As a consequence of the results not being significant and the following exclusion of preferences from the regression model, we are not able to determine if there really is a connection between the clean-tech and SRI behavior. Further discus-

sions on this specific matter are, however, considered outside of the limitations of this thesis.

As the mean comparison revealed, the clients in Oikos have less negative preferences for investing in the **alcohol** industry, compared to the **IT** industry. The alcohol industry was included in the questionnaire to represent a “bad” alternative. Considering the group of respondents in retrospect, a more appropriate industry might have been the tobacco industry. In Denmark, a company like Carlsberg is highly involved in CSR issues, why the alcohol industry might not be perceived as bad as it was expected it to be (www.carlsbergdanmark.dk). Another explanation for the Oikos clients’ low preferences for the IT industry might be found in the age distribution of the clients (table 5 and appendix 2). A relatively high number of the respondents from Oikos (47%) are the age of 50 or older, why they might not be able to indentify or familiarize with the IT industry in the same sense as younger respondents. For some older respondents, the IT industry with Microsoft and IBM as the frontiers can be difficult to associate with. This may be one of the reasons that can explain the outcome of the comparison of preferences.

When exploring the means with regard to **preferences** for **risk** and **return**, the results revealed one of the very key findings of this study, by illustrating how the Oikos clients deviate remarkably from conventional investors. The clients in Oikos proved to have stronger preferences for a return *below* market rate than for a return *at* market rate. From this result, it can be concluded that previous findings concerning return preferences on SRI cannot unconditionally be transferred to the behavior of the clients in Oikos. When a client decides to deposit a certain proportion of his portfolio in an interest free account in Oikos, there will be no outlook of a future return. Therefore one could argue that investing in Oikos is of a more radical character than regular SR investing, since we assume that the clients are willing to sacrifice a financial return, with a return of a more social character (Glac, 2009:44). The tradeoff between return and social, environmental and ethical (SEE) issues will be impacted by factors like the degree of altruism and the initial preferences for the investment (Nilsson, 2009).

Also the clients in Oikos prefer investments that are not guaranteed to investments that are partly guaranteed. According to the literature; most individuals are risk averse and prefer safe investments over riskier (Knoll, 2002). Therefore, these preferences are

found rather irrational seen from a classical economical point of view. In section 9.2 we will discuss this behavior in depth.

Concerning the impact of **perception** on SRI behavior, support was found for hypothesis 3a regarding the perception of financial **risk**. The perception of risk was found to have a significant impact on the SRI behavior, in the sense that the riskier SRI is perceived, the less one tend to invest in SRI. In Nilsson's study the relationship between perception of risk and SRI behavior was not found to be significant (Nilsson, 2008). When exploring the means of the groups, there were no significant differences in the perception of risk. The findings revealed that none of the groups perceived SRI as being more risky than conventional investments. This is also supported by Lewis and Mackenzie's study from 2000 (Lewis and Mackenzie, 2000). It can be seen as an advantage for Oikos, if the general attitude is that SRI is not perceived more risky than conventional investments. Hereby Oikos avoids facing the challenge of first having to influence the risk perception of potential clients. Specifically in the case of Oikos, one could assume that conventional bank clients would consider investing in Oikos as being more risky, substantiated in the size of the bank. Nevertheless the transparency of Oikos may compensate for this issue, but the fact that deposits in Oikos are covered by the Danish Bank Guarantee Foundation, is probably the most important one (www.gii.dk).

Concerning the perception of **return**, this variable was found to have the opposite impact as expected. The findings of this study proved that a perception of SRI yielding a lower return would have a positive impact on SRI. This finding can to some extent be biased from the *anchoring point* that some clients in Oikos are aware that their deposits on interest free accounts in Oikos will not yield a return. Also, the finding may be explained from the fact that some clients in Oikos may gain increased utility from renouncing the return. Return is still a significantly important explanatory factor, but has a different meaning for investors in Oikos than for conventional investors (Nilsson, 2008). The objective of the investment for these clients is not to obtain a superior return, but may oppositely be driven by pro-social motives.

As the clients in Oikos were found to have strong preferences for microfinance but were less concerned about the risk and return profile of the investment, there is a strong indication that personal values to a higher extent is being incorporated in the invest-

ment decision of these clients. Still, we cannot undermine the importance of the context in which the choice is made, as well as the difficulty of the trade-offs involved (Bettman et al., 2008).

9.1.3. Knowledge about the Investment Type

In the regression model, the hypothesis concerning **knowledge** about SRI was partly supported. Knowledge about investing in microfinance as well as in the alcohol industry was found to be significant predictors of SRI behavior. The reason that knowledge about clean-tech was not a significant variable may be explained by the fact that different types of people are involved in the areas of microfinance and clean-tech, respectively. Whereas microfinance and alleviating poverty are the concerns of the humanitarians, clean-tech on the other hand may appeal to the environmentalist. Therefore an *anchoring bias* may influence how much people believe they know about the four investment areas. The clients in Oikos can easily recall information about investing in microfinance, whereas the conventional bank clients may more easily recall information about investing in the alcohol industry. According to the anchoring bias, people tend to form their beliefs around an anchor, and additional incoming data must fight against the inertia of this anchor (Stratt, 1997).

Most of the consumers base their buying decisions on their knowledge (Pelau et al., 2010). In order to determine any buying decisions at the level of the consumer, a company should know which level of knowledge the consumer has, and how the knowledge dynamic functions in the mind of the consumer functions, when making the buying decision. The company offers some information about its products and services, which are internalized by the consumer (Pelau et al., 2010). The decision-making is based on this information and on the profile of the consumer (Pelau et al., 2010).

One could argue that possessing some knowledge about microfinance may undermine some of the reservations people can have against SRI. Skepticism towards the microfinance industry may be influenced by stories about microfinance intermediaries profiting from the alibi of being humanitarian. The control group claim to have a relatively high knowledge about microfinance, but still their preferences for investing in this area is found to be negative. Recently there has been a lot of attention and bad publicity about the Danish company MYC4 that facilitate microcredit via the Internet to small business

in the Third World (www.ulandsnyt.dk; www.fyens.dk). Investors in MYC4 have experienced problems with the repayments of their loans. This reputation can create a negative perception of the entire microfinance industry, and it might provide a breeding ground for skepticism. People might be biased from an *availability bias*, and recall information that confirms their disbelief. Hereby salient memories override their normative reasoning, which can also be one of the reasons that the clients in Oikos state that they have relatively scarce knowledge about investing in the IT and alcohol industry. However, little research has been found to further explain the coherence between knowledge and SRI behavior.

9.1.4. Demographics

In model 7 age and gender were the only significant demographic variables. Previous studies have proven that age, gender, income and education have significant impact on investor preferences (Beal, 2005:68). These findings are supported by numerous other studies (Diamantopoulos, 2003; Nilsson, 2008; Rosen et al., 1991). Our results revealed that age has a negative impact on the proportion of the portfolio invested in SRI, implying that younger investors tend to place a larger proportion of their portfolio in SRI. Intuitively this coherence can be explained by the fact that younger people have a relatively smaller total portfolio, and therefore may not be as concerned by diversifying their portfolio. Also one might argue that younger investors will more likely be faced with SR issues being enrolled in different educational contexts. Younger people tend to be more adaptive to new initiatives, and less afraid of taking chances, as confirmed by Straughan and Roberts; *“Those who have grown up in a time period in which environmental concerns have been a salient issue at some level, are more likely to be sensitive to these issues”* (Straughan and Roberts, 1999:559). The negative connection can also be found in a stronger desire to diversify for elder people, considering the fact that the recovery period decline proportionally with age. Hence, risk averseness might consequently increase with age.

The results also support the hypothesis about women being more likely to invest a larger proportion of their portfolio in SRI. This is in accordance with what have been found in several other studies (Nilsson, 2009:307; McLachlan et al., 2004; Sparkes, 2002). *“The social responsible investment industry calculates that roughly 60 percent of socially conscious investors are women”* (Sparkes, 2003:192). Nilsson found that gender in particular

have an influence on the proportion of the portfolio invested in SRI (Nilsson, 2008:319). The finding is hereby consistent with prior research, why a more detailed discussion is not considered relevant.

No support was found for income and education being influential variables in explaining SRI behavior, which is rather surprising. Income and educational level have previously been found to have a positive impact on SRI behavior (Nilsson, 2008). One could argue that the coherence in this study can be a consequence of the over-all lifestyle of the clients in Oikos. Even though the clients may have the appropriate educational level to possess a job that is well paid, some of them may prefer to have more spare time and prioritize other values than financial wealth. These clients have no incentive to hold a position with a high-paid salary, since this will not increase the over-all perceived value of the client's life. Self-fulfillment and time spent with the family may be perceived more valuable for these people. The altruistic characteristic possessed by some of the clients in Oikos may hereby be enforced into other aspects of their lives. Nevertheless, these are only guesses, since we cannot specifically say anything about that, on the basis of the model.

9.2. Why did the clients in Oikos choose an ethical profiled bank?

This study was initially triggered by an interest for understanding the investment behavior of the clients in Oikos. Many of the results confirm our expectations about the clients having a deviating approach to investing, compared to conventional investors. The last part of the discussion will focus on a further discussion of this phenomenon, to approach an answer to the overall research question, by merging and reflecting on all of the findings. The nature of a multiple regression model might also have an effect on this issue. If there is some correlation between income and other factors like age or gender, the income variable might become insignificant. This is due to multicollinearity, which is impossible to avoid in such a big model.

9.2.1. The linkage between Attitudes, Values and Behavior

Research has shown that consumers select products with attributes that deliver consequences, which in turn contribute to the value fulfillment of the consumer (Kahle & Xie, 2008). Values have a strong impact on people's lives, thus fueling their decisions about topics like product choice. The perceived value-fulfillment of the clients in Oikos will

obviously influence the decision-making, in their considerations about choosing an ethical profiled bank.

PSA proved to be an important explanatory factor in explaining SRI behavior. When consumers perceive a particular product as appropriate to their value fulfillment, they will in general find that product more attractive (Kahle & Xie, 2008). Therefore the values represented by Oikos may be aligned with the attitudes of the clients in the bank. *"Values are central to our concept of self, and they are important features of our personal and social identity – the "real me". They are relatively stable, and they consist of a small number of core ideas about desirable goals and the desirable behavior that helps us attain our goals"* (Vitt, 2004:71). Values stem from psychological needs and demands from society. The behavior of the clients in Oikos will therefore be impacted by individual value propositions. The business concept of Oikos originated from various religious societies, which is why one could argue that this may impact many of the clients in the bank to have the "willingness of helping others" as one of their core values of life (www.oikos.dk).

9.2.2. Incorporating Values into the Investment Decision

In order to answer the research question of this paper, it is important to underline, that no definitive answer can be found. In the regression model, support was found for PSA, perception of risk and return, knowledge about microfinance and alcohol, as well as age and gender to be strong indicators of SRI behavior. However, to come closer to an understanding of the behavior of the clients in Oikos, the clients will be divided into three groups, depending on their statements in the questionnaire. Dividing people into which value-group they belong to can be an effective basis for segmentation and for understanding the drivers of these groups (Kahle & Xie, 2008:575). From the responses in the qualitative part of the questionnaire, the clients are hereby segmented based on their common denominators in the arguments for selecting Oikos. The overall common denominator for all three groups is that all bank clients have made a pro-active decision in selecting Oikos as their bank. It is assumed that relatively few people are aware of the existence of Oikos, as the amount spent on branding the bank is very limited, as well as the fact that the questionnaire revealed that 75% knew about Oikos from somewhere else than the Internet or other medias. Therefore one could argue that the discovery of the bank will often be a result of a pro-active search. As a result of this, the clients can be

divided into the following three groups, whereby we illuminate their reasons for choosing an ethical profiled bank:

- | | | |
|--|---|--|
| 1. Altruists | } | Pro-active selection, but
with different objectives |
| 2. Egoists | | |
| 3. Abhorrence towards the financial sector | } | Pro-active <i>de</i> -selection |

Altruism

There is a trade-off between financial and psychic returns for some SR investors, as some investors might gain a non-financial utility from knowing that their investments have a social dimension (Williams, 2007; Beal et al., 2005). This implies that investors might receive a return in a non-financial construct from investing in SRI. The clients in Oikos can succeed in obtaining value from sensing that they contribute to a meaningful cause or from helping others (Nilsson, 2009). This is also supported by a previous study by Williams, who finds that SRI investors tend to be more “other-centered” than “self-centered” (Williams, 2007). Being “other-centered” indicate that the investors have the wealth of other people as the primary focus of their investments. Numerous statements from the questionnaire confirm this assumption. The desire to enable people in the Third World establish a reasonable living standard, hereby seemed to be the main objective of many of the investors (Figure 11).

Therefore, the SRI behavior of the clients in Oikos can be argued to be driven by their attitudes toward the social aims of the investment, rather than by the financial return. Batson and Shaw explain that altruism can clarify the behavior of wanting to improve the welfare of others at the cost of ones own welfare (Batson and Shaw, 1991). Altruists are driven by a moral obligation to help others, why the altruist's utility is a function of both own welfare as well as the welfare of others (Becker, 1976). Several empirical studies have found that the motive for acting altruistic at the expense of own welfare is created through empathy and compassion for another human (Batson and Shaw, 1992). The statement of one of the respondents supports this understanding; *“We, in the Western World, have created the World as it is today. Now we have to stand up and face the consequences”*.

Another aspect that is highly valued by the customers in Oikos is to actually *do* something instead of just *wanting* to do something. Often there is a gap between the intentions and the actual behavior of consumers, which must be said, is not the case in the example of Oikos. This group of people, the altruists, hereby represents a segment that chose Oikos because of deep humane concerns, and with no objective of gaining neither financial nor social desirability benefits as a result of the decision. This understanding is consistent with the following citation of Dalai Lama:

“If we give with the underlying motive of inflating the image others have of us,... we defile the act. In this instance, what we are practicing is not generosity but self-aggrandizement.”

— Dalai Lama (White and Peloza, 2009)

But even though the altruists are driven by a motivation of making other people better off, their actions should not be considered as self-sacrificial. One might believe that the conducts of an altruist is a fulfillment of the person’s own ideals and desires, but the fact is that the well being of the altruist actually increases with what they do for others (Audi, 2009:266).

“Although an egoist’s basic motivation cannot include wanting, to any degree, the well-being of others, altruists must to some degree want that well-being. Altruists need not, however, sacrifice themselves in pursuing that goal. They may also care about their own wellbeing. They need only have, as part of their basic motivation (...), a desire to preserve or promote the well-being of others” (Audi, 2009:266).

From an economic point of view, the “other-serving” behavior of the altruist can be rather difficult to understand and explain. The bottom line is to accept that an altruist can enjoy doing things for others, even for *their* own sake, as opposed to doing things for others for one’s own advancement (Audi, 2009).

Egoism

In continuation of the group of people who chose Oikos because of altruistic reasons, another segment is found within the motivation of egoism. The actions resulting from altruistic and egoistic behavior can seem to be very closely linked, however differences are found when exploring the final objective of the action.

The altruism hypothesis has been met with skepticism (Maner and Gailliot, 2007), and the veracity of the hypothesis has been widely discussed. The discussion has primarily been driven by the possibility that pro-social actions seemingly driven by altruistic motives instead may be motivated by more egoistic, self-centered concerns (Maner and Gailliot, 2007). *“One difficulty in distinguishing altruistic from egoistic motives for helping reflects the fact that circumstances leading an observer to feel empathic concern also tend to elicit self-focused emotional states such as personal sadness. Actions designed to help a person in need, therefore, could be motivated by a desire to enhance one’s own emotional state rather than a desire to enhance the welfare of the person in need”* (Maner and Gailliot, 2007:348).

Some of the arguments given in the questionnaires support the assertion that a segment in Oikos chose the bank because of egoistic reasons. In egoism the primary goal of helping others is to feel better about one self. The desire to help others hereby stem from a more selfish-oriented perspective, where the interest in helping others primarily are driven by the motivation of eventually feeling better about oneself.

In 2001 Batra et al. found that the causal relationship between values and susceptibility to normative influence is strongest for values, which are externally. Batra et al. also found that a high susceptibility to normative influence leads to greater importance for attributes that provide socially visible benefits (Kahle & Xie, 2008). The fact that others recognize the behavior of the egoist is therefore very important, for the egoist to feel satisfied, as this type of people wants both expressive and utilitarian benefits (Nilsson, 2009). Hence, consumers buy goods and services for more than their immediate utility. They also seek to enhance their self-image through their consumption pattern (Glac, 2009; Lundquist and Sirgy, 2006). Often products and services are bought because they carry some kind of symbolic meaning for the clients (Heding et al., 2007). When for instance potential new clients in Oikos are going to buy a share in Oikos, they consider not only what they think of owning this share but also take into consideration how people will perceive their involvement with the bank. A great part of the consumption is symbolic as it reflects the personalities, lifestyles, and desires of the consumers. Literature states that many SR investors seem to perceive investing as an extension of their self-image and life-style. They want to apply their social beliefs and values into their economic life as well (Lewis and Mackenzie, 2000; Rosen et al., 1991). Some of the

clients in Oikos may therefore be clients because of what this action reflects externally. The public self-image represents the expression sent to others, surrounding the clients in Oikos (Lindquist and Sirgy, 2006). People always have a desire to fit in, and be perceived in a good way from their surroundings.

Furthermore, as mentioned; the private self-image consists of two categories of self; the actual self and the ideal self. The ideal self-image is found interesting in this case, since it covers what the clients would like to represent (Lundquist and Sirgy, 2006). The ideal self-image might be improved from investing in SRI, since this action gives investors some sort of a social status (Beal et al., 2005). The ideal self-image can also be improved by considering the brand-user image. The brand user-image covers the certain benefits people associate with the brand, as well as how the consumer values it. Self-image congruence is the degree of match between consumer's self-image and the brand-user image (Lindquist and Sirgy, 2006:143). One could assume that the Oikos brand adds value to the client's ideal self, because it represents a certain value-set, which the clients would like to be associated with (Heding et al., 2009). Hereby the selection of Oikos may impact the client's reflection of personality.

Whereas the group of altruists in Oikos is driven by other-serving motivation, the underlying motivation of the egoist is self-serving. The actions may to some extent be explained by the *social desirability bias*, since the actions of the egoist will depend on the social recognition that can be received as a result of the action. This obviously depends on whether the egoist is primarily driven by internal or external recognition. As one of the respondents who may be driven by internal recognitions states: "*good karma is also a return*". This statement indicates how the "feel-good-factor" combined with investing in Oikos, is an important driver for his investment.

Based on the findings in this study we cannot definitively decide if the clients decided to invest in Oikos as a result of either altruistic or egoistic motivations. Prior research has suggested that people consensually share the normative expectation that they should help for altruistic rather than egoistic reasons (White and Peloza, 2009). Despite this conviction, other scholars have found that pro-social actions among strangers are relatively more likely to be motivated by self-centered concerns compared to other-centered

concerns, which may be the case for many of the clients in Oikos (Maner and Gailliot, 2007:356).

Abhorrence towards the Financial Sector

The last denominator characterizing a segment of clients in Oikos seems to be abhorrence and resistance towards what has recently been going on in the financial sector in the wake of the financial crisis. The general lack of transparency in the financial sector, has led many bank clients to search for alternatives (www.erhvervsbladet.dk). Also in this case, increased media attention towards unacceptable bonus payments and board remunerations in the banking sector has given rise to a resistance and questioning of the trustworthiness of the entire sector (www.kristeligt-dagblad.dk; www.npinvestor.dk). Many of the clients in Oikos pointed out the persistent shareholder focus of the conventional bank, as one of their main reasons for selecting Oikos. The perceived unethical business conduct of the conventional banks hereby has inspired many clients to search for alternatives (www.erhvervsbladet.dk).

A banking relationship can usually be characterized as requiring high involvement from the client (Statt, 1997). Nevertheless, new clients may consider changing bank to Oikos as being relatively manageable, also as a result of the transparency of the bank. Treynor distinguishing between two kinds of investments “...a) *Those whose implications are straight forward and obvious, take relatively little special expertise to evaluate...* b) *And those that require reflection, judgment, special expertise etc.*” (Treynor, 1974:56). One could argue that investing in Oikos fall within the first category, in the sense that there is low risk for default, and no hidden charges or fees can be expected, as a result of the ethical profile of the bank. Likewise, clients who have felt that the regular banks have been capitalizing at their expense might be willing to put an extra effort into transferring their engagements to another bank.

9.2.3. Other Influential Factors

The sections above describe why many of the clients in Oikos have chosen the bank because it reflects their own personal values. We divided the clients into three different segments, in the firm conviction that effectively reaching people in different value segments will be an important component of success (Kahle & Xie, 2008). Nevertheless, we

acknowledge that other factors influence the behavior as well. Some of these factors will be discussed below.

Often people prefer to listen to opinions from family and friends because these are indicators of genetic relatedness, like they prefer local investments, such as their local bank (Hirshleifer, 2001). In the questionnaire most clients of Oikos answered that the first time they heard about Oikos was through friends and family. Hence, these relations might influence the clients in Oikos. A behavioral economist will argue that herd behavior and the confirmation bias can have an impact on the individual decision-making. People do not wish to differentiate themselves from others, and often favor information that confirms their initial belief. Often they act on impulse, habits and social norms as much as the available information and their desire to minimize costs. People often do and believe things merely because other people do the same. The tendency to follow the actions or beliefs of others can occur because individuals directly prefer to conform, or because individuals derive information from others.

Furthermore, the clients in Oikos might be influenced by feelings when determining the required rate of return. It has also been suggested in the literature that consumers who are more concerned about social and environmental problems are transferring emotions into their portfolio strategies (Williams, 2007). *“Those who place greater or equal weight on social issues are more likely to be influenced by these factors in their investment decisions”* (Williams, 2007). According to consumer behavior, people purchase and use products and services, in order to experience certain emotional situations. Emotions play an important role in consumer responses to advertising. Communication cues can evoke emotional responses for the consumer (Lundquist and Sirgy, 2006). One could assume that the descriptions of the borrower of a microloan would generate a feeling of sympathy and kindness among some investors, who are then willing to reduce their required rate of return for the borrower.

9.3. Summary

The section above discussed the findings of the study in regard to understanding the behavior of the clients in Oikos. In doing so, insight from neoclassical economic theory, behavioral economics and consumer behavior, were applied. Behavioral economics was applied to support the explanation of the clients' SRI behavior, when neoclassical economics lacked explanatory power. This was especially evident in understanding the behavior of the clients in Oikos in regard to preferences for risk and return. Consumer behavior was likewise applied in order to deepen the understanding of the clients' behavior, where self-image was found to be an important aspect of the clients' SRI behavior.

When answering the research question of *"Why did the clients in Oikos select an ethically profiled bank?"* various reasons were found to impact the decision. A common characteristic of the Oikos clients are that they refuse to compromise on moral and ethics, when deciding upon banking relationship. The overall findings enabled us to divide the clients into three main groups, with each a fairly different reason for investing in an ethically profiled bank. The behavior of the three groups were broadly driven by either altruistic, egoistic or abhorrence for the conventional financial sector, respectively. All three groups possess the common denominator that they have made a pro-active selection, in deciding to invest in Oikos. The clients in Oikos gain a different return from incorporating their values in the investment decision. We acknowledge that the groups are not mutually exclusive, and some investors might be driven by a combination of the above.

Summarizing we can conclude that the profile of Oikos appeal to different value-segments of the clients. The clients in Oikos represent a specific type of people – driven by different motivations, preferences and beliefs than the conventional banking clients.

10. Recommendations and Future Scenarios for Oikos

The initial motivation of this study was driven by a desire to understand the behavior of the clients in Oikos. The management in the bank would like to attract more clients, which is why the following recommendations will focus on applying the findings that can support this vision.

In the following section, three recommendations will be formulated. The purpose of these recommendations is to enable Oikos to take actions on the findings from the study. The recommendations hereby provides an answer to the fourth and last sub-question: *“What actions can be recommended to Oikos as a result of this study?”*.

10.1. Change in Profit Profile

The current structure of Oikos’ business model is kept very simple, and does not allow for any profit-generating activities. Our impression is, however, that a minor change in the structure, allowing for a small increase in the earnings, would enable Oikos to hire an extra employee. Hereby Oikos would be prepared to meet the increasing demand as well as fulfill the vision of increasing the numbers of clients. This action is considered a prerequisite for growth, and a boost in clients will also increase the number of money Oikos can distribute as microloans.

10.2. Incorporation of Other Investment Types

Many studies confirm that the markets for SRI are growing at a rapid pace (Lewis and Mackenzie, 2000; Nilsson, 2008; Beal et al., 2005; Williams, 2005; Hellsten and Mallin, 2006). Figure 10 supports this by revealing that 60% of the clients in Oikos chose Oikos because of the involvement in microfinance. However, this does not necessarily indicate that other types of SRI should not be considered. Also, the answer from the respondents might be biased by the confirmation bias, where people selectively gather evidence and recall information from memory, as mentioned previously. The clients would hereby be likely to state that the reason they initially selected Oikos is because of the involvement in microfinance. This is a statement the clients in Oikos can easily recall from memory. However this is based solely on assumptions, since we do not have enough information to confirm this.

Nevertheless, one of the findings from this study proved that conventional bank clients have negative preferences for microfinance. This can be considered as a concern for Oikos, since a segment of potential clients may be excluded by maintaining the focus exclusively on microfinance. This study also provided a superficial insight to one of the areas that might be considered by Oikos, namely clean-tech. Both the Oikos clients and the conventional bank clients have positive preferences for investing in this segment. Therefore, one of the recommendations to Oikos is to execute an in-dept study of which areas are perceived most preferable of both current and possible future clients. Instead of maintaining the narrow focus on microfinance, Oikos can hereby seize the increasing demand in the market, by target a broader segment. Obviously expanding the effort area of Oikos may meet resistance from the current clients, and we do not undermine the importance of thoroughly conducting an in-depth analysis including the trade-off concerns regarding the preservation of the core competencies of the bank.

Further investigation should hereby be made to reveal the preferences for different SRI alternatives, with the objective of reaching a broader segment, as well as to diversify the business risk associated with maintaining a focus within one specific area.

10.3. Increase awareness and targeting key-groups

The socio-demographic results from this study revealed that age has a negative impact on the proportion invested in SRI. Hence, this might be an indicator for Oikos to increase the awareness within the younger segment, and perhaps attract new investors by attending fairs at universities, etc. Females proved to be more likely to invest a larger proportion of their portfolio in SRI. Therefore, attempting to increase the awareness about Oikos within this segment, could also lead to an increase in business for Oikos. The increase in clients is currently driven by word of mouth, why an increased focus on creating awareness of Oikos may benefit and result in an expansion of the client base.

In addition, an opportunity has prevailed as a result of the financial crisis. Our findings proved that a part of the customer segment has chosen Oikos as a result of indignation towards the financial sector. Many potential new clients are therefore expected to be within in this segment. Many people dislike the common banking business models with bonus payments, huge management profits, and investor withdrawals. The financial crisis can easily be retrieved from the minds of the consumers, since there has lately

been a great deal of media attention on the subject. This can encourage people to look for other alternatives, supported by the findings of Janson who states that investors tend to prefer simpler products in periods of recession (Janson, 2001). This can somewhat reflect this situation in the economy right now, which is why this is definitely something that should be taken into considerations.

10.4. Summary

Oikos are facing numerous challenges related to their desire of expanding the business. The first challenge is to meet the current amount of client inquiries, without losing the “old” clients. It would make no sense for the bank to expand the focus areas, before the employees are able to meet the level of demand as it is at the moment. When capital to hire assistance has been found, an analysis of alternative investment areas should be considered. This process involves more than just a superficial analysis, but the core competencies, the vision, among many other things should be kept in mind. Finally Oikos should evaluate which segment focus should be kept on, considering the results from the regression model. Age and gender proved to have a significantly strong influence on SRI behavior, why these variables should definitely be further investigated. It is found important that Oikos communicate their profile ambiguously to their clients and possible new clients, and it is considered important that Oikos maintain the business structure with no bonus payments, no management profits or investor withdrawals. The question then remains to what extent the other actions affects the attractiveness of the Oikos as an investment objective.

11. Conclusion

The initial motivation and purpose of this study was to increase the understanding of the behavior of the clients in Oikos. From a classical economic perspective, their behavior was found to be somewhat irrational.

A multiple regression model was initially developed in order to explore the drivers of the Oikos clients' behavior. Twelve hypotheses, divided into five areas, were tested in an attempt to increase the understanding SRI behavior and its catalysts. The impact of three of the areas (social, environmental and ethical factors, financial perception and socio-demographic factors) has been tested before. The two remaining areas, financial preferences and knowledge about SRI, have been suggested by scholars to be likely to have an impact on SRI behavior, but have not been previously tested to our knowledge. Therefore we decided to include these in the regression. Preferences are difficult to measure, as people tend to state the options they believe are perceived socially desirable. To avoid this bias, we decided to measure preferences by applying a conjoint analysis. In a conjoint analysis, the trade-offs facing the respondents force him/her to reveal his/her *true* preferences. In the regression model, however, preferences did not prove to have a significant impact on SRI behavior, which is why this area was eventually, excluded from the final multiple regression model. In order to test how and within which areas the clients in Oikos deviate from conventional investors, a mean comparison analysis of the above-mentioned five areas was executed. The findings from both the multiple regression model, and the mean comparison was backed up by findings from the qualitative questions in the questionnaire.

In the multiple regression model, the following variables were found to have a significant impact on SRI behavior: pro-social attitudes, perception of risk and return, knowledge about investing in the microfinance- and in the alcohol industry, gender and age. When excluding preferences from the regression model, the remaining four areas in the model led to an explanatory power of 25.1%, indicating that 25% of the variation in SRI behavior can be explained by variations in the above mentioned independent variables.

The two groups proved to be different within the majority of the areas tested. When comparing how much of the portfolio the two groups had invested in SRI, the clients in Oikos were found to have a significantly higher proportion of their portfolio invested in

SRI, with 45% compared to the 10% of the control group. When exploring the means within the areas of PSA and PCE, they were also significantly higher for the clients in Oikos. This indicates that clients of Oikos possess a higher concern for ethical issues. Furthermore, Oikos' clients believe, to a greater extent, that they can make a difference in comparison to the control group. In regard to preferences, the clients in Oikos had the highest preferences for investing in microfinance, and had negative preferences for investing in IT. The control group, on the other hand, preferred to invest in clean-tech compared to microfinance. The clients in Oikos proved to be less risk averse, and they prefer a return below the market rate. Regarding the perception, SRI was not perceived more risky than conventional investments for any of the groups. The mean for perception of return was negative for both the clients in Oikos and the control group, implying that the both groups expect to receive a lower return by investing in SRI. The results obtained by comparing the means with regard to knowledge about the four investment areas (microfinance-, clean-tech-, IT- and the alcohol industry), revealed that the clients in Oikos had significantly higher knowledge about investing in microfinance, as well as significantly lower knowledge about investing in the IT and alcohol industry compared to the control group, which is what was expected.

In order to explain the findings, neoclassical economic theory, behavioral economics and consumer behavior, were applied. When selecting Oikos in favor of a conventional bank, the clients in Oikos are to some extent rejecting a future return in favor of benefitting others. Thus, behavioral economics was applied in the discussion to support the explanation of the clients' SRI behavior, when neoclassical economics lacked explanatory power. Consumer behavior was also applied in order to deepen the understanding of the clients' behavior, where self-image was found to be an important aspect of the clients' behavior.

Two major conclusions can be made with regard to answering our research question of *"Why did the clients in Oikos select an ethically profiled bank?"*. First of all, the study has proven that the attitudes, preferences and perception of risk and return of the clients in Oikos differed significantly from conventional investors. Second, we found a common denominator amongst the clients, which indicated that they are all driven by motives other than exclusively financial gains. They claim to receive a different return from incorporating their values into their investment decision. Many factors hereby influenced

the clients in selecting an ethically profiled bank. The qualitative results revealed that the key reasons for selecting Oikos as a bank, were based on the ethical profile of the bank, the focus on microloan, helpful employees, high transparency, and low cost. The main argument for investing ethically was that the clients wanted to feel better about themselves, wanted to be a good example, as well as to contribute to the development of the Third World.

Furthermore, the clients in Oikos refuse to compromise on moral and ethics, including when deciding upon a banking relationship. The overall findings enabled us to divide the clients into three main groups, each having somewhat different reasons for selecting an ethically profiled bank. The three groups were broadly driven by either altruistic, egoistic or “abhorrence” motivations. The altruists selected Oikos because they want to increase the living standards of other. Egoistic driven clients selected Oikos because they wanted to feel better about themselves. Finally, the last group of clients selected Oikos based on their opposition of the capitalistic world and what it stands for, and discontent with the recent happenings of the financial sector.

Summarizing, we can conclude that the clients in Oikos represent a specific type of people, having different objectives than what would normally be expected of bank clients and investors. They incorporate their reluctance to compromise on moral and ethics into their selection of bank.

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Appendix 1: Questionnaire

1. Introduktion

Vi er to studerende fra Copenhagen Business School (CBS), som er ved at skrive speciale i forbindelse med afslutningen af vores kandidatuddannelse i International Business. Vores formål med specialet er blandt andet at identificere hvilke faktorer, der har betydning, når man overvejer at foretage en investering, som eksempelvis i Oikos.

Interviewet er anonymt, så der kommer ikke til at figurere navne hverken i opgaven, eller i de resultater vi videreformidler til Oikos.

Udfyldelsen af spørgeskemaet tager ca. 15 minutter. Vi vil sætte stor pris på at modtage din besvarelse inden d. 26/6.

Tusind tak for dit engagement og din tid.

De bedste hilsner

Karen Ingvertsen (kingvertsen@hotmail.com)

Maria Færgemann (maria.faergemann@gmail.com)

Add Question Here

2. Investeringsvalg

I de følgende seks spørgsmål bliver du stillet overfor to forskellige investeringer, hhv. Produkt A og Produkt B.

De to investeringer er opstillet i to søjler, og du skal vælge det produkt, du finder mest attraktivt.

Investeringerne består af kombinationer af de nedenstående tre elementer:

1. Investeringsstype, hvilket kan være henholdsvis:

- Mikrolån (Oikos, MyC4, Kiva mm.)
- Miljørigtig teknologi (Vind- og solenergi, bio-ethanol, hydro-power mm.)
- IT-Industrien (IBM, Microsoft mm.)
- Alkohol-Industrien (Carlsberg, Heineken mm.)

2. Afkast (Hvor stort et renteafkast du kan opnå ved investeringen)

Markedsafkastet defineres her, som det afkast du ville kunne opnå ved at investere i et aktieindex som eksempelvis C20.

3. Risiko (I hvor høj grad dine penge er garanteret mod tab)

3. Investeringsvalg

Add Question Here

Edit Question Move Copy Delete Add Question Logic

1. Hvis nedenstående investeringer var dine eneste to valgmuligheder, hvilken ville du så vælge?



Produkt A:
Investering: Miljørigtig
teknologi
Afkast: Markedsrenten
Risiko: Delvist garanteret



Produkt B:
Investering: Mikrolån
Afkast: Under
markedsrenten
Risiko: Fuldt garanteret

4. Investeringsvalg

Add Question Here

Edit Question Move Copy Delete Add Question Logic

1. Hvis nedenstående investeringer var dine eneste to valgmuligheder, hvilken ville du så vælge?



Produkt A:
Investering: IT-Industrien
Afkast: Under
markedsrenten
Risiko: Ikke garanteret



Produkt B:
Investering: Alkohol-
Industrien
Afkast: Markedsrenten
Risiko: Delvist garanteret

5. Investeringsvalg

Add Question Here

Edit Question Move Copy Delete Add Question Logic

1. Hvis nedenstående investeringer var dine eneste to valgmuligheder, hvilken ville du så vælge?



Produkt A:
Investering: Miljørigtig
teknologi
Afkast: Over markedsrenten
Risiko: Fuldt garanteret



Produkt B:
Investering: Mikro-lån
Afkast: Under
markedsrenten
Risiko: Delvist garanteret

6. Investeringsvalg

Add Question Here

Edit Question Move Copy Delete Add Question Logic

1. Hvis nedenstående investeringer var dine eneste to valgmuligheder, hvilken ville du så vælge?



Produkt A:
Investering: IT-Industrien
Afkast: Under
markedsrenten
Risiko: Ikke garanteret



Produkt B:
Investering: Miljørigtig
teknologi
Afkast: Markedsrenten
Risiko: Delvist garanteret

7. Investeringsvalg

Add Question Here

Edit Question Move Copy Delete Add Question Logic

1. Hvis nedenstående investeringer var dine eneste to valgmuligheder, hvilken ville du så vælge?



Produkt A:
Investering: IT-Industrien
Afkast: Under
markedsrenten
Risiko: Ikke garanteret



Produkt B:
Investering: Mikro-lån
Afkast: Markedsrenten
Risiko: Delvist garanteret

8. Investeringsvalg

Add Question Here

Edit Question Move Copy Delete Add Question Logic

1. Hvis nedenstående investeringer var dine eneste to valgmuligheder, hvilken ville du så vælge?



Produkt A:
Investering: IT-Industrien
Afkast: Over markedsrenten
Risiko: Delvist garanteret



Produkt B:
Investering: Alkohol-
Industrien
Afkast: Under
markedsrenten
Risiko: Ikke garanteret

9. Spørgsmål vedr. investeringer

De følgende spørgsmål har til hensigt at øge vores forståelse for, hvilke overvejelser du gør dig i forbindelse med dit valg af investeringer.

10. Spørgsmål vedr. investeringer

Add Question Here

Edit Question Move Copy Delete

1. Hver dag står du overfor et valg i forbindelse med diverse købsituationer. Når du træffer disse valg, hvilken betydning har det så, at virksomhederne du køber produkter fra efterlever følgende:

	Afgørende	Vigtigt	Hverken eller	Ikke vigtigt	Uden betydning
Respekterer medarbejdernes rettigheder?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Er aktivt involveret i at løse miljøproblemer?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Respekterer menneskerettigheder, og arbejder mod diskrimination på baggrund af køn, seksualitet, race og religion?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ikke producerer produkter, der kan skade mennesker (fx våben)?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ikke anvender uetiske forretningsmetoder (korruption og bestikkelse)?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. Spørgsmål vedr. investeringer

Add Question Here

Edit Question Move Copy Delete

1. Hvad er din holdning til følgende udsagn?

	Helt enig	Enig	Hverken eller	Uenig	Helt uenig
Ved at foretage en etisk investering, kan investoren have en positiv indflydelse på eksempelvis miljøet eller fattigdomsbekæmpelsen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Alle har mulighed for at få indflydelse på sociale problemer ved at investere i ansvarlige virksomheder	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Det gør ikke nogen forskel, om jeg investerer mine penge i socialt ansvarlige virksomheder, da jeg som enkeltperson alligevel ikke kan gøre en forskel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Det har ingen betydning, om enkeltpersoner gør noget for at bekæmpe forureningen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. Spørgsmål vedr. investeringer

Add Question Here

Edit Question Move Copy Delete

1. Etiske investeringer betyder for mig:

	Helt enig	Enig	Hverken eller	Uenig	Helt uenig
Mere risikofyldte investeringer end almindelige investeringer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Et lavere afkast end almindelige investeringer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Add Question Here

Split Page Here

Edit Question Move Copy Delete

2. Hvor godt vurderer du dit kendskab at være til følgende investeringsområder?

	Indgående kendskab	Godt kendskab	Lidt kendskab	Intet kendskab
Mikrolån	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Miljørigtig teknologi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
IT-Industrien	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Alkohol-Industrien	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. Spørgsmål vedr. investeringer

De følgende spørgsmål omhandler dine private investeringer.

Før du går videre, er det vigtigt for os at gøre det klart, at vi i spørgeskemaet også definerer almindelige indlån, i eksempelvis Oikos, som værende en etisk investering.

Det er således ikke nødvendigt at være f.eks. andelshaver i Oikos for at være en etisk investor, ifølge den anvendte terminologi i spørgeskemaet.

14. Spørgsmål vedr. investeringer

Add Question Here

Edit Question

Move

Copy

Delete

Edit Question Logic (1)

1. Er dele af dine midler placeret i etiske foretagender eller etiske investeringer (Fx i Oikos)?

☐ Ja

☐ Nej

15. Spørgsmål vedr. investeringer

Add Question Here

Edit Question

Move

Copy

Delete

1. Omtrent hvor stor en procentdel af dine midler er placeret etisk? Vælg eksempelvis 30%

Vælg venligst nedenfor

Procentandel

16. Spørgsmål vedr. investeringer

Add Question Here

Edit Question

Move

Copy

Delete

1. Hvad er din begrundelse for at investere etisk?

	Helt enig	Enig	Hverken eller	Uenig	Helt uenig
Jeg føler at jeg gør noget godt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jeg har det bedre med mig selv	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jeg forventer at det giver et større afkast end en almindelig investering	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jeg vil gerne være et godt eksempel for andre	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jeg tænker på det mulige fremtidige afkast	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jeg ønsker at sikre mig for fremtiden, og mener det er en god investering	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jeg vil gerne diversificere min investeringsportefølje	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jeg føler at jeg kan hjælpe den 3. Verden	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Andet (angiv venligst)					

17. Kendskab til Oikos

De næste spørgsmål omhandler dit kendskab til Andelskassen Oikos.

18. Kendskab til Oikos

Add Question Here

Edit Question Move Copy Delete Add Question Logic

1. Hvordan fik du kendskab til Oikos?

- ☐ Familie
- ☐ Venner og bekendte
- ☐ Forretningsforbindelser
- ☐ Gennem medierne: Radio, Tv, Aviser
- ☐ Kirkeligt relaterede medier
- ☐ Tilfældigt på Internettet
- ☐ Jeg søgte målrettet efter et alternativ til en almindelig bank
- ☐ Andet (angiv venligst)

Add Question Here

Split Page Here

Edit Question Move Copy Delete Edit Question Logic (1)

2. Er du kunde i Oikos?

- ☐ Ja
- ☐ Nej

19. Kunder i Oikos

Edit Question Move Copy Delete Add Question Logic

1. Hvilke produkter har du i Oikos?

- | | |
|---|---|
| <input type="checkbox"/> Andelsbevis | <input type="checkbox"/> Boliglån |
| <input type="checkbox"/> Anfordringskonti uden rente | <input type="checkbox"/> Byggelån |
| <input type="checkbox"/> Anfordringskonti med rente | <input type="checkbox"/> Lån, private |
| <input type="checkbox"/> Pensionskonti | <input type="checkbox"/> Boligindskudslån |
| <input type="checkbox"/> Konto med opsigelse uden rente | <input type="checkbox"/> Studie kredit |
| <input type="checkbox"/> Kassekredit | <input type="checkbox"/> Forbrugslån |
| <input type="checkbox"/> Andre (angiv venligst hvilke) | |

Edit Question
Move
Copy
Delete
Add Question Logic

2. Har du kendskab til at Oikos er involveret i mikrolån?

☐ Ja, og jeg ved i detaljer, hvad pengene går til

☐ Ja, og jeg kender alle/nogle af organisationerne Oikos støtter

☐ Ja, men jeg ved ikke hvad pengene går til

☐ Nej

3. Har dette haft indflydelse på dit valg af Oikos som pengeinstitut?

☐ Ja, afgørende

☐ Til dels

☐ Nej

Add Question Here
Split Page Here

Edit Question
Move
Copy
Delete
Add Question Logic

4. Udvælg op til 5 af de nedenstående udsagn, som du mener, har haft afgørende betydning for dit valg af Oikos som bank.

<input type="checkbox"/> Ingen bestyrelsesvederlag	<input type="checkbox"/> Høj gennemsigtighed
<input type="checkbox"/> Generelt lave omkostninger til drift og lånninger	<input type="checkbox"/> Bankens etiske profil
<input type="checkbox"/> Ingen bonusbetaling til medarbejdere og bestyrelse	<input type="checkbox"/> Hjælpsomme medarbejdere
<input type="checkbox"/> Investerer kun i mikrolån	<input type="checkbox"/> Mulighederne for at optage lån
<input type="checkbox"/> Fuld garanti på de lån der gives til mikrofinansieringsinstitutterne	
<input type="checkbox"/> Andet (angiv venligst)	

5. Nedenstående udsagn omhandler din tillid til Oikos. Du bedes svare, om du stoler på at:

	Helt enig	Enig	Hverken eller	Uenig	Helt uenig
Oikos følger de sociale retningslinjer, som de markedsfører sig på	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
De produkter Oikos tilbyder, er et ærligt forsøg på at forbedre sociale problemer såsom fattigdom	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Oikos gør "sit" bedste for at støtte projekter, der har til formål at mindske fattigdommen i den tredje verden	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Oikos ønsker at bekæmpe fattigdommen i den tredje verden, men vil ligesom alle andre virksomheder også tjene penge.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. Har du andre bankforbindelser end Oikos?

- ☐ Ja
- ☐ Nej

20. Kunder i Oikos

Add Question Here

Edit Question Move Copy Delete Add Question Logic

1. Hvad er begrundelsen for, at du har andre bankforbindelser end Oikos (Vælg gerne flere)?

- ☐ Oikos tilbyder ikke alle de produkter, jeg har behov for
- ☐ Jeg ønsker at sprede min risiko
- ☐ Oikos har ingen værdipapircentral
- ☐ Manglende udbud af billån
- ☐ Manglende udbud af boliglån
- ☐ Rådgivning
- ☐ Højere rente
- ☐ Mulighed for at optage større lån
- ☐ Andet (angiv venligst)

21. Demografiske Spørgsmål

De sidste spørgsmål omhandler dine demografiske informationer.

22. Demografiske Spørgsmål

Add Question Here

Edit Question Move Copy Delete Add Question Logic

1. Køn

- ☐ Mand
- ☐ Kvinde

Add Question Here

Split Page Here

Edit Question Move Copy Delete

2. Fødselsår

Årstal

Vælg venligst dit
fødselsår

Add Question Here

Split Page Here

Edit Question Move Copy Delete

3. Skriv venligst dit postnummer

Postnummer:

4. Vælg venligst dit højest opnåede uddannelsesniveau

- ☐ Folkeskole (7- 10 års skolegang)
- ☐ Gymnasial uddannelse eller anden ungdomsuddannelse
- ☐ Kort videregående uddannelse (mindre end 3 års studium)
- ☐ Mellemlang videregående uddannelse (3 til 4 års studium)
- ☐ Lang videregående uddannelse (5 års studium eller længere)
- ☐ Ved ikke / Ønsker ikke at svare

5. Hvilken kategori passer bedst til din nuværende beskæftigelse?

- ☐ Ufaglært arbejder
- ☐ Faglært arbejder
- ☐ Funktionær (Fx kontoransat, underviser el. lign.)
- ☐ Leder
- ☐ Selvstændig
- ☐ Studerende
- ☐ Pensionist/Efterlønsmodtager/Hjemmegående/Orlov/Barsel
- ☐ For tiden uden beskæftigelse
- ☐ Ved ikke / ønsker ikke at svare

6. Hvad er den samlede årlige brutto-indkomst for forsørgerne i din husstand før skat?

- ☐ Mindre end 200.000 kr.
- ☐ 200.000 – 399.999 kr.
- ☐ 400.000 – 599.999 kr.
- ☐ 600.000 – 799.999 kr.
- ☐ 800.000 – 999.999 kr.
- ☐ 1.000.000 - 1.499.999 kr.
- ☐ 1.500.000 kr. eller derover
- ☐ Ved ikke / Ønsker ikke at svare

7. Fra hvilket af nedenstående medier foretrækker du at få information?

- | | |
|--|--|
| <input type="radio"/> Faglitteratur/tidsskrifter | <input type="radio"/> Børsen |
| <input type="radio"/> Jyllandsposten | <input type="radio"/> Ekstrabladet/B.T. |
| <input type="radio"/> Berlingske Tidende | <input type="radio"/> Gratis aviser |
| <input type="radio"/> Politiken | <input type="radio"/> Ved ikke/ ønsker ikke at svare |
| <input type="radio"/> Information/Weekendavisen | |

23. Tusind tak for din hjælp!

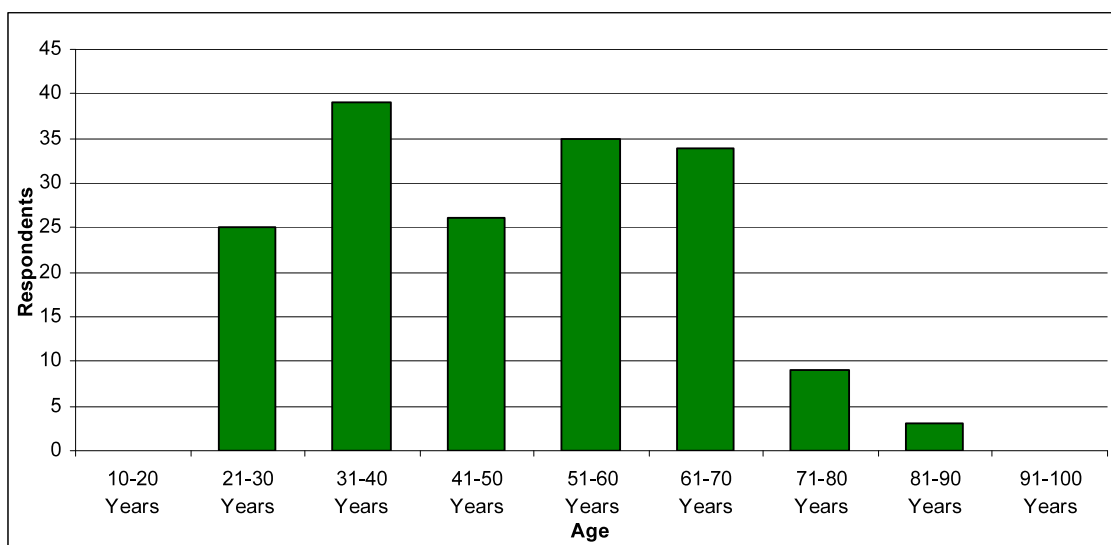
Tusind tak for hjælpen med udfyldelsen af spørgeskemaet!

Appendix 2: Socio-demographic Distribution

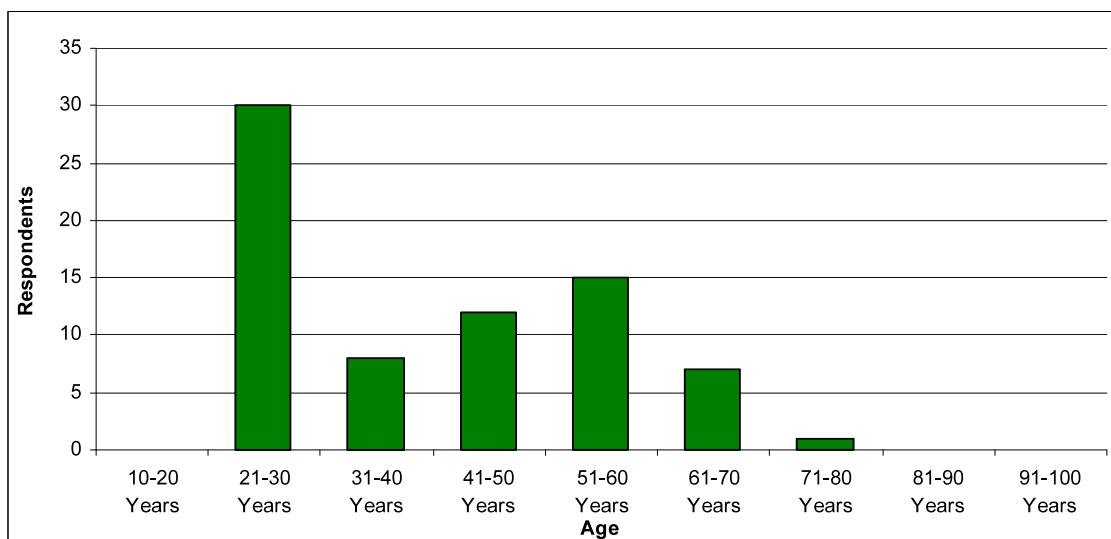
The following appendix is based on responses from 171 clients in Oikos and 74 responses from the control group.

Age distribution

Oikos clients

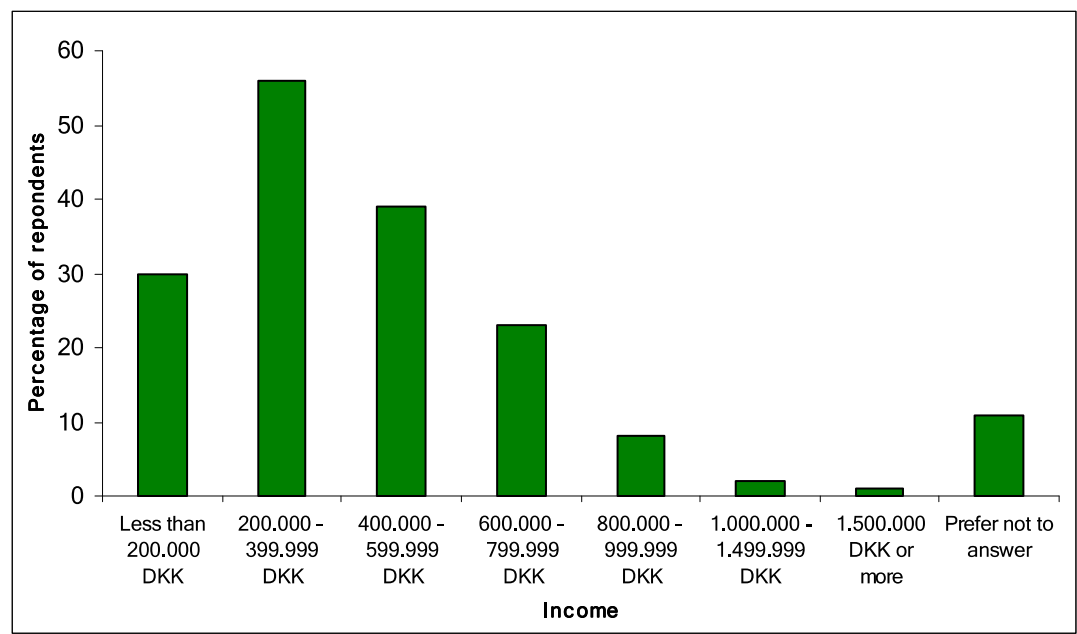


Control Group

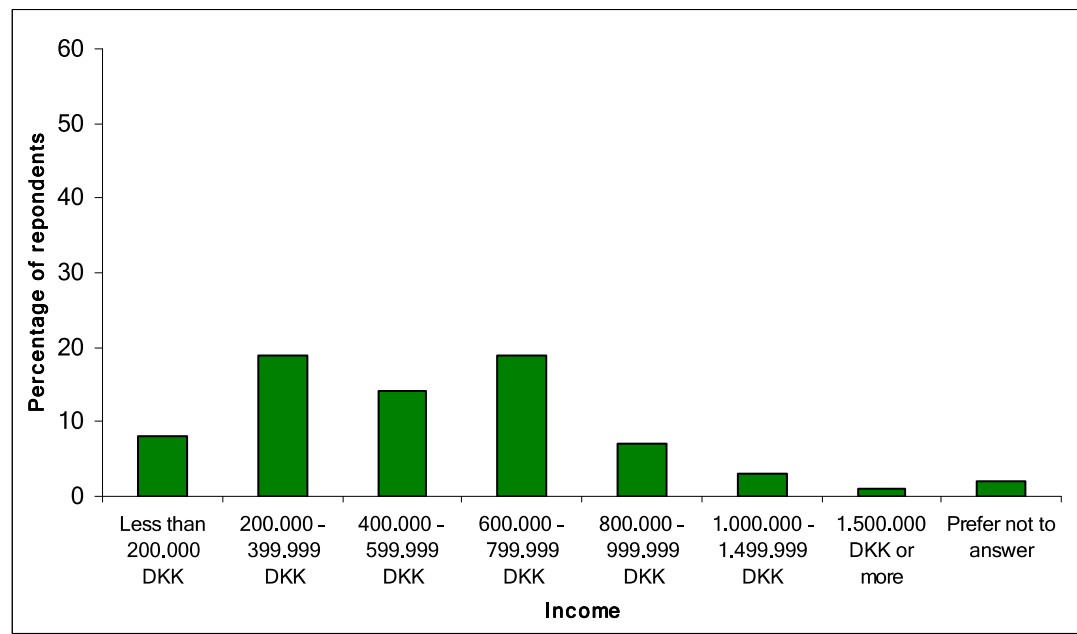


Income

Oikos clients

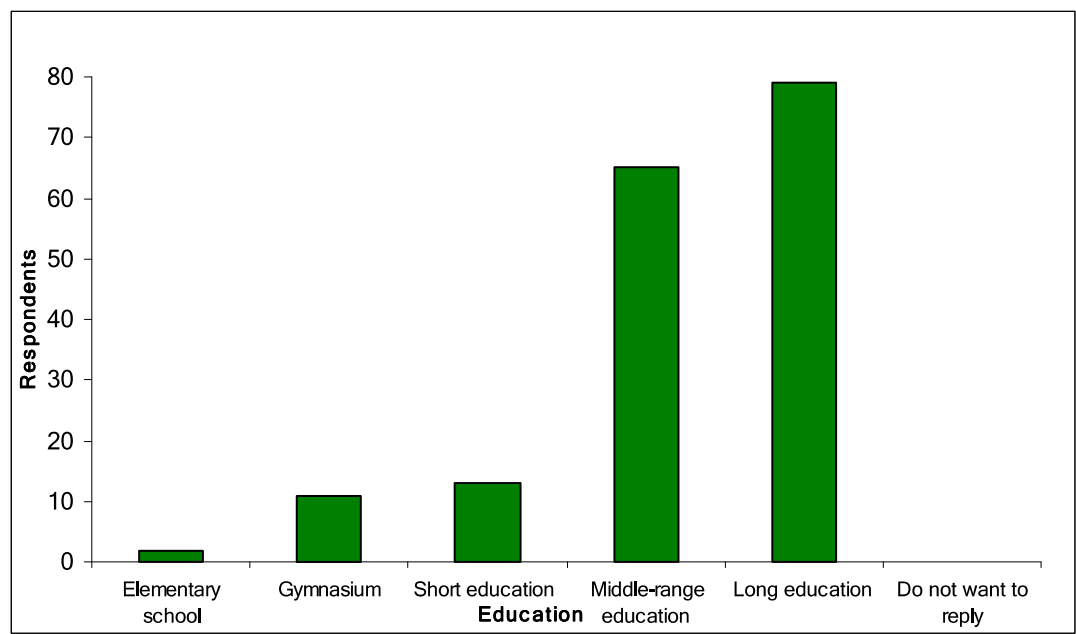


Control Group

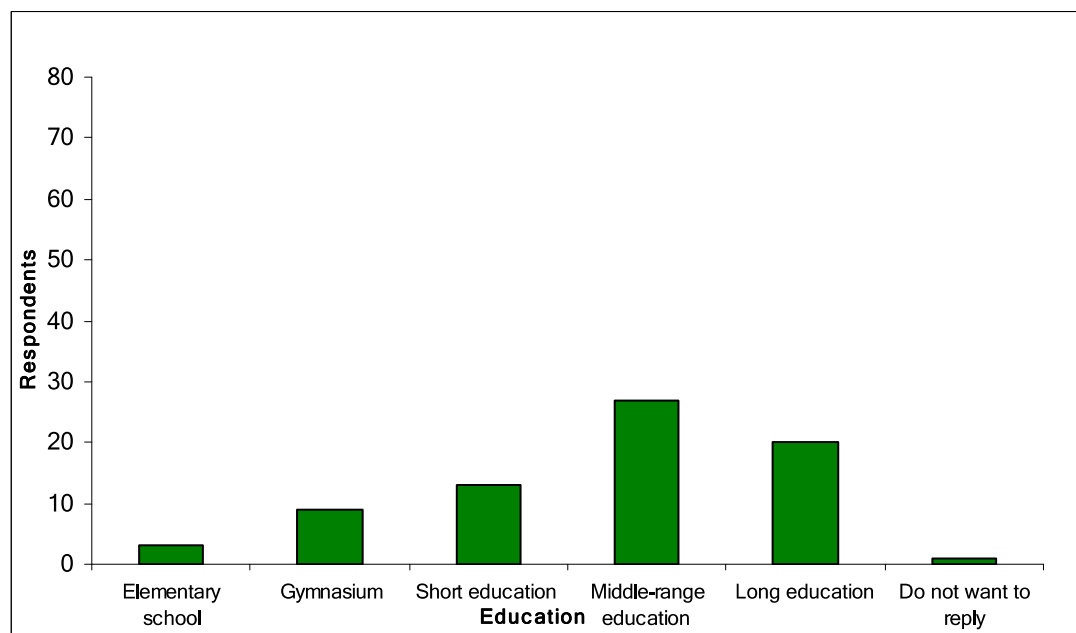


Educational achievements

Oikos clients

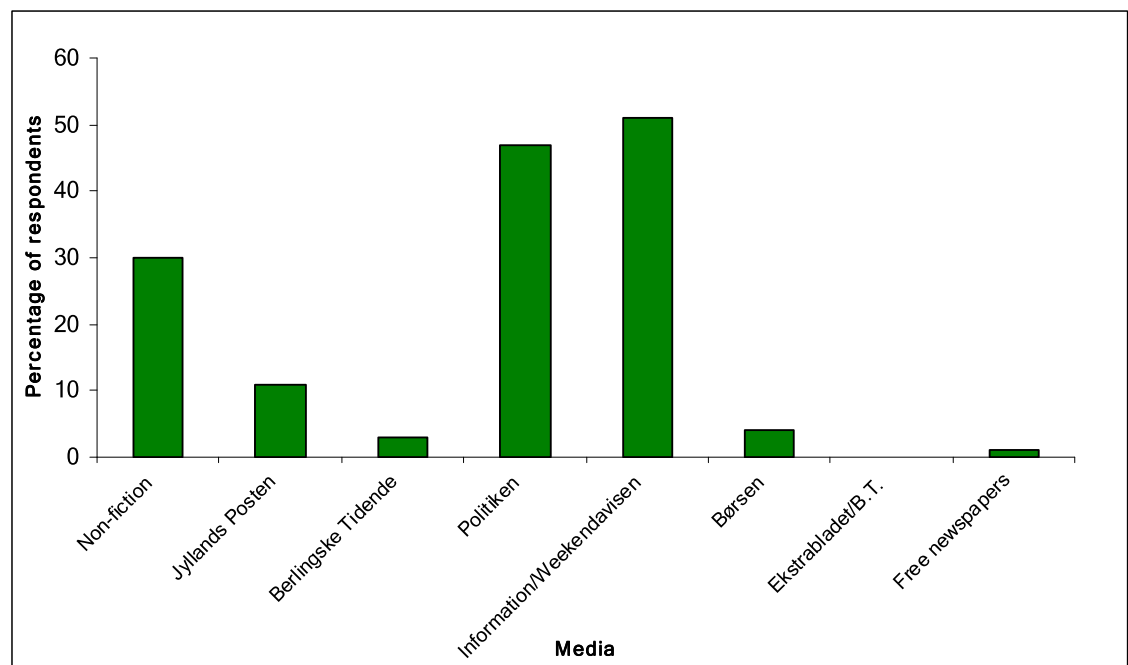


Control Group

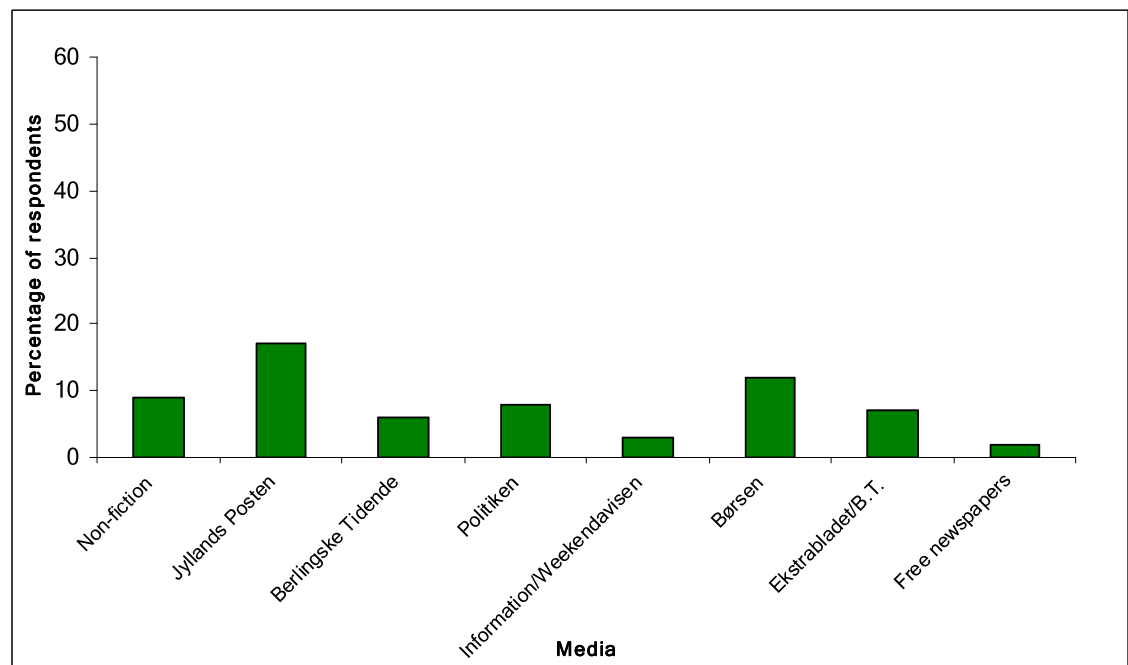


Preferred newspaper

Oikos

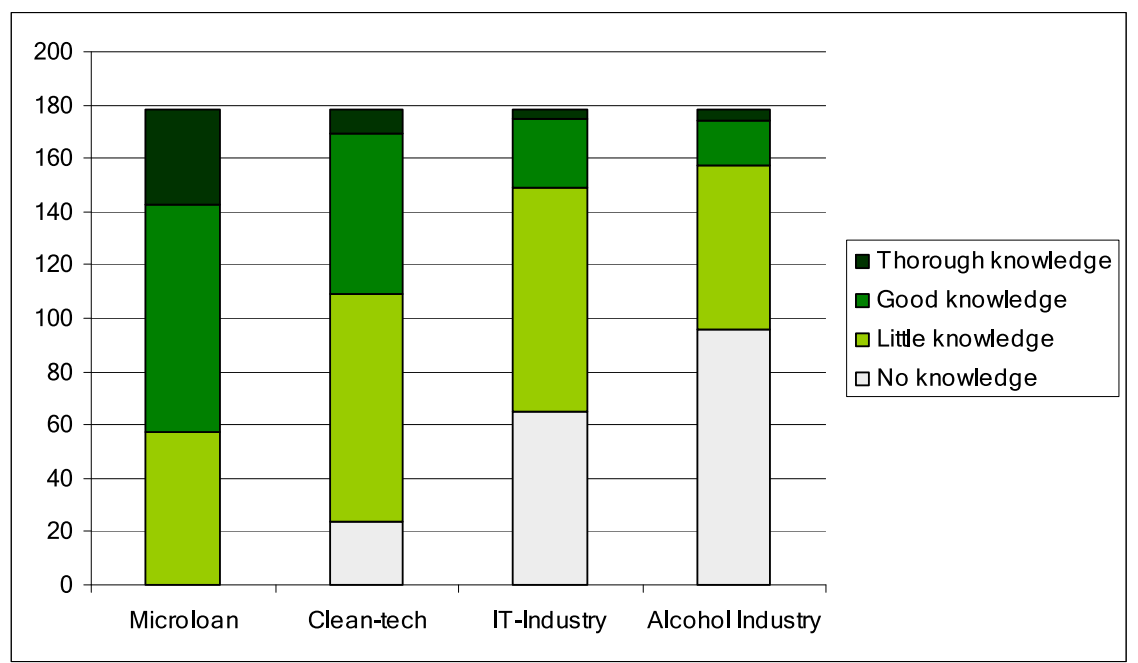


Control Group

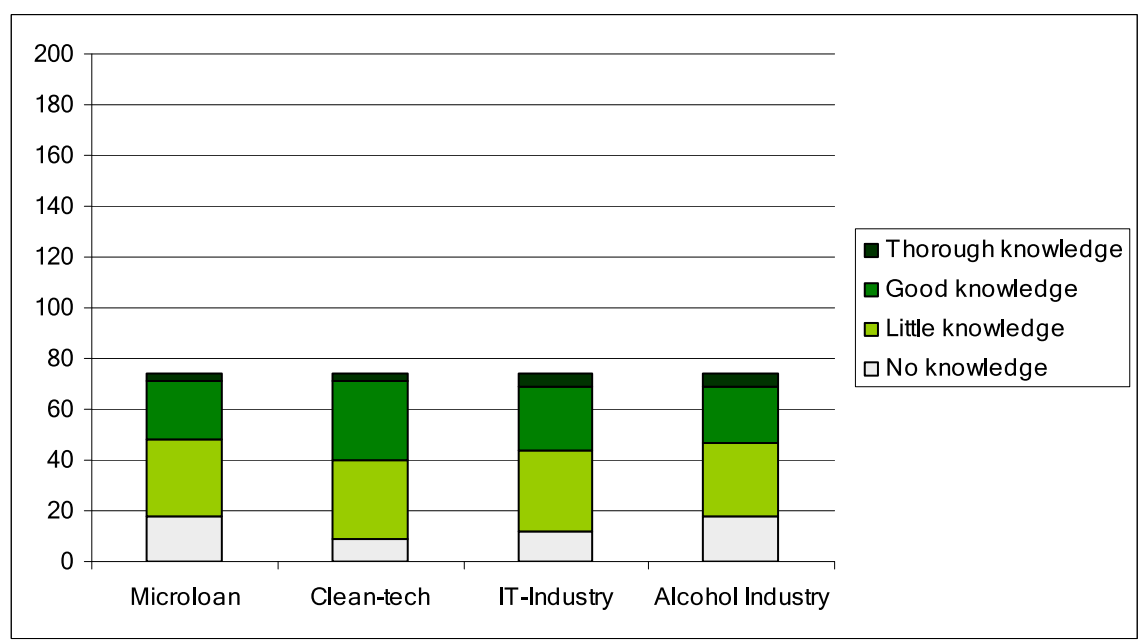


How strong do you perceive your knowledge about the following investment areas?

Oikos clients

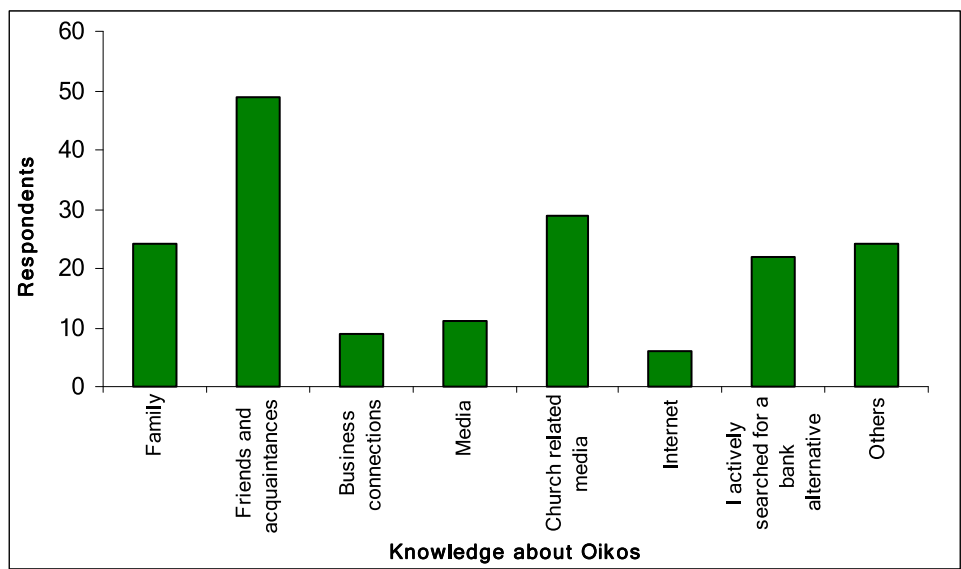


Control Group

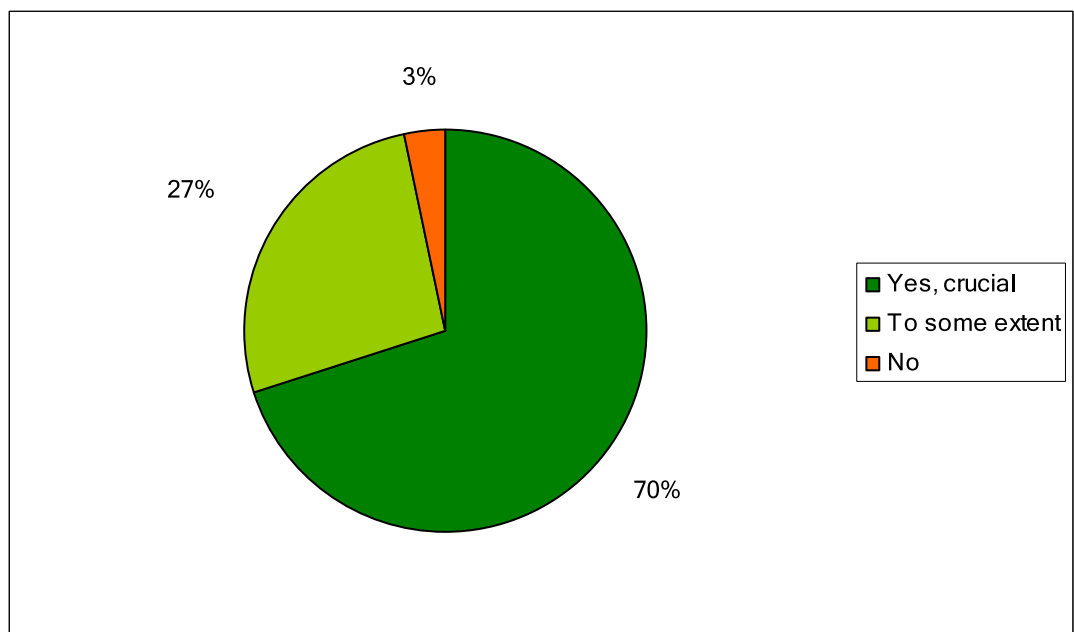


Questions related to Oikos

From where did you get to know about Oikos?



Did Oikos' involvement in microfinance have a decisive impact on your selection of Oikos?



Appendix 3: Interest Rate Levels in Oikos

Andelskassen Oikos

Rentesatser - Indlån Gældende pr. 1. november 2010		
Kontoform 1) 2)	Pålydende/Nomine I årlig indlånsrente	Bemærkninger
Anfordringskonti uden rente		
Oikos Anfordringskonto	0,00%	3) 4)
Oikos Budgetkonto	0,00%	3) 4))
Oikos Checkkonto/lønkonto	0,00%	3) 4)
Anfordringskonti med rente		
Anfordringskonto	0,50%	5) Saldo < kr. 25.000,00
Anfordringskonto	1,00%	5) Saldoen skal mindst være på kr. 25.000,00
Budgetkonto	0,25%	4)
Checkkonto/Lønkonto	0,25%	4)
Foreningskonto, almindelig	0,25%	4)
Foreningskonto	0,75%	4) 6)
Pensionskonti		
Kapitalpension	1,75%	7)
Ratepension	1,75%	7)
Konto på opsigelse uden rente		
Indlån 3 måneders opsigelse	0,00%	8) 9)
Øvrige indlånskonti		
Børneopsparing	3,00%	7)
Etableringskonto	2,25%	7)
Indlån 3 mdr. opsigelse	1,00%	9) Saldo < kr. 25.000,00
Indlån 3 mdr. opsigelse	1,50%	9) Saldoen skal mindst være på kr. 25.000,00
Ungdomskonto, anfordring	1,75%	10)
Ungdomskonto, opsigelse	2,25%	9) 10)
Deponeringskonto	1,00%	11)
Aftaleindskud	rente aftales	12) Saldoen skal mindst være på kr. 100.000,00

Indlånsrenten er variabel. Indlånsrenten beregnes dagligt og tilskrives årligt bagud pr. den 31/12. Andelskassen Oikos regler for validering, beregning og tilskrivning af rente fremgår af Andelskassen Oikos valørregler og "Almindelige forretningsbetingelser", som findes på www.oikos.dk, og som fås i afdelingen. Andelskassen Oikos gebyrer fremgår af prislisen, som er fremlagt i afdelingen og på www.oikos.dk.

Noter:

- 1) Indskud er delvist eller i fuldt omfang dækket af Garantifonden for indskydere og investorer. De nærmere regler og dækningsomfang fremgår af en brochure, som fås i afdelingen og på www.indskydergarantifonden.dk.
- 2) Rentesatserne er alene gældende for private kunder. For erhvervskunder m. m. kan der forekomme afvigelser fra de anførte rentesatser.
- 3) 50 % af kontoens indestående anvendes til lavt forrentede lån til fordel for fattige i den 3. verden.
- 4) Ved overtræk skal der betales overtræksrente af overtrækket. Overtræksrenten er variabel og udgør for tiden 17 % p.a., svarende til en nominel årlig rente på 18,11 %. Overtræksrenten beregnes dagligt af det til enhver tid skyldige beløb og tilskrives kvartalsvis bagud pr. den 31/3, 30/6, 30/9 og 31/12.
- 5) Der kan ikke udstedes Dankort, Visa/Dankort til kontoen eller udleveres checks.
- 6) Der kan maksimalt udskrives 4 checks årligt. Der kan ikke udstedes Dankort eller Visa/Dankort til kontoen.
- 7) Kontoformen er underlagt lovmæssige begrænsninger. Oplysning herom fås på www.oikos.dk og i afdelingen.
- 8) 100 % af kontoens indestående anvendes til lavt forrentede lån til fordel for fattige i den 3. verden.
- 9) Udbetaling kan kun ske med 3 måneders varsel. Der kan ikke ske udbetalinger i bindingsperioden, medmindre der foreligger en særlig aftale.
- 10) Kontoen kan oprettes til unge under 18 år. Når kontohaveren fylder 18 år bortfalder ordningen.
- 11) Kontoen anvendes i forbindelse med deponering af købesum i forbindelse med handel med fast ejendom, eller deponering i henhold til deponeringslovens bestemmelser. Indestående kan udbetales når betingelserne er opfyldt.
- 12) Indestående bindes i en nærmere aftalt periode, dog mindst 30 dage og maksimalt 6 måneder. Den aftalte rente er fast i den aftalte periode. Renten tilskrives kontoen ved udløbet af bindingsperioden.

Andelskassen Oikos

Cvr. nr. 87334716, www.oikos.dk

Åbningstid: Mandag, tirsdag, onsdag og fredag: kl. 10.00 – kl. 14.00 samt torsdag: kl. 10.00 - 17.00.

Århus: Kløvermarksvej 4, 8200 Århus N. Tlf.: 86 68 23 33. Fax: 86 68 23 34. Mail: Aarhus@oikos.dk

København: Nørregade 6, 1., 1165 København K. Tlf.: 33 36 23 32. Fax: 33 36 23 34. Mail: kblh@oikos.dk

Appendix 4: Calculation of Solvency

Dokumentation for solvensbehov i h.t. bekendtgørelse om kapitaldækning.

Beslutning om størrelsen af Andelskassen Oikos' nødvendige kapital og solvensbehov er truffet med baggrund i nedenstående beregning samt de tilknyttede bemærkninger.

Beregning foretaget pr. 30. juni 2009

<u>Note:</u>		<u>Beløb i</u> <u>1.000 kr.</u>	<u>Pct.</u>
1	Udgangspunkt.....	0	0,00%
2	<u>Stress test:</u>		
2.1	Kapital til dækning af kreditrisiko.....	765	2,37%
2.2	Kapital til dækning af markederisiko.....	800	2,48%
2.4	Kapital til dækning af øvrige risici.....	200	0,62%
3	Yderligere kapital til dækning af vækst i forretningsvolumen.....	250	0,77%
4	Yderligere kapital til dækning af kreditrisici:		
4.1	Store engagementer.....	575	1,78%
4.2	Store engagementer.....	325	1,01%
4.3	Geografisk koncentration.....	0	0,00%
4.4	Erfaringsmæssig koncentration.....	0	0,00%
4.5	Koncentration af sikkerheder.....	300	1,02%
5	Yderligere kapital til dækning af markederisici.....	0	0,00%
6	Yderligere kapital til dækning af ejendomsrisici.....	0	0,00%
7	<u>Yderligere kapital til dækning af øvrige risici:</u>		
7.1	Kontrolrisici / operationel risiko.....	540	1,67%
7.2	Strategiske risici.....	0	0,00%
7.3	Omdømmerisici.....	0	0,00%
7.4	Risici i relation til sparekassens størrelse.....	0	0,00%
7.5	Koncernrisici.....	0	0,00%
7.6	Kapitalfremstillingsrisici.....	0	0,00%
7.7	Likviditetsrisici.....	0	0,00%
7.8	Atvikelserisici.....	0	0,00%
7.9	Andre forhold.....	0	0,00%
Totalt kapitalbehov / solvensbehov.....		3.785	11,73%
Vægtede aktiver pr. 30. juni 2009.....		32.264	

Source: <http://www.oikos.dk/filer/Solvensberegning.jpg>

Appendix 5: Correlation Matrix for M7

	SRI	PSA	PCE	Inv_Mic	Inv_Clean	Inv_Alco	Retun_AMR	Retun_BMR	Risk_Fully	Risk_Not
SRI	1,000									
PSA	,310***	1,000								
PCE	,305***	,597***	1,000							
Inv_Mic	,336***	,376***	,424***	1,000						
Inv_Clean	,227***	,336***	,340***	,546***	1,000					
Inv_Alco	,006	,183***	,120**	,104*	,196*	1,000				
Retun_AMR	-,326***	-,367***	-,354***	-,726***	-,445***	,109*	1,000			
Retun_BMR	,306***	,285***	,438***	,749***	,506***	-,098*	-,638***	1,000		
Risk_Fully	,078	-,066	-,081	-,150**	-,354***	-,480***	-,085	-,094*	1,000	
Risk_Not	,338***	,339***	,435***	,732***	,412***	,012	-,729***	,647***	-,043	1,000
SRI_More_Risky	,118**	-,145**	,014	,067	-,009	-,170***	-,063	,097*	,025	,043
SRI_Lower_Return	-,073	-,013	-,004	-,150**	-,114**	-,032	,228***	-,128**	,055	-,167***
Knowledge_Micro	,256***	,213***	,228***	,352***	,248***	-,019	-,292***	,392***	-,038	,288***
Knowledge_Clean	,009	,102*	,070	-,090*	,000	,034	,053	,030	-,042	-,118**
Knowledge_IT	-,144**	-,149**	-,242***	-,325***	-,190***	,033	,202***	-,192***	-,035	-,289***
Knowledge_Alco	-,237***	-,177***	-,170***	-,337***	-,183***	,004	,269***	-,203***	-,055	-,301***
Gender	,147**	,195***	,206***	-,020	-,012	,082	-,054	-,065	,119**	,072
Age	-,088*	,280***	,091*	,168***	,147**	,221***	-,262***	,074	-,110*	,177***
Education	,163***	-,029	,008	,221***	,173***	-,102*	-,158***	,253***	-,143**	,171***
Income	-,228***	-,178***	-,157***	-,215***	-,063	-,003	,138**	-,175***	-,137**	-,256***
Source	-,396***	-,385***	-,467***	-,883***	-,594***	,112**	,831***	-,843***	,023	-,820***

	SRI_More_Risky	SRI_Lower_Return	Knowledge_Micro	Knowledge_Clean	Knowledge_IT	Knowledge_Alco	Gender	Age	Education	Income
SRI_More_Risky	1,000									
SRI_Lower_Return	,284***	1,000								
Knowledge_Micro	-,003	-,057	1,000							
Knowledge_Clean	-,116**	-,020	,478***	1,000						
Knowledge_IT	-,111*	-,035	,214***	,649***	1,000					
Knowledge_Alco	-,110*	,000	,143**	,553***	,760***	1,000				
Gender	-,082	,053	-,159***	-,252***	-,285***	-,248***	1,000			
Age	-,209***	-,198***	,069	,069	-,033	-,072	,022	1,000		
Education	,111**	-,015	,122**	-,039	-,173***	-,205***	,001	-,067	1,000	
Income	-,020	,021	-,102*	,169***	,182***	,209***	-,085	,190***	,032	1,000