

National Culture and Socially Responsible Fund Flows

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Abstract

In this study, we investigate the impact of national culture on socially responsible investment (SRI) fund flows, while controlling for a set of relevant fund characteristics and country-level variables. Drawing on prior literature suggesting that non-financial attributes and social preferences explain SRI decisions, we hypothesize that cultural traits may drive SRI fund flows. We use a dataset covering both conventional and SRI mutual funds from 45 countries over the period 1997 to 2019. Our results reveal that power distance and individualism exhibit, respectively, strong negative and positive effects on conventional fund flows but do not have any significant differential effect on ethical money flows. On the contrary, masculinity negatively affects only SRI fund flows. In a more masculine society, there is less emphasis on the quality of life and environmental protection, thus explaining the negative relationship. Results on uncertainty avoidance point toward a more negative and strong relationship with SRI fund flows, indicating that openness to novelty stimulates investment in non-conventional instruments. Although our findings also indicate that a higher level of religiosity induces higher money inflows into ethical funds, this seems to be driven by US mutual funds.

JEL classifications: G11; G15; G41

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