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SOCIALLY RESPONSIBLE INVESTMENT AND THE STUDY OF THE SOCIALLY RESPONSIBLE FUNDS DEVELOPMENT POSSIBILITIES IN LITHUANIA

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Abstract

Within the course of the past several years the growth in the popularity of socially responsible investment has been gaining momentum. Today Europe, the United States of America and the Pacific Ocean region record hundreds of socially responsible funds. The value of investment in such funds today accounts for trillions of euro. There has been a tangible growth in popularity of this kind of investment lately in Europe. Europe is clearly holding a leading position both in terms of the number and the worth of investment into SRI. Although SRI are becoming more and more popular and interesting to growing numbers of investors, a similar conclusion about Lithuania would be clearly premature. In Lithuania a large portion of the society is hardly aware of this type of investment, and specialists in investment business are introduced to SRI in their professional performance or at subject-specific seminars. Currently there isn't a single socially responsible fund operating in Lithuania. With a view to determining the actual situation and prospects of SRI in Lithuania there was conducted a survey of investment experts (fund managers, financial brokers) and developed a theoretical model of a Lithuanian socially responsible fund. The present article covers in detail the situation related to SRI both on the global scale and in Lithuania, it also presents the findings of the survey performed for the purpose of the present paper.

Keywords: socially responsible fund, socially responsible investment, model, Lithuania, Nasdaq OMX.
JEL Classification: M14, G11, G15.

Introduction

For more than 40 years already investment into funds may generate benefit not only to the investor, but also to the public. The possibility to invest into socially responsible funds originally emerged in the United States of America (USA), when the first such fund was established in 1971. Nevertheless, at that time only the so-called "feel-good" investment or "politically correct investment" was considered to be socially responsible investment (SRI). Those interested in SRI would be subjected to criticism from media. The notion SRI came into use only in 1980 in the USA (Jaufeerally, 2011). Starting from 1990 the SRI market has been experiencing a steady growth involving an increasing number of socially responsible investors, promoting the formation of a system for the certification of socially responsible funds with a view to providing investors some security and reliability concerning their investment. In Lithuania SRI is scarcely known and the market for this type of investment is still in a very early stage of its development. Not a single national SRI fund has yet been established, scarce information and insufficient clarity as to how the SRI might be beneficial to socially responsible entities, the public or environmental protection. A survey conducted in 2010 showed that certification markings of SRI and products labelled could be identified by as little as 18 percent of managers of Lithuanian financial institutions and investment fund managers (Ruževičius, 2010).

The aim of the research is to analyse views of investment experts towards the SRI and the SRI development possibilities in Lithuania by creating a theoretical model for a Lithuanian SRI fund, assess the possibilities for the development of such fund and its probable investment return. *The following research methods were used:* analysis of the relevant research and statistical literature; overview of Lithuanian socially responsible enterprises; analysis of prices of equities of such enterprises at the NASDAQ OMX Vilnius Stock exchange; overview of Lithuanian public organisations related to social responsibility; interview with Lithuanian experts (financial brokers, fund managers); incorporation and the analysis of a Lithuanian socially responsible fund.

Socially responsible investment market overview: world and Lithuania

A significant increase in demand for socially responsible investments has been recorded within the past several years. There is a tangible increase in the interest in this kind of investment throughout Europe. In 2010, the overall investment into SRI assets accounted for about EUR 7 tr, of which nearly EUR 5 tr were invested in Europe and over EUR 2 tr – in the USA. In 2008, the value of the SRI investment accounted for

EUR 5 tr showing the growth in the market in the course of the two years by as much as 40 percent (Nagata & Onoda, 2011). Therefore, despite the financial crisis that struck the world in 2008, socially responsible investment was steadily growing in volumes. Among European countries the largest growth in SRI was recorded in the United Kingdom. According to the estimates published by Vigeo, France retains a leading market position in SRI assets (38% of the European market) and fund number and is a domicile to the two largest SRI funds in Europe; the United Kingdom remains the second largest market (15%), closely followed by Switzerland (Vigeo, 2011). The socially responsible funds also are growing pretty fast in number. In the United States of America in the period from 1995 to 2010, the number of socially responsible funds increased nearly fivefold, from 55 to 250. Likewise, Europe has been observing a specifically rapid development of socially responsible funds, and in mid-2010, the number of such funds reached 879. The principal States reporting largest numbers of socially responsible funds were France, Belgium, United Kingdom and Switzerland (Žėkienė & Ruževičius, 2011). The Pacific Ocean Region currently records around 420 socially responsible investment funds (Nagata & Onoda, 2011). On the other hand, there is a growing influence globally of a new variety of SRI related to religious-ethnical requirements, and primarily, the Islamic Halal SRI (Jaufeerally, 2011; Ruževičius, 2012).

According to the findings of the survey conducted in 2010 by the European socially responsible investment forum (Eurosif) within the coming three years the principal factors facilitating the development of SRI will include the following: *demand from institutional investor; the uptake of voluntary initiatives such as the United Nations principles for responsible Investment; external pressures (non-governmental organizations, media, unions, etc.); demand from retail investors* (World Economic Forum, 2011). The leading positions among institution investors are clearly held by pension funds. Another factor significantly contributing to the promotion of socially responsible investment is the volunteer organizations, such as the Global Reporting Initiative (GRI), the United Nations, and other international organizations and institutions. A special role in this area is played by the United Nations. In 2010, more than 800 institutional investors were recorded as signatories to the principles of socially responsible investment promulgated by the United Nations. This contribution of the United Nations had its effect in Lithuania too. Since 1992, the United Nations Development Programme (UNDP) has been operational in Lithuania. The UNDP has, in cooperation with its partners, established the National responsible investment network in Lithuania and is currently coordinating the operations of the network, organizing training sessions and other events on SRI. Thus the operations of the network facilitate the development of socially responsible enterprises which in its own turn increases the possibilities for Lithuanian socially responsible funds to appear. The magazine "Atsakingas verslas" in Lithuania is published in cooperation with the UNDP. The appearance of the publication is a significant contribution to the spread of the SRI ideas, education of potential investors, it is also supportive of the emergence of Lithuanian socially responsible entities and the inclusion into socially responsible activities.

Socially responsible funds are the investment instruments open for investment for both natural and legal persons. Institutional investors may be entities, universities, hospitals, funds, insurance companies, public and private pension funds, non-profit seeking organizations or religious institutions. Until now institutional investors represent the largest and the most rapidly growing segment in the area of SRI. Currently, it is the institutional investors that are the principal driving force for the SRI market. Throughout the world more than 90 percent of socially responsible investment is represented by institutional investors. In Europe, there are growing numbers of natural persons acting as socially responsible investors with specifically large numbers of such investors in Belgium, Germany and France. Institutional investors though, have not been unanimous in their views towards the popularity of the SRI. Churches, as well as trusts and universities, might base their investment decisions on ethical, moral or social grounds or motivate them by their specific ideology. Insurance companies or pension funds often pursue a responsible investment strategy that matches their longer-term investment horizon (Deutsche Bank Research, 2010). It has been concluded that among private investors it is women and investors of more comprehensive educational background are investing the major part of their portfolio into socially responsible investment funds (Nilsson, 2009). A number of surveys conducted has confirmed that socially responsible investment funds are most often the targets for younger age and more educated people (Ruževičius, 2011 b; 2012).

Any information about the SRI in Lithuania so far is available on a more theoretical level, where more on the subject can be learned for studying purposes, at different seminars or in the professional environment. Although there is a trend to promote socially responsible activities which includes awards for best socially responsible entities, there is not a single socially responsible investment fund operating in the country. The choice for those preferring to invest into foreign socially responsible funds is also rather limited. Such funds are in most cases introduced to investors not as socially responsible funds, but rather as profit-making or including in their portfolios some well established and known companies. A comprehensive analysis of the current status of SRI has also shown that the major part of society is not aware of what the socially responsible investment is, and those familiar with the concept count in very small numbers (Ruževičius, 2010, 2011a, 2011b). There is further another issue – sometimes managers offering specific financial instruments are not aware themselves that their company is actually offering socially responsible investment funds. The number of socially responsible companies has not been increasing for the past several years already, and the surveys conducted by the authors have shown that the number of such entities in Lithuania has not changed since 2010 (67 in early 2012). Therefore, the development of the SRI requires bigger support from the State and international organizations.

Survey on socially responsible investment

Any analysis of the SRI in Lithuania inevitably requires an overview of not only the current status, but also the analysis of future prospects. With a view to assessing the development prospects for SRI a survey of investment experts was conducted, in addition to the development of the theoretical Lithuanian model of a socially responsible investment fund. The purpose of the survey was to determine the views of investment experts to SRI and define the possibilities of such investment in the country. In view of the low level of awareness of SRI, the survey limited to only selected investment professionals – fund managers and financial brokers professionally related to investment and best aware of the situation, directly facing investing clients, and themselves in charge of managing of investment funds and investment portfolios. In attempts to identify resplendent eligible for the survey the authors first selected companies whose activities are related to investment, establishment, management and distribution of investment funds. Thus the sample was made of management companies, banks and financial brokerage firms registered in Lithuania. A quote sample method was used to compute the number of companies to be included into each subgroup; which was followed by a random selection of companies of each type and inquiries of financial brokers and fund managers working in the companies. Total 50 investment experts representing 23 companies were interviewed (Table 1).

Table 1. Organizations surveyed on SRI issues

Financial brokerage firms	Banks providing investment services	Management companies
DV Invest	AB bank Swedbank	Danske Capital investicijų valdymas
Finasta	AB bank Finasta	DnB Nord investicijų valdymas
Finbaltus	AB DnB Nord bank	Dovre Forvaltning
Finvesta	AB SEB bank	Finasta Asset Management
Kapitalo srautai	AB Šiaulių bank	Lords LB Asset Management
Orion Securities	AB Ūkio bank	MP Pension Funds Baltic
SEB Enskilda		Orion Asset Management
		Prudentis
		SEB investicijų valdymas
		Swedbank investicijų valdymas

In order to achieve most accurate and objective assessment of the views towards SRI the survey was conducted on the basis of a questionnaire made up of 19 questions. For the purpose of the assessment of the expert opinion to SRI, 6 questions were formed on the basis of the Likert scale, where the respondents were requested to mark their view that best reflected their views in favour or against each of the statements. The statements that were marked as completely irrelevant, completely disagree or completely not interesting were assigned one point, and where such were assessed as very important, completely agree or very interesting – they were assigned 5 points. Two *filter questions* presented at the beginning of the questionnaire were to exclude non eligible respondents, and all questions were answered only by the respondents whose work was related to investment, and who were aware of SRI. The questionnaire included the following filter questions: *Is your work directly related to investment (investment funds, shares, bonds)?; Have you heard about socially responsible investment?* To ensure the confidentiality of the respondents and with a view to receiving the views of all eligible respondents, the questionnaire was uploaded into the internet website

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Publika.lt. For the purpose of the survey electronic messages and reminders with the links to the questionnaire were forwarded to all companies selected.

Also for the purpose of the survey a theoretical model of a Lithuanian socially responsible investment fund was developed. The model was developed seeking to identify the feasibility for the appearance of a Lithuanian socially responsible investment fund, and to support the opinion of investment experts on the SRI development on the national scale. Seven Lithuanian socially responsible companies with their shares traded on the Nasdaq OMX Baltic Stock Exchange were selected for the development of the theoretical model of the fund. The sample comprised the following companies: APB Apranga (APG1L); AB Kauno energija (KNR1L); AB Šiaulių bankas (SAB1L); AB Teo LT (TEO1L); AB Ūkio bankas (UKB1L); AB Utenos trikotažas (UTR1L); AB Vilniaus baldai (VBL1L).

The analysis of the survey of investment experts

The survey of investment experts lasted for 5 days. During the period the survey promoters received the questionnaires from all eligible respondents. The results of the survey were analysed in several aspects: 1) responses and their evaluation distribution in respect of each question; 2) differences in response selection according to the gender of the respondents; 3) differences in response selection according to age of the respondents; 4) differences in response selection according to the level of income of the respondents. The analysis of the response distribution in respect of each question showed that 43 percent of the respondents were accurately aware about SRI, in the meantime 10 percent of the respondents were not aware of it though being professionally related to investment business. 15 percent of the respondents have heard about SRI though were not aware of what it actually was. Therefore, in order to encourage an increasingly large part of investors to opt for socially responsible investment it is an absolute necessity to arrange training for people working in the investment sector. Public institutions should act as initiators for such training events. The results of the survey showed that as many as 81 percent of the respondents that were aware of the SRI, learned about that in their professional environment. This finding of the survey supports the conclusion that the major part of the society was not aware of the SRI, or was familiar with the concept to a very limited extent only. The findings also showed that actually the concept of SRI was known to professionals working with higher level of investment only. Not the less important assignment is to propagate the information about the SRI, as it is to substantiate why it is important, beneficial or necessary. As many as 78 percent of the respondents, despite being aware of the SRI in general, were little interested in the concept. The analysis of the Likert-type scales further led to the determination of the reliability of each scale. The Cronbach Alpha coefficient was used for that purpose. *The Cronbach Alpha coefficient is a measure of the internal consistency of the measurement scale summarizing the internal correlation of the scale elements.* The Cronbach Alpha coefficient must be not lower than 0.6. The scale is considered reliable when the coefficient is higher than 0.6. The Cronbach Alpha coefficient for the purpose of the survey showed that all Likert-type scales were reliable. In the assessment of the relevance of social responsibility the investment experts surveyed considered that the most important criteria for social responsibility were product safety, quality and publicly accessible annual activity reports. The average score of all criteria was higher than 4. In the opinion of the respondents the most relevant requirement was the transparent operations of the company involving the publication of annual activity reports and production of high quality output.

The interest level towards socially responsible investment also varies by different regions of the world. Not infrequently such investment has been criticized or viewed as negative phenomenon. The main reason for that being the insufficient transparency and the reliability of such investment. In Lithuania, the issue of SRI is still a novelty, therefore it was considered of utmost importance to identify the reasons that in the opinion of the socially responsible investment experts such funds were rarely selected by investors. The strongest agreement was with the statement that it is difficult to assess in what way investment into socially responsible products will affect the performance of the target company itself. The average scored of the statement was 4.08. The response distribution showed that possibly one of the reasons for not selecting SRI products was the insufficient belief among investors that social responsibility is not only a source for profiteering, but also a benefit for the company and for public at large.

For the purpose of the inclusion of a company into the composition of the socially responsible investment fund, the performance of each socially responsible company is thoroughly scrutinized. In most cases the selection of securities of a socially responsible company into the fund is performed using three methods: *screening, shareholder advocacy and community investing.* The monitoring method is further subdivided into positive and negative monitoring. The survey involved efforts to determine the opinion of investment experts about each of the methods presented. Response averages were estimated for the purpose of the assessment of the response results. The most interesting method was considered the following: „The funds investing only into companies of certain sectors or the companies promoting best practices: renewable energy sources, reduction of emissions of toxic gasses“. Interestingly, although the most interesting was considered the method under which the funds select companies that promote best practices in environmental pollution reduction, for the purpose of the social responsibility criteria they were among the most important. Several factors may be identified as reasons for the conclusion, which would include insufficient knowledge, or somewhat casual attitude towards the SRI.

A comprehensive analysis of all respondents allowed a conclusion that at present any prospects for SRI in Lithuania are assessed by investment experts negatively. The conclusion is fairly supported by an observably insufficient interest into this type of investment, investment is viewed as vehicle to earn, rather than to promote social responsibility or justice. Most investors choose to invest into funds that are not socially responsible but rather ensure a higher rate of return. Only 28 percent of the respondents indicated they would invest into a socially responsible fund with a lower rate of return, while 72 percent of investors admitted they would opt for a fund that is not designated as socially responsible, but rather ensuring a higher rate of return. However, the future prospect is to be assessed with some positivity – most investors indicated that in the future, when selecting a financial product, they intend to take into account the criteria of SRI. When examining the situation in Lithuania, the respondents noted insufficient information available in the country on the SRI, and, in their opinion, a Lithuanian socially responsible fund would not be a success.

By examining the differences in selected answers by the gender of the respondents, several differences were identified in respect of the assessment by males and females. What concerned the socially responsible criteria, women would find it very important to access the public information on socially responsible activities of the company, while product safety was a more important criterion for men. For women in general the socially responsible investment was more interesting and more relevant than for men. A much larger share of women claimed that in the future, for the purpose of selecting financial products, they intended to take into account the socially responsible investment criteria of the product. For men the socially responsible investment was less attractive than for women. The results actually supported the findings of a number of surveys carried out globally to the effect that the larger part of the investment community is women, in most cases single, younger, less rich but more educated than their colleagues that do not invest into socially responsible investment funds (Junkus & Berry, 2010). The examination of the survey results in the other two aspects referred to previously did not reveal any statistically material differences in the assessments.

The analysis of the theoretical model of a Lithuanian socially responsible fund

The objective assessment of the feasibility of a Lithuanian socially responsible fund requires not only the survey of persons working with investment, but also a development of a theoretical model of such a fund that would reflect the actual situation in the market. Thus, several such model funds were compiled from the earlier selected companies whose shares were traded on the Nasdaq OMX Vilnius Stock Exchange. With a view to analysing the most recent data and obtaining the most reliable findings, the composition of the fund included only the socially responsible companies meeting the following criteria: *companies whose shares were publicly traded on the Exchange for not less than 3 years; companies the trading in whose shares was neither restricted not suspended*. Based on the criteria defined seven socially responsible companies were selected. Since the selected socially responsible companies represented the sectors that were sufficiently different, and having in mind that only AB Šiaulių bankas and AB Ūkio Bankas were representing the same financial sector, three different fund models were compiled: *1) the shares of all companies in the fund equal; 2) the shares of all sectors in the fund are equal; 3) the share of the company equities is established by performing the optimization of the fund.* The analysis of the data showed that the liquidity of the equity market in Lithuania is sufficiently low, and in order to obtain correct data, it was not efficient to analyse the price fluctuation on a daily basis. For this reason while performing the computations an assumption was made that the price movement will be observed on a quarterly basis starting from 1 January 2009. All fund models were compared according to their standard deviation, a fixed target return of 9 percent, and the Sharpe ratio (Kancerevyčius, 2006). When compiling a fund it is important to be aware of a risk-free market yield. This indicator is most often defined as the national bond yield. This indicator shows the return the investor could receive by investing into risk-free assets. Since the socially responsible fund was composed of

Lithuanian companies only, Lithuanian government securities were also included that at the time concerned yielded about 2.5 percent (DnB Nord, 2011).

When compiling the first model of the fund it included equities of all companies concerned in equal shares. Such a model is not applicable in practice; however, in this particular case the model was simulated for the purpose of its comparison with the optimized fund model. First, the analysis involved the computation of the standard deviation of the company prices and their correlation (Table 2).

Table 2. The standard deviation of the company prices and the price correlation in percent

Company	Standard deviation	APG1L	KNR1L	SAB1L	TEO1L	UKB1L	UTR1L	VBL1L
APG1L	33.56%	100.00%	39.31%	75.29%	90.24%	84.93%	72.40%	32.69%
KNR1L	14.09%		100.00%	54.55%	50.29%	26.65%	39.61%	-4.38%
SAB1L	20.53%			100.00%	83.48%	73.71%	92.54%	-8.43%
TEO1L	22.11%				100.00%	91.06%	73.48%	1.81%
UKB1L	29.00%					100.00%	63.40%	3.15%
UTR1L	32.25%						100.00%	0.53%
VBL1L	26.10%							100.00%

The computations performed showed the largest standard deviation in respect of APB Apranga, and the lowest – AB Kauno energija. Thus, when purchasing equities of APB Apranga, the share price fluctuations may be most tangible, and the probability of gain or loss of the funds invested also largest. In the meantime, the low standard deviation of AB Kauno energija could be caused by the insufficient liquidity of the company. The computations performed showed that the standard deviation of the fund model was equal to 19.29 percent, which supported the conclusion that any diversification of the fund leads to its lower risk. The comparison of the correlation of the companies showed that in as many as 12 pairs, the prevailing correlation was medium or strong positive, that the Lithuanian market is small, and the diversification of the fund would not lead to any more significant reduction in risk. In order to verify whether the fund model would be beneficial to investors, a Sharpe ratio was computed. The index shows the ratio between additional return and the related risk. The larger is the Sharpe ratio, the more attractive is the fund to investors. The index was calculated by using the formula as defined below (1) (Sharpe, 1994):

Sharpe ratio = (Portfolio return – Risk free rate of return)/Portfolio standard deviation (1)

Thus the results obtained showed that the model is not acceptable, since the Sharpe ratio obtained was negative and was equal to -0.0636, which means that the risk assumed by the investor was excessive in relation to the return obtained.

The second model of the fund in which the share of all sectors in the fund is equal showed that the shares of two companies in the portfolio were reduced – only AB Šiaulių bankas and AB Ūkio bankas. For this reason the results obtained were very similar to the model of the first fund model. The standard deviation of the fund decreased to 18.89 percent only, and the Sharpe ratio improved to -0.058. The standard deviation was reduced by insignificantly, the Sharpe ration remained negative, therefore this fund model was not further examined.

For the purpose of the optimisation of the fund, the authors chose the Markowitz model. The model is a classical model of a financial instrument portfolio. The model was named after its author Harry Max Markowitz. In 1954, the article published by the researcher offered the first ever definition of an efficient portfolio and a risk calculation method. Since the socially responsible investment fund was composed by reducing the risk, it involved the computation as to proportions of the distribution of the companies in the fund. The risk mitigation computations were performed by using the portfolio standard deviation formula (2) and the target earnings formula (3) (Kancerevyčius, 2006):

$$\sigma_p^2 = \sum_{i=1}^{i=n} \sum_{j=1}^{j=n} W_i W_j \sigma_{ij} \qquad (2)$$

$$ER_p = \sum_{i=1}^{i=n} W_i ER_i \geq ER \qquad (3)$$

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where σ_p^2 - portfolio standard deviation; n- number of financial instruments in the portfolio; W – share of a financial instrument in the portfolio; ER – target return.

The risk mitigation computations showed that the largest share of the optimal portfolio was represented by two companies: AB Vilniaus baldai - 47.62 percent, and AB Teo LT - 27.34 percent. The share in the fund represented by other companies was below 10 percent (APG1L - 8.29 percent; KNR1L - 0.66 percent; SAB1L - 8.44 percent; UKB1L - 2.01 percent; UTR1L - 5.63 percent). The standard deviation of the fund decreased to 17.35 percent, and the Sharpe ratio became positive and equal to 0.35.

The analysis of the results of the fund was followed by the analysis of the fund's performance in 2009-2011. The findings of the analysis were summarized in Fig. 1.

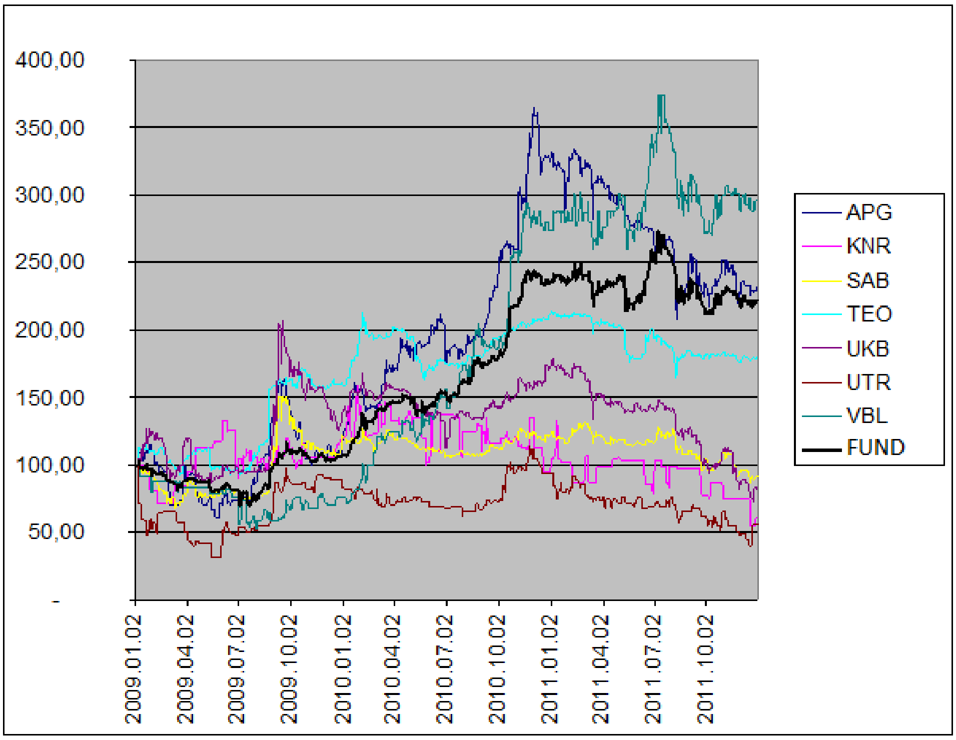

Figure 1. Fund performance development in 2009-2011, in percent (12.12.2011)
Source: designed by the authors using statistical data of Nasdaq OMX Vilnius Stock Exchange

The generalization of the surveys of the possibilities for the appearance of a socially responsible investment fund in Lithuania led to a conclusion that in theory, such fund could exists. Nevertheless, it is important to note that within the structure of the optimal theoretical fund model three fourths of the fund are represented by shares of two companies only. Under these conditions such fund loses its practical meaning for the reasons presented below. The principal objective of an investment fund to generate certain return at the lowest possible risk, and in view of the specifically low diversification of the fund units, the principal underlying objective of the fund is lost and additional costs incurred. Investment into an investment fund involves the fund management fees and the commission fee for the acquisition of fund units, and the costs in these cases are larger than purchasing shares directly from the company. The results obtained were to an extent affected by the fact that the Lithuanian stock exchange is small and insufficiently liquid, therefore there is a strong positive correlation between numerous shares, and the inclusion of such companies into a socially responsible fund has little or no effect in terms of the risk mitigation.

Conclusions

In the course of the past several years the market for SRI has been rapidly expanding. The global financial crises affected the market too, however, any more tangible negative effect was recorded only in respect of a minor part of socially responsible investments, while the major part of SR funds remained return generating even under financial crisis conditions. The SRI market most expanded in Europe. The market remains also little interest to institutional investors, although in Europe the SRI investment is increasingly gaining popularity among private investors. It is probable, that the growing awareness among institutional and private investors will maintain the grown in the demand for socially responsible investment products. There is a new type of the SRI that is steadily becoming increasingly influential, i.e., socially responsible investment with religious - ethnic requirements.

The analysis of the current status in relation of the SRI in Lithuania showed that the national investment market is quite small with a limited number of companies traded on the OMX Baltic Stock Exchange. In order to facilitate the appearance in the country of socially responsible funds and the demand for socially responsible investment it is absolutely necessary to further education specialists in the investment area and a more active promotion of a socially responsible business. This requires a significant interference on the part of the State, in addition to more extensive information and increase of awareness on the part of the public using all possible media.

The findings of the survey carried out showed that although the criteria of SRI and the methods are of interest to investment experts, majority of the respondents were hardly interested in the SRI, and most investors would opt for a more profitable fund, and return remains the main criterion for the selection of an investment vehicle. The analysis of the data also showed that the majority of the respondents happen to learn about the socially responsible investment in their professional activities or while studying, which shows that the issue of the SRI is an object of discussion only among investment specialists, while the major part of the society happen to learn about the SRI only accidentally and provided they have certain beliefs. The findings of the survey also showed exclusively negative views of investment experts in respect of prospects for a Lithuanian socially responsible fund, and supported the findings that SRI is of no interest to Lithuanian investors, it is not sufficiently promoted by the State and in general there is sufficient lack of information on the subject.

The survey involved the development of a theoretical model of a Lithuanian socially responsible fund, the purpose whereof was to supplement the findings of the survey by computing a possible rate of investment of the fund. Three models were selected with a view to comparing several possible options of a socially responsible fund: *identical share of equities of all companies in the fund; identical share of all sectors in the fund, and an optimised version of the fund.* In the first two cases it was concluded that the fund risk is excessive in view of the 9 percent return target. This was also supported by the negative Sharpe ratios. The composition of the optimised fund model showed that nearly three quarters of the fund would be accounted for by equities of two companies only, while the share of other companies in the fund would remain below 10 percent. Such fund becomes irrelevant, as the yield is generated from two companies only, while other companies included therein become redundant. This is mainly caused by a very limited volume of the market, low liquidity of most of the shares and the strong positive correlation between shares. The situation could be improved only where a larger number of socially responsible companies would place their share issued and would attract larger numbers of investors. Currently the situation in the market is not favourable for the appearance of a Lithuanian socially responsible fund. A more acceptable option would be to invest into individual socially responsible companies.

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