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Faith institutions find responsible investment an uphill struggle

New research carried out by the International Interfaith Investment Group 3iG, along with ESADE business school in Spain and Vlerick Leuven Gent Management School in Belgium, has revealed that religious institutions find it difficult to invest responsibly whilst maintaining a strategy that fits in with their beliefs.

Despite the fact that faith institutions are widely considered to be the pioneers of responsible investment and make up the third largest demographic of investors globally, it appears that the stock market presents difficulties when it comes to aligning the needs of the faith with a responsible investment strategy.

Katinka van Cranenburgh who carried out the research along with Professor Celine Louche from Vlerick and Professor Daniel Arenas of ESADE, says that religious investors are not always looking to the bottom-line when deciding where to put their money. “We found that faith institutions go beyond the financial aspects of investing. They are more driven by the impact they can have on company behaviour or society than by the financial returns. They tend to have a preference for investing in projects or companies that do good, rather than simply adopting “best in class approaches”.

However, this approach is made more difficult by the fact that banks often cannot provide the services required to be consistent with faith-conscious investing, “Faith institutions cannot implement faith-consistent investing alone; they depend on the offerings of financial institutions. The current investment market is not capable of providing all the tools and services that are required by religious investors” says Louche, “The great majority of religious institutions surveyed said that their religious beliefs are reflected in their investment practices, but 51% say they would invest more if there were reliable tools to do so in accordance with their beliefs.”

The research did conclude a possible solution for this; customised religious investment products. Arenas says that, “most faith institutions require a less complex investment market so this need could be met by customised religious investment products. Customisation and simplification would attract more religious money into the global responsible investment market, to the benefit of both parties.”

Louche adds, “This kind of research has not been done before as faith institutions are generally quite difficult to speak to – especially when the questions are about money. However, having spoken extensively to focus groups from the institutions and conducted a global survey it is clear that this is



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a big problem for them. The whole idea of the research was to enter into a more open dialogue with these faith institutions and try to understand the problems they face.”

For a full copy of the report or to arrange an interview, please contact **Katinka van Cranenburgh** on +34 655 1313 25 or at katinka.vancranenburgh@3ignet.org

Footnotes:

The survey had 108 respondents, of which 50% were from the USA and 50% non-USA. It was sent to various religions and 90% of respondents were Christian. More than 70% of religious institutions in the survey practice some form of impact investing, in areas such as community development, micro-finance, affordable housing and faire trade, and not just negative and positive screening. And more than 80% of religious institutions in the survey practice some form of shareholder engagement with the companies in which they invest.