

# **A Study of Environmental Investment on the Securities Market**

*Key Words: Environmental Investment, Social Responsible Investment, CSR, Mutual Fund*

## **1. BACKGROUND AND PURPOSE**

Ministry of the Environment describes that we need to understand the actual state of the Social Responsible Investment (SRI) to encourage environmentally friendly investment on the securities market (described as “environmental investment” below). However, on that purpose, we need to grasp the status not of SRI market but of environmental investment market itself. For the promotion of environmental investment, it is required to breakdown the SRI by the viewpoint of environmental investment.

Purpose of the study is the grasp of the status on the environmental investment fund market by analyzing the SRI fund market, and, based on the results, presentation of a direction for the environmental investment funds’ promotion in the future.

## **2. THE COMPARISON OF SRI FUND IN JAPAN AND AMERICA**

From the perspective of environmental investment, determined the type of SRI funds. Of the SRI funds, funds not operating environmental positive screening are determined as “non-environmental investment fund.” Of the other SRI funds, funds specifying that investment to the environmentally friendly company is the major purpose are determined as “environmental investment fund in narrow sense,” and funds specifying that investment taking into account the companies’ ESG criteria including “E” in the evaluation of them are determined as “environmental investment fund in broad sense.” As a result of the classification of the SRI funds along the determinations, it was made clear that the investment that incorporate the ESG criteria in evaluating companies as the “environmental investment in broad sense” is far behind the United States, while environment-conscious investment as one “in narrow sense” is at a higher level than the United States in the ratio-based comparison.

## **3. CONCLUSION**

The result of the analysis indicates that differences in the perception of environmental investments between the United States and Japan. In Japan, environmental investment is perceived as a means to approach to environmental issues, while perceived as a means to approach to corporate social responsibility issues in the United States. As a background about why such a different recognition is occurred between two countries, two hypothetical explanations can be made.

One is the difference of the process of development of SRI. On the Japanese market, Eco-funds (environmental investment fund in narrow sense) have helped the SRI funds to be popular. The other one is the difference of the environmental awareness of individual investors between two countries. The result of the survey conducted by the Ministry of Environment shows that the Japanese individual investors are highly environmentally conscious than American investors and tend to hope the function as the environmental protection to financial products.

From the preceding hypothetical explanations, it is clear that there are some good conditions of Japanese national character for the promotion of environmental investment in narrow sense. For further promotion, more citizens should have knowledge about the idea of environmental investment fund and the way of investment, and then it can be the incentive to change the way they manage their money from deposit to investment. About the environmental investment in broad sense, it is effective to demonstrate the detail of SRI funds explicitly to investors who hesitate to buy because of their ambiguity, and also effective to avoid their misunderstanding about bad performance of SRI funds.