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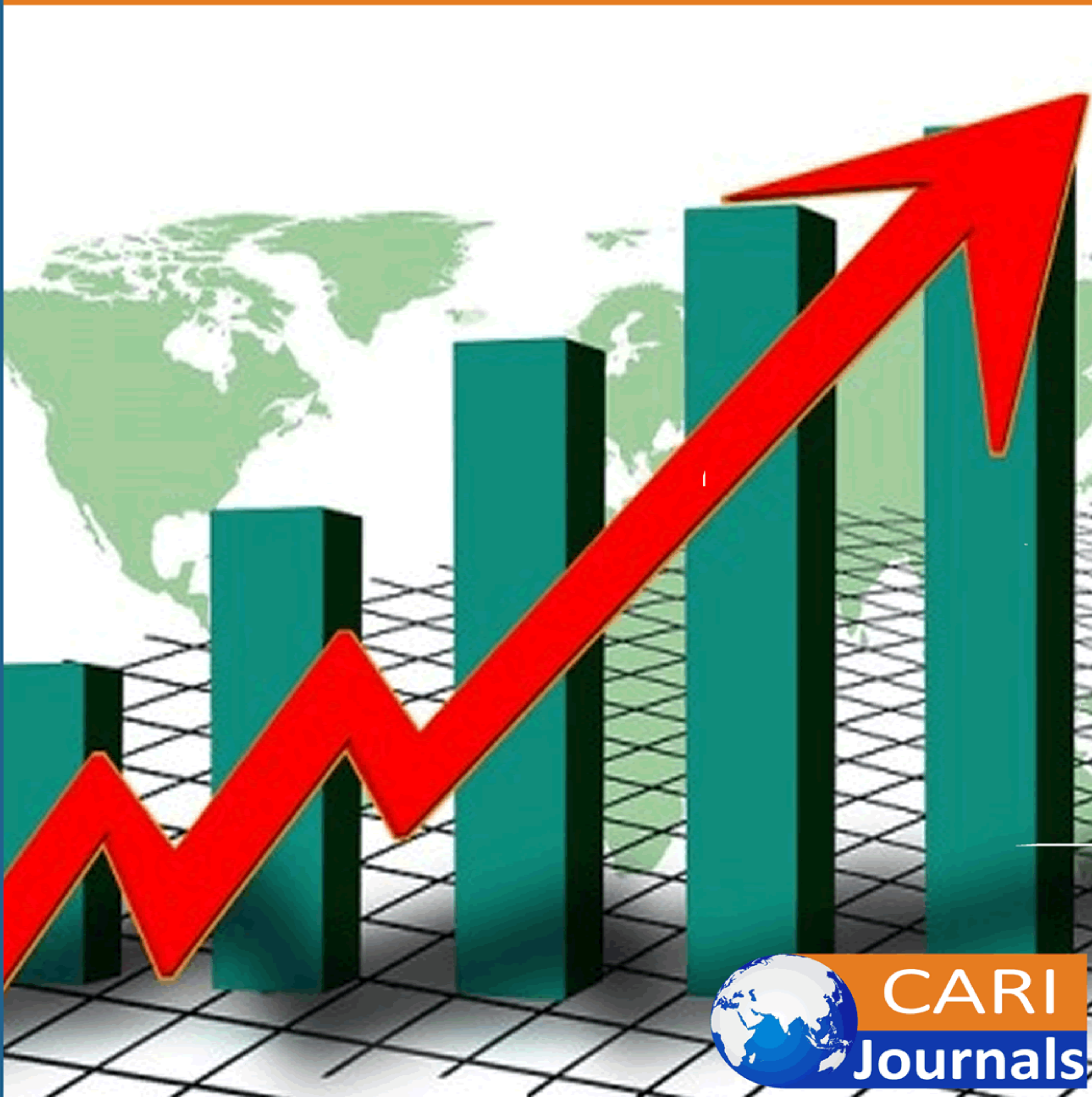

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Investing for More than Just Money: The Non-Utilitarian Benefits of Investments

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ABSTRACT

Purpose: This article aimed to identify the psychological, social, environmental and ethical benefits of investments.

Methodology: A total of 82 articles that were initially picked for this study, 30 articles were however selected and critically scrutinized to yield this review article.

Findings: The review findings reveal that investments can have a significant impact on investors' well-being and highlight the importance of considering these benefits in investment decision-making processes.

Unique contribution to theory, practice and policy: One limitation of the existing studies is that they are often based on self-reported data, which may be subject to bias or social desirability effects. This research describes new paradigms to the additional benefits of investments, in addition to the famous monetary gains such as the psychological, social, environmental and ethical benefits. Understanding these trade-offs can help investors make more informed decisions about their investment strategies.

Key Words: *Psychological Benefits, Social Benefits, Environmental Benefits, Ethical Benefits*

1. Introduction

Investment decision-making is typically viewed through the lens of financial returns, with the primary objective being to maximize returns for investors. Investment is the commitment of current financial resources to achieve higher gains in the future (Mitney, 2012). The importance of time and future arises as they are two important elements in investment. Jeremy (2019) contends that investments are often viewed as a means to an end, that is, a way to increase wealth and attain financial goals. However, some researchers (Cronin et al., 2010; Lee & Shin, 2018; Pompian, 2012) argue that investments may provide intrinsic benefits beyond financial gains. For instance, Aguiar (2019) revealed that investing in socially responsible companies may provide a sense of purpose or social responsibility for the investor. Similarly, Cumming et al. (2014) noted that investing in local businesses or community development projects may provide a sense of community involvement or pride. Investments can also provide additional benefits beyond the utilitarian benefits of money, including psychological, social, environmental, and ethical benefits (Baker & Puttonen, 2017). These non-financial benefits are becoming increasingly relevant as investors become more aware of the impact their investments can have on society and the environment.

According to Sung and Choi (2010), understanding the non-financial benefits of investments is essential for investors to make informed decisions, and for investment professionals to provide a complete picture of the potential outcomes of investment decisions. It is on this backdrop this study seeks to answer the question "what do investments provide beyond the utilitarian benefit of money to investors?" A key benefit of long-term investing is that it offers access to a broader opportunity set. Ritcher et al. (2017) noted that as much as it may be essential, financial benefit may not be the only benefit that investors drive from investing in the securities of a given country. Various people tend to put their funds in projects that can add value in their lives and influence the welfare of others (Pilaj, 2017). Therefore, this empirical review seeks to examine these non-financial aspects of investment and provide insights into what investments may provide beyond the utilitarian benefits of money.

2. Literature Review

Several studies over the decades have explored the non-financial benefits of investment, particularly in the context of impact investing and socially responsible investing. Impact investing refers to investments made with the intention to create social or environmental benefits, along with financial returns (Claudelin et al., 2014)). Socially responsible investing (SRI) refers to investments made in companies that meet certain ethical or environmental standards (Jackson, 2013).

2.1 Psychological Benefits

The psychological benefits of investments refer to the impact that investments can have on investors' emotional and mental well-being (Bailey et al., 2013). Several studies (Coall & Hertwig, 2010; Sutcliffe et al., 2012; Sung & Choi, 2010; Pilaj, 2017) have identified the positive psychological effects of investments, including increased confidence, sense of control, and self-esteem. For instance, a study by Sutcliffe et al. (2012) found that investing in socially responsible investments (SRI) was associated with higher levels of self-esteem and personal control. A study by Monti et al. (2014) also found that investing in microfinance was associated with an increased sense of purpose and meaning in life. Similarly, Hoegen et al. (2015) found that investing in renewable energy was associated with a sense of pride and satisfaction in contributing to environmental sustainability.

Investments can have psychological benefits that go beyond financial gain. A study by Coall and Hertwig (2010) found that investing in social good accounted for a significant proportion of the relationship between stakeholder orientation and job satisfaction. Additionally, researchers Bailey et al. (2013) found that responsible investing positively influences emotional well-being and increases the satisfaction of investors. Investments can also boost self-esteem and enhance an investor's perceived control. A study by York et al. (2016) indicated that socially responsible investing (SRI) can enhance investor beliefs in personal power, reduce financial stress, and improve investor well-being. The study's findings suggest that investors who invest in SRI funds experience cognitive and emotional benefits beyond the utilitarian benefits of money.

2.2 Social Benefits

Revelli and Vivian (2015) noted that investments can also provide social benefits to investors, including increased social capital, network effects, and community development. Research has shown that investing in socially responsible investments can lead to increased social capital through stronger connections with like-minded investors and increased participation in social and environmental causes (Glänzel & Scheuerle, 2016; Richter et al., 2017; Pompian, 2012; Yoshikawa et al., 2013). According to Psacharopoulos and Patrinos (2018), investing in socially responsible investments was associated with a higher sense of community and increased social capital. Similarly, a study by Borghesi et al. (2013) found that investors in community development financial institutions (CDFIs) reported increased social capital and network effects.

A convincing strand of research suggests that investments can have both direct and indirect social benefits, including social impact, altruistic reward, and social recognition (Dyck et al., 2019). Socially responsible investing encourages investors to consider the social and environmental implications of their investments. Studies have shown that social investments can lead to better social outcomes (Liang et al., 2015). Another study by Brieger et al. (2019) revealed that investors with higher altruism scores are more likely to invest in socially responsible assets, suggesting that social investments align with altruistic values. Investing can also have social recognition benefits.

A study by Hill, Thomas, and Jones (2016) posits that investors who demonstrated socially responsible behavior received more recognition and respect from those in their social circles.

2.3 Environmental Benefits

Kölbel et al. (2020) contends that investments can provide environmental benefits to investors, including the mitigation of environmental risks and the promotion of environmental sustainability. Research has shown that investing in renewable energy and environmentally sustainable initiatives can lead to significant positive environmental impacts (Amel-Zadeh & Serafeim, 2018; Glänzel & Scheuerle, 2016; Daugaard, 2020; De Schutter, 2011). For instance, a study by Ordonez et al. (2016) found that investing in renewable energy was associated with significant reductions in greenhouse gas emissions and other environmental pollutants. Similarly, a study by Ríos-Mercado and Borraz-Sánchez (2015) found that investing in environmentally sustainable companies was associated with improved environmental performance.

According to Lee and Shin (2018) investment can be an important tool for impacting the world in a meaningful way. He contends that investors can use their investments to actualize causes they hold so dear and have attachment with, whether investor's passion is in environment, the arts or human welfare, investors can use their wealth to effect positive changes in the community and the surrounding environment. As part of corporate social responsibility, investors explore more opportunities aimed at uplifting and positively impacting the community and the surrounding environment (Revelli & Viviani, 2015).

Investing in environmentally friendly assets aims to promote sustainability, reduce pollution, and minimize the impact of global warming. A study by Bai et al. (2019) found that renewables' share prices rose significantly higher than conventional portfolios, indicating that investing in renewable energy proved to be beneficial from an economic standpoint.

2.4 Ethical Benefits

Investing in socially responsible investments can also provide ethical benefits to investors (Mell et al., 2013), which include the promotion of ethical business practices and social justice issues (Beal et al., 2015). Research has shown that investing in socially responsible investments can lead to significant positive impacts on ethical issues (Amel-Zadeh & Serafeim, 2018; Van Duuren et al., 2016; Nicholls, 2010; Mell et al., 2013).

A study by Claudelin et al. (2014) found that investing in SRI was associated with the promotion of ethical business practices and social justice issues. Similarly, a study by Pettigrew et al. (2020) found that investing in microfinance was associated with the promotion of ethical business practices and the alleviation of poverty.

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3. Methodology

To conduct this empirical review, a systematic search was conducted using several databases (including Google Scholar, JSTOR, and ProQuest) for relevant articles on the topic of non-financial benefits of investment. The search terms included variations of "non-financial benefits of investment," "impact investing," and "socially responsible investing." The search criteria included articles published between 2010 and 2022, with a preference for empirical studies or reviews. Studies carried between this periods was more current and believed the articles contained relevant information to the study.

Overall, the search yielded over 2000 articles, which were screened based on relevance and quality. A total of 30 studies were included in the review, based on relevance to the research question, quality of research methodologies, findings, and the inclusion criteria. The studies were analyzed using a thematic analysis approach, which identified four broad categories of non-financial benefits: psychological, social, environmental, and ethical.

4. Summary of Empirical Findings

The empirical literature review identified four broad categories of non-financial benefits of investments: psychological, social, environmental, and ethical. These findings demonstrate that investments can have a significant impact on investors' overall well-being and highlight the importance of considering these benefits in investment decision-making. The empirical findings from the studies reviewed suggest that investments may provide non-financial benefits beyond the utilitarian benefits of money. These benefits may include a sense of purpose, alignment with personal values, community involvement, and involvement in social or environmental causes. These findings are in agreement with York et al. (2016), Coall and Hertwig (2010), Pettigrew et al. (2020) among others who also suggested in their studies varied investment benefits, in addition to the financial benefits.

The psychological benefits of investments were found to include increased confidence, sense of control, and self-esteem. Social benefits included increased social capital, network effects, and community development. Environmental benefits included the mitigation of environmental risks and the promotion of environmental sustainability. Ethical benefits included the promotion of ethical business practices and social justice issues. Specifically, impact investing has been found to provide a sense of purpose and fulfilment for investors, as they see their investments as supporting important social or environmental causes. Socially responsible investing has similarly been found to provide a sense of alignment between personal values and investment choices, as investors avoid companies that engage in practices they disagree with and support companies that align with their ethics.

Ethical investments (microfinance investing) have also been found to provide non-financial benefits, particularly in the form of empowerment for borrowers. The findings show that borrowers from microfinance institutions often reported increased sense of empowerment, self-esteem, and community involvement because of receiving loans. These non-financial benefits may be particularly relevant for borrowers in developing countries, who may not have access to traditional banking services.

These findings have been in agreement with numerous studies such as Sutcliffe et al. (2012), Pilaj (2017), Revelli and Vivian (2015), Kölbel et al. (2020), Ríos-Mercado and Borraz-Sánchez (2015), Lee and Shin (2018). Mell et al., 2013) and Claudelin et al. (2014) who also established that in additional to the financial benefits of investments, investments yield psychological benefits, social benefits, environmental benefits and ethical benefits.

Community development investments (ethical investments), such as investing in local businesses or community projects, have also been found to provide non-financial benefits for investors. These investments may provide a sense of community involvement, pride, and ownership for investors, as they see their investments as supporting their local communities**.**

5. Conclusions and Recommendations

The findings of this empirical literature review highlight the importance of considering non-financial benefits in investment decision-making. The study reveals that investments can provide additional benefits beyond the utilitarian benefits of money, including psychological, social, environmental, and ethical benefits. While financial returns remain the primary driver of investment decisions, these findings suggest that non-financial returns can provide significant value to investors. Overall, this empirical review suggests that investments may provide non-financial benefits beyond mere financial returns. By understanding these benefits, investors can make more informed decisions about their investments and potentially improve their overall well-being.

One limitation of the existing studies is that they are often based on self-reported data, which may be subject to bias or social desirability effects. Future research could incorporate more objective measures of non-financial benefits, such as changes in behavior or community outcomes. Another important avenue for future research is to explore the potential trade-offs between financial and non-financial benefits of investment. For example, investing in socially responsible companies may result in lower financial returns, which may be a trade-off for the non-financial benefits investors receive. Understanding these trade-offs can help investors make more informed decisions about their investment strategies.

Another key recommendation for future research includes exploring the implications of non-financial benefits on investment behavior, developing tools to measure and quantify non-financial returns, and advocating for the inclusion of non-financial benefits in investment policy and practice. Investment professionals should consider these benefits when advising clients on investment decisions, and investors should be informed about the potential non-financial benefits of their investments. In doing so, investors can make informed decisions that align with their values and contribute to their overall well-being.

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