Thinking about the problem of institutional investors "social responsibility"

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Abstract. Corporate social responsibility is the current academic discussion enterprise on the development of the society and contribute to assume the responsibility of the main hot issues. The internal governance structure in the enterprise, as an important subject of institutional investors in corporate governance structure of enterprises, the interests of shareholders, especially the interests of minority shareholders protection plays a key role in. Of course, realizes the shareholder interests are subordinate to the interests of enterprises, corporate social responsibility also affects the maintenance of the interests of the firm. Then, the institutional investors to supervise and urge the implementation of corporate social responsibility, but also to better realize the self interests and the interests of small shareholder.

The intrinsic meaning of responsibility and social responsibility

Generally, the responsibility which we understand including duty and obligation. In other words, it is something we should do. Such as job responsibilities obligations assigned tasks and committed obligation. Responsibility must match the relevant ability. The main body of responsibility is able to undertake or finish a job, finally the responsibility can be fulfilled. For companies, generalized responsibility means the social responsibility of companies. At home it means the responsibility of enterprise internal. Such as realizing the benefit of the input and output of responsibility, meet the demand of investors and meet the interests of employees. etc. Foreign it refers to meet the market demand, ensuring product’s quality and safety, in harmony with surroundings. etc. In the modern market economy environment, the goal of corporate social responsibility is through coordinating with various stakeholders ,promoting the harmonious and sustainable development of enterprise itself and the society as a whole, which has positive implications.

In recent years, Chinese and foreign scholars have more and more research on "the corporate social responsibility", and continuously put forward understanding of the social responsibility. Summed up in a few notable features:

1).With interests as a link chain, both internal and external coordination. Interests chain is the basic for the implementation of corporate social responsibility and obligation, the chain of interests determines the forms of corporate social responsibility, the degree, size, etc. British scholar Ollie Shelton in 《The Philosophy of Management》 proposed that corporate social responsibility

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is relevant with the responsibility of meeting various inside and outside needs of industry, both inside and outside the corporate responsibility. Griffin (1999) points out that corporate social responsibility is not only to maintain enterprise internal needs, also in order to maintain the social needs of their own existence. Lu Dai Fu (2001) considered that the first corporate social responsibility is to maximize profits for shareholders, on the basis, which accompanied by public welfare obligations. QuXiao Hua (2003) is given priority with stakeholders, employees, business partners, customers, community and country series, forming a chain of interests on the social responsibility. Chen Guangrong (1996) put the interests chain of the social responsibility objects into products, marketing activities, employees, the environment, social responsibility charity, etc. Zhou Zucheng (2005) directly put forward to stakeholders as the object, enterprise should assume the social responsibility of economic, legal, moral. Social guidance of listed companies in our country advocate a harmonious society as the theme, on the corporate social responsibility which should be comprehensive, systematic, not only to achieve the company's economic interests, but also to maximize the benefits of the various interest groups.

2). "Corporate social responsibility" is based on enterprise economic responsibility, gradually improving enterprise's ethical responsibility to the society. At present, enterprises pay more attention to the maintenance of the living environment, market is the foundation of enterprise development and dependency conditions. Corporate social responsibility extends from the internal to external companies, the implementation of internal responsibility to fulfill in good faith to the impact of enterprise external responsibility. Enterprise perform economic responsibility of shareholders and employees, thus contributing to the shareholders and employees assume ethical and moral responsibility for their products, and ultimately assume ethical and moral responsibility to the community, when Shelton first proposed corporate social responsibility, we believe that corporate social responsibility has a moral factor into account. Carroll (1979) considered that corporate social responsibility lies in two aspects, the bottom is the economic responsibility and the top is corporate ethical responsibility and philanthropic responsibility. Liu Junhai (1999) proposed that corporate social responsibility refers to businesses not just to maximize profit or to make money for shareholders as their sole purpose of existence, but rather to maximize the benefit of the interests of society except shareholders.

3). The ability of corporate social responsibility. When enterprise perform corporate social responsibility and duty to the society, they must have the ability to realize the responsibility. When we research and discuss on the social responsibility of the enterprise, the position and angle where we are the inevitable factors influence our views focus. Elkington (1997) believes that corporate behaviors should meet the economic bottle line, the bottle line of social and environmental bottle line. Harold Koontz and Heinz Wrick (1998) proposed that the enterprise must consider influence company's every act and every move of the society, which premise is the enterprise must have the ability of exercising its function, to assume more social responsibility. Drunker in "the social responsibility limits", pointed out that the first social responsibility of business is to get primary achievements in the economy, corporate's basic social responsibility is to have good business, which is the premise condition to fulfill other social responsibility. Corporate social responsibility is limited. Wang Liping, Huang Jiangming (1994) pointed out that "the basic functions and responsibilities of enterprises to provide goods and services and get profit through production and business activities to the community". Thus to be able to assume the responsibilities and obligations for improving the social environment, protecting and promoting social welfare.

Related content overview of institutional investors' social responsibility

2.1 Inner reflect of institutional investors' social responsibility

The extraordinary development of institutional investors, which makes institutional investors in China gradually become the important investors in capital markets. Institutional investors have formed mainly on securities investment funds, combining with insurance funds, social security funds and QFII form the diversification development pattern. Combined with the definition of institutional investors and corporate governance institutions, social responsibility reflects institutional investors as follows:
1). Institutional investors are an important subject of assuming corporate social responsibility. Separation of ownership and management of capital, which makes shareholders and managers formed a principal-agent relationship. In order to supervise and restrain company, company’s management, shareholders and creditors should consistent with business objectives and maximize shareholder value, thus forming the corporate governance system. Corporate social responsibility aims to achieve the stability and development of enterprises rely on society by production and business activities, meeting the needs of enterprise internal and external stakeholders’ interests. The realization of the responsibility is relevant to the main body of corporate governance constitute, including shareholders, creditors and management. Institutional investors are an important subject in the corporate governance structure, that represent the interests of various social trust funds the main body, fulfilling one of the main business activities and supervision of the company to achieve the interests of shareholders. Assuming the corporate social responsibility is also an important foundation for promoting the survival and development of enterprises, providing favorable protection for enterprises to achieve interests of shareholders and creditors. If corporate management against the social responsibility will inevitably affect the realization of corporate interests, and harm the interests of the relevant interest groups.

2). Institutional investors’ social responsibility focus on the subject of the funding agency’s social responsibility, however, in the community and environment maintenance aspects of the social responsibility is relatively obvious. Institutional investors through a combination of funds and portfolio participate in the management and supervision of business activities, its fundamental purpose is to get the maximum return on investment. While this return on investment is consistent with the basic management goal of enterprise. Shareholder’s interests obey enterprise’s interests, so when shareholder perform corporate social responsibility, also achieve the purpose of shareholder fiduciary duty to perform. He Limei’s(2012) study shows that institutional investors focus on corporate social responsibility information, enterprise pay more attention to the lack of responsibility to customers, suppliers and clients, the next is lack of responsibilities on environmental and sustainable development when they make investment decisions.

3). Institutional investors realize the social responsibility is the same to corporate. Nature of the firm is to achieve the main interests of various stakeholders contract, corporate social responsibility is to fulfill the existence of corporate social obligations and responsibilities. Corporate social responsibility is also provided for business development and harmonious social environment, establishing a corporate image and winning the public recognition. Therefore, the related interest subjects include enterprise institutional investors must also needs to achieve business goals as a precondition, only the long-term development of the enterprise can guarantee institutional investors obtain the long-term investment returns. Institutional investors will also actively supervise management efforts to achieve social responsibility, thus improve enterprise comprehensive social benefits, ultimately realize the maximization of shareholders’ interests and maximize the entrusted responsibility represented by institutional investors.

2.2 The internal motivation for institutional investors assume the social responsibility

In recent years, academic did more research on active shareholders of institutional investors, especially institutional investors participate in corporate governance, improving corporate governance structure, most of the literature support institutional investors hold on corporate performance, earnings management, information disclosure, capital market stability and protect the interests of minority shareholders have a positive effect. Which reflect the institutional investors to fulfill the social responsibility to some extent. Investigate its internal driving force can be understood from three aspects.

1). Institutional investors demand inherent benefits

Institutional investors who entrusted to operate in all types of funds entrusted are funding operations conducted corporate bodies, which exist in access to fiduciary income. Therefore, institutional investors have tended to gain momentum this trustee. So, the specific performance of involvement in the investment management business. And this level of participation depends on the participation of institutional investors on a comprehensive measure of costs and benefits. Cost of institutional investors participate in business management pay is the cost by institutional investors
in the process of business management and supervision fees paid, including opportunity costs, monitoring costs and operational costs. Corresponding revenue is due to participate in and the supervision of institutional investors and corporate management working hard, enhancing the value of the enterprise market, the company's stock market value increases, reducing agency costs, thus the market value of shares held by institutional investors is also corresponding increase to obtain return on investment. Meanwhile, the ongoing supervision, the company continued to grow the value of the stock market, long-term profits institutional investors gain is greater than the beginning of input costs. Meanwhile, institutional investors investment number of holdings relative to larger enterprises minority shareholders, must also prompted institutional investors to actively participate in the supervision of corporate social responsibility.

2). Institutional investors have the social responsibility innate ability.

Corporate social responsibility performance or the performance level of the enterprise is dependent on the ability to take responsibility, then it is the behavior to fulfill the specific obligations. Institutional investors as corporate bodies entrusted with operating funds, from institutional investors produce to develop, its business model is basically a large-scale operation. the difference about institutional investors participate in and supervision the business with other shareholders lies in the institutional investors focus on a large number of natural human beings capital ,have greater financial and shareholding , have fully capable of participating in the management of funds on behalf of individuals in society, and institutional investors have professional. Institutional investors itself specialize in capital operation, with the appropriate professional groups, has inherent advantages in terms of information gathering, processing. With the increase holding the share of institutional investors (a market capitalization of listed shares held by the proportion of the various agencies of 4.56 percent from 2002 to 2008, rising 54.62%), institutional investors, corporate management's oversight capacity more powerful, more obvious motive in supervision. Institutional investors in corporate governance because of concentrated ownership to have some right to speak can play a role in restricting the listed company's financial decisions. In contrast, institutional investors invested have more rational than the average individual investor. Moreover, institutional investors in corporate management oversight, the controlling shareholder of damage to the interests of small shareholders have certain equity balance capacity, reducing agency costs, and protect their own interests and the interests of minority shareholders. "Corporate Governance Guidelines" issued by the Securities will also against Article 11 expressly provided institutional investors, institutional investors should be elected in the appointment of company directors, management incentive and supervision, major decision-making , creating the institutional environment for institutional investors participate in corporate governance and perform obligations.

3). Differences assume by institutional investors’ social responsibility

Of course, different institutional investors in the social responsibility in the role and the role is different, which is associated with institutional investors within the different in terms of structure, size and nature. Foreign pension funds, insurance funds, mutual funds, each about 1/3, where the largest share of pension funds, pension oversight role to play in the management of the company's largest. While in China, mainly due to large-scale investment in securities funds, which is limited about social security funds and insurance funds in the securities market share, and its social responsibility is relatively weak. Meanwhile due to the different sources of funding and the nature of different types of institutional investors, they differ on the investment management attitudes and behavior. Shareholders are based on the characteristics of institutional investors, and their social responsibility’s concept, the degree of assume and bear methods are quite different. Professor Coffee (1991) for this difference of institutional investors proposed three criteria, namely "conflict of interest", "float standards", "long-term holdings standard" criteria , for the classification due to this measure, so different agencies investors have different attitudes to social responsibility[14]. Specific to different types, such as securities investment funds and securities companies, securities investment funds tend to long-term holdings, then it is this effective oversight and fulfill social responsibility initiative, securities companies is different, more inclined to short-term behavior. Insurance fund itself to pursue long-term stable income, associating with
investments business interests, with enthusiasm and initiative on the commitment and oversight of social responsibility. It is based on this difference, in the social responsibility of institutional investors, or the supervision of the social responsibility of enterprises invested, there is a phenomenon contrary to social responsibility. Such as short-sighted behavior of institutional investors, herd behavior, disposition effect and illegal behavior seriously affect the stability of the stock market order[15].

The restricting factors of institutional investors’ social responsibility

Although institutional investors have the motivation and ability of social responsibility, yet it still exists the restrict of assume the social responsibility. This constraint mainly comes from institutional investors own inherent flaws and development environment on which it depends.

1).The problem of institutional investors’ double agent

The problem of institutional investors’ double agent, on the one hand, it refers to the trust agency relationship between institutional investors and eventually investors, this is the result of the separation of ownership and management in trust funds. On the other hand, institutional investors in information processing and investment decisions, hiring a professional fund managers to achieve the purpose of the management agent funds. In the case of asymmetric information, institutional investors often pursue investment decisions to maximize their own utility, the principal investment objective of maximizing deviation, even use the shareholders’ position of shareholders agent, conspiring with investments in listed companies, damaging the interests of minority shareholders and stakeholders. In fact, lots of uncertain factors effect investors’ benefits, institutional investors operating earnings and market policy benefits is difficult to define, so people can not measure social investment effort institutional investors. Therefore, Institutional investors also can occur the moral risk of opportunistic behavior, pursuing the company-paid consumption and for other personal gain. etc." Institutional speculators" is often guide of interests, there has more serious" short-sighted" and "herd behavior", participating in securities speculation and price manipulation, disrupting securities markets. In the development of process, institutional investors in China are still have some problems in internal governance mechanism, lacking of internal controls, achieving self-profits by occupy investor interests, lacking of momentum in long-term return on investment .Meanwhile, in the internal institutional investors, fund managers also don’t act with the interests of the beneficiaries, taking an opportunistic behavior which impacts the eventually investors. Such as market manipulation, insider trading and self-dealing, etc.

2).Policy environment restriction, institutional investors perform "the social responsibility" is limited

For a long time, China's equity is the single-large shareholder, the power of institutional investors and the controlling shareholder is equal. At present, China’s institutional investors is limited in the development of the size, type, capital, industries, etc, the relevant state law has not give legal protection for the development of institutional investors. In the market environment of ownership concentration, institutional investors are develop slow. For example, the investment scope of securities investment funds is limited, only investment publicly traded shares, bonds and other varieties of securities prescribed by the securities regulatory authority under the state council and on the proportion of no more than20%; Insurance Institutional Investors hold a public company's stock also can not more than the 30% of the common stock of listed companies. These policies tendency is harmful to the development of China’s institutional investors , restricting the obligation ability of institutional investors. Based on the problem of property rights, institutional investors are suffered from different degree of administrative intervention. Especially the Chinese institutional investors, while government intervenes business, and directly have a serious impact on supervision functions of institutional investors .Most listed companies do not dividends for a long time, the major shareholders tunneling occupy company’s free cash flow, which reduce regulatory confidence and trust of institutional investors.

3).The objective existence of institutional investors heterogeneity characteristics influences" assumed responsibility" holistic effect

Institutional investors are including securities investment companies, pension funds, pension
funds, insurance funds and other institutional investors. Therefore, different institutional investors and the supervision of listed companies exist in varies degrees of business relationship directly impact on the integrity of institutional investors assumed responsibility. In this regard, many studies were done at home and abroad, they are clearly put forward due to institutional investors and companies exist this business relationship, when they fulfill the responsibility certain to protect those interests, while making reservations for the decisions of company's management. And they will keep silence when listed companies encroach on the interests of small and medium shareholders. Moshe Pinto (2006) pointed out that with the investment of the company has business relations with institutional investors such as commercial Banks, insurance companies and pension in the supervision of the listed company is lack of power, while with political tasks of public pensions contact less with company’s interests, then the effectiveness of their supervision have greater performance.

The thinking of institutional investors effective perform" the social responsibility"

1). Raising awareness, strengthening the social responsibility consciousness of institutional investors
   With the development of institutional investors, institutional investors have played an important role in the stock market. Such as the market stability and capital flow to guide, etc. Institutional investors participate in managing a company more actively and the ability of protecting minority shareholders' interests has been reinforced. Institutional investors participate in managing a company with large shareholders by collecting the voting rights. The convertible bonds disturbance of China Merchants Bank, the fund jointly resists "ZTE" issue H shares, the motion of Chongqing Department Store additional issue was rejected and the share reform process because of institutional investors’ resist or interfere, all kinds of consideration schemes have been modified or veto, etc., which are clearly reflected the effectiveness of institutional investors perform" the social responsibility". Therefore, anew know and give institutional investors more responsibility, strengthening the sense of responsibility of institutional investors further more, especially competing the constraints and incentive mechanism of institutional investors, reducing agent’s moral hazard, enhancing their responsibility mission. Meanwhile creating a good space for development, promoting institutional investors play the full role in the supervision company management, achieving the maximization profit of shareholders.

2). Attention and optimization the development environment of institutional investors, strengthen a protection system of institutional investors
   Enhancing the social responsibility ability of institutional investors, it’s inevitably require institutional investors to protect their rights and interests, institutional investors also need the legal basis to fulfill the social responsibility of the rights and obligations. Therefore, China's relevant departments should combine with the development of institutional investors, conducting a systematic and targeted legal system construction, giving institutional investors’ rights explicitly as soon as possible, stipulating the responsibilities and obligations of institutional investors, increasing the implementation of laws and regulations, creating a favorable legal environment and market environment for institutional investors. They also should strengthen the construction of institutional investors own ability, making a specification and supervision. Meanwhile, strengthening the legal responsibility of institutional investors participate in corporate governance, reducing the cost of institutional investors participate in corporate governance, inspiring the enthusiasm of institutional investors assume responsibility.

3). Enhancing the social responsibility ability of institutional investors
   Social responsibility fulfillment of institutional investors, not only contact with the peripheral environment of institutional investors, but also closely relate to their own development. The external environment can cultivate institutional investors’ ability, providing a strong support for institutional investors enhance their own capabilities. Specifically including a complete legal environment, policy support environment, stable capital markets. The promotion of institutional investors’ ability comes from their internal optimization and innovation development. With the growth of the size and financial strength, and based on professional operation, the means and ways that institutional investors participate in investment and governance management are more perfect.
Such as increasing voting rights, strengthening the independence of the independent directors, improving the supervisory ability of the board, as well as through social announcements, collecting small shareholders suggestions, negotiating privately and other ways to win shareholders’ support, and enhance the company's management responsibility. Meanwhile institutional investors give full play to the advantages of information and professional, providing a strong basis for the major strategic decisions of listed companies, winning the company’s recognition shareholders’ trust, and thus open channels for institutional investors carry out the social responsibility.

4).Guidance with the shareholders' trait theory, giving full play to different institutional investors’ social responsibility

Different institutional investors have different roles and functions in the social responsibility. So, when institutional investors play the social responsibility, we should fully consider and distinguish the types of institutional investors, analyzing the motivation and willingness of different institutional investors participate in corporate governance, and further optimize the structure of institutional investors, so that make institutional investors' social responsibility maximization. For example, improving the social security funds and insurance funds share in the securities market, enhancing their ability to participate in corporate governance, more urging management to perform their social responsibility, so as to stabilize the capital market and protect the interests of small and medium shareholders.

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