

The Resilience of the Socially Responsible Investment Networks

Roy Cerqueti*, Rocco Ciciretti†, Ambrogio Dalò‡, Marco Nicolosi§

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Abstract

A network model is introduced and developed to compare portfolios of funds which are high ranked in Environmental Social and Governance (ESG) aspects with those with a poor ESG compliance. The nodes in the network represent funds and the edges are weighted on the basis of the capitalization due to the common components of the connected nodes. We specifically deal with the reactions of the considered financial networks to exogenous shocks of negative financial nature. To this aim, we provide a novel definition of the resilience of a financial network in terms of stability of its community structure. We test the theoretical proposal on different networks characterized by different ESG scores. We find that the high ranked funds networks are more resilient than the corresponding networks of low ranked funds.

Keywords: Socially Responsible Investments; ESG criteria; Investment Funds; Financial networks; Resilience.

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*Corresponding author. Sapienza University of Rome, Italy and London South Bank University, United Kingdom. E-mail: roy.cerqueti@uniroma1.it

†Tor Vergata University of Rome, CEIS and RCEA-Rimini, Italy. E-mail: rocco.ciciretti@uniroma2.it

‡University of Groningen, The Netherlands. E-mail: a.dalo@rug.nl

§University of Perugia, Italy. E-mail: marco.nicolosi@unipg.it