A Review of the Progress and Future Prospects of Impact Investment

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Impact investments are an amalgamation of both Philanthropy and traditional investments. The intention behind these is to gain some financial return with an additional measurable, positive environmental and social impact on society. The returns from these investments can be equal to or below the market rate in both developed and emerging countries. In this paper, we present an exploratory study on different dimensions of Impact Investment and its prospects in future. Subtle differences between ESG, Socially Responsible Investment and Impact Investment are also explained in this paper. Main players in Impact Investment ecosystem are Foundations, Banks and financial institutions, Retail investors, non-governmental organizations and Institutional Investors. In the last few years, there is a tremendous growth in this investment segment which provides easy capital to alleviate major societal challenges related to microfinance, affordable healthcare & education, green energy, waste treatment and sustainable living. The journey so far is encouraging, but we still have a long way to go. Mass awareness needed to be created, and significant academic research must be done for ample development in the field of Impact Investment.

Keywords: Impact Investment, Socially Responsible Investment, Impact investment Ecosystem, Blended Return

1. Introduction

The United Nations developed seventeen SDGs (Sustainable Development Goals) in 2015 with a target to achieve all within the next 15 years (2030). All seventeen non-binding or aspirational interconnected goals were accepted by the 196 UN Member States (Figure 1) to achieve the 5Ps of sustainable development like Plant, people, prosperity, peace and partnership (UN, 2002). Figure 2, developed by NN investment partners, shows the kind and extent of investment opportunities for individual SDGs which can be explored using the publicly listed financial instruments like bonds and equities. The two main reasons behind investing in these SDGs are: getting great financial value for shareholders and returning to society. The investors decide on their investable SDGs based on their strategic goals. Availability and attractiveness of investment opportunities are also factors for growth in this segment as we know that the opportunities offered vary for each of these sustainable goals. Preferred Goals are those which mainly have potential for real transformation in society and visible impact can be achieved by corporates. For example, many startups and major firms invested in R&D to invent solutions for health issues, reduce carbon footprints through new age manufacturing process and educate mass on need for renewable energy and addressing imperatives of climate changes (Schramade W., 2017).

Source: United Nations

Figure 1 *(17 SDGs by UN)*

SDG	Brief description	Estimated amount of investment opportunities			Comment on investment opportunities
		High	Medium	Low	
1	No poverty			•	Very few pure plays
2	Zero hunger			•	Very few pure plays
3	Good health & well-being	•			Many in the healthcare, staples and materials sectors
4	Quality education			•	Very few pure plays
5	Gender equality		•		Very company specific rather than industry specific
6	Clean water and sanitation		•		Some pure plays
7	Affordable and clean energy	•			Many producers of renewable energy or its equipment; lots of providers of energy efficiency
8	Decent work and economic growth	•			This applies to almost any viable business
9	Industry, innovation and infrastructure	•			Many innovative companies and quite a few infrastructure builders
10	Reduced inequalities		•		Very company-specific rather than industry-specific
11	Sustainable cities and communities		•		Very company-specific rather than industry-specific
12	Responsible consumption and production	•			Much of the universe meets this criterion, as most companies could make their products sustainable. Doing this is still a considerable challenge
13	Climate action			•	Few – formulated at government level
14	Life below water			•	Some opportunities in for example fish farming, marine or sledging
15	Life on land			•	Very few, mainly formulated as a government goal
16	Peace, justice and strong institutions		•		Not that many and not easily identified. Think of financials that complement social systems
17	Partnerships for the goals		•		Not that many and purely company-specific

Source: NN IP assessment of companies and industries

Figure 2 (Investment Opportunity Set of 17 Goals)

Ex-UN Secretary-General Ban Ki-moon made this significant mention at the 2016 Climate Action Summit: *"Together we can build a world we want, a world we're proud to leave our children and grandchildren. There can be no Plan B, because there is no Planet B. The longer we delay, the more we will pay."*

In December 2015, The Paris Agreement was signed at the Paris climate conference (COP 21), which is universally accepted as the first formal step taken towards fighting against global climate change. The objectives of this Paris agreement were corroborated by almost 190 member countries which shared comprehensive country specific plans to restrict climate change through nationally determined contributions (NDCs). This agreement also gave emphasis on additional action plans since it seemed a herculean task to achieve those temperature objectives through the set targets (European Commission, 2016).

Both the SDGs and the Paris Agreement emphasize the need to address depressing environmental and social challenges like climate change, hunger, poverty, environmental issues, and social injustice. We witnessed the need for social innovators, disruptors working to benefit society as a whole, emerge during the recent Covid-19 outbreak as conventional actors and the market failed to respond effectively. This is especially true because individuals who are already marginalized, at risk, or working in the unofficial sector will feel the effects most acutely in terms of health and economics (Bonnici & Raja, 2020). As per the global outlook report released by OECD in November 2020, developing nations need an additional USD 2.5 trillion financing every year to achieve their respective Goals within the target dates. This shortfall is on top of the anticipated US$1.7 trillion shortfall for 2020. Meanwhile, 90 of 122 developing nations experienced a recession as a direct result of the virus's impact on Manufacturing, Tourism and Commodities industries, which are crucial to the country's economy. Additional Pressure also built up on development aid flows from developed to underdeveloped economies as a result of the pandemic.

The European Central Bank described how the risks and financial stability conditions in Euro zone are aggravated with skyrocketed inflation and subdued growth due to higher energy and commodity prices from the ongoing Russia-Ukraine war (European Central Bank Report, May 2022). So, achieving the SDG target by 2030 must have been pushed a little ahead though the investment gap for all countries is not yet estimated or published.

The resources provided by the government and charities are not adequate to fulfill the challenges pertaining to sectors like healthcare, environment, unemployment, housing, and education; thus, the financial resources provided by the capital markets need to be focused on these issues. Impact investing has the potential to serve as a catalyst and channel the necessary cash to innovative social entrepreneurs that are working to create solutions based on market demand to the myriad issues that exist while meeting the Sustainable Development Goal targets by the year 2030 (Martin, 2013). In this study, we investigate a new paradigm in the world of finance known as impact investment.

The Climate Change Conference by United Nations COP27 held in Egypt made a historic announcement to create a "loss and damage" adaptation fund for countries impacted severely by Climate change and its operational details were part of the agenda in COP28 held in Dubai last year (United Nations, 2022). There are many focused sectors in Impact investment strategy than just Climate change. By definition, Impact investments are investments with the goal of achieving "blended value," which combines financial, social, and environmental benefits (Emerson, 2003). Investments of this kind are made in social businesses, which can be based on only profit, only purpose or a combination of both profit and purpose. Business opportunities like these provide market-based answers to social and environmental problems that investors care about (Johnson et al., 2018). The demand side players of this ecosystem not only generate but also measure environmental or social benefits on purpose; these values are not accidental byproducts of their operations (Nicholls & Daggers, 2016). To put it another way, predicted impact

returns are outlined in advance and evaluated retrospectively (Calderini et al., 2018). Impact investments are those that involve the provision of principal in exchange for the possibility of profit. These investments might take the form of equity, debt, or a combination of the two. Impact investing is distinct from philanthropy or government funding since it aims for a financial return, and it is distinct from regular investments in that it seeks a good social or environmental impact (Nicholls, 2010).

Practitioner research on impact investing, spearheaded by organizations like the Global Impact Investment Network, is, according to Daggers and Nicholls (2016), much ahead in the race of research by academicians. As defined by GIIN, investment is a "movement" because it represents a shift in how people view money and how it is used, with positive impact increasingly factored in while taking decisions on investments by both businesses and individuals. The constructive effect on the environment is unarguably a significant factor for individuals to consider when making economic decisions, conducting business, and evaluating investment opportunities. They define impact investing as an industry made up of financiers, auxiliary organizations, and field builders who work to expand the market through the creation of innovative financial assets, impact metrics, and management techniques. Additionally, they believe that socially responsible investing includes a subgroup known as "Impact Investing."

Maximizing the wealth of shareholders has been called into question for quite some time as the primary goal of businesses, and this goal has been largely replaced with the goal of maximizing the value of stakeholders over the long term. Companies and investors are responsible not only to the company's shareholders but also to a wide variety of other stakeholders, including the company's clients, employees, suppliers, community, and the environment (Harrison & Freeman, 1999; Friedman & Miles, 2002; Asher et al., 2005). In the immediate and long term, investments affect people and the environment, and the investors who make those investments are a part of those outcomes. Businesses and investors bear the greatest burden of responsibility when it comes to this societal issue, since they must decide where best to allocate their resources in order to achieve the greatest impact in an efficient way (Principles of Responsible Investment Annual Report, 2018). The Global Impact Investing Network has always been at the forefront of expanding the field of impact investing and maintains that there must be a fundamental shift in how money is used and the responsibilities of investors (Bouri et al., 2018). This shift in perspective and function for finance will allow for the flow of capital to organizations with sort of impact, thereby facilitating their ability to grow and thrive sustainably (Martin, 2013). In this regard, businesses will make it a priority to ensure that they have a positive impact in areas other than the financial returns they generate.

Differences among related Investment processes like ESG, Socially Responsible Investment and Impact Investment are presented in brief in the next section. Section three explains a few of the key innovations in the Impact Investment Arena. Section four reviews the extant ecosystem of Impact Investment with a brief on various players. Section five introduces key scopes for development in the future of Impact Investment followed by implications and conclusion in Section six.

2. Differences between ESG, Socially Responsible Investment and Impact Investment

In addition to financial gains, many investors are looking for companies to demonstrate responsible behavior. Although the phrases Impact Investing, socially responsible investing (SRI) and environmental, social, and governance (ESG) are commonly inferred as the same, there are significant variations among all these strategies. Financial metrics are just one part of ESG analysis; the other is the company's environmental, social, and governance activities. Those who practice socially responsible investing (SRI) select or avoid investments based on their alignment with a set of ethical principles. The motif for SRI could be anything ranging from political beliefs, personal values to religions. In contrast to ESG analysis, which is mainly used for valuations, ESG factors are used to filter various investment opportunities through positive or negative screens in SRI.

Impact investing tries to assist a company or organization in generating a social benefit in exchange for a blended return. Examples of two well-known Impact investments are mentioned below:

2.1 The Bill and Melinda Gates Foundation

This foundation has a total endowment of approx. US$ 50 Bn. While it is mainly known for charitable support (US$ 7.74 Bn through 2051 grants till Dec 2023), It has US$ 2.5 Bn worth AUM under a strategic Fund. Firms and development initiatives that help the world's underprivileged but aren't given much attention by conventional financial institutions are ones those are supported by this strategic fund (Gates Foundation Report, 2023).

2.2 The Ford Foundation

In 2017, The Ford Foundation announced their intention to contribute up to one billion dollars to mission-related investing (MRI) over the course of the next ten years. The intention behind MRI investments is to make positive impacts on society or in other words, furthering the foundation's charitable purpose in some other way. Among these investments are loans, equity investments, real estate holdings, investments in VC, PE or any other types of funds. MRIs had a fair value of $15.5 million as of the 31st of December 2017, according to an estimate. (Ford foundation report, 2017).

3. Key Innovations in Impact Investing

Release of Green Bonds and Social Impact Bonds are two key innovations in the field of Impact Investment. The World Bank and the European Investment Bank (EIB) both issued AAA-rated green bonds in 2007, marking the beginning of the green bond market. Substantial growth of issuance of green bonds started in 2014 and this niche market size crossed USD 1 Trillion hurdle in December 2020 with an average annual growth rate of c. 95% (Climatebonds.net, 2021). The purpose of green bonds is to

generate funds for projects with a positive climate and environmental benefits. Some of the eligible projects in this category are energy efficiency, clean transportation, pollution prevention, waste management, green buildings etc. But Green bond is a set of principles or processes than a product. The goal of the Green Bond Principles (GBP) is to aid bond issuers in funding green, sustainable initiatives that contribute to a low- or zero-emissions economy (icmagroup.org, 2022). The Green Bond Principles (GBP) support a transparent process and transparency for issuers to aid investors, banks, underwriters, arrangers, placement agents, and others in understanding the specifics of each given Green Bond.

Social Impact bonds (SIB) are the other key innovation in this segment of Investment. In the year 2010, the world saw the issuance of the first social impact bond by Peterborough Prison in the United Kingdom (Investopedia, 2022). Governments or commissioners enter into agreements with social service providers like social enterprises or non-profit organizations and investors to pay for the delivery of pre-defined social outcomes using a novel form of financing called social impact bonds (SIBs) (Social Finance, 2011; OECD, 2015). Because SIB's return on investment (ROI) and principal payments are both contingent on the accomplishment of predetermined social outcomes, it cannot be compared to a more conventional bond. If the goals aren't met, investors won't get their money back or have it repaid. It is estimated that the current market size of social impact bonds is smaller than the market size for Green Bonds. Standard operating procedure for a SIB entails the following four stages: First, Investors contribute initial funds to fund services and share the associated risk of performance; second, A service provider offers various types of assistance to clients that have specialized requirements; third, Program participants' outcomes are evaluated and compared to benchmark levels.; and finally, the government makes payments based on the achieved outcomes. The Peterborough Social Impact Bond was deemed a success by the Ministry of Justice in 2017. There was a 9% decrease in recidivism among those with short sentences, which was higher than the 7.5% goal set for the bond. A 3% annual return was thereby realized by the investors.

4. Impact Investment Ecosystem

Though it's growing quickly, the Impact Investment sector is still somewhat disorganized right now. The results of experiments are not yet applicable as scalable models. It may be helpful for market participants to learn from each other's past mistakes and successes.

Multi-stakeholder collaboration in building the Impact investment market, tools, and practices is essential for the sector's growth. Investors, investees, middlemen, and policymakers are all considered stakeholders, each with their own set of interests and priorities. To expand and maintain this ecosystem, it is crucial to foster a climate of trust and openness.

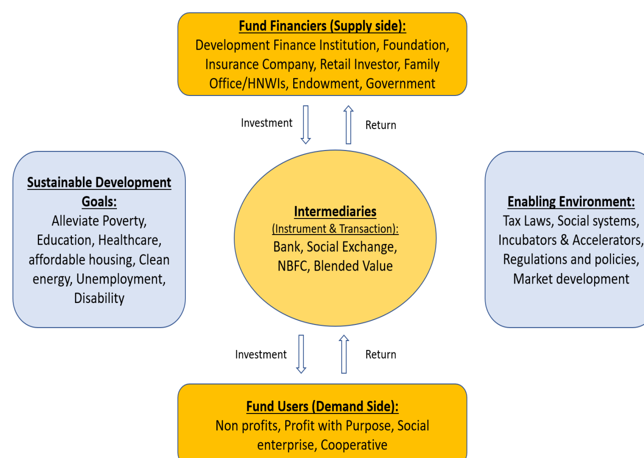

Figure 3 *Ecosystem of Impact Investment*

In Supply side**,** Various types of investors, including endowments, wealthy individuals and families, philanthropists, banks, and other financial institutions, are demonstrating an interest in providing funding for this industry. Family offices and ultra-wealthy individuals, who have more freedom and control than banks and other institutions, have been the most active social investors to date (WEF, 2013). An increasing area of interest for angel investors is social impact investment (OECD, 2011), and Angel groups in this topic have attracted the investments of some very wealthy people. The growth of the social investment sector has been greatly aided by the work of foundations (Koh et al., 2012). Foundations can take on more risk and offer long-term, 'patient,' finance since they are not subject to the whims of the government or the market. Besides private investors, the likes of pension funds, insurance corporations, and other institutions have begun participating in this market (Wood et al, 2012). Due to their fiduciary responsibilities, however, these large institutions give preference to financing with minimum market rate of return (WEF, 2013). Meanwhile, banks, investment firms and private equity firms are examples of other types of private businesses that are looking into how they might best help enterprises in different social sectors expand by investing in them. The government sector, through both federal and municipal entities, has also contributed significantly.

The demand side mainly includes social ventures, cooperatives, Nonprofit and profit with purpose themed institutions. Investment capital is vital, but social investors can also aid with strategy, management, and expansion for social enterprises

(Bannick and Goldman, 2012). The key to maximizing effect is supporting social entrepreneurs as they take their businesses to scale (Koh et al., 2012). Long-term blended performance of the enterprises, which operationalize these investments are crucial to the success of social investment (Bannick and Goldman, 2012).

When it comes to building the social investing ecosystem, intermediaries are crucial**.** They facilitate communication between financiers, beneficiaries, and other market participants in the social investment space, and they propose novel approaches to enhancing the market's efficacy. Market liquidity is created, and payment mechanisms are made possible, both of which can have a positive effect on costs and risks (WEF, 2013). Dealers, brokers, investment banks, independent financial consultants, Commercial Banks and exchanges are all examples of intermediaries. Social investment fund manager Big Society Capital (BSC) operates on a wholesale basis in the United Kingdom. To attract more capital to the sector, the public, stakeholders, and other investors, BSC makes investments in intermediaries. In addition to developing rules and guidelines for investors and social entrepreneurs, several studies on the Impact investment market have been commissioned by BSC (Addis et al, 2013). In most countries, however, intermediaries are either nonexistent or underrepresented. High operating costs make it challenging to fund intermediaries and advisors. The majority of people rely heavily on donations as their primary source of current income. Others may demand a cut of the stock or transaction fees. While initial market development can benefit from the involvement of policymakers, foundations, and others, it is ultimately their responsibility to find ways in which the market's intermediaries can thrive on their own.

Enabling The growth of the social impact investment market in a nation is influenced by a variety of factors, including the framework conditions, the regulatory environment, the tax legislation, and, in particular, the ways in which social and financial systems are formed. The general framework circumstances in a country can have a considerable impact on the growth of financial markets in general, as well as the development of the impact investment market in particular. There are a number of legal and regulatory challenges that have an effect on institutional investors, some of which are Basel III and Solvency II (both pertaining to insurance companies) (banks). For social firms and investors, legal frameworks can be a challenge because preexisting structures may limit investments or flexibility in some jurisdictions. This can be a problem for both types of structures (Focused on Profit or purpose).

There is a diverse selection of impact investment Instruments available on the market today, each of which has a unique financial and social return profile. There is a pressing need for a deeper comprehension of the myriads of social investment tools currently at one's disposal, including when and how each may be put into action. In addition, further information regarding the financial and social performance of the various instruments would be helpful in order to assist investors in more accurately assessing the effect, risk, and return of their investments (Jackson & Associates, 2012). Similar to traditional forms of financing, social investment vehicles might take the form of grants, loans, guarantees, quasi-equity, bonds, or equity. However, more products, specifically crafted financial instruments, are required to match the diverse risk profiles and stages of development presented by social enterprises. This is a necessary step. At this time, there is a lack of a capital aggregation ladder that is common to other asset classes. This ladder is the capital that is required for social businesses in order for them to grow and scale their business models.

5. Scope for development in future of Impact Investment

Awareness and motivation for investment in the impact sectors have been growing over the years. The rising need for effective methods of addressing social and environmental issues has resulted in a diversification of funding sources dedicated to these causes (Freireich and Fulton, 2009). Unfortunately, there are still a lot of unknown and ample challenges to be sorted out for significant increase in the market size of Impact investment. Few key areas of improvement through focus on different actors of the Impact Investment ecosystem are mentioned in this section.

5.1 Include more Varieties of Financial Instruments

There is a pressing need for additional funds, both usual investment funds and multimanager investments, that can pool risks and appeal to general investors (WEF, 2013). Also, the introduction of additional forward-thinking innovative products, such as Development and Social Impact Bonds (SIBs), will stimulate a reappraisal of the current models to solve and finance social concerns.

Grants and technical assistance like catalytic capital play a major role in developing this market. As a result of the fact that social companies can be found in a wide variety of industries and locations, we require the development of extra financial products in order to cater to their requirements.

5.2 Appropriate Definition and Boundary of Impact Investment

Successful Investments have a clear sense of purpose and identity to differentiate themselves from other competitors in the industry. Though GIIN identified the need for an appropriate definition and scope of Impact Investment, still its definition is not clear and not standardized for a common man to understand and analyze with respect to other types of Investments available in the market. Development and progress are stimulated by the widespread confusion around impact investing and its many associated tactics. If the impact investing industry had a clear identity, it could attract new players, cut transaction costs for existing ones, and lessen the likelihood of impact washing (Bouri et al., 2018). We need to have more accurate and better understanding of the potential and scope of the market for this movement.

We need to have more data repositories to study the true impact of this market. It would be helpful if there were standardized methods of collecting data that allowed for international comparisons (Addis et al, 2013). Though we have some evolving

projects on capturing market data dedicated to Impact investment, it's still at a very nascent stage and specific to few countries. "Impactdatabase.eu" is an effort to make it easier for investors to navigate the ecosystem of Impact investment in Europe by making the market more transparent. The project's partners include over 400 organizations and 1500 million euros in assets under management.

5.3 Define proper Expectations for Blended Return

Risk and Expected Return are the core concepts in Traditional Finance theories. Since Impact Investment has two components of returns (Financial and environmental/social return), it is very challenging to measure the blended return on investment (Nicholls et al., 2015). Past experiences with social investment showed exaggerated Risks though minimal losses in comparison to the expected ones (Kramer M. and S. Cooch, 2006). But with this current interest level of participants and activities in this market, it seems that risk is underestimated and returns expectations are too high while traditional funds are struggling to satisfy mainstream investors with returns from mainstream financial products.

The question of whether social rewards are less valuable than financial ones, whether returns from society can be even positively connected and additional, is an area of intense debate (Addis et al, 2013). But later one is accepted as the overall return is a blended one. Though financial returns at least have some quantifiable benchmarks, measurement of social returns and indirectly blended returns is tough to value due to lack of proper metrics. As both management fees and marketing fees for impact investment funds are higher compared to that of the private equity funds (on a risk adjusted basis), the blended return would be below the market returns, which may not be acceptable for few mainstream investors. So, this gap between promised returns and actual returns may create a bubble in this market.

5.4 Adding Efficient Intermediaries to the Ecosystem

Increased transaction costs due to dispersed supply and demand and complicated deal structures are the result of insufficient intermediation (Monitor, 2009). Therefore, coordinating capital in venture capital industry is easier than that for firms focused on impact investment type social causes (Kohler et al, 2011). We need to break the long-standing barrier between investment and philanthropy by developing efficient ecosystem infrastructure.

Though we have limited intermediaries like a few banks, social exchanges and NBFCs in the extant ecosystem, still the is requirement to create new set of intermediaries. Both the development of new ones and the promotion of the flow of business transactions are essential to the formation of an ecosystem that is capable of performing its functions effectively (Jackson and Associates, 2012). To accommodate the wide variety of enterprises focusing on Impact, multitude of intermediary services are required (Addis et al, 2013), and it is necessary for stakeholders in the ecosystem to be encouraged and rewarded to work together.

5.5 Standardization and Enhanced Transparency of Impact Measurement

More openness and genuine knowledge sharing regarding the many Impact investment techniques is required. At the moment, there are a lot of demonstrations but not enough investigation into the underlying costs and benefits of various approaches. It would be helpful to have more in-depth case studies that explain the processes and people involved in the formation of Impact investing products.

The size of the Investment market is largely determined by the local social and financial systems, which in turn define the proportion of private to public capital. Thus, there is a significant deal of diversity across the impact investment marketplaces around the world. One problem of the impact investment business is that there is a lack of trustworthy global statistics. To provide a precise estimation of the impact of investment market size presents several challenges (impact database in Europe).

5.6 Improve Engagement of other Stakeholders Including Government Policies

One of the most difficult tasks facing the government is determining which department should oversee the impact investing agenda (HM Government, 2013c). There is a Social Investment Cabinet Office in the United Kingdom, which has its own staff and its own budget. The White House in the United States of America has an office dedicated to innovation and participation related to the betterment of society. The position of Minister for Social Economy in France was created in 2012. On the other hand, social business and the more recent subject of social investment are waiting to be dealt with in the highest echelons of power in a great number of other countries.

The G8's 2013 creation of the Taskforce for impact investment has been essential in raising awareness about impact investing in nations that are members of both the G8 and the G20. In addition, additional work carried out by the OECD in this field can be of use in informing member nations of the OECD about trends in the social investment market and in contemplating whether or not policy actions should be taken, and which ones should be taken. The International Institute for Public Coordination (IIPC) has not too long ago created a set of principles with the intention of exposing prospective policy topics. All these efforts can encourage governments to think about enacting measures to increase capital availability, boost demand, and stimulate the development of the Impact investment sector. These are the most crucial works (Jackson and Associates, 2012).

Alternate parties' involvement will become increasingly vital as the market develops (Schwab Foundation, 2013). Among these are educational institutions, which are capable of playing an important part for educating both investors and enterprises (Brown and Swersky, 2012). Media campaigns aimed at raising public awareness can also boost industry momentum; nevertheless, it's important to keep realistic expectations in mind (Addis et al, 2013).

5.7 Improve Engagement in Demand Side

Studies have shown that it is challenging for non-profits to gain financial backing. To increase the number of deals that are suitable for investment, social organizations will need to improve their financial acumen and have a deeper comprehension of risk and the appropriate way to value it (Brown and Swersky, 2012). According to OECD (2013), the requirements for transactions and reporting might be substantial for social companies; hence, investors should look for solutions to expedite these activities.

It is also essential to develop methods that are efficient for enhancing the management capabilities of social entrepreneurs and for assisting them in expanding their businesses (Jackson and Associates, 2012). This could be accomplished by mentoring or training programs. It may be beneficial to participate in social accelerator programs and seek funding options like the UK based Investment and Contract Readiness Fund (Addis et al, 2013).

It's also a good idea to add social characteristics into investment papers by including a small number of covenants and strict clauses in term sheets. This will ensure that both the investee and the investor continue to be aligned with the Impact purpose.

5.8 Create more awareness among Investors

Institutional investors have been the primary source of funding for microfinance companies up to this point. Microfinance companies have a proven track record of producing satisfactory returns on investment. As was indicated in prior articles, Institutional investors have a cap on the number of investments investing in socially beneficial ventures because they require a minimum financial return that accounts for market risk (Jackson and Associates, 2012).

Even though there is clear evidence of a growing interest from institutional investors, gaining the commitment of traditional investors remains a roadblock. Approaching institutional investors requires a strategy that is structured to their advantage and communicated to them in a way that is easy to comprehend. Awareness and interest can be increased with the assistance of initiatives such as GIIN, ANDE, and SOCAP, which work to promote ties between traditional investors and social investors. In addition to this, institutional investors are subject to specific legal constraints, which might act as a barrier to Impact investing (Wood et al, 2012).

Financiers are looking for more transparent metrics of social impact. There are a number of foundations who have developed in-house proprietary systems; nonetheless, there is a requirement for a standard language. In order to accomplish this goal, there must be greater openness regarding the methods that are used by funds defining, measuring, and reporting on environmental and social performance. A number of standardized performance indicators for describing impact performance have been developed by the Impact Reporting and Investment Standards (IRIS) group which makes it easier to compare impact data from different projects. These standards are the result of a collaborative effort between impact investors and industry professionals. The common social and environmental lexicon can also make it possible to aggregate data from a variety of data providers and collection technologies.

6. Conclusion (with Implications)

Some of the major contributions made by this study are as mentioned here : (1) clarified the differences between various types of similarly available investment opportunities through examples (2) reviewed the state and stage of innovations in the field of Impact investment (3) analyzed the extant ecosystem of impact investment and briefed on the role of different players in it (4) gave a detailed perspective of weaknesses and potential areas of improvement across various dimensions of the Impact Investing Ecosystem.

Multiple social investment market failures exist. There are asymmetrical information related issues for investors and investees, just as there are in traditional financial markets. The lack of standardized methods for gauging social investment, as well as ambiguous terminology and a lack of knowledge regarding both present investment provision and related government policy, further exacerbates these inequalities (HM Government, 2011). High transaction costs and a deficiency of brokers, consultants, exchanges, and other market mechanisms contribute to imperfect competition.

The demand for impact investments can be influenced by learning if the available financial resources meet the requirements of social entrepreneurs and their business plans. Investigating what factors influence the financing decisions of social entrepreneurs is another important area of inquiry. By funding studies and gathering statistics, policymakers can also contribute to public education on the topic of social investment. Facilitating the growth of the ecosystem is something they can do through capacity expansion and the creation of intermediaries.

We can end the profit-versus-purpose dilemma and create funds for profit with the purpose of alleviating world poverty. We can put the social orientation and development of our own asset price together to achieve the intended impact. It is not something we can do; it is something we have to do. We need to invest in our people and planet.

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