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Reviewing the Impact Investment Field and Assessing It's Status in India

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ABSTRACT: Social Impact Investments have evolved from being uncoordinated experimentations and practices to standardised and scientific practices accommodated by a respective market. Despite the growing interest for SII among investors and entrepreneurs, so far the practitioners have been discussing the phenomenon in from of storytelling and anecdotal narratives. However, the recent trend of scholarly researches and studies reveal the emerging importance of the matter for today as well as for the coming days. However, due to very limited reserve of academic literature the matter remains unknown to majority of the mainstream investors and social entrepreneurs of the demand end. This prohibits the evenly growth of the space all around the world.

There is an attempt made to identify the factors the make impact investing unique over other kinds of investments belonging to social investing family. Thus, the review made in this paper aims to understand and present terminological, conceptual and definitional frontiers of impact investing. Based on the learning of literatures, this paper intends to document the genesis of the field. Additionally, attempt has been made to assess the current status of impact investing in India- one of the foremost developing nation around the globe and where social and environmental issues largely remain unattended due to various causes.

Objectives of the Study: The study is guided by following objectives:

- To document history and development of the concept of impact investment.
- To assess the current status of impact investing in India.

Research Methodology Adopted:

A thematic analysis includes structuring and interpreting collected data after identifying themes and provides useful insights to the overall research question. The study identified some prominent themes related such the fields of SII such as its history, ecosystem, 'impact' and its assessment challenges etc. and tried to present a thematic picture of these based on available and accessible literature. In addition to literature review, study of key informative and conceptual articles published by news agencies, practitioners and impact institutions was done to provide a better insight. The literatures thoroughly studied were collected using a scientific technique. Harzing's Perish or Publish which is a software program that retrieves and analyses academic citations was used. The screened in literatures comprising of journal articles, working papers, books, project reports etc. formed the basis of study. The majority of the literature relate to NGOs, or the institutional investors, market facilitators etc. who have invested in and/or building expertise in social impact investing field. Nevertheless, the available literature gave a reasonable depth in terms of the research questions and sub-topics under consideration. Because of the newness of the field and its allied topics, it was felt to judicious to put a render on the topic. The methodology of evaluating the status of impact investing in India includes collection of data from the institutional reports, practitioners' reports, newspapers, articles and interviews of prominent impact investors of India. However, the pioneer association of impact investors in India- IIC's annual and periodic reports were also referred to. The performance parameters for justifying growth such as value of investments, number of deals etc. were also selected based on the previous literary works reviewed. To give an overall idea of Impact Investment's position in India and to give a basis for calculating progress, available data related to 2006-09 were also presented along with the data for the study period 2010-19. Latest trend of impact investing in India have also been outlined in the chapter on the basis of data available till 2020.

I. INTRODUCTION.

Impact investing is a dynamic, procreative new field. In more than a decade, this nascent approach of social investing has had actual "boots on the ground", is now no longer an isolated experiment. With additional scaling up, it has been offering unique and relevant financial products and services not only in developed markets but all around the world. Simultaneously impact investing leaders have constructed an identifiable, linked ecosystem of asset owners, asset managers, demand-side actors (enterprises, projects) and fund providers. Moreover, it is an industry that values metrics and measurement, making use of each qualitative and quantitative information, such as anecdotal narratives, success stories, investors' experiences and cases etc.. Indeed, at the industry-wide and institutional levels, the impact measurement and assessment policies and practices are objective and sophisticated and data driven as well. The principal focal point of Impact Investing has continually been to serve the disadvantaged communities. If we take monetary prerequisites as a basis, India being the absolute populated nation growing substantially in terms of human population in the world has a Bottom of Pyramid (BoP) populace estimated 1.05 Billion in 2005 making ever 5 out of 6 humans at Bottom of Pyramid level. Typically, they earn much less than INR 200000 annually (INR 300000 in Urban and INR 160000 in Rural India). This plethora of issues influencing long term development and growth creates a large market for Impact Investing to work in. Impact investing differs from company social responsibility, environmental, social and governance approach of investing or socially-responsible investing, as it goes a step to fund solely these investments that have in reality described intentionality for reaching "measurable" impact either social or environmental or both, alongside monetary returns. Financial returns for have an impact on investing vary from really retaining the foremost principal to matching the predominant principal to even exceeding mainstream market returns. Impact investors additionally emphasise on investing in social businesses that do no longer simply mitigate poor influences however additionally generate lasting high quality impacts. Positive influences may also be tested in a range of approaches – from growing jobs and employability to serving low-income customers by means of housing, education, affordable healthcare or inclusive finance. Scalability, entrepreneur traits and experiences are weighed in impact investing return motives which differentiate it from traditional philanthropy.

II. REVIEW OF LITERATURE:

The review of literature provides a picture of longitudinal outlook regarding how impact investing and its conceptual literature evolved over time. Most of the initial researches which lack empirical analysis or conceptual development were in form of practitioners' reports and institutional publications. The initial researches revolved around the possibilities and promises of impact investing. How venture philanthropy could clasp the markets was the starting point of researches on impact investing. Since the adoption of impact investing as an official practice, the researches carried out were much objective, conceptual, broad and strategic. During the time impact investing institutionalised gradually (2005-07), its concept was connected with the Blended Value Proposition- a blend of social and economic goals driving the investor to pool money into enterprises having a social mission (Bonini and Emerson,2005) or was reoffered to as a venture philanthropy practice (Pepin,2005). It was then identified that Social Venture Funds invest in commercial ventures without seeking a full financial return where investor offsets a portion or entire of his investments for some social outcomes generated by the enterprises funded. It was then the various approaches of social and sustainable investments were used interchangeably in researches. Impact investors were modelled as investors having a social purpose of investments and using venture capitalists' approach to deploy capital (Moore, Westley, et.al. 2012; Geoby, Westley,et.al. 2012) The definitional developments from 2005 to 2010-12 and the post 2012 period till 2016,though nuance, started asserting clear and distinct features and practices of impact investing in order to demarcate the field from other previously considered synonym fields of social investing. In this period of researches the concept presented was approaching beginning phase of maturity. In the period 2012-16, the literatures identified impact investments as composed of clearly outlined social objective,prudent application of theory of change depending on the mandate of the fund . Impact investing was characterised as tailored financing, extensive support to the investee enterprise for organisation's capacity building, and a tendency of measuring actual impact among the investors (Hebb,2013). Ormiston 2015, impact investing provides varying level of financial returns and deploys debt, equity or hybrid instruments. The recent literatures from the year 2016 dealt with operational characteristics of impact investing and other complexities. There have been a rise of empirical studies and application of quantitative methodology, multiple case studies etc.. Now the impact investments, its boundaries and operations are understood as function of different factors and thus, the papers aim to explore the market interactions, hybridity of investments, enabling factors, impact assessment status and standards etc.

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(Barman 2015; Busch,et.al., 2016). Then in the researches conducted in between 2010 and 2014, mostly the use of interviews and secondary data along with single case studies can be seen. The studies lacked theoretical and critical ingredients of impact investing and were much focused on performance and importance of impact investing in different fields and spaces like in the BoP segment of the society, microfinance organizations, and SMEs etc.as evident in (Lehner and Nicholls 2014), (Jones 2014, Hummels 2014, Jones 2010). Studies conducted after 2014, are greatly exploratory in nature and country or region specific studies of impact investing and its impact like(Gusarova, OECD 2015, Rajan 2014, Sapna and Atin, Glanzel 2016) etc.

A definitional paradigm shift is also seen if we look back to the earlier concepts and theoretical frameworks. Academic research on impact impacting or even social investing is considerably lagging behind practice. Academics are in the very first stage of establishing enquiry into the field while the practitioners are engaged with development of newer tools, strategies, market structure, convening conferences, breaking the previous records of deal-making and impacting peoples' lives substantially. From last 10-12 years researches on this field are more or less coming up but minority of these researches came from academic sources (J.Daggers, 2016) (Hangl, 2014) to date there is limited academic work on impact investing, industry-based reports fill the majority of the space (Hebb T. , 2013). Early academic research works on impact investing focused on investment structures, market formation, catalysing private capital etc. from an organisation's viewpoint (Ormiston, 2015). However, growing number of industry reports try to size the market periodically (OECD, 2015). The present impact investment literature fails to provide a comprehensive definition and understanding of the term 'impact' and 'impact assessment. Impact assessment, loosely mean predicting the future consequences of a proposed action or set of actions and also measuring the changes as much possible (Reeder. N., 2015). Calderini 2017, supported the fact of availability of sufficient rooms to conduct rigorous and objective analysis about the evolution of the SII field. Despite the interest about SII all around, the phenomenon has been discussed mainly practitioners hitherto. Present studies tend to ignore the complex interplay among the economic, cultural and social forces causing the emergence of social impact investing (Spigel, 2017) (Welter, 2011). The scholars in majority viewed impact investing in isolation either from an individual or organisational perspective. The studies are yet to consider the regional and geographical elements that cause variances among SII communities from place to place (Kish and Fairbairn, 2018). The literatures mostly focus on presenting the relevance of SII with regard to specific sectors even without considering the locational factors (Watts, 2018). With the growing size and interest of the field, there exists an increasing need to properly define the concept (Teluka and Shah, 2016). Some previous papers are confined to analysis of specific market component while others look for specific instruments using a case study approach. As a result, the overall mapping of SII is incomplete till date. The extent of literature availability for Social enterprises is large but that of SII is scarce. However, researches are coming up which aim at providing a holistic robust picture of the field (OECD, 2015). Interested researchers in SII are often challenged by availability of high quality publicly obtainable data sets. One of the several reasons for this situation is the emerging and under-institutionalised field of SII (Daggers,2016).

The table below shows the examples of researches conducted in the period 2005 to 2020:-

List of Sample Researches (Selective) Conducted in 2005-2020.

Author (Year)	Title	Type of Data Used.	Country
Pepin (2005)	Venture Capitalists and entrepreneurs become Venture Philanthropists.	Secondary. (Case study method)	UK
Bugg-Levine (2009)	Impact Investing: Harnessing capital markets to solve problems.	Secondary. (Interviews, case studies etc.)	USA
Brown (2006)	Equity Finance for Social Enterprises.	Secondary.	UK
Harji & Hebb (2010)	Impact Investing for Social Finance.	Primary. (Semi-structured Interviews)	Canada

Rangan (2011)	The Promise of Impact Investing.	Secondary Data.	UK
Prazak (2012)	For-Profit Social Investing: A Literature Review of Two Emerging Models.	Secondary. (Thematic Review)	USA
Hangl (2014)	A literature review about the landscape of social finance.	Secondary.	Austria.
A.T. Rajan,et.al. (2014)	The Global Epicentre of Impact Investing: An Analysis of Social Venture Investments in India.	Secondary.	India.
Reeder & Colantonio (2013)	Measuring Impact and Non-Financial Returns in Impact Investing.	Secondary.	UK
Ormiston, et,al. (2015)	Overcoming the Challenge of Impact Investing: Insights from Leading Investors.	Primary. (Semi-Structured Interview)	Australia.
Daggers (2016)	The Landscape of Social Impact Investment Research: Trends and Opportunities.	Secondary, (Meta-Analysis)	UK
Schrotgens(2017)	Social Impact Investment Behavior in the Nonprofit Sector.	Primary. (Online Survey)	Germany.
Reisman (2018)	Putting the "Impact" in Impact Investing.	Secondary.	USA.
Rizzi, et.al. (2018)	The Structuring of Social Finance: Emerging Approaches for supporting environmentally and socially impactful projects.	Secondary Data (Case Study Approach)	
Castellas, et.al. (2018)	Financing Social Entrepreneurship.	Mixed.	
Roundy et.al. (2019)	Regional differences in impact investment: a theory of impact investing ecosystems.	Secondary.	USA
Agrawal,A. (2019)	Impact Investing Strategy: Managing Conflicts between Impact Investor and Investee Social Enterprise.	Secondary. (Multiple Case Study Approach)	Denmark
Busch,T., et.al. (2020)	Impact Investments: A Call for (re)orientation.	Secondary Data. (Review based study)	Germany.

The review of literature provides a picture of longitudinal outlook regarding how impact investing and its conceptual literature evolved over time.

- Most of the initial researches which lack empirical analysis or conceptual development were in form of practitioners' reports and institutional publications.
- Since the adoption of impact investing as an official practice, the researches carried out were much objective, conceptual, broad and strategic.
- The definitional developments from 2005 to 2010-12 and the post 2012 period till 2016,though nuance, started asserting clear and distinct features and practices of impact investing in order to demarcate the field from other previously considered synonym fields of social investing. In this period of researches the concept presented was approaching beginning phase of maturity.
- In the period 2012-16, the literatures identified impact investments as comprised of clearly defined social objective, clear application of theory of change depending on the mandate of the fund.
- From last 10-12 years researches on this field are more or less coming up but minority of these researches came from academic sources.
- The structure of social investments market is the result of interaction among three groups of players who can be classified on the basis of

activity they undertake. There are Demand Side Players, Supply Side players and some acting as intermediaries.

- An increasing variety of actors are coming up to frame an ecosystem incorporating investors, social enterprises and intermediaries. The market is attracting numerous big players because of the rapid growth both in terms of value and volume.

Definitional Development of Impact Investment over the years.

Study Year	Author(s)	Definition
2009	Bugg Levine and John Goldstein.	'Impact investing helps solve social or environmental problems while generating financial returns.'
2010	Satis Sarangarajan and John Satis Kumar.	'Actively placing capital in businesses and funds that generate social and/or environmental good and at least return nominal principal to the investor.'
2011	V. Kasturi Rangan et. Al.	'Impact investing is investment that creates social or environmental benefits while also providing a return of principal, with returns ranging from zero to market rate'
2013	UK Cabinet Office.	'the use of finance to tackle entrenched social issue'
2009	GIIN	'investments made into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside a financial return.'
2013	Hebb T.	'Impact investing is a sub-set of responsible investing. Here the investor intentionally invests to achieve positive social and/or environmental impact in addition to financial return.'
2010	O'Donohoe et. al.	'Investments intended to create positive impact beyond financial return … [that] require the management of social and environmental performance in addition to financial risk and return'
2015	OECD	'Social Impact Investment is a transaction between an investor and investee in a social area, targeting beneficiaries in need. Beneficiaries targeted should be at risk populations and the good provided should have a mix of public and private good characteristics.'
2014	Jackson and Harji	'Impact investing involves the unlocking and placement of capital to achieve social or environmental impacts as well as financial returns.'
2014	Thilai Rajan	'SVCs invest with the aim of creating an impact in the low-income or BoP segments. SVC investing is typically characterized by investments in early-stage enterprises that are servicing people in the BoP, a high risk tolerance and a longer time horizon for investments compared to MVC investments. A majority of the SVC investors give equal importance to financial returns and social returns.'
2015	D.L. Arjalies	'Impact investing is a new way of investment and wealth management that is quite separate from the traditional financial model. It combines social and fiscal values and, as such, represents the

		progressiveness of society. We additionally define "impact investing" as involving innovative mechanisms (e.g., financial and economic tools and new business technologies) that are directed to the achievement of social or environmental effects, in tandem with positive financial outcomes.'
2009	Harzi & Hebb	'the application of tools, instruments and strategies where capital deliberately and intentionally seeks a blended value (economic, social and/or environmental) return'
2016	Weber	The definition of Impact Investment is based on two principles: the blended value principle and principle of sustainable financial return.'
2016	Teluka and Shah	'Impact Investing is dual-purpose financing: the pursuit of social benefit together with financial profit. Impact Investing goes beyond traditionally passive investments whereby investors apply a set of negative or positive filters to a group of publicly listed securities'
2017	Quinn and Munir.	'Impact investing refers to the use of investment capital to help solve social or environmental problems around the world with the expectation of financial returns. The impact investing business model can take on a fund management structure where capital is invested indirectly in a company through a pooled investment vehicle known as a fund or where the capital can be invested directly into a company.'
2016	Glanzel and Scheurele	'Measurement social and ecological impact as dominant goals here, with potential for a financial upside.'
2017	Roundy, Holzhauer et.al.	'Impact Investors are those seeking some degree of both financial ROI and SROI. If an investor seeks only financial returns or only the creation of social value, then he/she is not operating as an impact investor.'
2018	KPMG International.	'Impact investing is a financial undertaking that aims to generate specific and measureable beneficial social or environmental effects in addition to financial gain.'
2021	Busch T, et.al.	'investments that focus on real-world changes in terms of solving social challenges and/or mitigating ecological degradation.'

Brief History of Impact Investing:

'Over the last decade, impact investing has become an increasingly discussed topic in the realms of both business and public policy (Trelastad, 2016). Deficiency of charitable and government funds in meeting mounting social problems called for developing a justified approach for contribution in building a healthy and sustainable society. In today's world of globalization and hyper-connection, the obstacles human race in every place is facing is more or less known to all over the globe and Fortunately, people having sensitivity and capability are coming with up means to address these issues using

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their resources at disposal. There are approximately four billion people living on two dollars a day or less; taking the economic pyramid as a reference, those people are called the bottom of the pyramid – BOP. Given priority sector requirements and significant deficiencies in public spending, the need for individual(s) spending is vital to create a sustainable world (Prahalad, 2009).

With the belief that Impact Investments can bring a change in the resolution mechanism of social and environmental issues, the Rockefeller foundation introduced its 'Harnessing the Power of Impact Investments' initiative in 2007. In the same line Imprint Capital was formed in 2008. The seed of this newly recognised space was sown in later 20th century when SRI and Corporate Responsibility Movement were brought to attention. It was then realised that the responsibility of commercial entities' and investors goes far beyond maximizing their own financial outcomes. At the same, particularly in US, the Community Finance Movement and microfinance throughout the globe received momentum. (Bugg-Levine, 2009). Nevertheless, socially sensible investing has roots courting back to some centuries. In the late 1960s and early 1970s, a form of ethical investing—Socially Responsible Investing emerged until which there were two only nodes on spectrum of capital existed: fiduciary and philanthropic (Trelastad, 2016) . but against today's pro-active and highly natured of SRI, there was negative screening based SRI in the earlier times principally undertaken by the retail investors. After the global financial crisis of 2007/2009, consumers and investors started looking for the elements of democracy and responsibility in the market (Scholtens Bert, 2012). SRI investing headed to emergence of a specific group of responsible investors seeking some sustainable investments. (Wilson, 2014). Cooperatives, credit unions, social banks etc. have been existing with the objectives more or less similar to that of Impact Investments over centuries. However, this newer approach demonstrates increased and active participation of foundations, high net worth individuals and institutional funds (M.Mendell and Nogales, 2011). From 2007 onwards, the social investing space started witnessing new entrants in the market dedicated to bring a social improvement through utilising the market forces and the capital market premise. Which resulted in deepening the pool of funding that can be incorporated in businesses bearing a intent of creation of social values fundamentally (Jane Reisman, 2018). The disappointment with the ill practices of the financial system, the ineffective results of charitable models and the inefficient strategy of public spending, in addition to the dire need of making a breakthrough against the ever rising social complexities necessitated envisaging what is now commonly known as Social Impact Investments (Hochstdter, 2015). Though both the terms Social Investing and Impact Investing are interchangeably used now a days (Wilson, 2014) but the evolution of both the terms are fairly dissimilar. In case of Impact Investments, the Rockefeller Foundation strategically coined the term in 2007 to provide an impetus to socially and environmentally conducive investing whereas Social Investment has an organic and unplanned terminological birth (Daggers, 2016).

Impact Investment Market Players.

Key Players in Demand Side.	**Players acting as Intermediaries.**	**Key Players in Supply Side.**
Charities.	Credit Unions.	Philanthropists.
Community Interest Companies.	Microfinance Institutions.	Taxpayers.
Co-Operatives.	Stock Markets.	Ethical Investors.
Micro-entrepreneurs.	Investment Banks.	Members.
Not for Profit Social Enterprises.	Community Development Financial Institutions.	Foundations.
	Private Brokers.	Venture Philanthropy Funds.
	Governmental Brokers.	Commercial Investors.

An increasing variety of actors are coming up to frame an ecosystem incorporating investors, social enterprises and intermediaries. The market is attracting numerous big players because of the rapid growth both in terms of value and volume (Hangl, 2014) and also because demand side of the

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system is growing with the rise of 'impact seeking purchasers' that make world a better place. Notably, the millennial entrants to the market possess an attitude of engaging with some meaningful work beyond making money. These factors, inter alia, are driving market of impact investments towards greater heights (TASKFORCE, 2014).

How is Impact Investment different from other similar fields?

Impact Investments, the latest inflationary development in the Sustainable Investments field differs from the allied concepts on certain grounds. However, the differences are very much dependant on personal interpretations, observation of the practices of different kind of investors, the regulatory terms and conditions, the ecosystem of such investments and their popularity across places. Thus the differences are more or less subjective. Although various types of investments coming under the umbrella term "sustainable financing" or "social financing" in a way or other seeks to achieve social or environmental value creation at a greater scale. The remaining parts of this chapter aims to build an idea about how the related fields like SRI, ESG Investing and others vary from Impact Investing. For this, study of existing accessible literature has been carried out to present an overview of the comparisons. Limited academic literature bars the intention of a clear and to-the point distinction. Though, there is a reservoir of literature on impact investing, only a handful number of researchers and academics tried to draw a line of distinction between the alike sounding terms. Majority of the available researches used these allied though different terms inter-changeably to fit the circumstances. To conduct the study, my methodology goes in line with (Agrawal, 2021) i.e. to adopt a inclusive search strategy. From the available literature on impact investing, some articles, books and reports that are directly related to the objective and answer the research question have been chosen to analyse. Based on the published researches, the distinctions were made.

Comparison of Social Financing and Impact Investing: social investment or social financing includes perking resources like financial capital, human capital and social capital required empowering social and environmental change. There are different categories of social investments which can be differentiated from one another based on identifying their key characteristics such as purpose and type of investment. However these categories are not mutually exclusive. Some of these categories are beginning to develop their own finance sub-markets based on their individual characteristics (Nicholls, 2008). Impact Investing is a subset of wider social finance market which is characterized as financing businesses and funds having well-defined attainable social or environmental goals. Impact investing uses market mechanisms to generate social or environmental impact. In impact investment, there exists a provision of returning at least nominal principal to the investor (Canadian Task Force, 2010). Social investment is concerned with providing access to repayable capital for social sector organisations where the suppliers of funds are motivated to produce social or environmental impact. Impact Investing is much about allocation of repayable capital to entities having intention to generate positive specified social or environmental impact. Therefore, in social investing, much focus is on the investee. Conversely, in Impact investing, the prime attention is on how to deploy capital to generate maximum social or environmental returns and how the investors should integrate their concern for social or environmental impact into their investment decisions (Daggers, 2016). Social investment is commonly used as a synonym for Impact Investing and vice-versa. Simultaneously in literatures, social finance or social investing has also been considered as a broader concept (of which impact investing is a sub-category or strategy) and a narrower concept (where social investing is presented to be a sub-field of impact investing). Nevertheless, social investors are seen having intentions like the 'impact first' impact investors (Ho¨chsta¨dter, 2014). "SVC funding is also known as impact investing, socially responsible investing, blended value, mission driven investing, mission-related investing, triple-bottom line, social investing, values-based investing, program related investing, sustainable and responsible investing, ethical investing" (Rajan, 2014).

Comparison of Micro Finance and Impact Investing: the foremost difference between micro-finance and impact investing is that the amount invested by impact investors is typically much higher than the amount loaned by micro finance organisations (Ashta A. , 2012). Impact investments dominantly in developing nations are equity based but micro finance investments are rarely made using equity instruments (Intellecap, 2013). The next basis of differentiation is the level of interaction between investors and investees pre and post investment, which is much higher in case of impact investments and minimal in micro finance investments (Roundy, 2017). The impact investors try to continuously measure the impact generation and accordingly manage their

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investments to ensure maximum value creation throughout the life of the investment. Although there are certain articles that state that micro finance is a form or strategy of impact investments (Hangl, 2014) (Ashta A. , 2012) but the majority of the researchers found that impact investments are way much different than micro finance organisation. Therefore, both these terms cannot be equated. Impact investors can be fund suppliers to micro finance organisations but that does not mean that both of these demand same approach and attitudes of the investor towards investing. (Agrawal, 2021).

Comparison of Socially Responsible Investing (SRI) and Impact Investing: Responsible investing includes environmental, social and governance factors into consideration. Impact investments are sub-set of responsible investing where investors intentionally seek to achieve positive social or environmental returns (Hebb, 2013). "The promotion of impact investing could be interpreted as an effort to codify and make systematic effective practice within 'socially responsible investment' (SRI) or 'responsible investment' (RI)" stated (Reeder, 2013). Impact investment is an evolution from SRI though there is some overlap between these two terms. SRI is an established part of asset management which screens investments based on ESG and ethical criteria (Renneboog, 2008). But impact investing goes further and considers explicit intention to generate positive measureable social impact.

Comparison of venture philanthropy and impact investing: venture philanthropists provide human resources and funding as donation in charity in search of a social return on investments. It includes high involvement and integrated effort to achieve tangible return (Pepin, 2005). Without any intention of return on investments, venture philanthropy aims to maximize social return on investment and establish accountability among the investees (Porter, 1999). There are many similarities between Venture Philanthropy and Impact Investing: both aim to engage their investees; both emphasize maximizing social impact and both focus on accountability not on charity.

Status of Impact Investments in India:

The scenario of VC funding in Social enterprises in India was very discouraging until 2005 and got acceleration after 2006. Based on data of seven years period (2006-12) the annual impact investments on an average was $180 million as against $812 million average annual VC investments in India for the same period. If we talk of the number of deals, an average of 69 impact investments were taking place in India at that seven years' time period. On the contrary, average annual number of deals in case of VC and PE were 354 and 878 respectively. The situation thus was that impact investments merely accounted for about 20% and 8% of the total VC and PE investments. (Rajan.A.T., 2014)

About two-third investments made into social enterprises were pertinent to BFSI segment, lion share of which was going into micro-finance companies.

Some improvements were seen in the year 2013, in that year, impact equity accounted for 23% of the overall PE transactions in India. According to report published by Unitus Capital, equity investments in Social ventures in form of Impact equity investments demonstrated some key trends:

- Most investments were in early stage impact businesses.
- With 22 transactions in 2013, BFSI bagged highest number of deals followed by agricultural and healthcare ventures.
- Significant growth in seed and micro-seed stage investments indicating more investing activity in 2014.
- Participation of new global investors.
- Some significant exits would exhibit intense potential of the impact investing sector.

Gaining a momentum from 2013, the impact investments in India saw a 30% surge in in the transactions in 2014. From then onwards, the journey of this evolving space has continued marching forward. In India, we see impact investing sector is coming of age. The degree of resilience of the industry got multiplied over the recent years. Investors are continuously showing interest in a wide range of innovative tech led impact ideas (Unitus Capital, 2013). As per data gathered by the IIC and McKinsey India, The impact sector in India recorded 48 highly profitable exits between 2010 and 2015. India's impact investment sector gathered over US$5.2 billion between 2010 and 2016. Investments from non-DFI sector rose substantially since 2015. (Kejriwal, 2019). Between 2010 and 2016, the average holding period of impact investments was 4.9 years and the average weighted IRR was found to be 11%. Further the annual beneficiaries on an average were found to be 60-80 millions. During that period, 62% of the total impact investment deals were seeded by impact investors against 48% capital infusion by mainstream funds. Potential growth of six to 8 times by the year 2025 was estimated in the year 2017. (Vivek, 2017).

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Data relating to Year-wise Impact Investment in India.

Year	Impact Investments in India (Millions $)
2010	323
2011	426
2012	489
2013	456
2014	718
2015	963
2016	1105
2017	1297
2018	2345
2019	2657

[Source: IIC, McKinsey & Co., Brookings, Aavishkar.]

"Impact enterprises in India have collectively raised $10.8 billion over the last decade (2010-2019) into 550+ for profit social enterprises impacting 490 beneficiaries, mostly low income communities who are underserved by traditional businesses as well as public sector social service delivery." In the previous decade, the CAGR recorded with regard to annual investments is 26%. From an annual investment of $323 Million in 2010 to cumulative $10.8 billion at the end of the decade the volume has multiplied manifold. Remarkable improvement in number of deals has portrayed the evolving nature of the impact investment field in India. For the last five years, on an average 3-4 impact investment deals per week are taking place in India. (IIC and Asha Impact., 2020)

Impact Investment in India by Sectors over the years:

YEAR	MFI	NON MFI	OTHER SECTORS
2010	**64%**	**12%**	**24%**
2015	**29%**	**23%**	**48%**
2019	**7%**	**36%**	**57%**

Source: The India Impact Investing Story (IIC in collaboration with Asha Impact), 2020.

Funding Mix by Type of Indian Impact Investors:

YEAR	CONVENTIONAL(PE-VC)	CLUB	IMPACT	TOTAL
2010-12	**371.70**	**569.94**	**297.36**	**1239**
2013-15	**448.56**	**1110.72**	**576.72**	**2136**
2016-19	**2517.36**	**3553.92**	**1332.72**	**7404**

Source: The India Impact Investing Story (IIC in collaboration with Asha Impact), 2020

In the calendar year 2020, impact ventures received US$2.6 Bn. Across 243 equity deals and saw 13 successful exits as against in 2019, where aggregate investment was $3.5 Bn. Across 284 equity deals, according to report published by IIIC. Investments in Financial inclusion sector accounted for 27% of the total impact investments made in the year 2020 followed by education 25% and 17% in agriculture.
Some of the major findings of the IIC's "2020 in Retrospect" are:

- A fall of 25% in overall impact investments took place in 2020 in comparison 2019. But the sector witnessed a 16% rise in seed stage investment volume. Investors were interested in early-stage enterprises in agriculture, health care and livelihoods sector.
- Big-bang year for the education sector. The covid-19 crisis created an opportunity for the existing ed-tech problems. the sector performed substantially better than 2019 with 65% Y-o-Y growth in investment volumes and 20% rise in number of deals. Impact investments in this sector for the year totalled $660 Mn. with 47 numbers of deals.
- Tech-based business models attracted greater investor attention. Investors put their money in tech based SMEs that addressed healthcare, agriculture and education related issues. There

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was rise of 85% in seed stage deals across healthcare segments in 2020.

- De-growth in Financial inclusion related investments were seen due to lack of demand for loans and low creditworthiness owing to uncertain situations posed by the pandemic. There was 35% fall in investments in late stage enterprises in the financial access sector. However, robustness seen in non-lending financial models.
- Enterprises focused on SDG 5 and SDG 9 received highest volume of investments in 2020. Impact investments contributed to 11 out of 17 SDGs.
- The impact investing system in India is robust and continuing growth. it represents the largest impact investment market in South Asia.
- A relatively large domestic impact enterprise market and the emergence of several exits from investments made within the mid-2000s perceived strong return potential that makes India a beautiful marketplace for impact investors. As a result, the impact investing market in India is predicted to grow further.
- India understood a transitional and emerging market for social impact investing owing to the big size of its demography and also the unfulfilled demands for social and economic services. The reduced public investment in priority sectors like primary education, health, housing, water and sanitation etc. has allowed the development of the private entrepreneurial space. In recent past, private capital has flowed into key sectors of the economy with special target on microfinance, health services, education and other allied sectors.
- A variety of foreign and domestic players have put capital in the Indian impact driven social enterprises.
- Securities Exchange Board of India, in the year 2012,enacted regulations relating to ‘Alternative Investment Funds’(AIF) which included Social Venture Funds (SVF). AIFs were introduced to mobilise funds from domestic as well as foreign investors to social enterprises having a pre-determined social impact policy.
- The Indian Impact Investors Council is the apex organisation representing the impact investors of the country.
- Birth of Amul and introduction of Priority Sector Lending by commercial banks in India mark the beginning of funding for social impact in India. Although, formally impact investing in India started in the year 2001 with the inception of first in its kind for-profit impact fund Aavishkar and Acumen Fund- early stage seed impact investment.
- The scenario of VC funding in Social enterprises in India was very discouraging until 2005 and got acceleration after 2006.
- The degree of resilience of the industry got multiplied over the recent years since 2014 onwards.
- As per data gathered by the IIC and McKinsey India, The impact sector in India recorded 48 highly profitable exits between 2010 and 2015. India’s impact investment sector gathered over US$5.2 billion between 2010 and 2016.
- In the previous decade, the CAGR recorded with regard to annual investments is 26%. From an annual investment of $323 Million in 2010 to cumulative $10.8 billion at the end of the decade the volume has multiplied manifold.
- At the beginning of the decade, the focus that the impact investors had on Micro-Finance industry has shifted gradually to the broader financial inclusion segment and then to the non-financial sectors like education, health care etc.
- Impact investors have helped offer direct access to basic services and livelihoods to over one hundred ninety million beneficiaries, and tech-enabled impact inclusion added another extra three hundred million.
- Despite these impressive achievements, the potential of impact investment – to dramatically improve outcomes at scale – remains unfulfilled. To meaningfully tackle India’s socio-economic challenges there's an urgent need to scale social impact through a more intentional and proactive partnership between the government and personal sector.

III. CONCLUSION:

The field of Social Impact Investing is a product of globally organised efforts to cultivate and scale-up innovative financial products and services that can address complex societal and environmental problems. Impact investments are designed and evaluated on the basis of theory of change. In recent years, the momentum of building and establishing internationally acceptable policies, practices and programs that aim to strengthen the impact investing marketplace got a boost. Now, very naturally, in future the level of impact investing needs will proportionally move upward with the mounting social and environmental hazards due to our inadequate attention and pro-activeness. Government funding, charities and donations are not a permanent solution to these ever emerging needs. With this pandemic and its multi-facet destructions in the economic classes of the society, the chances of impact investing becoming mainstream significantly exist. The continuous growth of capital directed to impact investing industry is very impressive and as a result of budding assumption of responsibilities by the investors- who decided to materialise the global aim of building a resilient and sustainable society. However, like micro-finance industry, impact investing market, even lose the glamour if it does not refine and reframe the market mechanism. There are several issues like the absence of network, making appropriate governance arrangements, choosing an appropriate legal form, demonstrate investment performance, clarify the investors' return expectations etc. An effective intervention of the policy makers, market leaders and regulators would scale up the market and ultimately the quantum of social and environmental 'impact' in form of outcomes visible.

This paper has gone deeper to provide an overview of the recent popups like SIA measurements, tools and techniques for evaluation and describing 'impact' etc. with aim of generating an applied knowledge of field and thus helps the SII space to move forward. It produces concrete implications to the eco-system enablers and also provides a clue of future research agendas on the topic. It was found that the academic and scholarly interest regarding the field is growing considerably and there are exclusive quantitative studies started coming up dealing with greater complexities and unexplored facts of impact investing. The condition of Impact investment is also gaining energy, with pandemic and shift of consumer satisfaction regarding online services, the emergence of tech led SMEs are have already started growing. Modern day entrepreneurs in India are sensitive to the society and nature. The robust financial system, economic growth and deprivations of basic needs that resulted in forming wall in between the societies' different classes are making India a hotspot for impact investing that aims to ease peoples' lives with private investment- being self-reliant making a self-reliant society.

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