Impact Investing

Review and Research Agenda

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Document Version
Accepted author manuscript

Published in:
Journal of Small Business and Entrepreneurship

DOI:
10.1080/08276331.2018.1551457

Publication date:
2021

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Journal article (Accepted manuscript*)

Please cite this article as:
Agrawal, A., & Hockerts, K. (2019). Impact Investing: Review and Research Agenda. Journal of Small Business and Entrepreneurship. https://doi.org/10.1080/08276331.2018.1551457

This is an Accepted Manuscript of an article published by Taylor & Francis in *Journal of Small Business and Entrepreneurship* on 31 Jan 2019, available online:

DOI: http://www.tandfonline.com/10.1080/08276331.2018.1551457

Impact investing: review and research agenda

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ABSTRACT

Impact investing is an emerging alternative asset class. In the last few years, the investment in impact investing has grown many folds, however the research has not kept pace with the growing practitioner interest. The lack of knowledge about the field coupled with the lack of knowledge production of field might be dangerous in the long run. This is a systematic review of impact investing. This systematic review involves study of 85 published articles and reports. This literature was collected using the harzing's publish or perish academic search engine and cross-checked against databases such as JSTOR and Web of Science. This review has four major contributions. First, the study reveals a unique longitudinal perspective on how the field is evolving and moving from pre-paradigm stage to the stage of proper scientific inquiry. It reveals that the field is evolving, as the reviewed literatures find that a higher number of empirical works were published recently. Second, the field impact investing is unique on six characteristics namely (1) capital invested, (2) degree of engagement with the investee, (3) process of selection, (4) social and commercial outcomes, (5) reporting outcomes, and (6) government role. Third, it reveals that the scholarship in the field has been mostly exploratory. Only recently the field is engaging in confirmatory studies. The research methods have used existing databases or existing single or multiple case studies. Finally, the field has to delve deeper into concepts like selection process, stakeholder management, opportunity recognition, and performance reporting to move the field forward and generate applied knowledge.[AQ13]

KEYWORDS impact investing; research agenda; social finance; social entrepreneurship

1. Introduction

In 2007, the Rockefeller Foundation convened a meeting at the Bellagio Center in Italy on philanthropy and developmental finance, where the term *impact investing* was used formally for the first time (Bugg-Levine and Emerson 2011). Although impact investing firms such as Acumen Fund, Aavishkaar fund, and Villgro Innovations have been operational since much earlier, the term impact investing gained widespread recognition only recently. After the 2008 financial crisis, public confidence in the financial industry was severely impacted (Geobey, Westley, and Weber 2013). To regain their public image, one of the strategies that the investors adopted involved investing in socially relevant projects (Benedikter and Giordano 2011). Since then, the scholarship on impact investing has been growing, there are increasing number of specialized conferences and publications (Hangl 2014; Harji and Hebb 2010); implying increased focus on the field supported by underdeveloped empirical and critical studies.

The market for impact investments is proliferating where different banks, foundations, government agencies, and high net worth individuals are pooling capital (Weber 2016). The channelization of capital in impact investing firms has been increasing each year. In 2013, the US- small business administration fund increased its impact fund allocation from 80 million to 150 million USD, and the USAID increased its impact investing fund to 60 million USD (Tekula and Shah 2016). Currently, investments of 60 billion USD are under the impact investments category, while assets under the socially responsible investments category are more than two trillion USD (Roundy, Holzhauer, and Dai 2017). The impact investing sector is projected to grow to 500 billion USD by the year 2023 (Battilana et al. 2012). The growth in capital investment, in the impact-investing field, is promising. The major reason that drives the market and institutional interest for impact investing is that investors can pursue social and financial goals simultaneously (Rizzello et al. 2016). However, currently, the practice of impact investing is not matched by relevant empirical, critical, and theoretical knowledge. The growth in the number of studies on impact investing has been surprisingly very low. This lack of knowledge about the field and lack of knowledge production on the field pose an increasing risk of failure for both the investors and the investees. This review aims to understand the terminological and defini-

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tional boundaries of impact investing, current scope of scholarship and future research possibilities. The review analyses the field from longitudinal perspective discussing the evolution of knowledge over a period of time. Using these learnings as a base, the review proposes a research agenda.

According to Kuhn (2012), for a scientific field to establish itself, it needs to move beyond conceptual conversation and move towards applied science. In order to move the field forward, according to Kuhn (2012), scholars need to understand the extant scholarship, its context, inconsistencies, and terminological and definitional boundaries. This article attempts to clarify further the idea of impact investing by reviewing the current magnitude of research and proposing a future research agenda using a longitudinal lens.

The recent definitional reviews of impact investing mainly map the definitions as a function of social and commercial performance. The recent works on impact investing mainly explore the promise, conceptualization, definitional, and terminological clarifications, and categorization using conception analysis (Höchstädter and Scheck, 2014; Daggers and Nicholls, 2016). Yet, there are many definitional and terminological ambiguities. Few reviews have tried to clarify the typologies of impact investing that are prevalent (Achleitner et al. 2011; Moore, Westley, and Brodhead 2012). Yet, several articles confuse impact investing with SRI, venture philanthropy, and venture capital. This review clarifies the definitional ambiguities and studies the development of definition over a period of time, giving a unique perspective. Secondly, there haven't been studies that explore the current status and extent of scholarship, research questions explored, and research methods used. This level of review is essential to understand the current status of scholarship, the problems with the field, and aid in developing the future research agenda. This systemic review engages in understanding different research questions explored and methods used. The systemic review takes a longitudinal perspective and thus gives a unique insight into the present state of scholarship.

The structure of this article is as follows: Section 2 discusses the research methodology adopted for collecting the literature on impact investing, and subsequently discusses the review strategy. The findings section discusses the terminological dilemma, definitional dilemma, extant research on impact investing by deliberating on research questions and methods, and the level of analysis and performance. The critical lens employed while discussing the findings is Kuhn's (2012) scientific paradigm. The next section focuses on future research avenues where it discusses the research possibilities at the institutional, firm, and outcomes levels. Finally, the article ends with a discussion on conclusion and limitation section.

2. Research methodology

2.1. Data collection and description

Impact investing is a new and evolving field, driven by practitioners, it was essential to use a more inclusive search strategy. To identify the body of literature, the study conducted searches using *Harzing's publish or perish software-6,* covering the time period from January 2005 to December 2017. *Harzing's publish or perish software-6* includes reports and working papers that are not present in the standard databases, thereby providing an overall view of the field. The study chose this software because it covers articles, reports, and working papers published in most databases that will not be searchable on the web of science (commonly used for literature review). The study used the search term *impact investing Or impact investor*. The search terms were a part of the title, abstract, and keywords.

The initial search yielded 990 articles, reports, edited volumes, working papers, and magazines articles with at least one citation. The list was saved on Microsoft Excel for further analysis. Empty rows without any citations were deleted. The subsequent numbers of articles were 984 articles.

Subsequently, from the list, the study chose journal articles written only in English (list included articles written in Spanish, German, and French). Publications without any apparent relationship to the concept of impact investing were excluded. Upon further analysis of the list, the study narrowed down to articles which had ten or more citations, as shown in the *harzings' publish and perish search* software.

A friendly reviewer suggested including Porter and Kramer published in 1999, and two articles published in 2018. The study also included six book chapters on impact investing published in an edited volume in 2016 as it included some of the most cited scholars of the field. Furthermore, the study included 15 reports and 6 working papers. These reports and working papers were highly cited (as revealed in google scholar). This list revealed 57 journal articles, 1

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book, and 6 chapters from two edited volumes, 18 reports, and 3 working papers. In total, this review contains 85 works. The academic articles were further cross-checked against the EBSCO, ScienceDirect, and JSTOR databases. Table 1 gives an overview of the data description.

Table 1. Overview of the data selected and reviewed.Table Layout

Journal Articles	57
Reports	18
Edited Volume Chapters	6
Working papers	3
FT 50 Journal Articles	2
Articles and Reports from Developing Country	4
Articles with used existing theoretical lens	Ten articles and two reports
	Three quantitative; 10 case studies

The articles and reports found in the research had many commonalities to those analyzed in the review of impact investing by Daggers and Nicholls (2016), Hangl (2014), Höchstädter and Scheck (2014), and Rizzello at el. (2016). This review on impact investing, however, is more recent and comprehensive, and focuses on the current state of research and possible research agenda while giving clarifications on terminological and definitional ambiguities.

2.2. Data analysis: a framework for organizing the literature

Hoogendoorn, Pennings, and Thurik (2010) and Short, Moss, and Lumpkin (2009) theme coded the extant publications in social entrepreneurship on definitions, research questions explored, research methods, and level of analysis. This study uses a similar approach, albeit, for analysing and theme coding of the extant research on impact investing to understand the development of the field. Using the already published research on categorizing and defining social entrepreneurship, the articles and reports on impact investing were broadly theme coded into academic articles and reports, and conceptual papers.

The empirical papers were further coded as quantitative and qualitative papers, types of investments, social sector of investments, the locations of the impact investors, the location of the investees, definitions, social impact measures, and the market potential of various impact investing products and the different stakeholders. The thematic analysis looked for definitions and typologies of impact investing, research method employed, theoretical framing employed, the impact-investing model developed, research questions, findings, problems, and research agenda. After identifying the relevant published literature, the study moved to thematically categorizing them.

3. Findings from thematic analysis of data

The review found that the research on impact investing is evenly divided among conceptual works, reports endorsed by practitioners, and scholarly publications. The review has only two articles in the FT50 journal list having impact investing as a major research question. Since the field is new and emerging, it still lacks substantial publication among the FT50 ranked journals. However, the increasing number of publications, conferences, seminars, and study groups indicate the higher probability of having publications in the top-ranking journal in the near future.

This section first presents terminological and definitional clarifications. Thereafter, it has a discussion on the current extent of research with a particular focus on research questions explored, methods used, level of analysis, and outcomes.

3.1. Terminological distinction

The thematic analysis of the published articles identified different terms that shared many similarities and characteristics with impact investing. The review articles by Achleitner et al. (2011) and Höchstädter and Scheck (2014) were anchored in clarifying the different terminologies and definitions of Impact Investing. The review by Rizzello et al. (2016) presents the similarities among socially responsible investing, social impact bonds, microfinance, and venture philanthropy, while Bouslah, Kryzanowski, and M'Zali (2013) presents the differences between these terminologies and impact investing. One of the major terminological confusions that became apparent was the use of the

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term *social finance* that was often used interchangeably with the term impact investing. Furthermore, the review found a number of distinctions among the terms socially responsible investing (SRI), social impact bonds, microfinance, venture philanthropy (VP), and impact investing, that places it into a unique asset class. Several articles (See Table 2) have mentioned that these terms are similar to or even interchangeable with impact investing, which Table 3 presents, factors on which these terms could be differentiated.

Table 2. List of articles that shared the term ‘impact investing’ with similar terms like SRI, MF, SIB, Philanthropy, SF.Table Layout

Harji and Hebb (2010)	Socially Responsible Investing, Social Investing, ethical Investing, Double and triple bottom line investing, responsible investing (ANSER Conference)
Wood and Hagermann (2010)	Socially responsible investing, community investing, shareholder advocacy, responsible investment, sustainable investment, impact investing, economically targeted investing, double- or triple-bottom-line investing, and others.
Rizzello et al. (2016)	Social Impact investing, Social Impact Bond, Responsible Investment, Microfinance, Mission Investing, Sustainable investment, pay for success, Social finance, Philanthropy
Michelucci (2016)	Microfinance, Social Bond, Social Fund, Venture Philanthropy, Soft Loan, Lending Crowd Funding
Daggers and Nicholls (2016)	Community finance, Alternative Finance, SIB, Impact Investing, Social Finance, Cooperative and mutual finance, crowd-funding, ethical banking, SRI and ESG, Developmental finance, SRI
Arena et al. (2016)	Early stage financing, startup financing, early growth financing, growth financing, social impact investing
Junkus and Berry (2015)	SRI for Green Investing, Sustainable Investing, Ethical Investing, Impact Investing, Community Investing
Hangl (2014)	SIB, MF, SF, SII, SRI, SC,
Mendell and Barbosa (2013)	SII, SE, Market Inter, SRI, Second Markets
Jackson(2013a)	Social Impact bond is one of the applications of impact-investing
Nicholls(2010)	Three broad types: Focus on capital, Blended value and Value driven
Bishop (2013)	SII, SIB, SRI, Philanthropy
Rajan, Koserwal, and Keerthana (2014)	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, patient capital
Busch, Bauer, and Orlitzky (2016)	SRI with a deeper focus on the impact
Rath and Schuyt (2014); Bell (2013); Porter and Kramer (1999)	Entrepreneurial Philanthropy, Philanthropic Capitalism, Venture Philanthropy
Lehner and Nicholls (2014)	Clarifies the difference between impact-investing, social finance, and crowd-funding develops a model with the government as a driver can create markets for social entrepreneurial finance using crowd-funding model

Table 3. Factors on which impact investing differs from similar sounding terms.Table Layout

	ImInv Vs Microfinance	ImInv Vs Social responsible investing	ImInv Vs Social impact bonds	ImInv Vs Venture philanthropy
Sum of Capital Invested	Higher	Lower	Equal	Similar
Degree of engagement with the investee	Higher	Higher	Lower	Similar

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	ImInv Vs Microfinance	ImInv Vs Social responsible investing	ImInv Vs Social impact bonds	ImInv Vs Venture philanthropy
Process of Selection	Similar to venture capital	Higher	Different	Similar
Social and Commercial Outcome	Depends on the fund mandate	Higher	Depends on the mandate	no commercial outcomes for VP
Reporting of outcomes	Higher	Higher	Similar	Similar
Government role	Depend on stakeholders	Depend on stakeholders	Depends on the stakeholders	Depends on stakeholder

3.1.1. Social finance vs. impact investing

The review found that most of the UK and Europe based researchers, for example, Daggers and Nicholls (2016) and Nicholls and Pharoah (2008) use the term 'social finance', while 'impact investing' is predominantly used by North American (Geobey, Westley, and Weber 2012) and Asian researchers (Rajan, Koserwal, and Keerthana 2014) to indicate a similar context. Höchstädter and Scheck (2014) review considered that 'impact investment' is interchangeable with 'social finance'. Before the term impact investing was officially recognized, (Nwankwo, Phillips, and Tracey 2007)[AQ32] used 'social investing through community enterprise' and Bonini and Emerson, (2005) used the term 'blended value investing'. However, post 2007, most researchers have used either impact investing or social finance. Going forward, this article identifies 'impact investing' and 'social finance' as two interchangeable terms.

3.1.2. Microfinance vs. impact investing

Several articles in the thematic analysis quoted microfinance as a form of impact investing (Ashta and Hudon 2012; Brett 2013; Hangl 2014). However, further analysis revealed that impact investors are different from microfinance organizations. The first remarkable difference between the two is that the capital invested by an impact investor is significantly higher than loaned by a microfinance organization (Ashta 2012). The review of impact investing firms shows that impact investors (ex: Leapfrog, Lok Capital, Aavishkaar) are investors to microfinance organizations. Second, the impact investors have a greater degree of interaction with their investees than a traditional microfinance organization (Roundy, Holzhauer, and Dai 2017). Third difference between the two is that the microfinance investment is rarely equity-based, while impact investing in developing countries is mostly equity based (Intellecap 2013; Unitus Capital 2014). Finally, the interest rates of microcredit firms are higher than debt-based impact investors (Davis 2011; Einhorn and David 2010). Hence, this study would state that microfinance cannot be equated to impact investment, however, impact investors can also be investors to a microfinance organization.

3.1.3. Socially responsible investing vs. impact investing

The articles on impact investing also cited socially responsible investing (SRI) (Adam and Shauki 2014; Arjaliès 2010[AQ33]; Busch, Bauer, and Orlitzky 2016), investing by developmental financial institutions (DFIs) (Saltuk, Bouri, and Leung 2011), sustainable banking investments (Benedikter, 2011), and corporate social investments (CSI) (Oh, Park, and Ghauri 2013; Salzmann 2013) as closely mirroring impact investing. SRI involves investing in publically traded securities, which favor strong ESG policies. This review found that SRI is an umbrella term that encompasses the interests of different stakeholders; for example institutional investors, banks, governments, developmental financial institutions, socially responsible mutual funds, and foundations—and involves investment in activities and organizations, which create social and environmental impact (Scholtens and Sievänen 2013; Höchstädter and Scheck 2014; Wood, Thornley, and Grace 2013). Impact investing is a more proactive investment (compared to SRI) in enterprises whose mission is to create both social and commercial value (JP Morgan and Rockfeller Foundation, 2010). Many SRI funds invest some percentage of their allocated capital in impact investing firms. The level of engagement among SRI investors is less compared to impact investors. This review discourages that view that equates SRI to impact investing.

3.1.4. Venture philanthropy vs. impact investing

Venture philanthropy focuses on maximizing social return on investment and establishing accountability among the investees, but without emphasizing on any return on investment (Porter and Kramer 1999; Defourny et al. 2013). Depending on the social and financial goals, type of stakeholders and investor practice, investment size, and emphasis on social and commercial reporting, impact investing shares many commonalities with venture philanthropy. The

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similarities between the two are following. First, both engage with their investees. Second, both emphasize maximizing social impact compared. Third, both emphasize accountability compared to charity.

3.1.5. Social impact bond (SIBs) vs. impact investing

SIBs are payments based on results (McHugh et al. 2013) where the financial returns are ensured after certain predefined social goals are attained (Rizzello et al. 2016). SIB is a multi-stakeholder arrangement between a government, a social enterprise, and an investor facilitated by an intermediary organization (Social Finance 2009). The extant literature consistently refers SIBs as a type of impact investing, though it involves a considerably high level of stakeholder engagement and impact measurement (Joy and Shields 2013; Social Finance 2009; Nicholls and Tomkinson 2013) when compared to impact investing. Its functions involve optimizing the operations and finances of public services with the help of private players under strict accountability clauses.

Table 2 contains a list of articles which considers Impact Investing to be closely related to one of the terms mentioned above. This review views that there are significant distinctiveness among the terms microfinance, socially responsible investing, social impact bond, venture philanthropy, and impact investing, while it considers social finance and impact investing as interchangeable. The differences and similarities are summarized in Table 3. The researchers should consider the following factor when considering impact investing over for similar investment options (microfinance, socially responsible investing, social impact bond, venture philanthropy) (1) sum of the capital invested, (2) degree of engagement with the investee, (3) process of selection, (4) social and commercial outcomes, (5) reporting of outcomes, and (6) government role (see Table 3).

3.2. Definitional development

The review observes shifts in how scholars have defined Impact Investing since 2005. The review infers that the reason for these slight differences is because the field is still developing and new knowledge is driving the definitional shifts. Table 4 provides a list of Impact Investing definitions.

Table 4. List of impact investing definitions used by different researchers.Table Layout

Study	Definition(s)
Rizzello et al., (2016) Rebecca and Shah (2016) Rizzi, Pellegrini, and Battaglia (2018)	Presents models of impact investing incorporating public institutions, private investment, and impact investors and outcomes.
Roundy, Holzhauer, and Dai (2017)	'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.'
Quinn and Munir (2017)	'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. Unlike ethical investing or socially responsible investing (SRI), which focuses on the negative screening of alcohol, tobacco, and firearms, and a range of businesses and activities which do not damage society, impact investing is positioned as taking a proactive approach actively identifying businesses with the intent to achieve a financial return and create a positive social or environmental impact.'
Glänzel and Scheuerle, (2016)	'Measurable social and ecological impact as dominant goals here, with the potential for a financial upside.'

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Study	Definition(s)
Weber (2016)	Definitions of Impact Investment are based on two common principles: 1. The blended value principle, claiming that social finance products and services can and should achieve both financial and social returns (positive social impacts). 2. The principle of sustainable financial return, guaranteeing the long-term financial viability of social finance institutions
Tekula and Shah (2016)	'Impact Investing is dual-purpose financing: the pursuit of social benefit together with financial profit.'
Daggers and Nicholls (2016)	'Social Impact Investing' as an umbrella term to refer to both 'Social Investment' and 'Impact Investing.' A general definition of SII is: 'investments in organizations that deliberately aim to create social or environmental value (and measure it), where the principal is repaid, possibly with a return.'
Rajan, Koserwal, and Keerthana (2014)	'SVC investing is typically characterized by investments in early-stage enterprises that are servicing people in the BoP, they have high-risk tolerance and a longer time horizon for investments compared to VC investments. SVC investors give equal importance to financial returns and social returns.'
GIIN (2013)	'Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. They can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances.'
Jackson(2013)	'Mobilizing capital for 'investments intended to create positive social impact beyond financial return'. Two key components of this definition are, first, the intent of the investor to achieve such impacts, and, second, tangible evidence of the impacts themselves and the final component is a theory of change. Impact investment must account for the theory of change.'
Hebb (2013)	'Impact investing is a sub-set of responsible investing. Here the investor intentionally invests to achieve positive social and environmental impact in addition to financial return.'
Moore, Westley, and Brodhead (2012)	'Social finance is more than just the flow of money into social or environmental projects. It is conceived as an ethos about the way money is used . . . social finance can be seen as the discourse around such flows that is developing in concrete terms in the new institutions of supply, intermediation, and demand.'
Battilana et al. (2012)	'Who are comfortable with hybrid models and their blend of social value creation and commercial revenue.'
Rangan et al. (2011)	'The commonly accepted definition for impact investing is an investment that creates social or environmental benefits while also providing a return of principal, with returns ranging from zero to market rate.'
Nicholls (2010)	'Social investment in practice is innovation in terms of the institutional logics and norms that govern the relationships between its investment logics (focused on the outcomes of placing capital) and investor rationalities (focused on the objectives of placing capital)'
Bugg-levine and Goldstein (2009)	'Helps to address the social or environmental problems while generating financial returns.'
Pepin (2005)	'Venture philanthropists (impact investors) desire a close relationship with the social entrepreneur, investing time, human and financial resources intimately helping to achieve the business plan targets.'

Between 2005 and 2012, the definitions of impact investing were general, broad, and largely focussed on differentiating impact-investing from charity and venture capital (Battilana et al. 2012). The term impact investing was institutionalized in 2007. Between 2005 and 2007, the term impact investing was referred to as blended value investing (Bonini and Emerson 2005) or use 'social investing through community enterprise' (Nwankwo, Phillips, and Tracey 2007) or venture philanthropy (Pepin 2005). Impact investing firms use venture capitalist strategies to provide impact capital to organizations whose primary purpose is to create social value (Geobey, Westley, and Weber 2012; Moore, Westley, and Brodhead 2012). Impact investment firms invest in enterprises with a clear social mission, and most often these investee enterprises have an earned income component (Hebb 2012; Jones 2010; Bugg-levine and Goldstein 2009). The definitions of impact investing between 2005 and 2012 broadly highlight the importance of social and commercial goals (Nicholls 2010)[AQ34]. However, the definitions draw many similarities with other forms (eg. Microfinance), without a sense of distinction that is needed to demarcate the field from other similar forms.

Between 2012 and 2016, the definitions seem more developed and nuanced, demarcating the field from already existing terms like venture philanthropy, socially responsible investing, microfinance, and social impact bonds. Impact investors invest in organizations with a clear social mission, a clearly outlined theory of change, and—depending on the mandate of the fund—earned income capacity (GIIN 2013; Jackson 2013a). It involves high engagement, tailored financing, extensive support, organizational capacity building, and performance measurement (Achleitner et al. 2011; Hebb 2013). Lazzarini et al. (2014) developed a model of impact investing theorizing and operationalizing its social and commercial impact as a function of investor intention, while Rajan, Koserwal, and Keerthana (2014) examined the mandate of impact investing as a function of social and financial returns and risks. At this stage of the scholarship, we see more clarity on definitions with particular emphasis on either social value creation or financial returns (Glänzel and Scheuerle 2016; Tekula and Shah 2016).

Between 2016 and the present, the definitions of impact investing discussed have greater complexity, where, the authors define it by incorporating elements of stakeholders, profit, and social motives. Roundy, Holzhauer, and Dai (2017) define impact investors as those seeking ROI and SROI while delineating that those who seek only one may not be considered as impact investors. Rizzello et al. (2016), Rebecca and Shah (2016)[AQ35], and Rizzi, Pellegrini, and Battaglia (2018) each have developed defined impact-investing by incorporating for major fields: impact entrepreneurship, sustainable finance, public policy, and their hybrid outcomes. Quinn and Munir (2017) highlighted the role of degree of proactiveness among impact investors while managing their investments. This definition tries to quantify the outcomes of Impact Investing using the using financial terms such as ROI and SROI indicating a shift towards quantification. These definitions are more developed, indicating greater complexity, incorporate higher elements of stakeholder and policy and lower elements of measurement (ex public institutions, investees) than just dual goals. Such definitions help in operationalizing impact investing.

The review from 2005 to 2017 gives a longitudinal perspective on how the definitions of impact investing are evolving. All the definitions point towards social value creation and maximizing social return on investment, even though the degree of return on investment varies between different definitions. The definitions in the initial days were broader. In recent years, they have become more specific and quantifiable. The review strongly indicates that the definition of impact investing has been evolving since 2005, and will evolve further as more studies are published.

3.3. Review of existing research on impact investing

The evolution of the field can be observed from the type of questions explored from 2005 to the present. The questions asked in the reviewed papers majorly reflected the pre-paradigm (Kuhn 2012) status of the field. In 2005, research was more conceptual, broad, and strategic, while in 2017 the research questions were more specific and reflected on the operational characteristics of impact investing.

Table 5 summarizes the major peer-reviewed articles and chapters published on impact investing, and summarizes their research questions, theoretical approaches, methods adopted, data collected, and findings.

Table 5. Summary of the peer-reviewed articles on impact investing.Table Layout

Study	Research Question and Findings	Theoretical Approach	Research Method/Data
Rizzi, Pellegrini, and Battaglia (2018)	Studies the Structuration process in social finance; Main categories of actors: Government, Mainstream finance, Investees, Investors, outcomes-outputs, the legitimacy of the field.	structuration theory, legitimacy	Case Study, Interviews

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Study	Research Question and Findings	Theoretical Approach	Research Method/Data
Castellas, Ormiston, and Findlay (2018)	The analysis reveals the nature of institutional complexity in impact investment and highlights the risk that the impact logic may become overshadowed by the investment logic if the difference in rigor around financial performance measurement and impact performance measurement is maintained. The paper discusses the implications of these findings for the development of the Australian social enterprise sector.	Institutional theory, logics	Mixed method
Roundy, Holzhauer, and Dai (2017)	Motivations of impact investing, what is impact investing, process of impact investing	None	Qualitative, interviews
Quinn and Munir (2017)	how social actors navigate and maintain social and political arrangements in hybrid organizations? : 1) institutional setting 2) creating and defining new identity 3) Leveraging dual character to get resources 4)	Hybrid logics, Legitimacy, Power, Stakeholder theory	Single Case Study
Weber (2016)	Review on opportunities and challenges for impact investing; theory of change for impact investing; Provides a Model of Impact Investing: Capital providers, Investors, Investees, investee actions, outcomes, and outputs	None	Review Article and quantitative data of Impact asset 50 cases
Tekula and Shah (2016)	Model of impact Investing: 1) Intermediaries 2) Impact Investors 3)Activity 4) Outputs 5) Outcomes	None	Conceptual
Rizzello et al. (2016)	Mapping the thematic and terminological landscape of impact investing: Model development: Finance, Social Entrepreneurship and Public Policy		Structured Lit. Review
Gregory (2016)	How to manage risk in impact investing? : Due Diligence, Proven and replicable Business models, Stage of investee, team, location, type of investment,	None	Conceptual
Michelucci (2016)	Defining the Italian SII ecosystem: Proposes increased focus on public sector and institutional mechanism	none	Qualitative, Multiple cases
Glänzel and Scheuerle, (2016)	This study explores the impediments to impact investing in Germany. The findings are: revenue models are weak, lack of observable and measurable social impact, high transaction costs, lack of intermediary structure	none	Qualitative, Multiple Interviews
Apostolakis, Kraanen, and van Dijk (2016)	Willingness to pay for RI and impact investment portfolio? Findings: Awareness increases the likelihood for investment	Willingness to Pay, Empathy Scale	Quantitative testing model for willingness to pay
Barman (2016)	How market ecosystem values impact investing and impact invested ideas and firm? -Creation of market infrastructure, institutional ecosystems to separately (from financial valuation) value the impact and then make a holistic judgment.	None	Mulitple Case studies

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Study	Research Question and Findings	Theoretical Approach	Research Method/Data
Spiess-Knafl and Aschari-Lincoln (2015)	Studies venture philanthropy fund investees quantitatively testing the characteristics that determine the use of grant or commercial financing instruments: Age, Location, Public/Private, Non-Profit/For-profit, Types of beneficiaries: Findings: 1) the investees' organizational and beneficiary characteristics determine their access to financial resources. 2) investees' organizational and beneficiary characteristics strongly predicts the grant versus commercial financing outcome. 3) the venture capital nature of venture philanthropy funds can be inferred from their financing instrument decision-making	Extant Literature on SE and Impact investing	Quantitative/ 342 investee and Impact Investing
Jones and Turner (2014)	How can Impact Investing help SMEs? What can be done to improve impact investing for the SME sector? Findings: 1) Increase technical assistance and capacity building for impact investing 2) fundamental business practices 3) Impact measurement 4) create room for Multiple actors 5) Investment managers are crucial	None	Single Case Study
Höchstädter and Scheck (2014)	Review, definitional clarifications, schools of thoughts: 1) definitional clarification 2) terminological clarification 3) schools of thought 4) investee clarification 5) investment sectors and location clarification	Structure review	None
Rajan, Koserwal, and Keerthana (2014)	An exploratory study of the landscape of impact investing around India, problems invested, the performance of investees and future possibilities	none	Quantitative study
Lehner and Nicholls (2014)	Model development of social entrepreneurship involving crowdfunding, social banks, impact investors and government bodies; Model of Impact investing, crowd-finance, government guarantee, and social entrepreneurial actions	None	None
Mendell and Barbosa (2013)	How to develop a secondary market for SII and SE?1) SII and SE ecosystem 2) Public Policy 3) Market acceptance 4) Small firms listed 5) Trading of social enterprises in secondary markets	None	Multiple Case Study
Geobey, Westley, and Weber (2012)	Major Issue is the measurement and communication of social impact created; Risk vs. return debate	Portfolio Strategy	None
Ashta (2012)	how venture capital firms use the concept of co-creation to create a multi-pronged attack on poverty while maintaining a profit motive: Use this concept to develop a VC model for MFIs	None	Single Case Study
Moore, Westley, and Brodhead (2012)	Barriers to social innovation and how social finance can bridge and help in social innovation?	Structuration theory, Legitimacy, Resilience theory	None
Wood and Hagerman (2010)	This paper addresses the landscape of mission investing and asks; how can foundations better leverage their endowment assets to achieve their mission? The purpose of this work is to explore how the US foundations define mission investing, and how they explore the challenges and opportunities the field represents.	Conceptual	None
Nicholls (2010)	Placing SII within Investment landscape? Problematizing, categorizing the landscape of impact investing, further discusses the way forward for the field (focussing on institutional legitimacy)	Weber Ideal types, Institutionalism, Legitimacy of the field	None

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Study	Research Question and Findings	Theoretical Approach	Research Method/Data
Jones (2010)	How IAD and Commons approach and Social finance can help in the development? : 1) used to answer the question of mission drift 2) framework for local organizations engaging in social finance	Commons, Institutional Analysis, and Development	Single Case Study
Choi, Gray, and Carrol (2008)	List of Outcomes desired by Social investors, issues related to the legitimacy of outcomes	None	Case based/40 Finance-So-Cents
Slyke and Newman (2006)	Venture philanthropist as an entrepreneur, actioner, bricoleur, further discusses the Grantee - Investor relationship, investor as an entrepreneur	None	Qualitative/ Single Case
Brown (2006)	How does equity financing is structured in UK CICs, what can social enterprises learn?	None	Exploratory institutional analysis of UK CICs
Porter and Kramer (1999)	Philanthropy redefining itself by changing the process of investment: Impact, Selection and its impact, SROI (defining); Strategy development	None	Conceptual

3.4. Research questions and research methods

Most of the initial studies on impact investing were either practitioner reports or conceptual studies, which, involved definitions of impact investing, exploring the promise of the field and involved briefcases of successful impact investors. They lacked strong empirical analysis or conceptual development. The review found that the initial research questions on impact investing reflected a broad and top-down view of its possibilities and promise. The questions focussed on the conceptualization of an investment that can create both social and commercial benefits. The movement from philanthropy to venture philanthropy and how it could embrace markets was the starting point where the review observed the emergence of impact investing (Pepin 2005; Porter and Kramer 1999; Slyke and Newman 2006; Wood and Hagermann 2010) . Brown (2006) conceptualized how the equity investments in the UK based social enterprises can mainstream the sector, without explicitly defining impact investing. It was one of the first studies that ratified of impact investing in the UK, while the term 'impact investing' was formally adopted in 2007.

From 2010 to 2014, we observe the emergence of exploratory single case studies (see Table 4). The qualitative studies involved both interviews and secondary data. For example, Jones (2010) studied the application of impact investing at the BoP segment; Hummels and Leede (2014)[AQ36] and Ashta (2012) focussed on the application of microfinance in impact investing; Jones and Turner (2014) focussed on impact investing in SMEs, and Lehner and Nicholls (2014) on the application of impact investing in crowdfunding. These studies explored the applications of impact investing in SMEs, microfinance organizations, crowdfunding, and BoP segments and accounted for risks, promises, and performance. Most of these studies explored the promise and performance of impact investing and lacked critical and theoretical components. These studies explored the boundaries of impact investing. Single case studies are also the initial stage for theory development.

From 2014 to the present, we see a higher number of empirical studies including both multiple case studies and quantitative studies. Newly published studies explored questions on public policy, organizational hybridity, and market intermediaries employing single or multiple case studies. In particular, the conversation on market intermediaries, market creation, and market acceptance of impact investing was predominant (Barman 2015; Battilana et al. 2012; Busch, Bauer, and Orlitzky 2016). This shows a greater focus on understanding impact investing, boundaries, and operations as a function of different factors.

From 2014 onwards, we observe a greater number of country-specific studies on impact investing and its impact. Rajan, Koserwal, and Keerthana (2014) explores the impact investing sector in India and its promise in creating profitable outcomes for its investors from market position; Glänzel and Scheuerle (2016) studies the impact investing sec-

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tor in Germany, and Castellas, Ormiston, and Findlay (2018) studies its growth and applications in Australia. These studies are location specific and take into account the effect of both the government policy and the markets. Although these studies are still early works, they strongly indicate the effect of location on impact investing. One can also infer from these observations that the field becomes more applied and scholars are asking more specific questions. Going forward, we will observe more studies on the country and institutional specific factors and its impact on social and commercial performances.

The review found only three studies that used quantitative research methods. Among these, two are exploratory and one involves theory testing (see Table 4). Rajan, Koserwal, and Keerthana (2014) and Spiess-Knafl and Aschari-Lincoln (2015) presented quantitative exploratory studies exploring the promise and performance of impact investing within different sectors and markets. Apostolakis, Kraanen, and van Dijk (2016) used the standard *willingness to pay* to measure the inclination to pay against the ESG performance using the standard Dutch pension fund database. Willingness to pay is a standard measurement scale used extensively in crowdfunding and entrepreneurship studies at the individual level. This was the only confirmatory study in the review that points towards the promise of impact investing, corporate governance, and the fiduciary duties of impact investors. These studies were published in 2014, 2015, and 2016, further indicating the promise of theory testing as the field develops further. There is scope to develop the research by using the exploratory survey method; by developing new measures and questionnaires and integrating them with the existing ones.

3.5. Level of analysis

3.5.1. Institutional level

Nicholls (2010) used an institutional lens to reflect on the degree of institutionalization of the field within the existing financial world and the challenges it faces in achieving greater acceptance. One of its reflection was that the market acceptance of impact investing firms depends on the performance of its investee social enterprises. Both impact investing and social enterprises require greater and robust studies that quantify risk and rewards associated with them (Chhichhia 2015; Troilo 2013). This will have direct consequence on the institutional acceptance of impact investing firms.

One of the ways an impact investor can have access to mainstream capital markets is through trading investments as equities in secondary markets using secondary exchange plaform. To achieve trading of securities, one needs to ask how social enterprise trading in secondary markets can be operationalized (Thorlby 2011; Mendell and Barbosa 2013) while creation of social mission. To operationalize trading, one needs to explore and imagine how the market valuation of equities (from investments in social enterprises) will be operationalized.

Institutional environmental factors such as the existing taxation laws, geographical location, market norms, literacy rate, quality of public services, and inflation play an important role in impact investment by influencing its strategy, operations, investment decisions and costs (Castellas, Ormiston, and Findlay 2018; Glänzel and Scheuerle 2016; Goldszmidt, Brito, and de Vasconcelos 2011; Langford 2011). The differences found in the practice of impact investing in Australia, Germany, and India imply that institution and location are major factors that moderate impact investing.

Studies show that entrepreneurial ecosystem services available with developed economies are better at facilitating entrepreneurial activities and securing investments when compared to those found in developing economies. This results in higher social entrepreneurial initiatives including impact investing (Aidis, Estrin, and Mickiewicz 2008; Troilo 2011). However, Höchstädter and Scheck (2014) in their review found that impact investment is far more prevalent in the developing economies than in the developed ones. Institutional voids in developing economies are significant, which both create social entrepreneurial opportunities but also stall the rate of commercial entrepreneurial activities (Mair, Martí, and Canly 2007). Comparing the studies of the performance of impact investing in the region with high institutional voids with regions with low institutional voids can reveal interesting insights regarding sectors, regions, and performance factors.

3.5.2. Firm level

The review identified operational elements such as field level knowledge, firm-level innovation, sector-specific knowledge, organizational form (Hebb 2012; Miller and Wesley 2010; Wood and Hagerman 2010), opportunity rec-

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ognition (Lehner 2013; Leventhal 2012), and due diligence (Bakshi 2012; Reeder et al. 2014; Serrano-cinca and Gutiérrez-Nieto 2010) as essential actions around which the intent of impact investing processes is organized. While, Hebb (2012), Miller and Wesley (2010); Wood and Hagerman (2010) discuss sector level knowledge, organizational form, and firm-level innovation, they do not explore it beyond just mentioning these terms. These studies did not analyze social and commercial performance of impact investing firms for different sectors.

Wood and Hagerman (2010) conceptualized the firm level's processes by highlighting the importance of selection, risk mitigation, and mission drift, pre and post the investing period, yet the study did not use the portfolio approach or any other theoretical frame to further develop the concept of risk. Similarly, articles by Lehner (2013) and Leventhal (2012) used opportunity recognition among impact investing, yet the concept and its application was not fully explored as it has been in the entrepreneurship literature.

Traditional venture capital firms are driven by profit expectations when selecting their investees (Maxwell, Jeffrey, and Lévesque 2011; Nelson and Blaydon 2004). The success of impact investing is intricately tied to the social and commercial success of investee social enterprises (Austin 2000;Huybrechts and Nicholls 2013). Recent work on the decision methods of the impact investors (Serrano-cinca and Gutiérrez-nieto 2010) provides some frameworks on how social and commercial goals impact the decision-making process. Yet our understanding of the decision processes and prioritization of social and commercial goals at different steps of due diligence is at a nascent stage. Articles used institutional logics and hybrid logics literature (Battilana et al. 2012; Quinn and Munir 2017) when discussing the process of impact investing, mission drift, and the degree of hybridity. The review did not find articles that discuss the quantification of social and commercial risk associated with impact investing. Some articles used the term 'investment logic' to define impact investing, however, the term was lacking the definitional component that captured the social logic dimension.

3.5.3. Individual level

Apostolakis, Kraanen, and van Dijk (2016) was the only article that analyzed impact investing at the individual level. Though there are several articles within the crowdfunding and social entrepreneurship literature on an individual level, using constructs like empathy and entrepreneurial intention (Mair and Noboa 2006), the impact investing field still needs to publish more empirical articles employing rigorous research methodologies to explore and test the field of impact investing.

3.6. Performance

The extant research on performance mainly focuses on defining and measuring the 'impact' of impact investing (Bugg-Levine and Emerson 2011; Nicholls and Pharoah 2008), public policy implications and potential (G8 2014; Nicholls and Tomkinson 2013), process of impact investing, and, finally, the measurement and effectiveness of social outcomes (Social Finance 2009; Saltuk, Bouri, and Leung 2011). The measurement of social impact is very fuzzy and yet to be standardized (Tekula and Shah 2016). The critical debate on impact investing research is the measurement of outcomes (Weber 2016) since the performance of impact investing firms depends on their social and commercial value creation.

The empirical evidence from venture capital investing suggests that sector-specific funds are more productive and profitable (Duong 2015). Rajan, Koserwal, and Keerthana (2014) suggest that specific sectors like microfinance and bottom of the pyramid (BoP) business models attract greater impact capital, unlike other sectors such as food and hunger, and sanitation. It could imply that sector specialization within impact investing could lead to better social and financial outcomes. It could also imply that sector specialization may lead to bias where uneconomical sectors may never receive funds. Hence, sector-specific and social problem specific studies are needed to make wise impact investing decisions.

The articles relied on portfolio theory (Cooper et al. 2016; Morgan 2010) when discussing risks and rewards during impact investing. Portfolio theory helps in quantifying risks and rewards for given investments (Geobey, Westley, and Weber 2012) and also helps to quantify the performance of impact investing fund. The lack of longitudinal data and a sufficient population of impact-investing makes it difficult to explore the performance of impact investing. Using portfolio theory, the scholar should collect data on impact investing firms, their investments, and performance and analyze it for social and financial performance at the firm level, at the portfolio level and at the sector level.

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The Peterborough project is a pilot study of a social impact bond trying to create positive social change while ensuring greater financial prudence within prison premises (Nicholls and Tomkinson 2013). The outcomes of this study present a promising outline for the SIB. Prazak (2012) explores the operationalization of the SIB and the institutional challenges and points out that the SIB lacks studies on the service providers (investees), institutional frameworks, and the outcomes. The social impact assessment documents widely shared by various impact investing firms point towards positive performance compared to the status quo (base line), while the magnitude of impact reported in such reports needs further verification.

To conclude, the review of the extant research confirms that the field is still emerging and the publications still incline on definitional and terminological clarifications. Yet, the review also finds that the field is developing as the articles published in the last five years included greater development about the theoretical, operation, and performance aspect of impact investing.

4. Future research agenda

According to Kuhn (2012), for any nascent research to move from the pre-paradigm to normal science, the researchers must agree on fundamental assumptions and broad boundaries. Drawing from the thematic analysis in Section 3, the future scholarship (see Table 6) must focus on these three blocks: (a) Institutional environment and stakeholders (b) Impact investors and investee social enterprises (c) Outcomes and the inter-relationships among these three blocks

Table 6. Future research agenda.Table Layout

	Research Question	Research Method	Theory
Institutional Environment and Stakeholders	Government role StakeholdersDeveloping economies	Comparative case studies, Survey, database development	Institutional theory, stakeholder theory, principle-agent theory
Impact Investor Investee Social Enterprise	Sector specialization, process, Inter-organizational relationship	Comparative/Single Case Study, Survey, performance measurement, standard measures for the survey, (empathy, willingness to pay, intentions), minutes of meeting	Stakeholder theory, Principle-Agent theory. Institutional Logics
Outcomes	SIA, Technologies	The survey, document analysis, confirmatory models between antecedents and outcomes	Portfolio Approach, Institutional logics

4.1. Institutional environment and stakeholders

4.1.1. National economic institution

In developing economies, the lack of institutional support for healthcare, insurance, and banking lead to greater social entrepreneurial opportunities than in places where institutional support for basic services is present (Mair, Mart, and Ventresca 2012). Although locations with institutional voids have higher opportunities for social enterprises (Mair, Martí, and Canly 2007), creating social enterprises in such locations is harder because of the lack of support systems and property rights. This is a real issue in impact investing because places which might look promising for investments, but in practice, they may be very risky. Researchers must study the risk profile of impact investments as a function of their location, entrepreneurial ecosystem, and concentration of social enterprises. Scholars must use pilot projects in different institutional contexts to understand the different models and institutions, and how they would influence the performance and organizational form of social impact bonds (Demel 2012).

Institutions such as government structures and market dynamics in different countries play an essential role in organizational actions (Claeyé and Jackson 2012; DiMaggio and Powell 1983). Using institutional theory and logic, scholars should study how governments, stakeholders, and institutions are shaping impact investing policies. Institutions shape organizations. Using stakeholder theory and institutional theory, one must explore how developing countries can benefit from impact investing.

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4.1.2. Stakeholders

Impact investing firms have many stakeholders such as banks (Burand 2012; Jackson 2013b; Scholtens 2006), high net worth individuals as investors (Bolton and Savell 2010; Brett 2013; Demel 2012; Tzouvelekas 2014), institutional investors (Intellecap 2013), beneficiaries (Ashta 2012; Corrigan 2011; Dagher Jr. 2013; Lehner and Nicholls 2014; Oh, Park, and Ghauri 2013), and governments (Bonini and Emerson 2005; Cabinet Office UK 2013; Cohen 2011; Thorlby 2011; Tjornbo and Westley 2012; Wood, Thornley, and Grace 2013) who engage in the processes and decisions. These studies bring different stakeholders into forefront but do not engage in conversation that highlights (1) relationships between different stakeholders, (2) different power dynamics, (3) who influences greater power on decision making, and (4) who influences performance especially social.

Different stakeholders bring different interest groups, different perspectives, and logic, thereby increasing complexity within organizations. The future studies should explore the processes, regulations, and managerial templates to understand how impact investing firms should manage different stakeholder power centers and their interests The researcher should look at the question of how impact investors may manage multiple stakeholders and their interests using institutional and stakeholder theory. How and under what circumstances do stakeholders influence the social and commercial outcomes? Researchers should conduct qualitative studies of the boardroom meetings (ethnographic or minutes of meeting) to understand the dynamics of multiple-stakeholder engagement. SIBs are stakeholder and institutional intensive.

4.2. Actors and actions

This review identified operational elements such as field level knowledge, firm-level innovation, sector-specific knowledge, organizational form (Hebb 2012; Miller and Wesley 2010; Wood and Hagerman 2010), opportunity recognition (Lehner 2013; Leventhal 2012), and due diligence (Bakshi 2012; Reeder et al. 2014; Serrano-Cinca and Gutiérrez-Nieto 2010) as important actions around which the core of the impact investing processes are organized. Yes, it is important to understand the operational elements in detail. Scholars must study the organizational forms of different impact investing firms and how to do competing logics balance during the investing process using minutes of the meeting.

4.2.1. Due diligence

The success of impact investing is intricately tied to the social and commercial success of investee social enterprises (Austin 2000; Huybrechts and Nicholls 2013), making the due diligence with impact investing difficult and costly (Chong and Kleemann 2011). The institutional legitimacy of impact investing is solely tied to the success of their investee social enterprises. How do impact investing firms select projects and investee firms? Within impact investing, one needs to understand the different types of risks involved and how each risk is valued, hedged, and optimized for a given investment. In particular, one needs to reflect on the different social and financial risks involved in a given investment at the investee level and the '*portfolio of investments*' level. Typical due diligence process fails to detect the human motivation (Smart 1999), while in investee social enterprises, elements of effectuation and empathy (Mair and Nooba, 2006) add another level of complexity. The investor must reflect on how the different elements of the ability of the entrepreneur and entrepreneurial empathy can be measured and screened during due diligence as these qualities may affect the investment at a later period. Particularly, unlike venture capital investing process, the process of impact investing has not been explored properly and conceptual frameworks like institutional logics and portflolio theory will aid in understanding the process and performance of impact investing.

4.2.2. Inter-organizational relationship

Investments in social enterprises are an instrument through which impact investors generate social and commercial value. However, the current research on impact investing rarely talks about the investee social enterprises and their beneficiaries. To further enhance our understanding of impact investing outcomes, the research must also focus on the inter-organizational level, specifically the relationship between the investor and the investee social enterprise (Harji and Hebb 2010; Nicholls and Pharoah 2008). Researchers should design new case studies involving minutes of meeting of impact investors, investor board meeting and when investor-investee interact. Using this data, they should develop theoretical concepts and linkags about the relationships between the two and how this relationship can increase the social and commercial outcomes for the impact investor.

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4.3. Outcome and measurement

Depending on the mandate, impact investing firms are expected to generate outcomes on two fronts, namely the social benefits for the society and the earned income for self (Jackson 2013; Margolis and Walsh 2003). The measurements of financial outcomes are standardized and easily verifiable, but the measurement of social impact and social value creation is not standardized and difficult to authenticate (Ormiston and Seymour 2011).

First, the researchers must study how to quantitatively relate the social outcomes with the initial theory of change. Thereafter, the researchers must study how to measure and validate the outcomes with the authentic measures (Evans 2013; Jackson 2013b). Researchers should conduct studies to compare different impact measures in different contexts and provide recommendations to both practitioners and academics on the best available measures.

The measurement of the social outcomes is resource consuming particularly in sectors of rural education, microfinance, because there is a long gap between the real social impact created and the social intervention (Jackson 2013; Rangan et al. 2011; Serrano-Cinca and Gutiérrez-Nieto 2010). These factors make it hard and expensive to measure social impact. Scholars must explore technologies and methods to measure such scenarios.

One must explore the traditional accounting methods and their adoption in the impact investing space. For example, the capital asset pricing model (CAPM) and discounted cash flows in their various forms are still used as a basis for many finance-related instruments, and serve as the guiding principle for investment related decisions. Social return on investment (SROI) is one such example where the idea of discounted cash is modified and adapted to measure the social value created, based on per unit of investment. The researchers must further study the scope of SROI applications on impact investing. In particular, how SROI can be made accessible to measure and validate the claims of investee social enterprises.

Social impact assessment and reporting is a time consuming and expensive process. It involves visiting and collecting data from the investees, beneficiaries and analyzing the data with the baseline. To address this issue, Sinzer and Sopact are social enterprises, which have developed software applications to dramatically reduce the efforts in data collection, measurement, accounting, and publishing costs for social impact assessment. For further research, one must develop new accounting technologies that are less time consuming, easy to implement, probably automatic, and require minimum subjective judgment from the information feeder. The researchers should use data from companies like Sinzer or Sopact (if possible) to analyze the social performance of impact investments. Research on reliability and replicability of social impact measures, reports can significantly help in legitimizing the outcomes of existing impact investing firms.

5. Conclusion

This article is an exhaustive review of the emerging academic and practitioner literature on impact investing covering 85 studies from 2005 to 2017, focusing on how impact investing is defined, what has been published, and what future contributions will be needed. This study builds on previous literature reviews (Daggers and Nicholls 2016; Höchstädter and Scheck 2014) and contributes to the existing literature on impact investment by giving us an overall picture of about the evolution of the field, the promising avenues of research, and the possible tools to make the research relevant to both the academics and practitioners. The study makes the following major contributions: (1) further clarifying the stage and state of research by providing a longitudinal perspective of the state of research (2) clarifying on terminological and definitional distinctions by focussing on six unique factors (3) reviews the extant research on impact investing by focussing on the research questions explored, methods used and level of analysis undertaken and finally, (4) the article concludes with future research avenues by dividing the research into three distinct domains.

First, compared to previous studies, this review of impact investing takes a longitudinal perspective of the scholarship and analysis how the field has evolved in the last 13 years. The findings show that the earlier years of scholarship were mostly driven by phenomena and practice. Kuhn (2012) termed such a stage of research as pre-paradigm. At the pre-paradigm stage, there are no clear theories, definitions, and terminologies and thus, one cannot take scientific conversation as taken for granted facts. At this stage, the researchers must question the context, assumptions, processes, and likely implications of the research. The extant research review reveals that the field is moving from pre-paradigm to normal science. The research in the last 2 years shows greater use of theoretical and data-based em-

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pirical studies. There is a greater conversation on distinction of impact investing from similar sounding terms and definitions.

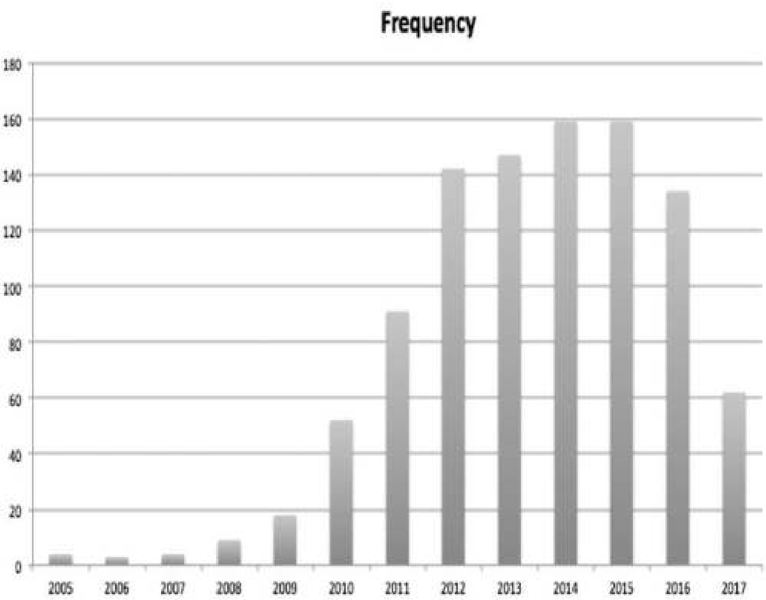
Second, the term impact investing shares many commonalities with SRI, green-finance, microfinance, social impact bond, and venture philanthropy, yet it is distinct and unique. The review provides a detailed clarification on terminological ambiguities. The study finds that the terms impact investing and social finance are interchangeable. The term impact investing is unique on six characteristics namely (1) capital invested (2) degree of engagement with the investee (3) process of selection (4) social and commercial outcomes (5) reporting outcomes (6) government role. It is different from each of socially responsible investing (SRI), microfinance, philanthropy, and social impact bond on more than two of the six characteristics.

Third, the review studied the different research questions, research methods used, and the themes explored. It found that the research questions were mainly exploratory with only one confirmatory study. The research methods were predominantly qualitative. The review had found only ten case-based methods and only three quantitative studies. The extant study revealed the movement of the field from broad, exploratory to move focussed and confirmatory. One significant thematic finding was that the current discussion is more focused on how to commercialize social enterprises. The recently published articles explored strategies on how impact investing can help in building an ecosystem for commercialization of social entrepreneurs. Commercialization is important for the wider acceptability of impact investing, but commercialization at the cost of social outcomes may delegitimize the field. Thus greater emphasis is needed to define the boundaries of the field keeping mind the dangers of delegitimization.

Finally, the longitudinal perspective and extant review of published literature on impact investing provide a holistic view on the current status of impact investing and what can be researched in the future. The article suggests future avenues of research. The suggestions included that scholars should understand stakeholder management in the context of the institutional environment. At the firm level, the research must study strategies of investment and investment management. Furthermore, at the outcomes level, serious inquiry into SROI measure and social impact assessment methods may bring more legitimacy to the field of inquiry.

This article gives a unique perspective and position of the current state of research and the direction the field is moving. Impact investing is emerging, its literature is growing and the field is moving from pre-paradigm stage to paradigm stage. Scholars and practitioners should use this review article as a reference to understand the current status of the field of impact investing, definitional development, terminological clarifications, risk associated, and its promise and future research avenues.

Figure 1. Articles, reports, and working papers, with the search term impact investing from 2005 to 2017.[AQ14]



10.1080/08276331.2018.1551457

Disclosure statement

No potential conflict of interest was reported by the authors.

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