

Impact Investing: Evolution and Recent Trends in India

Dr. TribhuvanPratap Singh

Associate Professor

GD Goenka World Institute Lancaster University, India

Dr. Manish Srivastava

Professor

Kaziranga University, Kaziranga, India

E-mail: manishftm@gmail.com

Abstract

Impact investing is one form of socially responsible investing (SRI) that directs various investment strategies. Many stakeholders are getting involved these days, in impactful ways, trying to assist needy people, sectors and countries. Governments implement social programs, multi-lateral aid agencies and NGOs provide direct services and advocate for policy changes, and individuals volunteer their time, talent and resources to indicate their concern for society. Today trillions of dollars are spent globally on such programs. On the other hand, the private sector also plays an increasingly important role as corporations adopt sustainable practices into their business decisions and seek broader, double and triple bottom line objectives.

While Corporate Social Responsibility has gained importance in all sectors in the last few years, SRI and Impact Investing have particularly gained importance in the financial sector. The ascent of SRI is expressed by an increasing number of SRI or sustainability funds and indices, and ultimately by the increasing amount of financial resources invested in socially responsible ways. SRI is already a booming market in both Europe and the United States. In particular, it has become an important principle guiding the investment strategies of various funds and accounts leading towards a sharp rise in the total assets under management by SRI principles with focus on SRI requirements.

In Asia, the field of impact investing is less mature than in Europe or the United States. Much of the social enterprise funding activity occurs as small direct investments, often through family and friends. Despite this late start, experts predict the region has strong potential to grow.

For the first time anywhere in the world, large listed companies in India are now mandated by the 2013 Companies Act to apply 2% of average net profits to corporate social responsibility schemes. In the same context, this paper describes Impact Investing and portrays the evolution, major trends and its applications in India and Asia.

Corporate Social Responsibility, Socially Responsible Investing and Impact Investing

The concepts of Socially Responsible Investing (SRI) or Sustainable and Responsible Investment (SI/RI) and Impact Investing (II) are closely associated with the concepts of Corporate Social Responsibility (CSR) and Sustainable Development (SD). While CSR is widely regarded as a voluntary business contribution to the societal guiding model of sustainable development

(European Commission 2001, 2002, 2006), SRI can be regarded as an application of CSR and SD principles in investment decisions. It is a potentially powerful concept as it merges the concerns of a broad variety of stakeholders with shareholder interests in both CSR and SD. In other words, SRI implants CSR in the functioning of shareholder capitalism.

However, since the principles of CSR and SD are diverse, complex and therefore rather ill-defined,