Evolutionary Issues in Social Impact Investment: A Literature Review

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Abstract

Impact investment or social impact investment has attracted a lot of attention lately as it has emerged as a new asset class that can contribute to realizing sustainable development goals. The concept has drawn considerable interest in India as funds focused on impact investment have made significant investments in India in recent years. The concept of impact investment along with its application in practice has grown significantly during the last decade.

This paper, accordingly, aims to focus on the concept covering its definition, typology and main features. The concept is discussed including its ecosystem comprising stakeholders , typology of instruments, regulatory considerations and measurement concerns. in addition, the paper delves a little on the typology of investments and financial instruments employed and some of the measurement concerns.

Keywords: *Impact investment, Social impact investment, Socially responsible investment, Blended value, Double bottom-line investing, Triple bottom-line investing, Sustainable investment*

Introduction

Realizing sustainable development goals (SDGs) by 2030 requires funds to the tune of $5 to $7 trillion per year, with a financing gap of $2.5 trillion a year in the developing countries (UNDP, 2017). If we were to consider India alone, this gap is estimated to be $565 billion a year (Bhamra, Shanker, & Niazi, 2015).

To address this gap, it is necessary that additional channels of capital are mobilized along with their efficient utilization. To this end, significant innovations have been made in approaches to investment. These approaches are known by names such as impact investing, social impact investment, purpose-driven finance, etc. These investments focus on measurable social outcomes as a return on their investment besides expectations of financial returns (OECD, 2015).

As per the Global Impact Investing Network (GIIN), the overall market size of impact investments is estimated as $502 billion in impact assets (GIIN, 2019). In India, the sector attracted impact investments of over $5.2 billion between 2010 and 2016 (McKinsey, 2017).

With this interest in impact investment in India, its potential is beginning to get realized. The domain is giving rise to several innovations in capital structuring, measurement of impact and such other areas. It has also drawn various stakeholders to the domain, driven public-private partnerships, strengthened delivery of public goods and increased cross-sector collaborations. The focus on outcomes of the investment leads to better performance management and enhanced efficiency in the project undertaken.

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Objectives

- To review the evolution of social impact investment
- To review definitional elements of social impact investment
- To outline regulatory and measurement considerations in social impact investments

Methodology

This paper takes the approach of a systematic literature review to explain the evolution and current status of social impact investments along with some of the current developments in the domain. As a starting point, articles, papers, and reports pertaining to social impact investment published in journals indexed at the Web of Science were reviewed. The articles containing a keyword related to social impact investment, impact investment, sustainable investment, responsible investment, socially responsible investment, ethical investment, environmental, social and governance, etc. in their title were screened for the literature review.

To contextualize the work with reference to India, a separate research was made with India in search terms. However, very few works on the subject in the Indian context were found. Since the concept of impact investment as a subject of academic enquiry is relatively new, a vast amount of literature is available in the form of research reports, explanatory dossiers and other documents from development institutes, think tanks, foundations and practitioners. These were found from generalized Google/Google Scholar searches using the same search terms. Since most of these reports also build on earlier works in the domain, their bibliographies also were scanned for relevant articles/papers.

A brief summary of the streams they emerge from the review and key concepts gleaned are presented in Table 1.

Table 1: Foundational Literature

Broad Discipline	Focus	Category of specific Papers	Overview of specific papers
Third Sector Research	Finance and Economics	Conceptual Work	Steinberg (2015) dwell on the role of social finance in social development and appropriate situations where it can help.
			Young (2015) Lay's ground for a theory of social investment on the grounds of benefits that are not necessarily profit.
		Landscaping/ Scoping	Hebb (2013) gives a bird's eye view of the concept of impact investing.
			Lyons and Kickul (2013) identify research gaps with reference to Impact Investing.
			Salamon (2014) conceptualizes impact investment as the evolution of philanthropy.
			Richter (2014) surveys impact investment from the perspective of capital aggregators.
			Erickson (2014) looks at secondary markets for impact investments.
			Shahnaz, Kraybill, and Salamon (2014) analyze exchange platforms w.r.t social impact investing.
			Hagerman and Wood (2014) look at the role of intermediaries in Impact Investment.
			Tuan (2014) looks at capacity building amongst Impact Investment stakeholders.
			Balboni and Berenbach (2014) examine the utility of debt instruments in impact investment.
			Nicholls and Schwartz (2014) examine demand patterns for social impact investment.

Third Sector Research	Social Impact Bonds (SIBs)	Conceptual Work	Jackson (2013a) conceptualises SIBs. Stoesz (2013) examines SIBs as a policy evolution methodology. McHugh, Sinclair, Roy, Huckfield, and Donaldson (2013) see SIBs as the evolution of development policies in the U.K. Joy and Shields (2013) conceive SIBs in Canada as evidence of market forces in the third sector. Brand and Kohler (2014) examine operational issues in SIBs.
		Empirical Studies	Achleitner, Mayer, Lutz, and Spiess- Knafl (2012) study investors based on their criterion for investee evaluation. Seddon, Hazenberg, and Denny (2013) examine investment barriers in the U.K. as regards social enterprises. Lyon and Baldock (2014) try to match financial instruments to the needs of social enterprises. Hazenberg, Seddon, and Denny (2014) examine intermediary perspective on social investment finance in the U.K.
Finance and Economics		Conceptual Work	Grabenwarter and Liechtenstein (2011) argue that impact investing is not a trade-off between financial return and social impact. Davies, Chowdhury, and Waters (2015) propose a model aligning the interests of impact first and finance first investors. Evans (2013) defines a theoretical framework for devising a strategy to seek financial returns without sacrificing impact. Brandstetter and Lehner (2015) propose a model putting impact investment as a strategy for portfolio optimization. Levine (2015) examines the possible transition from grant finance to repayable finance in social investment. Nicholls and Tomkinson (2015a) place impact investment in the context of a shift from financial risk to 'social risk and return'. Nicholls and Patton (2015) look at social Investment pricing. Schwartz, Jones, and Nicholls (2015) survey market infrastructure in impact investment.

Finance and Economics	Landscaping/ Scoping	Mendell and Barbosa (2013) survey exchange platforms w.r.t. impact investment. Thillai Rajan, Koserwal, and Keerthana (2014) survey impact investing in India
	Empirical Work	Gray, Ashburn, Douglas, and Jeffers (2015) analyse financial exits can affect investee organisations. Spiess-Knafl and Aschari-Lincoln (2015) examine beneficiary characteristics and their preferences for particular investment tools.
Business and Manage-ment	Conceptual Work	Lazzarini et al. (2014) propose a framework to align profits and social good. Ormiston and Seymour (2014) argue from Australian data to show moral exchange impact investment Bell and Haugh (2015) use institutional theory to analyze social investment in the light of institutional logic. Morley (2015b) sees impact investment as a reputation management tool. Johnson (2015) suggests that impact investing is a tool for creating an ‘efficient charitable market’.
	Landscaping/ Scoping	Viviers, Ratcliffe, and Hand (2011) examine impact investment funds in South Africa. Diouf (2015) looks at barriers to impact investing in sustainable energy. Clarkin and Cangioni (2015) introduce the concept of Impact Investment with a literature review..
	Empirical Studies	Scheuerle and Glänzel (2013) put impact investment in an institutional logic. Glänzel and Scheuerle (2015) examine problems in impact investing in Germany
Public Policy and Social Policy	Conceptual work	Jackson (2013b) points out the application of the theory of change to impact investing. Mulgan (2015) examines the advantage social Investment brings to social provisioning. Addis (2015) looks at impact investment as a possible public policy option.

	Landscaping/ Scoping	Wells (2012) presents a case study in social investment policy in the U.K. Wood, Thornley, and Grace (2013) look at impact investment policy in the USA. Anheier and Archambault (2014) present social investment case studies in France and Germany. Spear, Paton, and Nicholls (2015) look at SIB evolution in the U.K., the U.S. and Canada. Fox and Albertson (2011) examine the suitability of PbR mechanisms in the criminal justice sector. Baliga (2011) also looks at SIBs in the U.S. and draws on comparisons with the privatization of prisons. Fitzgerald (2013) examine the suitability of SIBs in preventative health policy. Warner (2013) proposes methodology for critiquing SIBs.
Sociology	Conceptual Work	Minard and Emerson (2015) see impact investing from a perspective of Justice. Morley (2015a) theorises that impact measurement is an evolution of professional practice in the domain. Nicholls (2010) examines impact investment as an investor rationality driven phenomenon in a Weberian logic.
Law	Conceptual Work	Donald, Ormiston, and Charlton (2014) present the perspective of superannuation funds as regards social investment.
Development Economics	Landscaping/ Scoping	McWade (2012) views impact investment as a capital mobilisation tool.

Social Impact Investments

Social impact investments (SIIs) are the investments that aim to realize social goals along with financial returns. Coining the term impact investing is normally credited to a Rockefeller Foundation initiative dating back to 2007, which aimed at delineating a new investment approach that focused on social returns in addition to financial returns (Harji & Jackson, 2012). While the concept has gained widespread acceptance in recent times, it has had a rich history. In Biblical times, ethical investing was specified by Jewish law (1500-1300 BCE) as rules to correct imbalances in society. It specified rights and responsibilities that go with ownership. Subsequently, Quran (7th century CE) had specific prescriptions that proscribed investments in areas considered harmful for society such as alcohol, pork, gambling, weapons, and bullion. More recent examples of socially guided

investment are found from Italy (Monti di Pietà) that was inspired by the Franciscan movement in the 15th century (Chiapinni, 2017). In the US, the Methodists in 18th Century prohibited investments in slavery, smuggling, liquor, tobacco and gambling. Subsequently, the Quakers in 1898 also discouraged investments in slavery and war. The Pioneer Fund, (an investment fund established in 1928) also applied a negative criterion to prohibit certain areas of economic activity considered undesirable from a social perspective. In pre-independence India, Mohandas Karamchand Gandhi advocated wealth and investments as funds held in trust for the public good.

The movement picked up pace in 1960s and 1970s with avoiding war, slavery and apartheid getting built into the investment criterion. These concerns were to eventually evolve into a more elaborate set of considerations such as environmental, social and corporate governance (ESG) issues. Over time, some of these concerns got built into legislation. For example,, US Congress enacted Community Reinvestment Act in 1977, forbidding discriminatory lending practices and US Sustainable Investment Forum was launched in 1984. In late 1980s and early 1990s, student movements in the US resulted in investments being moved from apartheid regime of South Africa. A landmark event in this context was the release of United Nations Principles for Responsible Investment in 2006, which was supported by asset owners for up to $45 trillion (James, 2017).

Since 2007, stakeholders of various hues have got interested in the concept. These include international development organizations, governments, foundations and many for-profit institutions such as banks and financial institutions or regular corporate entities. A type of impact investment, social impact bond (SIB) became a significant innovation when the first SIB (the Peterborough SIB) was conceived and launched in the UK in 2010. The interest has only grown since then and is reflected by the fact that the World Economic Forum's (WEF) annual meeting set up a panel dedicated to SIIs in 2013. In the same year, the G8 countries created Social Impact Investment Task Force (SIIT). SIIT focused on giving a fillip to the development of SII market by taking initiatives at multifarious levels (SIIT, 2014). As regards market size estimates, an estimate by the Monitor Institute in 2008 placed the market to be up to $500 billion in the next 5–10 years (Freireich & Fulton, 2009). Another report by J.P. Morgan and the Rockefeller Foundation (2010) estimated SII to have the potential to grow up to as much as $1 trillion by 2020 (O'Donohoe et al., 2010).

There have, however, been significant differences in the evolution of policy related to impact investment around the globe. Some examples of significant policy initiatives from different countries of the world are summarized in Table 2.

Table 2: Policy Differentials – Geographical (Adapted from GSG, 2018)

Role of Government	Tools	Description	Example
Market Facilitation	Government's engagement with Agenda setting bodies on Impact Investment	Formal collaborative structures between Government, private and non-profit sectors on impact investment	Finland/Chile
	Capacity Building	Incubators and Accelerators	Argentina/Uruguay
	Dedicated Central Unit	Centre of expertise for impact investment policy	France
	Educational Programs	Skill formation structures	Italy
	National Strategy	Impact investment policy at national level	Portugal
	Wholesaler	Fund of funds for impact businesses	United Kingdom
	Impact Stock Exchange	Crowdfunding platform for investors and impact businesses	Canada
Market Participation	Access to Capital	Channelisation of Govt funds to Impact Businesses	Australia
	Outcomes Commissioning	Purchase of Outcomes by the Government	United Kingdom
	Impact in Procurement	Integrating desirable social outcome criteria in Government procurement	South Korea
Market Regulator	Fiduciary Duty related to impact	Mandated for managers of public funds	United States
	Reporting Standards	Benchmarking Impact-standardized approach	Brazil
	Specific Legal Form	For impact entities/double bottom line entities	South Korea
	Fiscal Incentives (Demand)	Incentivising impact businesses e.g., by tax breaks	France
	Fiscal Incentives (Supply)	Incentivising impact investors e.g., by tax breaks	United States
	Retail Impact Products	Creating investible solutions for impact e.g., Green Bonds	France

The Indian Impact Investment Market

According to a report done by McKinsey, the impact investment corpus in India attracted grew to almost $5.2 billion by 2016 and there is evidence that the pace of growth has since intensified (Brookings, 2019; McKinsey, 2017).

The Indian impact story faced a challenge in the meteoric rise and subsequent crash of the microfinance industry in early 2011. The industry grew by 2010-11 to almost $6.7 billion with over 30 million beneficiaries (British Council, 2018). However, the sector came under fire due to 30 farmer suicides in Andhra Pradesh and subsequently an ordinance put question marks on the sector. With high interest rates and high return on investment by the investors, the fallout was significant for the impact investment industry. The inherent tension between objectives of profitability and development and how to handle these presented a perfect crucial juncture for the Indian impact investing industry.

Indian impact investing in India saw early adopters in 2001 with Aavishkar, India's first for-profit impact fund and Acumen Fund India's first non-profit impact fund becoming the first examples of impact investing. The Companies Act 2013 with its provisioning for Corporate Social Responsibility (CSR) was a significant milestone. This required corporates of a certain size to spend 2% of their net profits on CSR. The provision however left 'social business' out of permissible activity under CSR. Nevertheless, different methods evolved to utilise these funds and galvanised philanthropic spending with companies spending Rs. 8,446 crores in 2016 on eligible CSR activities. India has a huge development deficit and impact investing can help create nuclei of excellence as regards equitable, sustainable and efficient development in the development sectors in India.

Impact investors in India invest in social enterprises at multiple stages. However, the focus is essentially on the early-stage funding. Typical deal sizes are as follows:

Seed and early-stage funding – Between $100,000 to $500,000.

Series A – Between $500,000 to $2 million.

Series B – $2 million to $5 million though occasionally up to $10 million.

According to McKinsey (2017) and Brookings (2019), the financial returns in the sector are comparable to market returns though there are important variations across sectors.

Defining Impact Investment

As the concept of impact investments took root, a variety of definitions by different practitioners came along. These early pioneers defined the concept and designed their investments in line with their conceptualizations. However, with the market maturing and evidence of sustained growth therein, there is more organized interest from international organizations and focused interventions on market development by some foundations. There accordingly is a focus on developing a clear framework that can encourage a larger variety of stakeholders to take interest and hence contribute to market growth (Drexler & Noble, 2013; Freireich & Fulton, 2009; OECD, 2015; Saltuk et al. 2014).

As per one conceptualization, impact investing is defined as 'actively placing capital in businesses and funds that generate social and/or environmental good and at least return nominal principal to the investor' (Freireich & Fulton, 2009). O'Donohoe et al. (2010) go a step further and list specific features for social impact investments: capital provisioning, expectation of financial returns, intention to generate social impact and measurement of impact.

While the definitions have continued to evolve,

a consistent theme in SII definitions is the aim to generate social impact along with financial returns. Financial returns have been conceptualized as the payback of invested capital (Freireich & Fulton, 2009) and between the payback of capital and the returns that are normally available in the market (OECD, 2015). As regards financial return, Burckart (2015) draws a distinction between 'non-concessionary impact investment', that is, financial return commensurate with the market rate of return (MRR), and 'concessionary impact investment', that is, financial returns below the MRR along with lesser returns accepted by the investors as an acceptable cost for a social impact.

Based on a comprehensive literature survey, Höchstädter and Scheck (2015) identify definitional elements as: 1. expectation of financial return along with some specified non-financial impact; 2. financial return that could vary from below market rate of return to above market rate of return, notwithstanding however that the original capital must be returned; and 3. non-financial impact must be intentionally pursued, measured and reported.

Impact Investment – Boundary Conditions

As the concept of impact investment is developing, there is a need to distinguish it from other concepts such as socially responsible investing (SRI), social investing, sustainable and responsible investing, value-based investing, mission-related investing, ethical investing, double/triple bottom-line investing, etc. Based on a meta-analysis of the available literature Rizzello et al. (2017) concluded that two perspectives are central to such investments:

A. private or market perspective and

B. public or social intervention

Furthermore, SIIs can also be considered as

1. An asset class
2. An investment strategy
3. A market
4. An evolution of other investments

Thus, to assess the boundary conditions related to SIIs, we need to consider

A. How do SIIs differ from other types of investments and

B. What is the nature of SIIs?

SIIs and other types of investments

Considering impact investing, philanthropy and responsible investment, and drawing some distinctions, Rodin and Brandenburg (2014) propose that SII 'sits on a continuum with SRI investing on one side and venture philanthropy on the other' (p. 5). Philanthropy is primarily focused on social impact and generally in these investments financial returns are not expected (Freireich & Fulton, 2009). Philanthropic investments normally take the form of grants for provisioning of services whereas venture philanthropists focus on building business plans and measurement and reporting of social impact even though both investments are directed towards social aims. Thus, SIIs have the potential to draw mainstream investors interested in financial returns and can help meet funding gaps where philanthropy falls short (O'Donohoe et al., 2010).

Socially responsible investments (SRI) also aim to obtain a financial return and generally employ negative or positive screens to select their investments. Negative screens are used to exclude investments considered potentially harmful to the society and positive screens are used to identify investments meeting some ESG criteria (Drexler & Noble, 2013). Based on a meta-data analysis, Höchstädter and Scheck (2015, p. 456) draw two

more distinctions between SRIs and SIIs. Firstly, while SRIs are generally targeted towards large investee organizations, SIIs typically are directed towards smaller organizations and, secondly, SRIs generally take the form of publicly traded bonds, or funds, whereas SIIs generally are in the form of debt or equity. Traditional investments differ from SIIs because they are singularly focused on market return even if they may have an incidental social impact (Freireich & Fulton, 2009). Social investment is generally considered synonymous to SRI.

The nature of SIIs

As mentioned earlier, as regards their typology, SIIs have been considered as

1. An asset class
2. An investment strategy
3. A market
4. An evolution of other investments

O'Donohoe et al. (2010, p. 5) consider SII as an asset class not because of the nature of the assets but as to the decision criteria adopted by the investment institutions relating to them. Drexler and Noble (2013), on the other hand, consider SIIs as an investment strategy as the underlining assets in case of SIIs are very often the same as regular investments. SIIT (2014) considers SIIs as a market that matches demand-side organizations with supply of financial resources and intermediary channels of capital. Taking a more evolutionary view, PWC and City of London Corporation (2015) consider SIIs as evolution of philanthropy, SRI and ESG investments.

The SII market stakeholders

While there is a wide range of stakeholders on both demand- and supply sides of the SII market, the regulatory framework is still evolving and can at times be complex. Oleksiak et al. (2015, p. 225) note that some institutions can play multiple roles. For instance, foundations can be asset owners or delivery organizations. The industry has also seen the involvement of mainstream players like banks and other organizations that cater specifically to the SII market such as SII funds or specific consultancy firms that could be working in specific areas such as transaction structuring in SIBs.

Typical demand-side players in the SII market are investee organizations (both for-profit and non-profit) that have a requirement of financial resources to fulfil their mission of meeting social needs and beneficiaries who need these goods or services. Martin (2013, p. 10) proposes that impact investing can help channelize investments and involve a variety of stakeholders beyond the traditional ones in four basic areas. These are, firstly, meeting basic requirements of a large part of society at the bottom of the pyramid; secondly, driving resource use efficiency in pursuit of economic growth; thirdly, making the government program delivery more efficient; and, lastly, building focus on sustainability.

Supply-side players in the SII market can be in the category of asset owners or asset managers with ownership of capital or its managing responsibility being the classification criterion. Another way to classify supply-side players is to draw a distinction between impact-first investors and financial-first investors (Freireich & Fulton 2009). The former 'optimize social or environmental impact with a financial floor' while the latter 'optimize financial return with an impact floor' (Freireich & Fulton 2009, p. 4). Actually, the existence of diverse players with different risk return appetites enables innovative deal structures in which market actors can take up diverse roles commensurate with their objectives (Burkett, 2012).

The asset owners can be high net-worth individuals,

charitable or family foundations, large corporations, and governments, whereas asset managers are typically fund managers, family offices, banks, multi-lateral institutions, development finance institutions, etc. Governments and development finance institutions generally create mechanisms to provide grants, loans, and guarantees. Governments have a multifarious role in developing the SII market. They can set up a list of priority areas for investment, set up a navigable regulatory environment along with an appropriate incentive structure (Addis, 2015; Bugg-Levin & Emerson, 2011). Participation in SIBs is seen as a significant game changer in this domain. Investment in SIIs is also considered to have a good match with investment objectives of pension funds.

Other significant players in the SII market are intermediaries such as research centres, advisors, independent evaluators and specialized platforms like social stock exchanges. In the SII ecosystem, a significant development is the emergence of social stock exchanges. London Social Stock Exchange and Impact Investment Exchange Asia II are some early examples in this domain. Some platforms have also been created as repositories of information on impact investment such as Impact Base of GIIN that provides information on impact investment. Advisors facilitate fund flows and help build strategy. Big consulting and accounting firms have also created specific divisions to support impact investing (Schwartz et al., 2016). External evaluators of social impact also have a fundamental role in the way SII investments are structured and managed.

Impact regulation

Compared to the normal investment ecosystem, it can be said that an SII ecosystem does not have an overarching regulatory framework yet. However, some aspects of it have seen regulation emerging in some geographies. Some examples of these are the Italian regulation on Microcredit 2010 and the Guidance for the Investments of Pension Funds in the US (Department of Labor, 2015). The need for a comprehensive regulatory framework is increasingly being felt (Drexler & Noble, 2013; Wood et al., 2012). It is considered necessary to enable specific legal forms for impact investors and delivery organizations and investees that allow focus on the social mission (Schwartz et al. 2016; SIIT 2014). The existing legal forms pose problems in this regard as non-profit organizations face problems raising capital (Doeringer, 2010; Schwartz et al., 2016), and profit-with-purpose businesses tend to lose focus on their social goals (SIIT, 2014). Some experimentation in this regard has been attempted in the US and the UK (B-Lab, 2016). An example of this is a new corporate form called ‘Benefit Corporation’ built in impact monitoring as a fiduciary duty, and empower the shareholders to ensure compliance with the social benefit obligations (Morryssi, 2016).

In the context of India, the government is increasingly engaging with the private sector to deliver on its development agenda. Aspirational Districts Plan in this context is an initiative to encourage investment in identified districts through CSR funds as well as impact investment. An amendment of Companies’ Act in 2013 that mandated 2% of profits to be spent on development activities was a significant milestone in this regard. India Aspiration Fund driven by Small Industries Development Bank (SIDBI) is a fund of funds that channelizes venture capital to start ups often related to Impact. Similarly, National Bank for Agriculture and Rural Development (NABARD) channelizes funds to rural impact businesses. India is also setting up a billion-dollar impact fund of funds for debt financing in priority sectors. Priority sector lending guidelines for banks have also improved

supply of funds to the development sector. On the capacity building front, Atal Innovation Mission aims to set up incubators promoting innovation and entrepreneurship.

Securities Exchange Board of India (SEBI) is playing its part by enabling a legal structure for venture funds focusing on impact businesses called 'Social Venture Fund' in the category of alternative investment funds regulations. These are mechanisms for capital aggregation both commercial and grant from domestic as well as international sources and channelize it in the framework of social impact policy. The Government of India has also expressed its intent to set up a social exchange.

Impact investment and innovation

SIIs tend to use multiple asset classes and diverse financial instruments such as cash and cash equivalents, fixed-income instruments, private and public equities, real estate, infrastructure and hedge funds (GIIN, 2014). Some examples of such investments are microcredit, social and charity bonds, crowdfunding including equity crowdfunding, SIBs or environment impact bonds. Another innovative aspect of impact investment is that besides channelizing private investment in delivery of public goods, it also involves a wide range of stakeholders in conceptualisation of projects, delivery strategies and measuring outcomes. This involvement has brought forth innovative project design as well as experimentation in social service delivery along with driving efficiencies that serve as models for wider adoption. SIBs/Development Impact Bonds is one of the examples of such experimentation.

The focus on outcomes further stimulates a sustained focus on measuring outcomes of social programs as well as standardized approaches towards the same. Measurement of impact continues to pose a challenge in SIIs. Generally accepted conceptualization of social impact is 'the portion of total outcome', which is directly linked to the social activity put in place 'above and beyond what would have happened anyway' (Clark et al., 2004, p. 7). The spread of SIIs across many sectors such as health, education, environment, etc. creates challenges in evolving universally accepted criteria for measuring social impact. As SIIs exist across multiple sectors, so do measurement metrics. Hence current thinking to navigate challenges in measurement is to try and develop standard tools for different sectors in a formal measurement process.

In this context, GIIN proposes Impact Reporting Investment Standard (IRIS) that is a sector wise (education, health, etc.) inventory of social impact indicators and is designed to 'support transparency, credibility and accountability in impact measurement practices across the impact investing industry' (IRIS, 2015). OECD (2015), following the work done by the Working Group on Impact Measurement of the SIIT WGIM (2014), advocates a formal measurement process and evaluation of monetary or non-monetary impact.

Another widely accepted system is the Global Impact Investing Rating System (GIIRS) developed by B-Lab, a non-profit organization, and GIIN that rates companies and funds. Companies are rated on two evaluations: the impact business model and impact operations (B-Lab, 2015). The impact business model rating evaluates the specific model adopted by the company to create social or environmental impact, and the impact operation rating assesses 'the impact of the business in how it operates'. The rating system for funds has three assessments: fund manager assessment, overall impact business model rating and overall operation rating (B-Lab, 2015).

Other methodologies adopted for impact measurement are cost-effectiveness analysis, cost-

benefit analysis, social return on investment, and the Global Reporting Initiative. It is, however, generally recognized that the end goal is to evolve measuring standards for impact accounting as has been done for financial accounting in the form of International Financial Reporting Standard or Generally Accepted Accounting Principles.

Conclusion

From the discussion in the paper, we see that the concept of social impact investment has evolved greatly in the past decade and has attracted a lot of interest with a variety of stakeholders getting involved. A great deal of clarity has also emerged around its definitional framework. The increased interest and involvement of stakeholders has also greatly expanded the assets in investments where both social as well as financial returns are being targeted, measured and reported. The regulatory framework around impact investments, however, continues to remain a work in progress and is still evolving. With greater involvement of institutional players and evolution of regulatory framework it is expected that more standardized data in this domain will become available. Product evolution in the form of social impact bonds, impact investment funds, environment impact funds and others along with institutional evolution in the form of social exchanges, etc. to support these products are further expected to give a fillip of social impact investment market.

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