Chapter 10
Impact Investing: 
A Review of Literature and Ecosystem

Chen Liu
Trinity Western University, Canada

ABSTRACT

This chapter reviews literature on impact investing and maps the impact investing ecosystem. It finds that the academic work in impact investing is of a nascent field of research, in which there is considerable interest and potential, but currently no substantial core of ideas, theory, or data. The academic contributions to date are scattered and disparate, coming from diverse perspectives and approaching a range of topics that sometimes share little common ground. Overall, this chapter offers a contribution towards the institutionalization of impact investing as an area of both research and practice. This research suggests a pathway towards creating a body of work that is built upon a core set of ideas and theories that has a clear identity and commonly agreed upon definitions and that represents the progressive accumulation of knowledge.

INTRODUCTION

Impact investing is defined as “investment made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return” (The Global Impact Investing Network “GIIN”, 2018). The academic literature on impact investment is relatively new and still emerging (Daggers & Nicholls, 2016). Studies have focused on investment structures of impact investing, catalyzing private capital and market formation from an organizational perspective (Ormiston et al., 2015). The primary aim of this

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chapter is to provide a meta-analysis of the current research landscape in impact investing and to propose a future agenda for academic research. Findings of this chapter are based on a comprehensive literature review. The review maintained a deliberately narrow focus by focusing on impact investing, not closely related areas such as corporate social responsibility (CSR), which ensures that the chapter creates a foundation for future research that is truly centered on impact investing as a field of research and practice.

Through the comprehensive and systematic literature review, this chapter finds that academic work on impact investing is still at a nascent stage, where there is considerable interest and potential, but currently no substantial core ideas, key theories, or data. The academic contributions to date cover diverse perspectives and a wide range of topics that sometimes share little common ground. Therefore, a key contribution of this chapter is to provide structure to this area, to define impact investing and its relationship to and difference from neighboring fields such as corporate social responsibility (CSR), to examine the impact investing ecosystem and its various players and interactions, and to demonstrate how existing research fits into a broader context. This latter point is crucial—impact investing research sits within areas of management, business, economics, finance, etc. As such, a research agenda specifically for impact investing needs to have a balance between asserting its distinctiveness, and ensuring that the connections with neighboring fields of research are properly acknowledged. This structure will make research more visible and more accessible to researchers interested in this space.

The second objective and contribution of the chapter is to examine the impact investing ecosystem, its various players, how they interact, and how to use the market and policies to optimize this ecosystem. First, it maps the whole impact investing ecosystem—capital providers (e.g. individuals, corporate, or investment companies), investment targets (e.g. non-profit, social enterprise, for-profits with social responsible activities), financial intermediaries (e.g. traditional institutions, social venture capital, social mutual fund, etc.), financial instruments (e.g. social impact bonds), and the other related organizations. While literature has studied certain players or a subgroup of them, some in-depth discussion of the whole ecosystem is still needed. Further to this, an additional contribution of this chapter is to offer a framework for possible future research. This framework is intended to help future researchers to position their area of interest within the broader impact investing space.

Overall, this chapter offers a contribution towards the institutionalization of impact investing as an area of research and practice. This research suggests a pathway towards creating a structure of research work that is built upon a core set of theories in an interdisciplinary approach. Findings of this chapter and its suggestion for future research will also support the development of impact investing in practice, and impact investing as an approach to meeting societal challenges more generally.
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