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Abstract

Recognizing that the current literature provides a fragmented depiction of impact investor decisions, this article empirically examines if impact investors are focused on financial returns or instead on the social impact generated by social enterprises. To address this research objective a sample of impact investors are surveyed in South Africa, where there is an increasing demand for impact investors to fund initiatives that address the country's many underlying structural deficits and wicked problems. Findings, based on correlational and regression analyses, indicate that variation in the impact investment decision is explained by the financial return motive. This finding resonates with the argument that investors are primarily focused on financial competitiveness and return on their investment. Developing a strong body of evidence that validates the effectiveness of policy in supporting impact investing is pivotal, particularly when given the lack of sustainability of many social enterprises in African and emerging economies.

Keywords

Social enterprise, social impact, financial return, impact investing, South Africa

Introduction

Impact investing, grabbing the attention of both academics and practitioners (Boni et al., 2021; Höchstädter & Scheck, 2015; Jackson, 2013), is a way of investing into "companies, organisations or funds with the intention to generate social and environmental impact alongside a financial return" (Global Impact Investing Network [GIIN], 2016, p. 4). According to the Global Impact Investing

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Network (GIIN, 2017), the largest impact investing body in the world, impact investing can be employed as an effective tool to achieve the United Nation's sustainable development goals for building a sustainable future (Rupa & Saif, 2022). Scholars have conceptualized impact investment as "investing with purpose' because of its pursuit for positive social change through profit-seeking investments, while supporting social enterprises engaged in ensuring the sustainability of communities" (Urban & George, 2018, p. 63). During the COVID-19 pandemic, an unprecedented rise in social enterprises and impact investments in response to the effects of the pandemic are noticeable (Bacq et al., 2020), with investors prioritizing initiatives that have a social and/or environmental focus (Oxford Business Group, 2020).

Scholars note that impact investing is rapidly gaining momentum with the number of capital investments earmarked for social impact surpassing other investment classes (Mogapi et al., 2019; Roundy et al., 2017). Globally the impact investment market is estimated to be worth US$715 billion, with 1,720 active impact investor fund managers recorded as of 2019 (GIIN, 2020). The trend of growth in impact investing is further evident with initiatives such as the "Group of Eight (G8), which developed a social impact investment taskforce with the aim of creating a vibrant global social impact investment market" (Social Impact Investment Taskforce [SIIT], 2014, p. 14). Similarly, a national impact investing task force was convened in South Africa in 2018, comprising public and private sector stakeholders, to "increase the deployment of capital that optimizes financial, social and environmental returns" (Impact Investing South Africa, 2018, p. 1).

In this regard, progressive funders are now moving away from purely philanthropic funding and market-rate financing (GIIN, 2020; Roundy, 2019), towards a hybrid approach, which intersects conventional funding models, by offering funding solutions to scale ventures that address social challenges, while also yielding a financial profit (Brieger & De Clercq, 2019; Mair & Hehenberger, 2014). However, the current literature provides a fragmented depiction of impact investor decisions—some researchers arrange investors by solely designating their professed social impact ambitions, while others concentrate on their investment portfolios (Boni et al., 2021; Höchstädter & Scheck, 2015).

A critical analysis of the literature reveals that there is limited consideration of the impact investing phenomenon, which in turn may affect the quality of the recommendations and perspective of practitioners and policymakers when it comes to stimulating impact investing (Jackson, 2013; Urban & George, 2018). Researchers note, "aside from a rush for self-selecting in a blended value finance context, we still do not know to what extent the investors' claims actually reflect investment decisions" (Boni et al., 2021, p. 3). Despite recent investigations into what differentiates from only social to only financial practices of investors Roundy et al. (2017), advances in the field of impact investing have not sufficiently examined the underlying motives that influence the investment decisions of impact investors (Boni et al., 2021; Roundy et al., 2017). Few studies have systematically or empirically examined the financial return versus social impact distinction to understand the motives of investing in social mission-driven enterprises (Boni et al., 2021; Cetindamar & Ozkazanc-Pan, 2017; Glänzel & Scheuerle, 2016). Although literature categorizes impact investor motivations into socially motivated impact investors as either "concessionary (impact first) or non-concessionary (finance first)" (Brest & Born, 2013, p. 2), several unresolved issues concerning the financial return versus social impact distinction remain (Urban & George, 2018). For instance, some authors suggest that investors are motivated by the desire to portray an image of altruism, obtainable from investing in social impact enterprises (Omorede, 2014). Other authors note that despite the varying importance placed on an image of altruism, impact investors differ from conventional investors who are indifferent about the social impact of the enterprises they invest in, solely targeting the financial return of an investment (Brest & Born, 2013).

The debate between finding a balance between social and financial return, or simply trading off one for the other, permeates both practitioner and academic impact investing literature (Brodback et al.,

2019; Höchstädter & Scheck, 2015). Some scholars contest the possibility of yielding dual returns (both social and financial returns) from an impact investment (Brest & Born, 2013). On the other end of the spectrum are those scholars who are confident that dual returns are possible and cite institutional impact investors who have obtained financial returns on par with market returns of traditional funds (Findlay & Moran, 2019; GIIN, 2020; Mogapi et al., 2019).

Recognizing the many unresolved issues in the literature this article joins the recent research pleas to empirically consider whether impact investors expect financial returns from impact investments or are they instead focused on the social impact achieved by their investment (Brieger & De Clercq, 2019; Lortie & Cox, 2018; Omorede, 2014). Consequently, the research questions which guide this study are as follows: (a) to what extent are impact investors driven by social impact motives? (b) To what extent are impact investors driven by financial return motives?

The article makes several contributions to the literature in terms of expanding knowledge on impact investor motives and provides insight for scholars, policymakers, and impact investors from an emerging African market perspective. Research is starting to emerge on impact investing in "developing economies in regions such as Latin America, Africa, Asia, Middle East and Eastern Europe" (Urban & George, 2018, p. 65). However, studies examining social enterprises in Africa report that they face difficulties in terms of measures of impact investments and suffer from a lack of publically-available data (SIIT, 2014). At the same time, the impact investing landscape in Africa is witnessing significant attention and growth, with US$353,9 billion dedicated to impact investment ventures in nine countries on the continent (Dhlamini et al., 2016; GIIN, 2016). While South Africa is the major player in the sub-Saharan African impact investment market, the socio-economic context reveals that there is an increasing demand for impact investors to fund initiatives that address this country's underlying structural problems (Urban, 2020; Urban & George, 2018). In sub-Saharan Africa not only are there extremely high rates of wicked problems which plague society, but governments and NGOs are unable to address these deficits, which means that the survival of many social enterprises remains precarious (Rivera-Santos et al., 2015). Not only does South Africa face enormous socio-economic challenges but the COVID-19 pandemic has depressed an already-ailing South African economy (The World Bank, 2019). Consequently, impact investments can steer a clear path in the recuperation of emerging economies such as South Africa (Urban, 2020), where there is an urgent need for adopting evidence-based policies and practices based on a clear understanding of impact investing motives.

The article is organized as follows. First, the literature review section examines impact investing from a behavioral portfolio theory perspective, upon which hypotheses are formulated to be evaluated in the empirical part of the article. Next, the methodology is specified in terms of sampling and instrument design. The results are reported and discussed, followed by a final concluding section.

Literature Review on Impact Investing

At its core, impact investing seeks to allocate capital to the attainment of positive social (societal) outcomes (Ariely et al., 2009; Mair & Hehenberger, 2014). In this sense, impact investment encourages entrepreneurship of a social nature to address rising socio-economic challenges and satisfy unmet societal needs by establishing innovative solutions. By channeling funding towards social or environmental motivated entrepreneurs in a manner that is financially sustainable (Brieger & De Clercq, 2019), these enterprises can "generate social or environmental goods, services, or ancillary benefits, with expected financial returns" (Brest & Born, 2013, p. 23). The merit of impact investing is in marshaling

resources to capitalize on enterprises that provide novel opportunities to grow services, infrastructure, and create jobs for the community (Austin et al., 2012).

Impact investing is debatably dissimilar from similar positive investment funds such as socially responsible investing (SRI) or ethical investing (Castellas et al., 2018), or corporate social responsibility (CSR) (Shukla & Shukla, 2022). While SRI applies a screening method, which selects ideal investment opportunities based on their lack of negative externalities associated with social, governance, environmental or ethical behavior (Ormiston et al., 2015), impact investing refers to the financing (such as venture philanthropy, crowdfunding, and so on.) made into social or environmental mission enterprises (Cetindamar & Ozkazanc-Pan, 2017). Furthermore, Roundy et al. (2017) attempt to draw a definitive distinction between social finance and impact investing, stating that there is a difference between impact investing and philanthropy (social finance). Philanthropists (as well as venture philanthropists) are concerned with funding organizations for the establishment of social value and are not interested in the financial return on investment (Roundy et al., 2017). In this respect, the differentiating element of impact investing is that the investors aim to attain a financial return from their investment (Ormiston et al., 2015).

Development finance institutions (DFIs) which are government-owned and sponsored financial institutions, as a type of impact investor, contribute a significant proportion to the South African impact investment market (GIIN, 2016). These government-backed financial institutions have been found to predominantly fund enterprises in the energy, extractives, and manufacturing sectors respectively, while non-DFI impact investors typically fund enterprises in the financial services, manufacturing, and energy sectors (GIIN, 2016). However, studies have shown that channeling funding toward enterprises in the housing, education, ICT, and health sectors can benefit the poor and previously disadvantaged members of the community (Ducastel & Anseeuw, 2020). Many studies reveal that although access to financial resources is a significant contributing factor for the sustainability of entrepreneurship in general, banks are typically unwilling to "lend money to early-stage and seed ventures given their lack of sufficient collateral and/or record, as well as the high risks involved" (Urban, 2020, p. 501).

Research demonstrates that impact investing, as a field of study and practice within the domain of social entrepreneurship, relies on similar actors and structures of a conventional entrepreneurial ecosystem, such as institutions, infrastructure, investors, support organizations, and entrepreneurial values and activities (Brieger & De Clercq, 2019; Roundy, 2019). Investors pursuing impact investments look to a network of experienced funders and managers to navigate impact investment opportunities. However, in Africa, diminished connections between sustainable social enterprises, entrepreneurs, investors, and innovation networks have been noted as key challenges for impact investing (United Nations Development Programme [UNDP], 2015).

In the African context, studies indicate that there are not enough investment-ready opportunities to meet the requirements of impact investors (UNDP, 2015). According to GIIN (2016) report, small and/or relatively new social enterprises vying for impact capital fail to meet the requirements of the impact investment funds as they fail to demonstrate a healthy financial track record, realistic projections, and strategies to scale (Findlay & Moran, 2019). Recognizing such hindrances, and knowledge of the impact of investor motives or objectives is essential to determine how investors prioritize the social impact versus the financial return expectation when investing funds in social enterprises (Jonsson & Lindbergh, 2013). Moreover, in delineating the motives for impact investing, it is important to recognize that investment decisions should not be misinterpreted to mean that impact investors simply make a trade-off between social and financial return. Rather it is the concession granted on the return of that investment in the form of lower-than-market dividends or interest that is emphasized, indicating that the social impact is nominated over and above any financial return (Brest & Born, 2013).

Behavioral portfolio theory has been previously employed to explain an investor's investment decision which is influenced or informed by their goal or expected outcome from investing (Brieger & De Clercq, 2019; Omorede, 2014). Roundy (2019) expands on the theme and affirms that impact investors apply a blend of two logics of action, in the sense that logic is "the formal and informal rules of action, interaction and interpretation that guide and constrain decision makers" (Roundy, 2019, p. 469). In the first instance, impact investors employ a market logic (which is concerned with values, such as profit maximization, efficiency, and competition), and second a community logic (which is concerned with values, such as value creation, collaboration, and cooperation). These varying logics of action and commensurate objectives would indicate an investor's appetite for risk and return (Omorede, 2014).

According to Glänzel and Scheuerle (2016), concessionary (impact-first) investors prioritize the social impact resulting from the social venture, higher than or equal to the financial return expectation. Similarly, Cetindamar and Ozkazanc-Pan (2017) argue that impact investing is the act of investing in an enterprise that promises to create social or ecological value, and as a result prepared to waive financial return and prioritize social impact over dividend or interest yield. Since the motivation for this concessionary (impact-first) category of investors is not focused on attaining the highest possible financial return on investment, social enterprises that demonstrate actual or potential social value (but unable to produce attractive financial returns) typically attract impact-first investors (Glänzel & Scheuerle, 2016; Omorede, 2014). While concessionary investors are motivated by achieving social impact and focus on the social value that their investment yields, Brest and Born (2013) emphasize that this should not be misinterpreted to mean these investors make a trade-off between social and financial return. The role of finance in this scenario is in determining how much to invest and the concession granted on the return of that investment, in the form of lower-than-market dividends or interest (Hopkins & Olvera, 2013). Therefore, unlike philanthropists, these investors do not give funding in exchange for social impact alone. Instead, the trade-off is in the size of the financial return forgone for the social benefit (Jonsson & Lindbergh, 2013). Building on the argument that impact-first investors are willing to forgo competitive financial returns for an increased social impact benefit, the first hypothesis is structured as follows:

> **Hypothesis 1 (H1):** The impact investing decision to invest in a social enterprise is driven by a social impact motive.

In the case of non-concessionary or finance-first investors, researchers mention that social motives are a shared trait of impact investors, but that the amount invested in a social entrepreneurial initiative is a factor of the financial motives of the investor (i.e., maximizing investment return) (Riedl & Smeets, 2017). Typical finance-first investors are banks, institutional investors, DFIs, or sovereign wealth funds (Ormiston et al., 2015). In addition, impact investing can take various forms in terms of debt, equity, or a hybrid approach to financing, with different financial return expectations, such as below-market, above-market, or market-rate returns (Ormiston et al., 2015). Although non-concessionary or finance-first investors desire to obtain competitive financial returns from investments, impact investors demonstrate a higher tolerance for loss and risk for these types of investments than they do for conventional investments (Cohen & Sahlman, 2013). This behavior can be explained by the economics principle of investing (prospect theory), where investors seeking higher returns are predisposed to possess a high-risk appetite (Riedl & Smeets, 2017). Brest and Born (2013) maintain that finance-first investors are in pursuit of the double bottom line return insofar as there is a social gain without sacrificing financial return, while Brodback et al. (2019) suggest that the investments of finance-first investors may be driven by the knowledge that social investments yield a greater financial return than conventional

investments. In this regard, Glänzel and Scheuerle (2016) argue that such investors (requiring market-related financial returns) are inaccessible to social enterprises that cannot afford this type of financing. In line with the emerging research findings and theory driving the case of non-concessionary or finance-first investors, the second hypothesis is formulated as:

Hypothesis 2 (H2): The impact investing decision to invest in a social enterprise is driven by a financial return motive.

Methods

The study design was cross-sectional and primary data was collected from these respondents via an online self-administered survey. The study took place in South Africa where there is a lack of a comprehensive database on impact investors registered in South Africa. Consequently, a sampling frame was assembled based on accessing practitioner networks comprising actors, such as development finance institutions (DFIs), banking institutions, government agencies, fund and asset management, and insurance companies, foundations, industry experts, and academics (Ducastel & Anseeuw, 2020; GIIN, 2016; Impact Investing South Africa, 2018; Urban & George, 2018). However, due to the existing overlap between social finance, philanthropy and impact investing (Glänzel & Scheuerle, 2016), some of these actors may be in the socially responsible investing sphere (in the form of corporate social investment or CSI), and not necessarily impact investing as conceptualized and operationalized for this study. Hence sampling criteria were used to target and focus on the impact investor, identified as those respondents who are (a) intentionally investing for the attainment of a social mission; (b) investing with the expectation of obtaining a social and financial return on investment; and who (c) actively measure the impact resulting from the investment (SIIT, 2014).

Based on the sampling frame and qualifying sampling criteria a total of 178 South African impact investors were identified and surveyed. To ensure sample representativeness all elements in the population (i.e., on the sampling frame list assembled for this study) had a nonzero chance (but not necessarily an equal chance) of being included in the sample. Ethical concerns were addressed by ensuring formal participant consent, anonymity, and data confidentiality. Initially, questionnaires were distributed via the Qualtrics online survey platform with weekly follow-ups to try and improve the response rate. After several reminders and screening of responses to remove all the incomplete questionnaires and a total of 78 fully comprehensive responses provided the final study sample, yielding a 43.8% response rate, considered a reasonable response rate in surveys of this nature (Cooper & Schindler, 2014).

According to sample characteristics, 67.9% of respondents were male and 32.1% female. Most of the respondents (51.79%) were in the 26–36-year-old age bracket, followed by 25% in the 37–45 age category and 23.21% in the above 45 years age bracket. Varying levels of education were noticeable, where 32.1% held Honor's degrees, 30.4% had master's degrees, 3.6% held a Doctoral degree, 28.6% had an Undergraduate degree, and 5.4% had a Matric certificate. In terms of the study sample demographics, it is interesting to note that most of the respondents fell within the 26–36-year-old age bracket. Researchers report that this age group, sometimes referred to as millennials, is the most involved age group in impact investing, whereas older generations, who are typically wealthier, remain skeptical about the risks involved with impact investing (Ducastel & Anseeuw, 2020). Additionally, in terms of education, 66.1% of the study respondents possessed a post-graduate qualification. This characteristic is in line with prior studies where factors such as higher levels of human capital are associated with social value creation (Brieger & De Clercq, 2019).

The survey questions were extracted from prior research concentrated on impact investment decision studies and surveys (Brest & Born, 2013; Brodback et al., 2019; Dimov & Milanov, 2010; GIIN, 2020; Ormiston et al., 2015; Riedl & Smeets, 2017; Urban, 2020). The research instrument consisted of three main content sections and used multi-item scales with a "7-point Likert scale ranging from 1 = strongly disagree to 7 = strongly agree" (Cooper & Schindler, 2014). Demographic data were also collected which included variables recognized as pertinent to impact investing in prior studies (Urban, 2020).

The first section focused on the first study independent variable (IV) to determine the extent to which the investor's investment decision is driven primarily by the social impact of the investment. The Social impact was measured with five items with the following questions—

> (a) I care about the mission, even though it does not yield market-rate financial returns; (b) I want to see more people contributing towards the social mission, even though the financial returns may be lower than another investment; (c) I believe that the social mission is important and I am willing to forgo a market-related financial return on my investment to realize the social value; (d) I believe that social ventures I invest in have proven that they add value to their specific missions, despite receiving a lower financial return on investment; (e) I am confident that investing in social impact ventures will ensure social impact.

The second section focused on the second IV, namely financial return which was measured with four items with the following questions—

> (a) The financial returns are competitive to non-mission investments; (b) I want to diversifying my portfolio risk; (c) I expect that the returns of the social impact investment will be much higher than non-impact investments; (d) The risk of investing in a social enterprise is compensated by a market-related or above-market financial return on investment.

The third section focused on the study dependent variable (DV), namely the decision to undertake an impact investment, measured with four items. Respondents were asked the following questions—

> (a) The socio-economic climate has driven my decision to invest in social impact ventures; (b) My investment portfolio decision consists of social impact investments; (c) I invest in enterprises that have proven to yield a healthy financial return and create social impact; (d) I have opted to invest in a social impact venture over a commercial venture

The survey responses to these questions were exported from Qualtrics onto SPSS (27) where the dataset was first screened and coded to prepare for data analysis. Data analyses included checking for instrument validity and reliability, descriptive statistics, and correlational and regression analyses for hypotheses testing.

Results

Sampling adequacy was assessed by analyzing the "Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) for the overall total data set and Bartlett's Test of Sphericity for each variable" (Field, 2017). A KMO value of 0.749 was obtained which indicates sampling adequacy and the significance of Bartlett's test of < 0.5 shows that factors are suitable for data reduction (Field, 2017). "Exploratory factor analysis (EFA) was performed using principal component analysis (PCA) and Promax Kaiser Normalization rotation" (Field, 2017). Eigenvalues greater than one was accepted and the coefficient loading value was

set at 0.5. Multiple iterations of the pattern matrix involved removing items with no loading, or cross-loading. Factors that contained fewer than three items, after these changes were implemented were eliminated. In summary, a total of three factors were extracted explaining 59.43% of the cumulative variance. In addition, the average variance extracted (AVE), which is the square root of the standardized indicator loading, was greater than 0.5 demonstrating convergent validity. Factor one variables relate to social impact (Social_Impact_Motive), Factor 2 converged on financial return (Financial_Motive), and Factor 3 converged on the impact investing decision (Investment_Decision). After establishing the validity of the measures, each construct was checked for reliability with acceptable Cronbach's alpha (Cooper & Schindler, 2014) secured in terms of Social_Impact_Motive = 0.898, Financial_Motive = 0.748 and Investment_Decision = 0.733.

To ascertain the influence of the control variables on the proposed relationships as per the study hypotheses, "comparisons of means tests were carried out to evaluate the effects of single control variables" (age and educational level) on the DV "in separation to other control variables" (Cooper & Schindler, 2014). *T*-tests showed no significant relationship with each of the control variables, and an individual one-way ANOVA test did not find any statistical differences in firm performance. Hence, control variables were not included in any further statistical analysis.

Mean statistics for the factors, as shown in Table 1, indicate above-average midpoint scores of 5.12 (Social_Impact_Motive), 5.02 (Financial_Motive), and 4.99 (Investment_Decision). The Kurtosis Statistic for the Social_Impact_Motive is −0.144, while that of the Financial_Motive and Investment_Decision variables is 0.457 and −0.556 respectively. These values indicate a normal distribution as these values are within the −1 and 1 range (Cooper & Schindler, 2014). Additionally, as per the correlation matrix, refer Table 1, Pearson's coefficients indicate a positive relationship between the Social_Impact_Motive and the Financial_Motive ($r = 0.463$, p-value > 0.05), as well as between the Financial_Motive and Investment_Decision variables ($r = 0.425$, p-value > 0.05).

Linear regression analysis was conducted after validating the assumptions of normality, linearity, and homoscedasticity (Cooper & Schindler, 2014). To provide a definitive outcome about the influence of each IV (social impact, and financial return), separate regression tests were conducted to scrutinize each regression model as per the study hypotheses. In terms of H1, Table 2 shows that there is a negative or near zero correlation between the social impact motive and the decision to invest in a social venture. However, this correlation of −0.005 is small and not statistically significant ($p = 0.972$). The *R*-square value of 0.000 indicates there is no variance in the investment decision, explained by the variable Social Impact Motive. To support this finding, the ANOVA values highlight that the model between the social impact motive and the investment decision renders a non-significant *F*-score. In terms of coefficients obtained for H1, in Table 2 the unstandardized coefficient (B) indicates a negative, near-zero slopes at −0.004. In other words, there is a near-zero relationship between social impact and investment decisions. The *t*-statistic of −0.035 is lower than the critical value (−0.035 < 1.674) and the *p*-value of 0.972 is greater than the significance level alpha (0.972 > 0.05). Consequently, H1 cannot be supported.

Table 1. Descriptives and Correlations.

Constructs	Mean	Std. Dev.	1	2	3
1. Social_Impact_Motive	5.120	1.544	1		
2. Financial_Motive	5.023	1.305	0.463**	1	
3. Investment_Decision	4.995	1.192	0.972	0.425**	1

Source: Research results.

Note: **Correlation is significant at the 0.05 level (2-tailed).

Table 2. Regression Results for H1.

Model Summary[b]						
Model	*R*	*R*-square	Adjusted *R*-square	Std. Error of the Estimate	Durbin–Watson	
1	0.005[a]	0.000	−0.019	1.20384	1.568	
a. Predictors: (Constant), Social_Impact_Motive; Financial_Motive.						
b. Dependent Variable: Investment_Decision.						

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		*B*	Std. Error	Beta	*t*	Sig.	Tolerance	VIF
1	(Constant)	5.015	0.566		8.860	<0.001		
	Social_Impact_Motive	−0.004	0.107	−0.005	−0.035	0.972	0.210	1.100
a. Dependent Variable: Investment_Decision.								

Source: Research results.

In terms of H2, Table 3 shows an *R*-square value of 0.181, indicating that 18.1% of the variation in the investment decision (DV) is accounted for by the financial return motive (IV). To support this finding, the ANOVA value highlights that the model between the financial return motive and the investment decision is significant at $F = 11.716$ ($p < 0.001$). In terms of the unstandardized coefficient (B), see Table 3, a positive slope at 0.387 was obtained which indicates a positive relationship, where a one-unit increase in financial return results in a 0.387 unit increase in the investment decision. The *t*-statistic of 3.423 is greater than the critical value (3.423 < 1.674) and the *p*-value of 0.001 is less than the significance level alpha (0.001 > 0.05) and thus, the null hypothesis can be rejected and conclude that the model is significant which means that H2 is supported. While the percent variation as indicated by the *R*-square value of 0.181 is low, the results indicate that the predictor variable still provides information about the response even with a low *R*-square, and statistically significant *p*-values continue to identify relationships and coefficients have the same interpretation. Indeed, it is plausible that additional predictors may increase the true explanatory power of the model, however, it is also possible that the data contain an inherently higher amount of unexplainable variability. For example, many psychology studies have *R*-square values of less than 50% because people are unpredictable (Cooper & Schindler, 2014). Considering the newness of the topic under investigation and the evolutionary nature of impact investing as a field of study this may explain the inherently greater amount of unexplainable variation obtained in the regression model.

Furthermore, "collinearity diagnostics were calculated and show relatively low variance proportions across the factors" (Cooper & Schindler, 2014). These "diagnostics in combination with collinearity statistics disclose variable inflation factor (VIF) values of >1, which are estimated as acceptable" and suggest that multicollinearity is not a concern for this study (Cooper & Schindler, 2014).

Discussion and Conclusions

Scholars in the domain of impact investing note that there has not been a sufficient examination of the underlying motives that influence the investment decisions of impact investors. Consequently, the

Table 3. Regression Results for H2.

Model Summary[b]							
Model	*R*	*R*-square	Adjusted *R*-square	Std. Error of the Estimate	Durbin–Watson		
1	0.425[a]	0.181	0.166	1.08945	1.579		
a. Predictors: (Constant), Financial_Motive.							
b. Dependent Variable: Investment_Decision.							
Coefficients[a]							
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics
Model		*B*	Std. Error	Beta	*t*	Sig.	Tolerance	VIF
1	(Constant)	3.057	0.585		5.227	<0.001		
	Financial_Motive	0.387	0.113	0.425	0.001	0.972	1.000	1.011
a. Dependent Variable: Investment_Decision.								

Source: Research results.

empirical findings emanating from this study provide a deeper understanding of the extent to which impact investors are driven by social impact motives or financial returns. In this regard, the study hypotheses are discussed considering the findings and plausible explanations are offered by referring to prior research and theory in the South African context.

In terms of H1, the negative and non-significant results obtained are surprising. Contradictory to these study findings, prior studies on impact investing motivations indicate that values are more important than financial considerations when undertaking impact investing, particularly when such investing promises to create social or ecological value (Cetindamar & Ozkazanc-Pan, 2017). The present study's findings can be attributed to a lack of clarity and quantification of social impact outcomes. Considering that capital markets operate optimally when all relevant stakeholders can quantify and concur upon the financial value of a good or service being traded, a plausible explanation for the non-significant results may be explained by such an apparent lack of quantification. As researchers note the "financial value of a social outcome achieved by impact investments is not always easily quantifiable" (Urban & George, 2018, p. 71). Moreover, the term impact investor is currently not widely understood by South African investors, and the present study respondent's understanding of social impact as a legitimate investment outcome was distorted.

In terms of H2, positive and significant results were obtained indicating that the financial return motive is a significant predictor of the impact investment decision. This finding resonates with the argument that investors who manage someone else's money, such as banks, sovereign wealth funds, pension funds, and DFIs, are primarily focused on financial competitiveness and return on the investment (Cohen & Sahlman, 2013). Indeed the concerns and trepidations of fund managers when approaching social impact funds is that they may have to compromise client resources by sacrificing a competitive financial return for a social return on investment (Ormiston et al., 2015). Consequently, to meet their fiduciary duties, investors select funds based on yielding a competitive financial return on investment, to preserve their client's funds and may not consent to a lower return even though the investment is also ensuring a social impact (Urban & George, 2018)

Notwithstanding the finding that the financial return motive is a significant predictor of the impact investment decision, the focus on the financial returns of impact investors does not translate into an absence of the intention to achieve social impact (Brest & Born, 2013; Riedl & Smeets, 2017). Instead, it has been suggested that the trade-off between financial and social impact returns be viewed from a perspective of sustainability, where ensuring the healthy financial performance of impact investments, makes it possible for future investments to be made, using the gains from the current impact investments (Castellas et al., 2018). Overcoming the challenges of practically implementing impact investing as a product offering, investors have sought to seek a dual return on investment, rather than applying a concessionary approach that would see them forgoing market-related financial returns, purely for the benefit of a positive social mission (Ormiston et al., 2015).

The challenge for South African impact investors may be that most investors do not know how, or are not finding innovative means to identify investment opportunities that provide dual benefits, suggesting doubt that such investment opportunities may not exist at all (Mogapi et al., 2019). Consequently, structuring social impact ventures appropriately (with a context-specific social impact and financial return balance in mind) is essential for social entrepreneurs to target impact capital that enables them to achieve socio-economic developments, through their venture.

Developing a strong body of evidence that validates the effectiveness of policy in supporting impact investing is pivotal, particularly when given the scarce resources of many social enterprises in African and emerging economies. In sub-Saharan Africa not only are there extremely high rates of wicked problems which plague society, but governments and NGOs are unable to address these deficits (Urban, 2020). A healthy impact investing industry has the potential to be a factor toward the formation of innovative solutions that tackle the myriad of socioeconomic needs and challenges plaguing South Africans (Urban & George, 2018). The COVID-19 pandemic highlights the urgency for social enterprises to collaborate and implement innovative and unconventional methods to relieve suffering and achieve a positive social impact (Organisation for Economic Co-operation and Development [OECD], 2020). This scenario suggests more entrepreneurship is required, especially in social forms of entrepreneurship where the focus is on value co-creation, and which incorporates creative solutions and cross-institutional partnerships (OECD, 2020).

Appreciating these challenges, impact investors are encouraged to adopt an evidence-based policy framework. Several interventions are recommended in this regard. To improve the impact investing industry in South Africa (willing buyer and willing seller's market), an effective ecosystem must exist. This ecosystem should consist of, among other factors, business support organizations that groom social entrepreneurs to become investment-ready and target funding-ready impact investors seeking well-defined investment opportunities. In the South African ecosystem banking institutions often function as the major intermediaries and transformers of funds, channeling such funds towards efficient use, including social value creation (Urban & George, 2018). As such it is recommended that these banks decide on consequential metrics that support investor ambitions and needs of investee business models, but also consider what is pertinent to the South African context.

A diverse set of impact investors (with varying motives) is essential to ensure that distinct types of social impact ventures have access to funding opportunities. In other words, ensuring that there is a proportional divide between impact-first, finance-first, or dual return motivated impact investors will ensure that social entrepreneurs with ventures that yield greater social impact than financial return (or the inverse) are tailored for in the funding market. Failure to do so may alienate other social impact ventures from accessing funding, where investor requirements become equally stringent to those of traditional financial institutions.

Study limitations include the typical disadvantages of cross-sectional studies (Cooper & Schindler, 2014), where longitudinal studies are needed to see if the social impact and financial return motives translate into sustainable impact investing. Due to the perceptual data collected, survey-based biases, acquiescence, and social desirability may have affected the responses, and caution is required in interpreting the findings. While a limited sample size was obtained, according to conventions a minimum of 30 observations is sufficient to conduct significant statistics, although in some cases a type II error may occur. Moreover, the sample was based on a restricted sampling frame which limits the generalizability of the findings. Future research may consider the use of stratified sampling, obtaining respondents from several types of impact investors (e.g., foundations, DFIs, fund managers, etc.). This would enable the researcher to draw comparisons between the varying motives of each group of impact investors and may consider the proportion of financial earnings that are used to reinvest in other social impact ventures.

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