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Impact investor motives influencing the decision to invest in social impact ventures

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management in Entrepreneurship and New Venture Creation

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01 JULY 2021

ABSTRACT

Underlying socio-economic challenges; slow economic growth; coupled with the COVID-19 global pandemic, have increased the need for resourcefulness, demonstrating a greater demand for social entrepreneurship innovations, and consequently impact investment capital, across the African continent. The growing need for social entrepreneurship, in combating these socio-economic burdens, has made it essential to understand the reasons why impact investors (the primary funders of social enterprises) decide to invest in social impact ventures, over conventional investments. Therefore, the purpose of this study is to determine the extent to which the decision to invest in a social impact venture is driven primarily by the (i) social impact, (ii) financial return, (ii) social impact and financial dual-return, or (iv) signalling (pseudo altruism) of the investment.

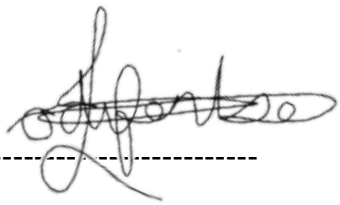
This study employed a positivist philosophical paradigm, accompanied by a complementary quantitative research methodology. By means of the convenience and snowball sampling techniques, 78 South African impact investors (from a population of 178) consented to participate in the study, through completing a self-administered online survey. Ultimately, the financial return expected from an impact investment was found to be the most significant determinant of the decision to invest in a social impact venture. The *social impact* motive was found to have no influence on the impact investor's investment decision, and the dual-return and signalling motives did not contribute to the findings of this study. The use of financial return as a key decision criterion by impact investors can be attributed to the fact that the majority of these investors (respondents) were investing on behalf of a client, and thus bound by fiduciary duties to seek investment opportunities that preserve or grow their client's wealth.

Using the results of this study as a guide, it is envisaged that social entrepreneurs can better structure their ventures to be more attractive, in terms of both social impact and financial return, to potential impact investors.

Key words: Entrepreneurship; Social Entrepreneurship; Impact Investing; Venture Financing; Investment Decision-Making.

DECLARATION

I, Odifentse Mapula-e Lehasa, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the Field of Entrepreneurship at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Odifentse Mapula-e Lehasa 

Signed at Midvaal, Gauteng Province, South Africa

On the 31st day of March 2021.

DEDICATION

To God the Father, God the Son, and God the Holy Spirit,

for giving me a second chance.

ACKNOWLEDGEMENTS

I would sincerely like to thank the following individuals for their contribution to my Master's degree studies:

My parents, for encouraging me to continue along the path of intellectual advancement, as well as for supporting me financially and otherwise along the journey.

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To God almighty, for granting me the strength to persevere.

Words cannot express how immensely grateful I am to you all, for allowing me to achieve my goal.

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CHAPTER 1: INTRODUCTION

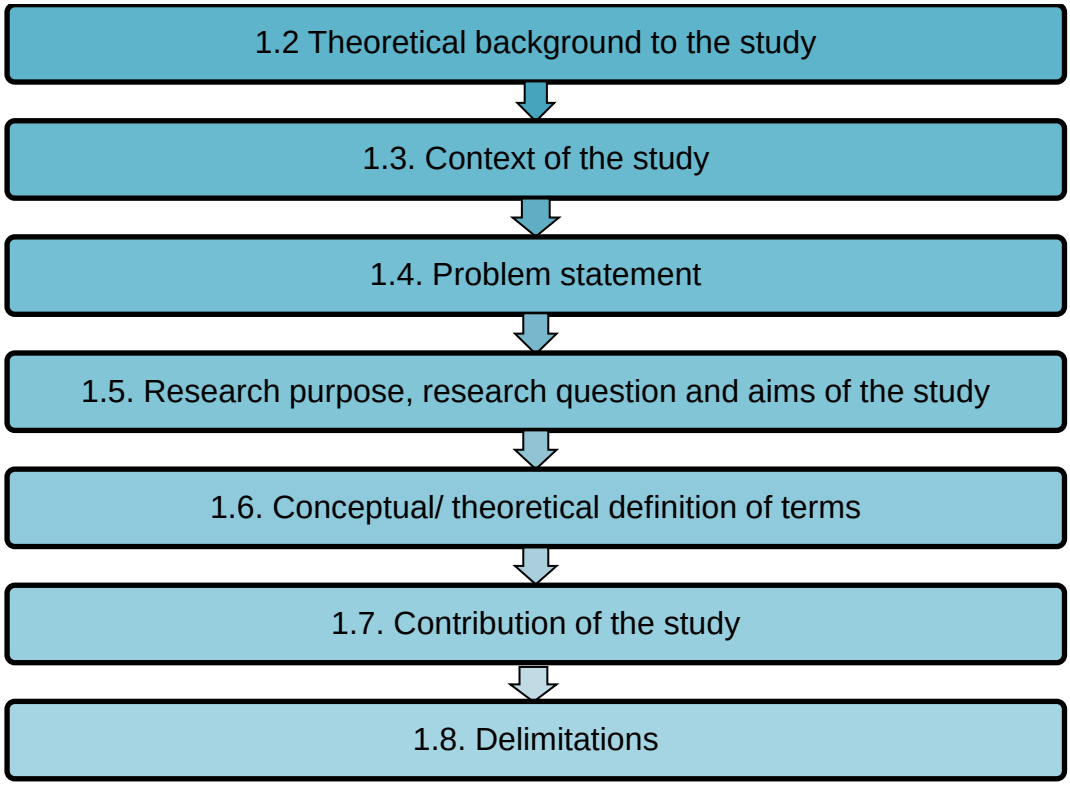
1.1 Introduction

A pivotal enabler of the establishment and success of a new entrepreneurial venture is the availability of financial capital. This is equally essential for mission-driven social enterprises, or social entrepreneurship (Celades, 2015; Cetindamar & Ozkazanc-Pan, 2017). Social entrepreneurship is the process of creating innovative solutions to address socio-economic needs and challenges, through a social, yet commercial, venture (Johnson, 2003; Mair & Martí, 2006). Within the financing sphere of the social entrepreneurship ecosystem is impact investing.

Impact investing has emerged as a growing phenomenon within the field of social entrepreneurship (Roundy et al., 2017). This is owing to the new paradigmatic shift, away from purely philanthropic funding (for donation-dependent organisations) and market-rate financing (from venture capitalists seeking to gain the largest return in the shortest period of time) (GIIN, 2020c; Roundy et al., 2017). Instead, progressive funders are increasingly transitioning towards a hybrid approach, which intersects the conventional funding models, offering funding solutions to scale ventures that address social challenges, while also yielding a financial profit (Roundy et al., 2017). Mair & Martí (2006) ascribe the growth of this field of investing to the interest in social entrepreneurship, by the elite. Brieger & De Clercq's (2019) study supports this assertion by confirming that social, human and financial capital may be associated with the creation of social value. The Global Impact Investing Network (GIIN, 2017, p.1), the largest impact investing body in the world, advocates that impact investing can be employed as a tool to achieve the United Nation's Sustainable Development Goals for building a sustainable future.

In this chapter, the researcher presents the case for the study of impact investor motives and how impact investing and its main actors (impact investors) play a significant role in stimulating social entrepreneurship activities in South Africa.

In doing so, this chapter begins by discussing the theoretical underpinnings of investor motives and the investment decision-making process, as examined by theories from the economics discipline. The context of this study will follow, to highlight the current state of impact investing in conjunction with social entrepreneurship. An outline of the problem statement guiding this study will be presented, in which the researcher will highlight the significance of this research towards expanding the impact investing industry in South Africa. This will be supported by a statement of purpose and aims of the research, which both help to frame this study. The outline of the chapter is illustrated below.



1.2 Theoretical background to the study

According to the Behavioural Portfolio Theory, an investor's investment decision is influenced or informed by their goal (expected outcome from investing) (Meyer et al., 2019). Therefore, this theory suggests that an investment decision is aligned to an investor's goals, indicating that the investment criteria may be based on financial and non-financial goals. Additionally, a behavioural finance theory, Prospect Theory, explains that investors' decision to invest is based on their perception of the potential gains (Levy, 1992). The investor will choose the option that rewards them with the most value. This theory can be used to explain the decision-making process of impact investors as well as their motive for investing. Significant to this discussion is the aspect of value with regard to entrepreneurship. The process of entrepreneurship consists of creating value for the enterprise's constituents (Bolton and Thompson, 2000, cited in Eroglu & Picak, 2011). The value created is what these constituents perceive as something worthy of payment. Therefore, social enterprises receive funding from impact investors, based on the value entrepreneurs can offer.

Javed and Marghoob (2017) asserts that investment decisions can be influenced by market, prospect, overconfidence, anchoring and psychological factors. The correlation between psychological factors and one's investment behaviour has also been an area of exploration (Javed & Marghoob, 2017). These authors indicate that investment decisions are not purely objective (based solely on market analysis and void of human bias), but are instead a result of the investor's worldview (societal and psychological factors).

1.3 Context of the study

Impact investing is the act of investing into “companies, organisations or funds with the intention to generate social and environmental impact alongside a financial return” (GIIN, 2016, p.4). The impact investment market is rapidly gaining momentum, with the amount of capital investments, earmarked for social impact, surpassing other investment classes (Roundy et al., 2017). This market is estimated to be worth US$715bn, with 1720 impact investor fund managers as at 2019 (GIIN, 2020c).

As a result, some scholars have boldly projected that “impact investing will be the new venture capital” (Cohen & Sahlman, 2013, p.1). According to the Global Impact Investing Network (GIIN, 2016, cited in Roundy et al., 2017), social impact investments are expected to exceed US$2tn by 2025. The growth of impact investing is attracting venture philanthropists to delve into business models that have a funding repayment element (Mair & Hehenberger, 2014). National governments are also increasingly recognising the significant role of impact investing.

The trend of growth in impact investing is evidenced in cases such as the Group of Eight (Go8), which developed “a social impact investment taskforce with the aim of creating a vibrant global social impact investment market” (SII Taskforce, 2014, cited in Roundy et al., 2017, p.492). Similarly, a national impact investing task force was convened in South Africa in 2018, comprising of public and private sector stakeholders, with the objective to “increase the deployment of capital that optimises financial, social and environmental returns” (Impact Investing South Africa, 2018, p.1). The initial national impact investing task force meeting was attended by stakeholder representatives from the Development Bank of South Africa, private financial institutions, academic institutions, impact investing firms and social ventures (Impact Investing South Africa, 2018a).

The impact investing landscape in Africa is also witnessing significant attention and growth, with US$353,9bn dedicated for impact investment ventures in nine countries on the continent (Dhlamini et al., 2016). Research conducted by the UCT Graduate School of Business Bertha Centre on impact investing across Africa, states that of the above mentioned allocation, US$325,9bn (more than 90%) is concentrated in the Southern African region (Dhlamini et al., 2016). This is owing to the increasing interest expressed by the impact investing industry in the Sub-Saharan region (GIIN, 2016). Results from their study indicates that investors invest more in this region than they do in any other emerging economy (GIIN, 2016).

While South Africa is the largest 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. South Africa faces enormous socio-economic challenges, which partly arise from its Apartheid past. Most prevalent amongst these challenges is a 30,1% unemployment rate; 0,63 Gini coefficient; a United Nations Human Development Index ranking of 113 out of 187 countries; and a global primary school education system ranking of 116 out of 137 countries (SA News, 2018; World Economic Forum, 2018; The World Bank, 2019; Trading Economics, 2020). The emergence of the COVID-19 pandemic has depressed an already-ailing South African economy. As a result, the GDP has contracted by 7% from 2019 to 2020 (Statistics South Africa, 2021). However, these challenges have collectively created opportunities on one hand for impact investors, as well as competition on the other between social enterprises, to access impact capital. However, it is important to note that while South Africa leads the region, the impact investing phenomenon in South Africa is still in the elementary phases (SAIIN, 2016). For instance, the term *impact investor* is currently not widely understood or used by South African investors (GIIN, 2016). One way of strengthening the impact investing industry is through increasing the number of academic research (including publications), together with engendering an active buyer and seller's market (SAIIN, 2016).

1.4 Problem statement

While a substantial amount of global impact investments is targeted at emerging economies, obstacles in the African context such as a mismatch between investor requirements and investee offering, limited capacity development services, and insufficient industry networks, hinder the available funds from making their way to investment-seeking social entrepreneurs.

Explorations in the field of impact investing have not comprehensively examined all the underlying motives (salient and obscure) that influence the investment decisions of impact investors. Studies on impact investing tend to focus on the developed economy, overlooking the implementation practices taking place in emerging economies. Therefore, a more focused study on the motivations of impact investors' decision to invest in social enterprises is required, especially in South Africa (a social entrepreneurship under-researched context).

Given, the gravity of socio-economic issues that challenge South Africa; the increasing the number of social ventures coupled with the growing impact investment market, it becomes particularly essential to understand the motives of impact investors. Such knowledge will help to better understand the level (amount) and types of social ventures they choose to fund.

1.5 Research purpose, research question and aims of the study

The purpose of the study is to determine the extent to which the decision to invest in a social impact venture is driven primarily by the (i) social impact, (ii) financial return, (ii) social impact and financial dual-return, or (iv) signalling objective of the impact investor.

It is expected that through this study, researchers, social entrepreneurs, practitioners and policymakers may gain a better understanding of the role of impact investing in establishing a mature social entrepreneurship industry.

This study is largely concerned with the objectives of impact investors i.e. their motives for investing in social impact ventures. An understanding of the funders' motives or objectives is crucial insight for social entrepreneurs, as this can guide them to better structure social venture investment opportunities that successfully receive much-needed impact capital.

Access to financial capital is arguably one of the most significant challenges faced by nascent entrepreneurs and those seeking to scale up their business ventures (Castellas et al., 2018). This study focuses on the finance dimension of entrepreneurship, particularly social enterprises, known more commonly as impact investing (Castellas et al., 2018).

1.5.1 *Research Question*

The research question informing this study asks: *What is the role of impact investor motivations in influencing their (impact investors) decision to invest in social impact ventures?*

1.5.2 *Research Aims*

The research aims which directed this study have been outlined as follows:

a) To assess the extent to which impact investors are driven primarily by social impact motives, to invest in social impact ventures.
b) To assess the extent to which impact investors are driven primarily by financial return motives, to invest in social impact ventures.
c) To assess the extent to which impact investors are driven by both social mission and financial return motives, to invest in social impact ventures.
d) To assess the extent to which impact investors are driven primarily by signalling motives, to invest in social impact ventures.

1.6 Conceptual/theoretical definition of terms

The following are the definitions of the key terms used throughout this study:

- ***Social entrepreneurship:*** The process of creating sustainable innovative solutions to address socio-economic needs and challenges (or social market failures), through a social, yet commercial, venture (Omorede, 2014; Lee et al., 2020).
- ***Social enterprise (venture):*** An organisation that is driven by a social mission and exhibit the innovation, proactivity and risk-taking behaviour of an entrepreneurial venture (Lortie & Cox, 2018).
- ***Impact Investing:*** "Social impact investments [into companies, organisations or funds] are those that intentionally target specific social objectives along with a financial return and measure the achievement of both" (Social Impact Investment Taskforce (SIIT), 2014, p.2).
- ***Impact Investor:*** High Net-Wealth Individuals, institutional investors, foundations, family offices, NPOs, and government agencies who fund and scale social and/or environmental ventures that address societal needs and challenges (Glänzel & Scheuerle, 2016; Roundy et al., 2017).

1.7 Contribution of the study

In their research on distinguishing the characteristics of impact investors from conventional investors, Roundy et al. (2017) state that it is crucial to understand what makes impact investors unique to determine whether they are indeed a new breed of investors. This issue, together with the motivations of impact investors, and their evaluation metric, in comparison to conventional investors, is missing from management and entrepreneurship literature (Roundy et al., 2017).

Lortie and Cox (2018) concur and suggest that future work in the field of social entrepreneurship should consider whether impact investors expect financial returns from impact investments or whether these are exchanged for the social impact achieved by the investment. Importantly, Lortie & Cox (2018) are advocating for a study into the various reasons impact investors invest in social ventures i.e. their motives or expectations.

On the other hand, Meyer et al. (2019) suggest and lead the investigation that seeks to determine whether the motives of investors vary depending on the type of investment strategy or product chosen. They call for an analysis of the individual investor's investment considerations (risk, financial and non-financial returns) when assessing a sustainable or impact investment.

De Amicis et al. (2020) call for research to be conducted on whether publicising an investor's investment decision, thus promoting self-branding and reputation-building (signalling motives), can influence their overall investment behaviour.

A limited understanding of this phenomenon may in turn affect the quality of the recommendations and perspective of practitioners and policymakers when it comes to stimulating impact investing.

Therefore, this research study endeavours to respond to the above calls, by interrogating the factors driving impact investing in the South African context. In doing so, this study will contribute to the body of knowledge in the field of impact investing, by assessing South African impact investor motives and thus shed light on the types of social enterprises, missions or firms that they most prefer, as this body of knowledge could inform the growth of some industries over others.

1.8 Delimitations

This study does not assess the investment decisions of commercial investors (those who do not engage in impact investing) for comparative reasons and otherwise. The study is restricted to examining whether the four (4) pre-determined motives have an influence on the impact investment decision. Therefore, the study does not delve into the qualitative reasons why these impact investors may prefer one objective over another. The data analysed is based solely on the responses of the participants on the survey, and not on any market data or past investment activities of the investors.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Chapter 2 of this research report will outline the literature pertaining to the impact investing phenomenon, in relation to social entrepreneurship. The researcher will adopt a funnel method in the presentation of the literature, starting by broadly examining literature pertaining to social entrepreneurship in general. Following this, will be a discussion on impact investing as a funding vehicle for social entrepreneurship, including looking into topics such as impact investing versus other types of social finance; characteristics of impact investing; and impact investing in Africa and South Africa. Finally, the researcher will deeply focus on motivations of impact investing in relation to social enterprises, which is the main research area of this study. This will provide a scholarly response to each of the research aims presented in chapter 1, above. The latter part of this chapter will cover the four research hypotheses to be tested in this study, in pursuit of the research objective.

2.2 Entrepreneurship and Social Entrepreneurship

A recent development in the entrepreneurship discipline is that the fundamental concepts of innovation and entrepreneurial behaviour, which underpin commercial entrepreneurial activity, are increasingly emerging in social enterprises, referred to as Social Entrepreneurship (SE) (Swedberg, 2006). One of the theorists of entrepreneurship, Peter Drucker, highlights the interconnectedness of entrepreneurship and the social-element (social entrepreneurship) (Swedberg, 2006). Joseph Schumpeter, another founding theorist of the entrepreneurship discipline, also refers to the connection between classical entrepreneurship and social entrepreneurship, identifying commonalities in these two domains (Swedberg, 2006).

Schumpeter coined the term ‘creative destruction’ to describe the process of entrepreneurship (Swedberg, 2006). Swedberg (2006) translates this into the context of social entrepreneurship, asserting that entrepreneurship leads to social change. He further espouses that one cannot consider the societal and economic change arising from entrepreneurship, without steering towards social entrepreneurship. It is for this reason that Swedberg (2006, p.33) expands the Schumpeterian perspective by defining social entrepreneurship as “a form of dynamic behaviour in one of the non-economic areas of society”. However, whilst distinct from traditional entrepreneurship, Swedberg (2006) and Omorede (2014) argue that social entrepreneurship bears some similarities to, is embedded in and draws insights from commercial (traditional) entrepreneurship theories, in that it follows the same pathway of innovation, initiation and development. Thus, much like typical entrepreneurial ventures, mission-driven social ventures also rely on the availability of financial capital (Celades, 2015; Cetindamar & Ozkazanc-Pan, 2017).

Given that social entrepreneurship is a relatively new discipline, there are a number of varying definitions that attempt to qualify the field (Omorede, 2014). Amongst such definitions is that by Austin et al. (2012, p.371) who define social entrepreneurship as an “innovative activity with a social objective in either the for-profit sector; the non-profit sector; or across sectors which mix for-profit and non-profit approaches”. Social entrepreneurship is driven primarily by social or environmental challenges (Omorede, 2014). Lee et al. (2020, p.1) further defines social entrepreneurship as “an effective approach to solving social problems”.

Despite the various definitions, there is a common theme in how Mair & Martí (2006), Austin et al. (2012), Omorede (2014) and Lee et al. (2020) define social entrepreneurship, which they view as the act of employing traditional and venture creation behaviours including innovativeness, proactiveness, risk-taking, to create social value, rather than personal economic value.

According to Lee et al. (2020), it is the rising socio-economic challenges across many economies which market forces, governments and private institutions are failing to remedy, that are amongst the key contributors to the growth of social entrepreneurship.

Within the financing sphere of social entrepreneurship is a type of funding classified as impact investing. Impact investing has emerged as a growing phenomenon within the field of social entrepreneurship (Roundy et al., 2017), playing the role of venture capital specific to social or environmental enterprises. This will be discussed in greater detail in the proceeding sections.

2.3 Social Entrepreneurship (SE) schools of thought

The varying perspectives of social entrepreneurship can be clustered into three (3) social entrepreneurship schools of thought, namely: (i) social innovation school; (ii) social enterprise school; and the (iii) social economy school.

2.3.1 Social Innovation School

The Social Innovation School of thought views SE as the type of entrepreneurship where the individual (social entrepreneur) explores innovative solutions primarily to address social challenges (Perrini, 2006; Bravo, 2016). Its emphasis is mainly on the social problem-solving innovation, rather than a focus on the scalability, replicability or revenue of the social enterprise (Bravo, 2016). Due to the predominant focus on innovation aimed at solving social or societal challenges Harun et al. (2017) argue that the social enterprise may therefore be organised by various actors, such as government, communities (through non-profit organisations), and not only the private sector.

2.3.2 Social Enterprise School

The second SE school of thought is the Social Enterprise School, also known as the “earned income school” (Kabbaj, El Ouazzani Ech Hadi, et al., 2016, p.5). Contrary to the social innovation school, this category of scholars view SE as revolving around the social enterprise, and the role it plays in sustainably tackling social issues, independent of grants and subsidies (Perrini, 2006; Bravo, 2016; Harun et al., 2017). Social enterprises, according to this school, are seen as for-profit ventures with a social mission (Harun et al., 2017).

The emphasis in this event is on the business model of the social enterprise and the factors that distinguish it from non-profit organisations. The social enterprise school believes that social entrepreneurship is about dual purpose ventures that pursue a revenue-generating parallel with a social mission (Bravo, 2016). The adoption of a commercially inclined business strategy is to ensure that social enterprises overcome the sustainability and self-sufficiency challenges relating to financial and human capital usually faced by non-profit social enterprises (Harun et al., 2017).

Within the Social Enterprise School of thought, there are two sub-streams, , the East/Asian group of scholars who hold the view that the replicability and scalability of the social venture is not essential , and the other sub-stream (Western scholars) that advocates for replicability and scalability in addition to the revenue focus, as qualities of social entrepreneurship (Bravo, 2016) .

2.3.3 Social Economy School

The third SE school of thought is the Social Economy School. Derived from various social science disciplines such as economics, political science, sociology and management. This school of thought consider SE from the perspective of its economic contribution (Kabbaj, El Ouazzani Ech Hadi, et al., 2016). For instance, the focus here is on economic growth determinants such as the products or services produced, “economic risk, amount of paid work, and profit distributions” (Kabbaj, El Ouazzani Ech Hadi, et al., 2016, p.6).

The former sections of this chapter sought to commence the discussion on social entrepreneurship by defining and delineating social entrepreneurship from commercial entrepreneurship. The next sections will explore the funding dimension of social entrepreneurship i.e. how are these social ventures funded, by examining impact investing, as a type of funding, in particular.

2.4 Social Entrepreneurship Financing

The entrepreneurship ecosystem have been cited throughout the entrepreneurship discipline, as a mechanism that can be adapted and implemented across economies to stimulate national or regional entrepreneurship, in pursuit of economic growth (Isenberg, 2011; Mason & Brown, 2014). The concept of an entrepreneurial ecosystem originates from James Moore's research, which asserts that firms do not exist in a vacuum, but instead interact with various stakeholders (customers, suppliers, funders, sponsors, etc.) (Moore, 1993). Consequently, firms that exist in dynamic ecosystems are prone to grow and succeed, over their counterparts. An entrepreneurial ecosystem is "a set of interconnected entrepreneurial actors, entrepreneurial organisations (e.g. firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies) and entrepreneurial processes, which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment" (Mason & Brown, 2014, p.5). A favourable environment is equally vital to the realisation of impact by social entrepreneurs (Kabbaj, El, et al., 2016). Each component of the ecosystem is pivotal to the success of any enterprise - social enterprises are no exception (Kabbaj, El, et al., 2016). However, access to finance remains one of the cornerstones of an entrepreneurship ecosystem, its importance more critical at the seed, start-up and expansion phases of a new venture (Block et al., 2017; Isenberg, 2011; Kadriu et al., 2019).

The creation of a venture rests fundamentally, albeit not entirely, on the availability of funding. Jonsson and Lindbergh (2013) state that an essential entrepreneurial activity is financing. This may be in the form of start-up capital from the owner's contribution, fundraising initiatives from friends, family and 'fools', or perhaps seeking debt financing from traditional financial institutions (Burżacka & Gąsiorowska, 2016). According to Jonsson and Lindbergh (2013) , entrepreneurs can call on their social capital to access financing or information to financing opportunities. Alternatively, entrepreneurs may turn to the less conventional financial institutions, such as venture capitalists or angel investors.

Angel investing consists of ”informal venture capital-equity investments and non-collateral forms of lending made by private individuals…using their own money, directly in unquoted companies in which they have no family connection” (Mason and Harrison, 1999, p. 95, cited in Edelman et al., 2017, p.4).

Small and new businesses facing financial constraints, find it challenging to obtain debt financing from traditional institutions such as banks (Jonsson & Lindbergh, 2013). This observation is also made by Brest & Born (2013), who state that funding from traditional financial institutions is not readily available to social entrepreneurs. Venture capitalists offer start-up or expansion capital to enterprises with growth potential, regardless of their industry, which promise to yield a healthy financial return (Burżacka & Gąsiorowska, 2016). In some instances, the entrepreneurs give equity in exchange for the funding.

Part of the reason why social enterprises encountering challenges in raising capital could be arising from the fact that they are often misunderstood and incorrectly categorised under non-profit organisations, or organisations that do not have a commercial basis (Kabbaj, El Ouazzani Ech Hadi, et al., 2016). Castellas et al. (2018) postulate that the main constraint to the expansion of the social entrepreneurship industry is the lack of suitable capital. Consequently, social entrepreneurs look to venture capitalists, angel investors or social grants to fund the creation or expansion of their enterprises. Increasingly, Impact Investors are becoming the key funding agents of social ventures (Burżacka & Gąsiorowska, 2016).

Contrary to traditional investors or financiers, impact investors understand that social enterprises are similar to commercial enterprises, in that they strive to generate profit and a return on investment, but more importantly, do so while creating social value. The importance of impact investing is fundamental to the foundational phases and supply of capital for furthering the innovative capabilities of social entrepreneurship (Ormiston et al., 2015). Since they understand the structure, purpose and needs of social entrepreneurs, impact investors are one the main actors in the social entrepreneurship ecosystem.

Therefore, the creation and success of social ventures increasingly rests on obtaining access to impact investor funding. The following section delves deeper into the impact investing phenomenon.

2.5 Impact Investing

2.5.1 Impact Investing (II) Ecosystem

While most of the entrepreneurial ecosystem literature pertains to commercial entrepreneurship, social entrepreneurs also need a favourable market to survive and create the socio-economic impact they aim to accomplish (Kabbaj, El, et al., 2016). Roundy (2019) points to the fact that the study of entrepreneurship ecosystems has not advanced into investigating ecosystems of different types of entrepreneurs like social entrepreneurs, or sub-ecosystems, and how these can be strengthened. Impact investing, as a field within social entrepreneurship, can also be perceived as having its own ecosystem. An impact investment ecosystem relies on similar actors and structures of a conventional entrepreneurial ecosystem, such as institutions, infrastructure, investors, support organisations and entrepreneurial values and activities (Roundy, 2019). Investors pursuing impact investments look to a network of experienced investors and academics to navigate impact investment opportunities. Similarly, social entrepreneurs seeking funding, look to enabling support organisations, such as incubators and accelerators, to provide resources necessary to enable them to be investment-ready (Casasnovas & Bruno, 2013; UNDP, 2015).

A report by the UNDP (2015, p.vii), on impact investing in Africa, cites “poor linkages between sustainable social enterprises, entrepreneurs, investors and innovation networks” as one of the challenges of impact investing in Africa, with inadequate supply of suitable funding, specifically referred to as impact investing, being the main area of weakness in this network (of linkages) or II ecosystem. The ‘poor linkages’ also indicate that many of the social entrepreneurs in Africa are not affiliated to professional associations, and are not connected particularly to formal impact investing networks (UNDP, 2015).

Social entrepreneur's lack of connectedness to professional networks or associations highlights the difficulty faced by these entrepreneurs when seeking funding opportunities, or the ability of investors to locate investment-ready enterprises. Scholars have constructed impact investing ecosystem models to depict the various industry role players and the importance of collaboration and interconnectedness, rather than operating in silos (isolated functions). Figure 1 below is an example of such model, illustrating the role players who play support functions to the social entrepreneurs (investee), the use of policy, measurement and verification tools and regulatory authority. The model indicates that the investors make a contribution to the investee (social venture), who in turn creates social or environmental value for the beneficiary and financial value for the investors.

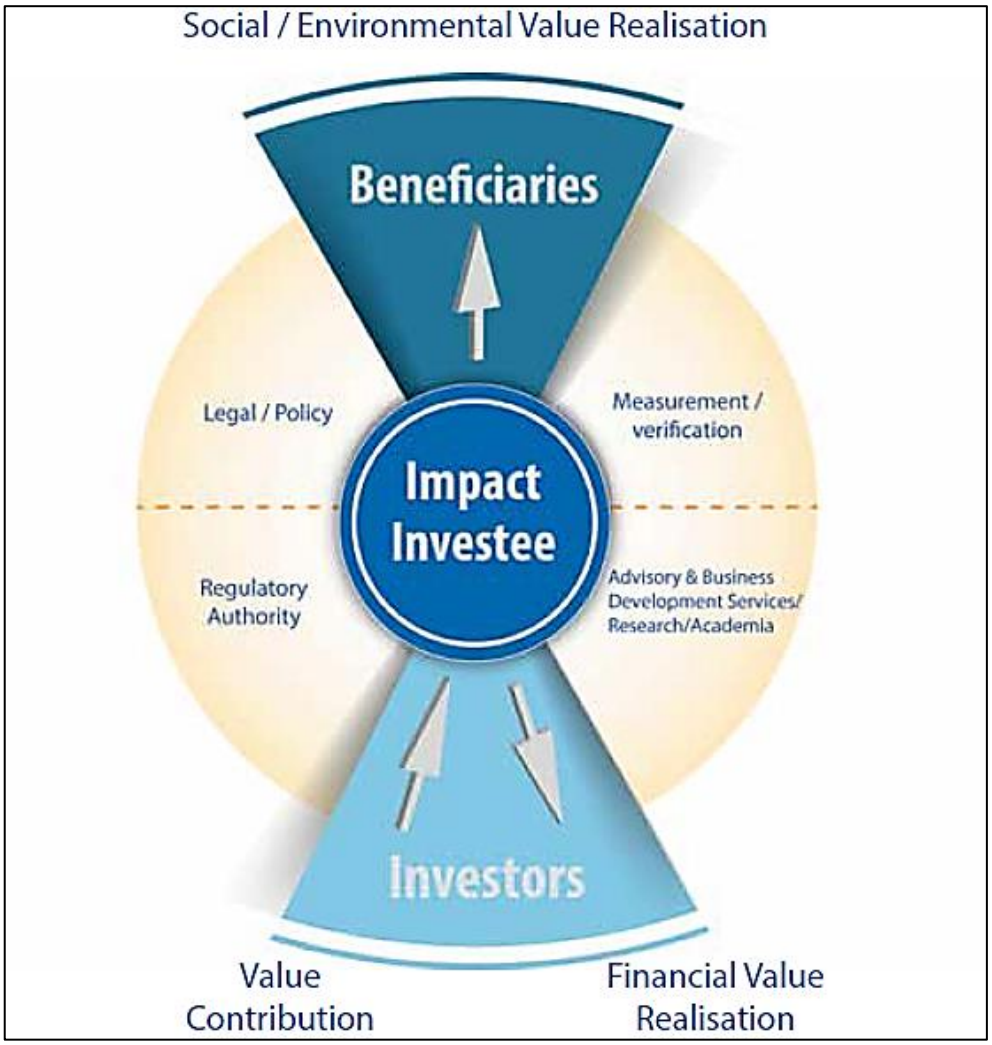


Figure 1: Impact Investing (II) Ecosystem

Source: (UNDP, 2015, p.5)

Amongst the key benefits of an II ecosystem (figure 1), similar to a conventional entrepreneurship ecosystem, is the value added by academic institutions. However, owing to their poor linkage or connectivity to an II ecosystem, it has been discovered that African social entrepreneurs encounter difficulty in accessing research and development (R&D) facilities offered by research or academic institutions (UNDP, 2015), to enhance their products or services.

Impact investing, as one of the *finance* options available to social entrepreneurs, plays a fundamental role in ensuring the sustainability of social entrepreneurship (Kabbaj, El, et al., 2016). Studies indicate that the rise in social entrepreneurship is stimulating a corresponding rise in impact investing (Höchstädter & Scheck, 2015; Glänzel & Scheuerle, 2016).

2.5.2 Understanding Impact Investing

Brest and Born (2013) indicate that an investment is perceived as an *impact* investment if the social enterprise achieves greater social outcomes than they could achieve without said investment. They regard an impact investment as the act of "placing capital in enterprises that generate social or environmental goods, services, or ancillary benefits, with expected financial returns" (Brest & Born, 2013, p.23).

Impact investing is the act of channelling funding towards social or environmental initiatives or entrepreneurs in a manner that is financially sustainable. At its core, impact investing seeks to allocate capital to the attainment of positive social (societal) outcomes (Addis et al., 2013). It encourages entrepreneurship of a social nature, to address rising socio-economic challenges and satisfy unmet societal needs, by establishing innovative solutions. The merit of impact investing is in marshalling resources to capitalise enterprises that provide "new opportunities to develop services, infrastructure, and generate jobs" for the community (Addis et al., 2013, p.8). It achieves this by funding entrepreneurs who, for instance, create affordable housing solutions, or create quality jobs to eradicate unemployment (Addis et al., 2013).

The spread of the coronavirus disease 2019 (COVID-19) global pandemic has brought about a positive rethink of the significance of impact investing and its role in helping to address the social and environmental challenges (GIIN, 2020b). Quarantelli (1985, cited in Bacq et al., 2020, p.2) acknowledge the consequential effect of global crises on socially oriented ventures by stating that “despite the loss of resources that could prime self-interested behaviour, major crises have regularly been shown to ‘unleash not the criminal [in society], but the altruistic” initiatives).

In spite of the aggravating socio-economic challenges felt by emerging countries due to COVID-19 (Bacq et al., 2020; OECD, 2020), a phenomenon is emerging where contrary to the decline in commercial investments during the COVID-19 global pandemic, there is an increase in the number of impact investments employed toward social entrepreneurial ventures (Oxford Business Group, 2020). According to Bacq et al. (2020), one can expect to see a continued surge in the number of social enterprises and, resultant impact investing.

The rise in the level of impact investing is attributed to impact investors who are proactively pursuing efforts to support social venture investees, to ensure these enterprises recover, grow in impact and financial performance, and become sustainable post COVID-19 (GIIN, 2020b, 2020a). There is also a view accentuated by the Oxford Business Group (2020), that impact investments can be pivotal in the recovery of emerging economies, which have been hardest hit, such as South Africa. Currently, “investors are stepping in to fund areas that are likely to make the most significant longer-term mark” Oxford Business Group (2020, p.1), prioritising initiatives that have social and/or environmental focus.

With that said, it is important not to confuse impact investing for social financing or overlook its distinctiveness by coupling it with traditional investing activities. The following section will distinguish impact investing from related types of financing and traditional/conventional investing.

2.6 Impact Investing versus Social Finance and Traditional Financial Investments

Literature on social impact investing (or impact investing) is scant, and as a result this phenomenon is typically classified under the social finance field (Glänzel & Scheuerle, 2016). However, this classification is not entirely appropriate as the term *social finance* also refers to traditional charitable grants, donations and micro-finance (Glänzel & Scheuerle, 2016).

Cetindamar & Ozkazanc-Pan (2017) argue that while impact investing refers to the financing made into social or environmental mission enterprises, there are other funding vehicles (such as venture philanthropy, crowdfunding etc.) that invest in impact projects. However, 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 organisations for the creation of social value, and are not interested in the financial return on investment i.e. donations (Roundy et al., 2017).

Not to be confused with non-profit organisation or NGO donation-giving, impact investing is targeted towards commercial enterprises, who have an underlying social mission, such as relieving unemployment, poverty, or the provision of healthcare services in underserviced areas. The differentiating element of impact investing is that the investors aim to attain a financial return from their investment (Ormiston et al., 2015). The sustainability of impact investing relies on investors extracting a financial return from their investments and subsequently using those gains to invest in other growth-generating social enterprises (Roundy et al., 2017).

Impact investing is also arguably distinct from similar positive investment funds such as socially responsible investing (SRI) or ethical investing (Castellas et al., 2018). SRI applies a screening method, which selects ideal investment opportunities based on their lack of negative externalities associated with social, governance, environmental or ethical behaviour (Ormiston et al., 2015).

However, this approach lacks the *intentionality* and *measurability* elements of impact investing (Findlay & Moran, 2019), to be discussed in the following section. Mogapi et al. (2019) concurs with (Ormiston et al., 2015), arguing that, while some studies use the terms Impact Investing and SRI interchangeably, it is the proactive deed of measuring social impact that distinguishes impact investing from SRI.

While similar to traditional financial investing, in its pursuit to obtain a financial return on investment, impact investing is different in that investors intentionally seek out opportunities that will result in positive societal impact (Addis et al., 2013), such as reduced poverty, unemployment, access to affordable housing or business financing for low to middle income individuals, to list a few.

Therefore, this study sets out to clearly distinguish impact investing from the various funding vehicles mentioned above, so as to focus solely on the financiers that provide funding in exchange for a social and financial return. These financiers (impact investors) "seek social benefit, and, on the other hand want to make a profit" (Celades, 2015, p.14). The Bertha Centre (2020) maps, in figure 2 below, impact investing in relation to other forms of financing, based on the impact or finance objective.

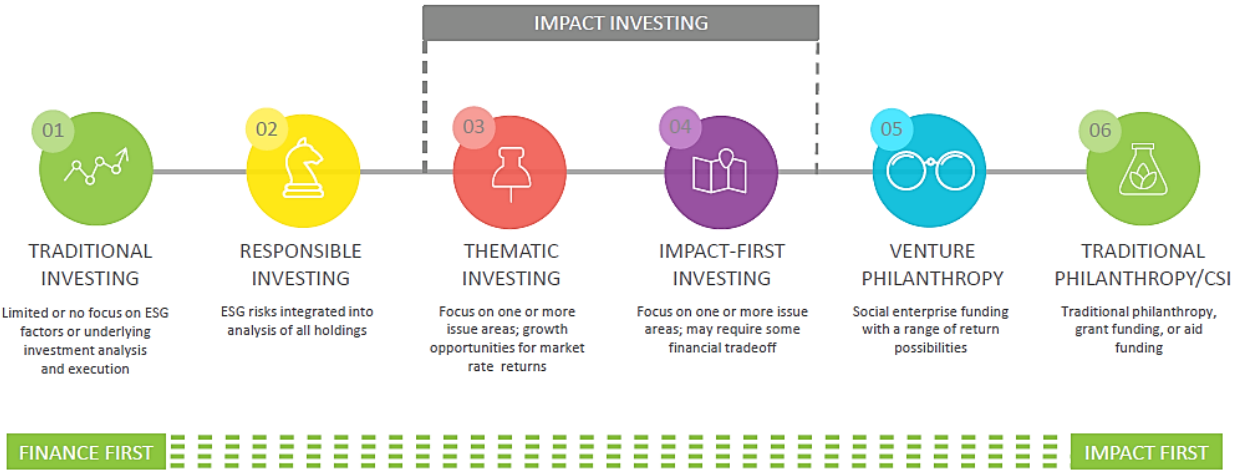


Figure 2: Investment Spectrum

Source: (Bertha Centre, 2020)

2.7 Characteristics of Impact Investing

In order to appreciate the distinctiveness of impact investing, one must understand the defining characterises of impact investing.

Owing to the nascence of the field of social entrepreneurship (Mair & Martí, 2006), scholars are yet to settle on a generally accepted academic definition for *impact investing* (Roundy et al., 2017). Therefore, the conceptual perimeters of this field remain under construction (Glänzel & Scheuerle, 2016). Nicholls and Daggers (2016) believe that impact investing comprises of an interconnection of various markets, vaguely defined objectives and is often understood differently by each interest group.

Consequently, impact investing has been criticised by other scholars, stating that the varying definitions or understanding of the field could potentially compromise the legitimacy and integrity of the field (Goldman & Booker, 2015; Findlay & Moran, 2019). Findlay and Moran (2019) argue that the integrity of impact investing is compromised by a degree of purpose-washing and lack of transparency. In other words, a lack of clear parameters could lead investors to falsely declare funds as impact investments, when in fact the intention is misplaced. As a result a refined definition of impact investing has emerged, with the aim of distinguishing impact investing from similar fields such as socially responsible investing (SRI) or philanthropy, by focusing on the *intentionality* and *measurability* qualities (Findlay & Moran, 2019).

The conventionally accepted definition, comprising the characteristics of impact investing, as established by the Social Impact Investment Taskforce, states that “social impact investments are those that *intentionally* target specific social objectives along with a financial *return* and *measure* the achievement of both” (Social Impact Investment Taskforce (SIIT), 2014, p.2).

Following from this definition, three key characteristics arise, delineating impact investing from comparable fields. These characteristics, extracted from the definition above, are (i) intentionality, (ii) returns, and (iii) measurement (Findlay & Moran, 2019).

2.7.1. Intentionality (integrity and legitimacy)

The intentions of the investor, when investing for impact, are critical in ascertaining whether an investment is deliberately or purposefully targeted at funding social mission enterprises, and thus qualified to be classified an impact investment. Findlay and Moran (2019) point to the fact that pre-2013 this component was not always included in the definition of impact investing; instead it surfaced in recent literature of impact investing. Prior to this, the focus of impact investments was on the weighting of social and financial return on investment (Höchstädter & Scheck, 2015). Oleksiak et al. (2015, p.207, as cited in Findlay & Moran, 2019) simplifies intention by presenting that it is "the deliberate structuring" of funds to yield both financial and social returns.

Accurately repositioning the field of impact investing means identifying and eliminating those funds that are falsely marketed or misrepresented as impact investments, but lacking in the genuine intention to address social objectives (Findlay & Moran, 2019).

While intention may be difficult to objectively quantify, impact measurement exercises shed light on the investor's focus and intent on an enterprise's social mission (Social Impact Investment Taskforce (SIIT), 2014). The investor demonstrates intention to achieve positive social change by setting meaningful socially oriented objectives with the social enterprise, during the due diligence phase, and monitoring these targets throughout the period of investment (Findlay & Moran, 2019)**.**

2.7.2. Impact Measurement

A complementary element of intentionality is the impact measurement characteristic. As impact investments seek to attain social objectives, together with financial return, it is essential for investors to be able to measure whether these goals have indeed been met, and the extent of their achievement. Impact measurement indicates the investor's genuine intention for social transformation, assessing the depth, breadth, and meaningfulness of the impact, among other metrics (Findlay & Moran, 2019).

Measuring impact enables investors and other stakeholders to determine the precise value generated by and return realised from the activities of the social enterprise (Ormiston et al., 2015).

Traditional investments into commercial enterprises are typically focused on the interplay of risk and financial return. Conversely, Impact investors consider risk and return, similar to traditional investors, but also reflect on the social impact of the investment (Social Impact Investment Taskforce (SIIT), 2014; Goldman & Booker, 2015). However, Goldman & Booker (2015) conclude that impact investment measurement methods have the opportunity to progress to the level of sophistication of traditional investment, providing comprehensive and reliable reporting together with industry benchmarks.

A number of impact measuring tools exist, such as the Impact Reporting and Investment Standards (IRIS), which comprises standardised metrics that assess the social enterprise's social and/or environmental and financial performance (Ormiston et al., 2015). Another impact measuring tool is the Global Impact Investment Rating System (GIIRS), which comprises a ratings methodology that investors can employ to benchmark, compare and score the social or environmental performance of their impact investment (Ormiston et al., 2015).

An effective measurement instrument is one which comprises metrics developed by the investor and investee, and are thus relevant and tailored to the respective social enterprise's core objectives (Findlay & Moran, 2019).

2.7.3. Returns

As mentioned before, impact investing relies on the attainment of a financial alongside a social return on investment (Social Impact Investment Taskforce (SIIT), 2014). The financial returns are compared to commercial or traditional investment returns, to ascertain whether the investment is performing above, below or on-par with market targets (Findlay & Moran, 2019). The motivation of the investor plays a critical role in determining the extent to which financial returns are weighted heavier, equal to or lower than the social returns arising from the investment.

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 (Goldman & Booker, 2015). There are scholars who 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 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; Mogapi et al., 2019), while the other end is a choice of either one of the social or financial returns.

The characteristics of impact investing, derived from the definition, have enabled the researcher to qualify impact investing and construct clear boundaries that differentiate it from other forms of social and traditional investing. As a result, the phenomenon of impact investing can now be examined more closely in the context of a developing economy.

2.8 Impact Investing in Africa and South Africa

Notwithstanding that the need for impact investing is growing more in less developed countries, whose socio-economic situation has been exacerbated by the COVID-19 pandemic, research on impact investing tends to focus on the developed economy, overlooking the implementation practices taking place in emerging economies (Ducastel & Anseeuw, 2020), such as Africa.

Given that African economies are largely emerging, Mogapi et al. (2019) argue that impact investing can play a transformational role in Africa, targeting the broad range of societal challenges, economic development and the resultant need for innovative solutions to address said challenges. Hence, a deliberate shift is required in the proportion of impact investing channelled to emerging countries. Approximately 50% of global impact investing, in 2015, was focused towards emerging countries, while 19% was channelled to sub-Saharan Africa (Mogapi et al., 2019).

South Africa attracts the largest combined pool of local and international impact capital (investments), in the sub-Saharan African region, while East Africa is also one of the magnets of impact investing activity in Africa (Mogapi et al., 2019). According to Ormiston et al. (2015), most of the impact investing capital originates from developed economies, such as the United Kingdom, European economies, the United States of America, Canada and Oceania. Within these source countries, it is mainly family foundations, high net-wealth individuals (HNWIs), development banks and charitable organisations who are the leading investors (Ormiston et al., 2015). Institutional investors have lagged behind, but are gradually gaining interest in impact investing as this sector of investments achieve success and create a positive track record (Ormiston et al., 2015).

With the economies of most African countries on the emerging trajectory, it can be argued that any investment into the continent is regarded as achieving a social impact (UNDP, 2015). However, it can also be disputed that through the sharp lens of impact investing characteristics, discussed in section 2.7, “not all investments that have a positive impact would count as impact investments”, as such impact may be achieved unintentionally (Mogapi et al., 2019, p.402).

Some of the drivers of impact investing activity in Africa are listed in the proceeding section.

2.8.1 Drivers of Impact Investing in Africa

2.8.1.1 Economic Development

“Africa remains one of the fastest growing regions in the world” (UNDP, 2015, p.9). Africa’s economic growth has been attributed to improved economic policies, progressively stronger institutions, and growing investments. This growth is leading to the reduction in poverty levels, developments in industry and infrastructure, and an expanding middle class, who actively participate in the economy (UNDP, 2015). The improving state of African economies is manifesting in the form of Foreign Direct Investment, Declining Public Sector Spending and rising Demand for (quality) Public Services.

2.8.1.2 Foreign Direct Investment (FDI)

Africa has witnessed a spike in foreign direct investments, mainly driven by commodities, including untapped natural resources in East and North Africa. However, in sub-Saharan Africa, investments are increasingly targeting the consumer market, in addition to natural resources (UNDP, 2015).

2.8.2.3 Declining public sector spending

While the African continent has witnessed significant economic development over the past decades, many countries are still plagued by a myriad of socio-economic challenges. These countries rely extensively on foreign aid to address societal challenges. A reliance on (declining) aid has led governments to reduce their spending allocation on the delivery of social relief programmes. This creates an opportunity for African governments to explore alternative sources of investment to finance socio-economic challenges (UNDP, 2015).

2.8.1.4 Demand for public services

Income inequality remains a major hurdle towards greater economic participation by larger sections of the population, so as to enable holistic and inclusive development. An extreme income disparity, such as that seen in South Africa and evidenced by the Gini coefficient of 0.63 presented by The World Bank (2019), limits the ease of access to basic services, for the majority of the population.

The responsibility of African countries to address access to social welfare services, quality healthcare and education presents an opportunity for investors and innovative social entrepreneurs (UNDP, 2015). The UNDP (2015) cites the following as key areas in which gaps exists between the supply and demand of public services: education; healthcare; food security; water and sanitation; affordable housing; and energy, among others.

The socio-economic imbalances outlined above, and struggling public sector in African countries, present opportunities for innovative social entrepreneurs and targeted impact capital, seeking to establish commercial enterprises with a social mission.

2.8.2 Challenges of Impact Investing in Africa

Although impact investing opportunities are growing, spurred by socio-economic challenges and declining government spending, there are a number of hurdles that stifle the growth of the impact investing industry in Africa. These challenges are listed below.

2.8.2.1 Identifying investment-ready opportunities

Pinpointing impact investments that have prospects of yielding *both* an acceptable financial return *and* social impact benefit, has been cited as the most fundamental challenge for impact investors.

There are not enough investment-ready opportunities (in Africa, even internationally), to meet the requirements of the investors (UNDP, 2015). According to GIIN (2016), small and/or relatively new social enterprises fail to demonstrate healthy financial track record, realistic projections and strategies to scale. As a result, standard impact investments (social enterprises seeking funding) tend to be overlooked as they fail to demonstrate a positive track record, risk-adjusted financial return on investment and social impact (UNDP, 2015).

2.8.2.2 Limited capacity development services

Social enterprises generally struggle to grow into investment-ready opportunities, without receiving developmental assistance provided, for instance, by business support organisations. Early-stage enterprises require business guidance (incubation or acceleration), in addition to financial capital, which impact investors ordinarily do not provide. However, “without support, early-stage enterprises cannot achieve the level of growth needed to attract investors” (UNDP, 2015, p.36). There is a need for specialist business support organisations or provision of such a service by large well-established corporates, conversant with social entrepreneurship and the impact investing industry. For instance, Glänzel & Scheuerle (2016) refer to investment advisers in Germany who provide incubation, together with business support services and financial advice, to ensure the investment readiness of innovative social enterprises.

2.8.2.3 Insufficient networks between industry actors

The impact investing ecosystem in Africa has been criticised for being fragmented and underdeveloped, as a consequence limiting the prospects to connect investors with potential investees (UNDP, 2015). The importance of an optimally functional industry network or professional association of social entrepreneurs and impact investors, as explained in section 2.5.1, is fundamental to match interested funders with investment-seeking social entrepreneurs. A lack of such networks, for example, means that there is no database to which investors can use to identify vetted, investment-ready social enterprises (UNDP, 2015). In Africa, there is a need in the burgeoning impact investing industry to develop strong networks between other ecosystem actors (academic institutions, industry sector clusters, government) to nurture the innovation-building capabilities of social entrepreneurship (UNDP, 2015). The value of strong networks between the various ecosystem participants is the beginning of a creation of a pipeline of credible, investment-ready opportunities (social enterprises).

To further analyse impact investing in Africa, the researcher will explore this phenomenon in the context of South Africa, the research focus area.

2.8.3 Impact Investing in South Africa

South Africa is a developing country with a polarised or dual economy, characterised as one of the most unequal society in the world (The World Bank, 2019). On the one end of the economic wellness spectrum, are the middle to upper income individuals, who actively contribute towards the expansion of the South African financial market (South African Impact Investing Network (SAIIN), 2009; Ducastel & Anseeuw, 2020). On the other end, are Black South Africans (in the majority) who are socio-economically disadvantaged and dominate the ranks of the poor and unemployed; where their communities have inadequate access to basic services and bear the brunt of the HIV/Aids epidemic (Ducastel & Anseeuw, 2020). Post 1994, multiple state orchestrated measures have been introduced to try and rectify the exclusionary and socio-economic disempowering effects caused by Apartheid (SAIIN, 2009).

Corrective initiatives such as the Broad-Based Black Economic Empowerment (B-BBEE) act of 2003, which seeks to achieve “the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies” (Broad-Based Black Economic Empowerment Act 53 of 2003, 2004, p.4), were thus enacted. The implementation of the B-BBEE practices within South African corporates has influenced the boom of impact investing in South Africa (Ducastel & Anseeuw, 2020, p.58). 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). The B-BBEE act creates opportunities for impact investing and can be linked to DFI investment activities (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 channelling funding towards enterprises in the housing, education, ICT and health sectors can benefit the poor and previously disadvantaged members of the community (Ducastel & Anseeuw, 2020).

According to the South African Impact Investing Network (SAIIN, 2009, p.5), “poorer communities represent significant opportunities for investment that could not only offer financial returns, but also sustainable solutions to social challenges”. South African impact investors target investments that will yield social (or developmental) impact in the form of job creation, poverty alleviation, improvement of livelihoods, housing and health conditions, and the provision of affordable finance, among others (SAIIN, 2009).

Impact investors can comprise individual investors (such as High Net-Worth Individuals HNWIs), a group of investors, or venture capital institutions, seeking social enterprises that develop innovative solutions and sustainable business models (Nguyen et al., 2015; Roundy et al., 2017).

Table 1 below highlights some of the different types of impact investors in Africa.

Investor Type	Typical Financial Products	Typical Sector Focus in Africa	Average Deal Size Range ($)	Examples
Development Finance Institutions	Equity, debt, mezzanine, quasi-equity, guarantees and grants for technical assistance	Infrastructure, financial services, agriculture, energy	$5 million – over $50 million [79, 80]	IFC, CDC, SIFEM, AfDB, FMO, Proparco
Fund Managers[81]	Grants for relatively early stage enterprises Equity, debt, quasi-equity, inventory finance Equity for enterprises in the growth stage	Infrastructure projects, agriculture, telecommunication, retail, financial services Access to basic services (food, health, education, water, energy) and social/ human development	Early stage finance: less than $50,000 Venture capital & private equity $500,00 - $1million[82, 83]	Abraaj Africa, The Phatisa Group, Ariya Capital, Harith, Acumen Fund, LGT Philanthropy, Root Capital, Bamboo Finance
Foundations & Private Foundations	Equity, debt, grants, quasi-equity for seed stage and market building	Access to basic services (food, health, education,) social/ human development, and market creating initiatives (i.e. associations, accelerators, competitions, networks)	$500,000 - $5 million[84]	Gatsby Charitable Foundation, Omidyar Network, Shell Foundation, Africa Enterprise Challenge Fund, Bill & Melinda Gates Foundation, Tony Elumelu Foundation
Institutional Investors	Direct investment: providing co-investments through debt (banks) or invest in funds (pension and insurance funds)	Projects (i.e. agriculture, energy, water, transportation, telecommunication) and growth stage of financial services, retail and real estate		Government Employees Pension Fund of South Africa, TIAA CREF, Equity Bank, JP Morgan

Table 1: Types of Impact Investors

Source: (UNDP, 2015, p.23)

In addition to the above-mentioned impact investors, one may also consider South African DFIs such as the Industrial Development Corporation IDC, Development Bank of South Africa (DBSA), National Youth Development Agency (NYDA), and Small Enterprise Development Agency (SEDA).

In order to attract impact capital, social entrepreneurs must understand what drives or motivates impact investors to invest in certain social ventures over others.

Common investor criticism of impact investing in Africa, South Africa included, is that there is an deficient pipeline of investment-ready, quality social enterprises (UNDP, 2015; Nicholls & Emerson, 2015, as cited in Findlay & Moran, 2019). Studies find that a gap exists where there is a greater supply of impact capital in comparison to suitable demand, i.e. the number of investment-ready opportunities, which are ventures that possess the qualities required by interested investors (GIIN, 2016).

In other words, the existing social enterprises vying for impact capital fail to meet the requirements of the impact investment funds (Findlay & Moran, 2019). Knowledge of impact investor motives or objectives will enlighten the social entrepreneur and highlight the importance of establishing a balance between social impact and financial wellness of the enterprise.

2.9 Motivations for Impact Investing

Behavioural portfolio theory states that, an investor's investment decision is influenced or informed by their goal (expected outcome from investing) (Meyer et al., 2019). Roundy (2019) expands on this and states that impact investors apply a blend of two logics of action. A logic is "the formal and informal rules of action, interaction and interpretation that guide and constrain decision makers" (Ocasio and Thornton, 1999, cited in Roundy, 2019, p.469). Impact investors employ a market logic (which is concerned values such as profit maximisation, efficiency and competition), and a community logic (which is concerned with values such as value creation, collaboration and cooperation).

A common theme that emerges from the theories outlined above is that the impact investors' decision to invest in social ventures is influenced by their motives or objectives. In addition, impact investing can take various forms; from 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). These varying objectives would indicate an investor's appetite for risk and return. The following section delves into the various possible objectives of impact investors.

2.9.1. Social Impact Motive

According to Glänzel & Scheuerle (2016), concessionary (impact-first) investors prioritise the social impact resulting from the social venture, higher than or equal to the financial return expectation. Cetindamar & 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 waiving financial return and prioritising social impact over dividend or interest yield.

As the motivation for this category of investors is not 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). This category of investors are typically HNWIs and family foundations (Ormiston et al., 2015). These investors may forgo some financial gain, receiving lower than market value financial returns, in order to achieve social impact (Brest & Born, 2013). While concessionary investors are motivated by achieving social impact, or stated otherwise, motivated by the social value that their investment yields; Brest & Born (2013) emphasise 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.

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 social benefit.

While theory states that impact-first investors are willing to forgo competitive financial returns for an increase social impact benefit, the first hypothesis will determine whether South African impact investors are indeed impact-first, by testing the hypothesis below.

Hypothesis 1: The social impact motive influences the investor's decision to invest in social impact ventures.

2.9.2. Finance Impact Motive

To reiterate Brest & Born's (2013) earlier assertion, impact investors are by definition *socially motivated*, and thus the difference is in the degree to which they value their investment's social impact over corresponding financial return. In the case of *non-concessionary* or *finance-first* investors, Riedl & Smeets (2017) add 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. maximising investment return). These non-concessionary investors are least likely to invest in enterprises that they perceive to yield a return lower-than-market rate of conventional investments (Riedl & Smeets, 2017).

As Brest & Born (2013) assert, *finance-first* investors are in pursuit of the double bottom line i.e. social gain without sacrificing financial return. A concurrent view by Brodback et al. (2019) and Chatterji et al. (2009) is that the investments of finance-first investors may in fact be driven by the knowledge that social investments yield a greater financial return than conventional investments. Typical finance-first investors are banks, institutional investors, development finance institutions or sovereign wealth funds (Ormiston et al., 2015).

It could be argued that the prioritisation of financial return does not necessarily distinguish impact investors from conventional investors. Glänzel and Scheuerle (2016) argue that such investors (requiring market-related financial returns) are inaccessible by social enterprises who cannot afford this type of financing. Brest & Born (2013) support this assertion stating that concessionary investments (impact-first) for instance, make access to capital available to social entrepreneurs, who would ordinarily not have access to such funding.

These authors add that nascent social enterprises in the early stages rely on concessionary investments than conventional investors (Brest & Born, 2013). Meyer et al. (2019) state that non-concessionary investors (finance-first) have predetermined financial return expectations, and therefore the amount they decide to invest is dependent on their financial expectations. Conversely, their findings indicated that "financial factors are negatively related to the decision to invest", although the statistical significance was weak (Meyer et al., 2019, p19).

In other words, the decision to invest in social impact ventures was not found to be driven by the financial return objective of the investor.

Although they desire to obtain competitive financial returns from investments, impact investors demonstrate a higher tolerance for loss and risk than they do for conventional investments (Meyer et al., 2019). This behaviour can be explained by the economics principle of investing (prospect theory) i.e. investors seeking higher returns are predisposed to possess a high-risk appetite (Levy, 1992).

In order to examine the role of the financial return as a motivator to invest in social impact ventures, the second hypothesis below will be tested.

Hypothesis 2: The financial return motive influences the investor's decision to invest in social impact ventures.

2.9.3. Social Impact and Finance Duality Motive

Contrary to philanthropists who invest for the attainment of a social mission, and conventional investors who invest to attain a competitive financial return, impact investors target the attainment of *both* social impact and financial return (Philip et al., 2017; Brodback et al., 2019). This is achieved by investing in social enterprises that have the potential to both generate enticing financial and social value (Cetindamar & Ozkazanc-Pan, 2017; Meyer et al., 2019). Brodback et al. (2019) assert that institutional investors are encouraged to participate in impact investing by the financial and non-financial benefits of doing so. Ormiston et al. (2015) notes that impact investing is contrary to the traditional investing dichotomy that states an inverse relationship between social impact and financial return.

Instead, they present a dual return model (labelled 'blended value creation'), which presents a positive relationship between social impact and financial return.

This model (figure 3) asserts that an impact investor can gain social impact, while also gaining a financial return on investment, thus debunking the notion that there is trade-off between *social* in relation to *financial* gain.

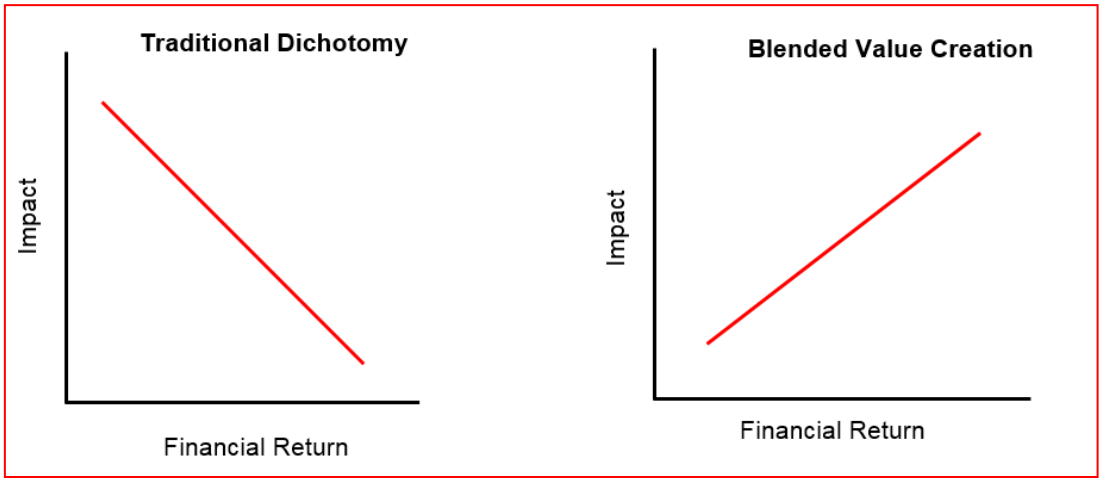


Figure 3: Dual-Returns

Meyer et al. (2019) hypothesise that social impact investments are influenced by competitive financial return as well as social value expectations. In order to test these assertions, hypothesis 3 is presented below for examination.

Hypothesis 3: The social impact and financial dual-return motive influences the investor's decision to invest in social impact ventures.

2.9.4. Signalling Motives

Although literature largely categorises impact investor motivations into one or another form of the financial or impact groups, Ariely, Bracha, & Meier (2009) identify a third motivation of impact investing, which is reputational, expressive or perception orientation. Chatterji, Levine, & Toffel (2009) agree, stating that other investors are motivated by the desire to portray an image of altruism, obtainable from investing in social impact enterprises.

Investors influenced by perceptions of their peers display pseudo or impure altruism as a motivation for investing in social impact ventures (Ariely et al., 2009; Chatterji et al., 2009; Riedl & Smeets, 2017). In support of this statement, Meyer et al. (2019) cite a study by Riedl & Smeets (2017) on Dutch retail investors, which indicated that signalling (expressive motives) explained the reason for

investing in social enterprises. In this instance, the findings expressed that these investors were willing to forgo financial performance of their investments.

Similarly, Brodback et al. (2019) also concluded in their research findings that there is a positive correlation between altruistic motivations and social impact investing, which goes beyond the potential financial return of the investment. These individuals are “intrinsically motivated and derive non-monetary utility from doing good” (Brodback et al., 2019, p.21).

Unfortunately, this motivation is only effective provided that the investor receives visibility while investing (Ariely et al., 2009). Therefore, the final hypothesis to be examined in this study is presented as follows.

Hypothesis 4: The signalling motive influences the investor’s decision to invest in social impact ventures.

However, despite the varying importance placed on social value, image of altruism, financial return, or combination of these, Brest & Born (2013) assert that by definition, impact investors are socially motivated. They separate impact investors from conventional investors (socially neutral investors), who are indifferent about the social impact of the enterprises they invest in, solely targeting the financial return of an investment.

2.10 Conceptual framework of hypotheses

A diagrammatic illustration, created by the researcher, of the four-abovementioned research hypotheses is presented in figure 4 below; depicting the hypothesised relationship between the independent variables (motives) with the dependent variable (decision to invest in social impact ventures).

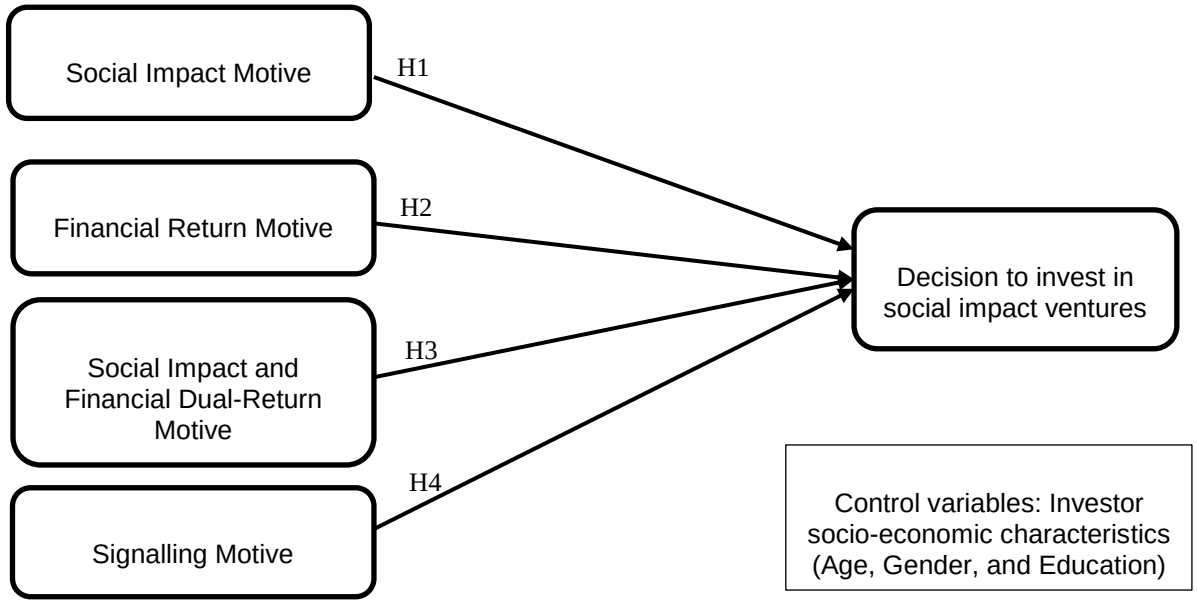


Figure 4: Study Conceptual Model

2.7 Conclusion of Literature Review

Social entrepreneurship is rapidly gaining momentum, owing to the rising socio-economic challenges, which markets, governments and private institutions have failed to remedy. The growth of this socially oriented field of entrepreneurship has led researchers to explore various aspects of this field or components of the social entrepreneurship ecosystem, in pursuit of better understanding the field and its key drivers. A social enterprise is a commercial enterprise which applies entrepreneurship behaviours of innovativeness, proactiveness and risk-taking to create an innovative solution that addresses a social and/or environmental challenge or need.

It has been argued that access to finance is one of the most significant enablers of entrepreneurship, equally important to social entrepreneurs. One of the emerging core drivers of social entrepreneurship, falling in the finance component of the ecosystem, is impact investing. Social enterprises are commonly misunderstood as non-profit or charity organisations, which are neither self-sufficient nor sustainable outside of the donor-funding they receive. Therefore, traditional financial institutions are deterred from investing in these enterprises as they cannot fathom how they will receive a financial return on their investment. This void has created an opportunity for rival sources of funding, such as impact investing and progressive, socially conscious funders to establish an impact investing industry that stimulates social entrepreneurship. Impact investing entails the intentional financing of social impact ventures that produce a social impact alongside a financial return on investment and measuring the realization of these goals. Impact investors are one of the main actors in the social entrepreneurship ecosystem, and their investments (supplying capital for social innovation) are fundamental to building a thriving social entrepreneurship industry.

Underlying socio-economic challenges, slow economic development, coupled with the COVID-19 global pandemic, have increased the demand for social entrepreneurship innovations, and subsequently impact investments across the African continent.

While a substantial amount of global impact investments (50% in 2015) is targeted at emerging economies, obstacles in the African context such as a mismatch between investor requirements and investee offering, limited capacity development services, and insufficient industry networks, hinder available funds from making their way to investment-seeking social entrepreneurs.

In order to attract impact capital, social entrepreneurs must understand what drives or motivates impact investors, to invest in certain social ventures over others. Economic theories of investment decision-making (such as prospect theory, and behavioural portfolio theory) have been cited in explaining that investors consider opposing factors when making their investment decisions. These varying logics explain how it is possible for impact investors to possess varying objectives for investing in social impact ventures.

Impact investors are identified as being primarily motivated to invest in social impact ventures by (i) social impact achieved by the venture, (ii) the financial return of the investment, (iii) the social impact and financial dual-return, or a (iv) signalling motive. Investors who are primarily focused on the social impact of the venture are referred to as impact-first investors. These investors are willing to make a concessionary investment, where they receive a financial return lower than or on-par with market trends, in pursuit to maximise the social impact. Financial return focused investors are referred to as finance-first impact investors. Unlike impact-first investors, these investors are not willing to forgo a market-related or even market-beating financial return in support of a social impact. Another category of impact investor is those who believe in the attainment of both significant social impact and market-related financial returns. Finally, the last category of impact investors is those who invest in social impact ventures primarily to receive positive perceptions from peers. These investors are known to display pseudo or impure altruism and are also willing to forgo market-related financial returns, to be considered as investing socially or ethically.

It is apparent that impact investors are influenced or driven by different motivations when investing in social enterprises. Despite the varying motives for investing in social impact ventures, all the above-mentioned types of investors are essentially impact investors, as they are socially motivated, although prioritising one motive over the other. Meyer et al. (2019) advocate that these motivations are not mutually exclusive, explaining that investors can be motivated by more than one objective, although at different levels of intensity. For example, one may be motivated by achieving social impact, but doing so while obtaining an above-market financial return rate. Another investor may be driven to invest in a social enterprise by the motivation to make an impact, altruism, as well as a market related financial return. Meyer et al. (2019) assert that the different motives of impact investors are a result of their different decision frames or screens. These varying objectives are an indication of an investor's appetite for risk and return. Knowledge of impact investor motives or objectives will enlighten the social entrepreneur and highlight the importance of aligning the social impact and financial wellness of a social enterprise.

It is crucial that social entrepreneurs understand how investors analyse social investments as this highlights the types of social enterprises, missions or firms that are most preferred (investment-ready opportunities) and can thus guide them in structuring social impact ventures that meet specific social impact and financial return requirements of investors.

CHAPTER 3: RESEARCH METHODOLOGY

The following chapter will detail the research methodology to be employed, in order to test the abovementioned hypotheses, and ultimately answer the overarching research question, presented in Chapter 1. This chapter will outline the research methodology, by delineating the chosen research paradigm and design, data collection procedure, sampling technique, research instrument to be used, data analysis procedure and conclude with the ethical considerations to be effected.

3.1 Research Paradigm

A Positivist philosophical paradigm will inform this research study. This paradigm relies on an objective worldview, with the researcher serving merely an observer of the phenomenon (Saunders et al., 2012). The positivist paradigm is most appropriate for this study, as the researcher will be examining the motives that drive impact investment decision-making, as an external observer. This stems from Myers (1997), who states that reality is objective, without social interference from the researcher, and can be studied using measurable instruments. The aim of the Positivist researcher is to establish and test links between the variables under study, using hypotheses derived from existing theories (Myers, 1997), and subsequently draw inferences from the sample data to the population (Baroudi & Orlikowski, 1990).

3.2 Research Design

A quantitative research strategy is the methodology of choice when using a Positivism research paradigm, as it requires the researcher to test theory by examining the relationship between the variables (Saunders et al., 2012). Therefore, this study will employ the quantitative deduction approach, with the use of surveys to collect data that can be analysed statistically (Saunders et al., 2012). This methodology will enable the researcher to adopt an objective stance, making use of deductive inquiry to examine the hypotheses presented in Chapter 2 (Cooper & Schindler, 2014; Saunders et al., 2012).

Although other scholars (Glänzel & Scheuerle, 2016; Cetindamar & Ozkazanc-Pan, 2017; Roundy et al., 2017) argue that the infancy of the social entrepreneurship and impact investing fields lends itself to an inductive approach; theories explored by these and other scholars can and will be used to guide this deductive research design. Additionally, there have been calls for more social entrepreneurship research of a quantitative nature (Littlewood & Holt, 2018), to which this study seeks to respond.

3.3 Population and Sample

3.3.1 Population

The landscape of impact investing in South Africa comprises of actors such as Development Finance Institutions (DFIs), banking institutions, government agencies, asset management and insurance companies, industry experts and academics (Ducastel & Anseeuw, 2020), in addition to family offices, foundations, high net-worth individuals (HNWIs) and impact investment companies (GIIN, 2016). 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 defined by the Social Impact Investment Taskforce (Social Impact Investment Taskforce (SIIT), 2014).

Consequently, identifying the target research participants (social impact investors) required the researcher to delineate who qualifies as an impact investor, for the purpose of this research study. The target participants were identified as those actors who are (i) intentionally investing for the attainment of a social mission; (ii) invest with the expectation of obtaining a social and financial return on investment; and who (iii) actively measure the impact resulting from the investment (Social Impact Investment Taskforce (SIIT), 2014).

The following desktop research process was used to identify the South African impact investor population:

A combination of phrases such as ‘impact investing/investors’, ‘South Africa’, ‘social impact investing/investors’ were used for an online search of South African impact investors. The search led to the discovery of a 2016 report titled *The Landscape for Impact Investing in Southern Africa* (GIIN, 2016), containing a list of approximately 90 organisations interviewed for the report. The online search also led the researcher to a South African website containing a list of companies classified as *Social enterprise funding / impact investing* (Finfind, 2021). The Impact Assets 50 publication list was also consulted for impact investment fund managers, and was filtered by Africa as a geographic focus (ImpactAssets, 2020). A Bertha Centre impact investing corporate workshop pack also informed the researcher, by presenting a list of some of the South African impact investors (Bertha Centre, 2020).

To increase the pool of potential research participants, the researcher considered South African venture capital firms, as listed in the SAVCA member database (Southern African Venture Capital and Private Equity Association (SAVCA), 2017). The use of venture capitalists (VCs) as possible impact investors stems from the perspective of VCs being funders or investors who “offer to fund innovative enterprises” that are typically “small companies with exceptional growth potential” (Chen, 2020, p.1). This is in the same way that impact investors fund social enterprises (entrepreneurs who create innovative solutions to address social challenges and deliver this in the form of a commercial company). The reason for this addition is because some investors are impact investors, by definition, but do not “self-identify as impact investors” (GIIN, 2016, p.62). Since VCs invest in small businesses with growth potential, some VCs may in fact be investing for impact. For example, Awethu Project Capital and Edge Growth are found on this SAVCA list of VCs, while also being recognised as impact investors in the aforementioned South African Impact Investing reports. Collectively, all the impact investing firms identified from the above search came to a total of 258.

Upon closer inspection of the list of companies derived from the above search, the researcher discovered that some of these impact investing companies were found to be (i) outside the borders of South Africa (either in neighbouring countries) or international and others were (ii) not impact investing companies by definition, but rather organisations providing donations or grants to social enterprises. Therefore, those companies were excluded from the list and not considered in this research study. As a result, the initial list comprising of 258 impact investing firms was reduced down to 178 South African based companies in the impact investing sphere, thus creating the population.

3.3.2 Sample and sampling method

Initially, the researcher sought to adopt a random sampling technique (Saunders et al., 2012), followed by snowball sampling to access other investors by recommendation. However, due to resource constraints and challenges encountered while attempting to access participants (working from home) during a global pandemic, the researcher altered the approach to a convenience sampling technique, to initially access the investors, as well as a snowball sampling technique, to enable the current participants to recommend other qualifying participants.

The research participants will consist of South African impact investors. The participants will be drawn from the population of South African impact investors, as detailed in the previous section. Therefore, in order to determine the sample size of the participant, Israel's (1992) ideal sample size guidelines were employed. Using this method, the final target sample size, from a population of 178, was 122 ensuring a 95% confidence level and 5% margin of error. As recommended by Israel (1992b), ideally a small population (less than 200) would warrant the researcher to use a census (the entire population) rather than a sample. However, he also states that this method only be used when it is feasible to collect data from the entire population (Israel, 1992b). Ideally, the researcher would prefer to target the entire population. However, due to the time constraints of this research study and resource constraints of collecting data from investors working from home, only a sample of the population will be considered.

Table 2 below provides an outline of the profile of the target respondents. The investors will be contacted via email to request their participation, and subsequently via telephone to follow-up on the email invitation. Additionally, a snowball method (Saunders et al., 2012; Cooper & Schindler, 2014) will allow these participants to recommend other impact investors for the study.

Table 2: Sampling of respondents

Description of respondent	Number to be sampled
South Africa impact investors	122

3.4 The research instrument

The survey will consist of 6 sections considering the (i) investor demographics, (ii) social impact motivations, (iii) financial return motivations, (iv) social impact and financial return motivations, (v) signalling motivations, and the (vi) decision to invest in social impact ventures. The questions contained in the research instrument have been adapted to complement the specific objective of this study. The survey questions were extracted from investment decision studies (Javed & Marghoob, 2017), social entrepreneurship studies (Abdul-Rahaman, 2017), and impact investment research and surveys (Barclays, 2018; Brest & Born, 2013; Brodback et al., 2018; Hand et al., 2020; Meyer et al., 2019; Ormiston et al., 2015; Reyhanloo et al., 2018; Riedl & Smeets, 2017).

The research instrument will be used to test each of the four study hypotheses, presented at the end of Chapter 2. Section 2 of the survey seeks to determine the extent to which the investor's investment decision is driven primarily by the social impact of the investment. Similarly, section 3, 4 and 5 examine the extent to which the investor's impact investment decision is driven primarily by the financial return, dual return, or signalling objectives, respectively. Section 6 will examine the dependent variable *decision to invest in social impact ventures*.

Table 3 below presents the link between the research hypotheses to be tested and their respective variables and corresponding research instrument questions.

The investor respondents will express the extent to which their investment decisions are influenced primarily by the four independent variables, through selecting the most appropriate response on a 7-point Likert scale.

Table 3: Measurement instrument

Hypothesis	Variables	Questions in Research Instrument
Hypothesis 1: The social impact motive influences the investor's decision to invest in social impact ventures.	**IV**: Social Impact Motives **DV**: Decision to invest in social impact ventures	Q5 (5.1 – 5.5) Q9 (9.1 – 9.7
Hypothesis 2: The financial return motive influences the investor's decision to invest in social impact ventures.	**IV**: Financial return motives **DV**: Decision to invest in social impact ventures	Q6 (6.1 - 6.4) Q8 (9.1 – 9.7
Hypothesis 3: The social impact and financial dual-return motive influences the investor's decision to invest in social impact ventures.	**IV**: Social Impact and financial return motives **DV**: Decision to invest in social impact ventures	Q7 (7.1 – 7.4) Q (9.1 – 9.7)
Hypothesis 4: The signalling motive influences the investor's decision to invest in social impact ventures.	**IV**: Signalling Motives **DV**: Decision to invest in social impact ventures	Q8 (8.1 - 8.4) Q9 (9.1 – 9.7)

Appendix A contains the complete research instrument to be distributed to the investor participants.

3.5 Procedure for data collection

The data collection procedure was conducted electronically, through the distribution of self-administered online surveys, using the Qualtrics online survey platform. The research participants received an email containing an invitation to participate in the study. Once the participant read and consented to participate, they were permitted to access the survey from the web link provided in the email.

The initial round of emails sent to target participants did not yield the required sample size, despite sending follow-up emails. Therefore, the researcher sought to target more participants on Impact Investing LinkedIn groups, online impact investing and social entrepreneurship webinars, calling and physically going to the office buildings of impact investors, relying on recommendations and referrals. This second attempt at data collection, also conducted using a self-administered online survey on Qualtrics, ensured that a wider pool of respondents was reached.

As a cross-sectional study, data collection took place only once through this survey, thus providing only a snapshot (Saunders et al., 2012). This cross-sectional time series study was employed to combat the inherent time and resource constraints.

3.6 Data analysis and interpretation

A deductive research design lends itself to statistical analysis (Saunders et al., 2012), therefore, the Statistical Package for Social Scientists (SPSS) software was the primary tool used to analyse the survey data collected in the previous section. Following the closure of the data collection period, the survey responses were be exported from Qualtrics onto SPSS, where the dataset was screened and coded to prepare for analysis. The survey questions relating to the variables were analysed using correlation analysis to determine the correlation coefficient between the independent and dependent variables as well as regression analysis, while demographic data was analysed using descriptive statistical tables.

In order to test the eight (8) research hypotheses, a linear regression analysis was conducted, together with a Pearson correlation coefficient. Correlation analysis and linear regression were used to present the results pertaining to each of the study's hypotheses. These statistical techniques are the most commonly used when examining the relationship between quantitative variables (Bewick et al., 2003). Correlation analysis indicates the direction (positive/negative), strength (small/moderate/high) and significance of the correlation between variables (Saunders et al., 2012). Linear regression seeks to predict the effect of each independent variable on the dependent (Bewick et al., 2003).

The comprehensive analysis and interpretation of the data collected is presented in chapter 5 of this research paper, following the graphical illustration of the results in chapter 4.

3.7 Validity and reliability of research

In order to ensure validity, an Exploratory Factor Analysis (EFA) test will be conducted to determine whether all the survey items (questions) accurately represent their respective variables (Cooper & Schindler, 2014). This step will also take place on SPSS, using a pattern matrix and factor correlation matrix, among others.

3.7.1 Internal validity

Internal validity is defined as "the condition that observed differences on the dependent variable are a direct result of the independent variable, not some other variable" (Gay and Airasian, 2000, cited in Onwuegbuzie, 2000, p.7). The same research instrument was used on all study participants to ensure internal validity, while the participants represented impact investors across South Africa, not confined to a specific province or region.

3.7.2 External validity

External validity is "the extent to which the results of a study can be generalized to and across populations, settings, and times" (Johnson and Christensen, 2000,

cited in Onwuegbuzie, 2000, p.7). The research participants were drawn from a number of sources that make reference to South African impact investors. A relatively wide criteria was used, identifying participants from specific impact investor reports, to venture capital and private equity databases, which encompassed different types of impact investors (from DFIs to individual investors) (Patino & Ferreira, 2018).

3.7.3 Reliability

To ensure reliability, a Cronbach's alpha score of no less than 0.70 will be sought to ensure internal consistency and a reliable scale (Saunders et al., 2012; Field, 2017). This means that the error of variance will be relatively low at no more than 30%.

3.6. Ethical Considerations

This study will abide by the University of the Witwatersrand's ethical procedure and standards as outlined in the *Guidelines for Human Research Ethics Clearance Application (Non-Medical)* (University of the Witwatersrand, 2020). As such, the following ethical procedure will be observed:

a) ***Participant information:*** The participants will be asked to read the participant information letter, which is a formal invitation to participate in the study, explaining the purpose of the study and the nature of their participation (see: Appendix C).
b) ***Formal participant consent:*** Prior to taking part in the study, participants are required to provide formal consent in order to begin the online survey. Therefore, the first page of the survey will consist of the consent information, to be read and understood prior to providing consent, as outlined in Appendix D.
c) ***Anonymity and data confidentiality:*** The identity of the participants will not be solicited or known throughout the survey and as such no identifiable

features will be used in research findings. The data will be presented in aggregates and not linked to an individual participant or their organisation.

d) ***Data storage:*** All data collected for this study will be stored electronically on a password-protected computer, accessible only by the researcher and research supervisor. As no personal information revealing the identity of each participant will be collected, the data stored will not contain any participant identifying features. This data will be destroyed after a period of five (5) years.

e) ***Risks and benefits:*** The research participants will not be incentivised to participate in this study, as participation will be on a voluntary basis. This study consists of minimal risk, as no personal or confidential participant information will be solicited, but rather information on the participant's expert opinion and professional activities.

f) ***Publications*****:** The researcher or research supervisor will produce publications on this research.

   However, the findings of the study will not contain any information that may be linked to the participants, as any identifiable features will be removed.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

This chapter follows the collection of data from South African impact investors, as detailed in Chapter 3. The data collection sought to produce insights to either prove or dispute the research hypotheses. The data collected was screened and analysed using the SPSS platform, to yield research results that will respond to the aims of this research. These research findings will be presented in this chapter, starting with the demographic profile of the respondents using descriptive statistics. The tests to prove validity and reliability are presented in the exploratory factor analysis models and reliability analysis tables, respectively. Normality, linearity and homoscedasticity test were performed to confirm that the underlying linear regression assumption were not violated. These results are presented as models in the assumption testing section. Finally, the research hypotheses tests performed are presented, to determine whether these have been proven or disputed by the data collected.

4.2 Data Screening

The dataset exported from Qualtrics (online surveying platform) was cleaned and prepared (screened), prior to analysing the data. A total of 78 responses were collected, from a targeted 122 sample size, indicating a response rate of 63.9%. Upon inspection through data screening, the researcher excluded 17 records from the 78, as these surveys only contained data pertaining to the demographic questions. A further 5 records were omitted from the dataset as these surveys were partially completed, missing more than 10% of the responses to the questions relating to the research variables. Some scholars believe that a record should not contain more than 10% of missing data, or this will yield biased findings (Bennett, 2001, cited in Dong & Peng, 2013).

Therefore, a total of 56 valid surveys remained for data analysis.

The researcher then checked that the coding accurately reflected the response, by ensuring that a response of “Strongly Disagree” received a score of 1, “Disagree” a 2, “Somewhat Disagree” a 3, “Neither agree nor disagree” a 4, “Somewhat Agree” a 5, “Agree” a 6, and “Strongly Agree” a score of 7.

Reverse, or negative, questions such as question 8.5 were recoded so that a response of “Strongly Disagree”, for instance, is recoded to “Strongly Agree”. Reverse questions were used to ensure that participants were alert and giving consistent responses.

4.3 Demographic profile of respondents

4.3.1 Gender

According to table 4 and figure 5 below, from the 56 valid responses analysed, 67.9% were male and 32.1% of the respondents were female.

Table 4: Respondents by Gender

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	18	32.1	32.1	32.1
	Male	38	67.9	67.9	100.0
	Total	56	100.0	100.0	

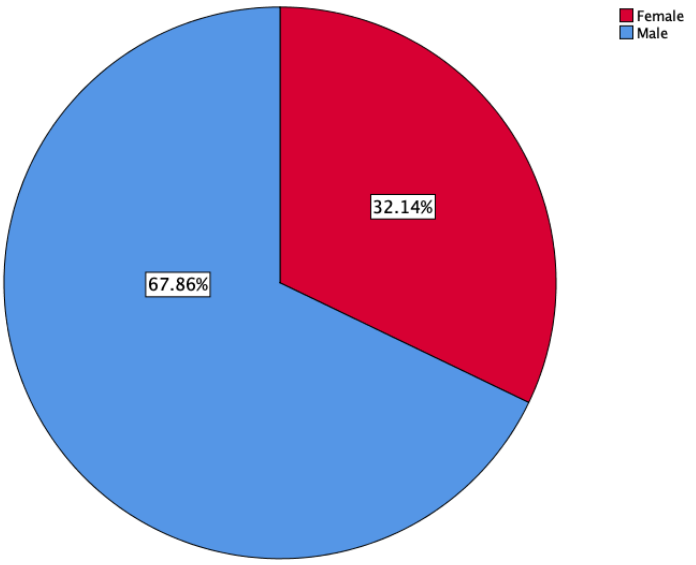


Figure 5: Gender Pie Chart

4.3.2 Age Group

These participants were asked to indicate their age by selecting from three age categories. As illustrated in figure 6 below, the majority of the respondents (51.79%) fall into 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.

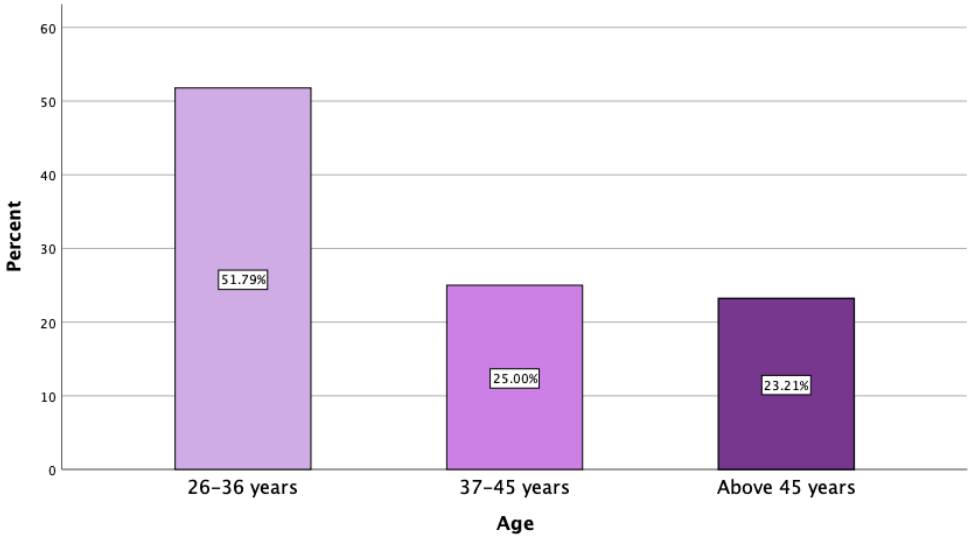


Figure 6: Age group

4.3.3 Highest Education

The participants were also asked to indicate their highest level of education, to which the data (presented in table 5) found that these impact investors possessed varying levels of education. 32.1% held Honour's degrees, 30.4% Master's degrees, 28.6% an Undergraduate degree, 5.4% a Matric certificate, while only 3.6% held a Doctoral degree.

Table 5: Highest level of education

Highest_Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Doctoral Degree	2	3.6	3.6	3.6
	Honours Degree	18	32.1	32.1	35.7
	Masters Degree	17	30.4	30.4	66.1
	Matric	3	5.4	5.4	71.4
	Undergraduate Degree	16	28.6	28.6	100.0
	Total	56	100.0	100.0	

4.3.4 Age and Highest Education

When analysing the age of the impact investors against their highest level of education, the data revealed that the highest qualification (Doctoral Degree) was held by an impact investor in the 26-36 age group and another in the above 45 age group. The age category with the most impact investors (26-36 years) held mostly Honours and Masters degreed individuals. This data can be seen in the cross tabulation table 6, below.

Table 6: Age and Highest Education Cross Tabulation

Age * Highest_Education Crosstabulation

Count

		Highest_Education					
		Doctoral Degree	Honours Degree	Masters Degree	Matric	Undergraduate Degree	Total
Age	26-36 years	1	11	9	2	6	29
	37-45 years	0	3	4	1	6	14
	Above 45 years	1	4	4	0	4	13
Total		2	18	17	3	16	56

4.3.5 Investing on behalf of a client

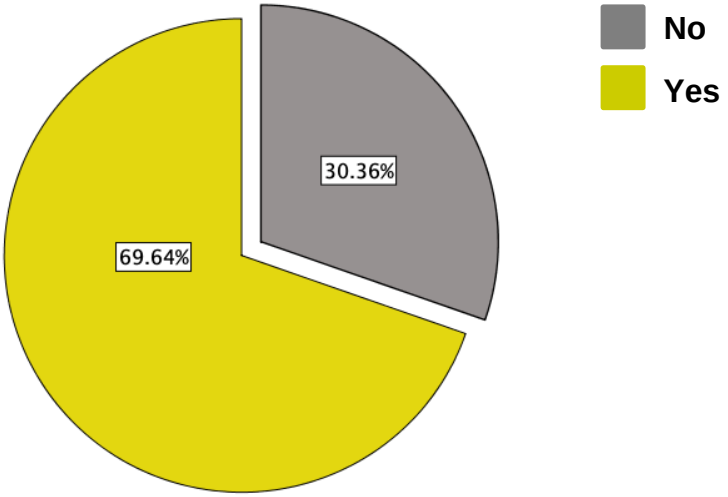


Figure 7: Investing on behalf of a client

Figure 7 above pertains to the percentage of investors investing on behalf of someone else. The research participants were asked whether they were investing funds on behalf of someone else, like a client for instance, and 69.64% answered *Yes. Only 30.36% of the impact investors expressed that they were using their personal funds to invest in social enterprises.*

4.3.6 Age and Investing on behalf of a client

Upon analysing the link between the impact investor's age and whether they were investing on behalf of a client, table 7 reveals that the majority of 26-36 and above 45-year-old impact investors were in fact managing (investing) the funds of a client, rather than their own money.

Table 7: Investing for someone and Age Cross Tabulation

Investing_for_someone * Age Crosstabulation

Count

		Age			
		26-36 years	37-45 years	Above 45 years	Total
Investing_for_someone	No	6	8	3	17
	Yes	23	6	10	39
Total		29	14	13	56

4.2.7. Highest education and Investing on behalf of someone

Table 8 below illustrates that the majority of the respondents with Honours and Masters Degrees expressed that they were investing on behalf of someone else.

Table 8: Investing for someone and Highest Education Cross Tabulation

Investing_for_someone * Highest_Education Crosstabulation

Count

		Highest_Education					
		Doctoral Degree	Honours Degree	Masters Degree	Matric	Undergraduate Degree	Total
Investing_for_someone	No	1	4	3	1	8	17
	Yes	1	14	14	2	8	39
Total		2	18	17	3	16	56

4.4 Exploratory Factor Analysis (EFA)

4.4.1 KMO and Bartlett's Test

A Kiser-Meyer-Olkin measure of sampling adequacy (KMO) value of 0.5 or greater and Bartlett's Test of Sphericity significance lower than 0.05 ($p<0.05$) are required to determine whether the sample size is adequate to obtain statistical significance (Field, 2017). The KMO value obtained in this study was 0.749 (illustrated in table 9), which indicates sampling adequacy. Complementary to the KMO value, the significance score obtained was 0.000, which represents statistical significance, as it is lower than 0.05.

Table 9: Kiser-Meyer-Olkin (KMO) and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.749
Bartlett's Test of Sphericity	Approx. Chi-Square	265.835
	df	55
	Sig.	.000

4.4.2 Total Variance Explained

The total variance explained table (table 10 below) shows the total number of factors extracted, where the eigenvalue is greater than 1 (Field, 2017). In this study, a total of 3 factors were extracted, as depicted in table 10. These factors explain 70.269% of the variance, as indicated in the *Cumulative %* column of the *Extraction Sums of Squared Loadings* section.

Table 10: Total Variance Explained

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.376	30.694	30.694	3.080	28.002	28.002	3.005
2	3.045	27.686	58.380	2.604	23.671	51.673	2.338
3	1.308	11.890	70.269	.853	7.759	59.432	2.132
4	.774	7.037	77.306				
5	.588	5.348	82.654				
6	.467	4.243	86.897				
7	.451	4.097	90.995				
8	.358	3.258	94.253				
9	.250	2.275	96.528				
10	.212	1.923	98.451				
11	.170	1.549	100.000				

Extraction Method: Principal Axis Factoring.

a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance.

4.4.3 Scree Plot

The Scree Plot complements the Total Variance Explained table above, as it provides a graphical illustration of the factors and their respective eigenvalues. As illustrated in figure 8, there are 3 factors that scored an eigenvalue greater than 1, similar to table 9 above. These two results are congruent.

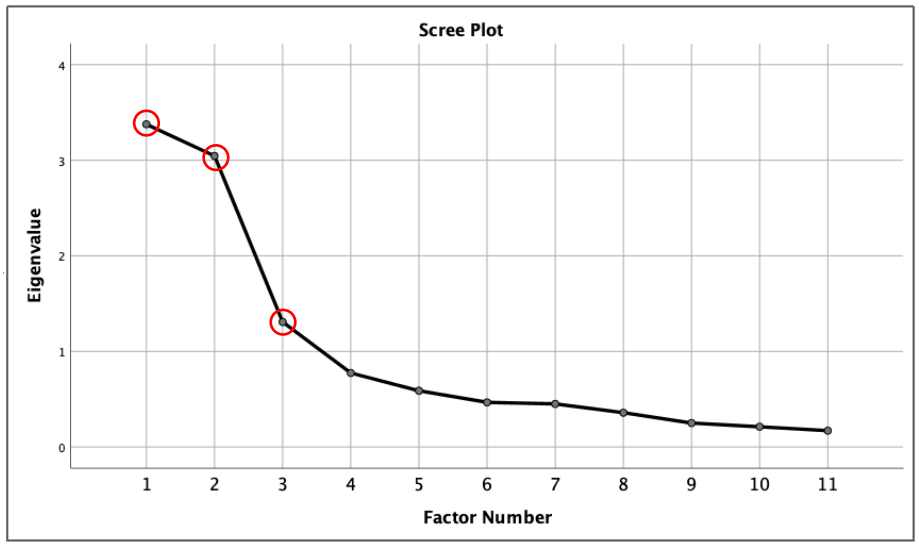


Figure 8: Scree Plot

4.4.4 Pattern Matrix

The pattern matrix displays the items that converged into factors. The extraction method used in this analysis was the Principal Axis Factoring, and a Promax with Kaiser Normalisation rotation method. The eigenvalue was set at greater than 1, while the coefficient loading value was set at 0.5.

According to table 11 below, only 11 out of the initial 25 items (survey questions) successfully converged into the 3 factors. The researcher conducted multiple iterations of the pattern matrix, removing items with no loading, or cross loading. A number of items were cross loading (falling into multiple factors), thus the researcher addressed this by increasing the loading limit from 0.4 to 0.5. This change resulted in the remainder of items that converged highly to be grouped into factors.

Table 12 illustrates the first iteration of the pattern matrix prior to the abovementioned loading changes. Items highlighted in purple are cross loading items, while the green highlighted are those items which would be eliminated by the new 0.5 loading limit. Factors which contained fewer than 3 items, after these changes were made, were also eliminated. The social impact motive items (except social_5) converged into factor 1. Financial motive items 1 and 4 (excluding 2 and 3) converged together with Dual-Returns motive item 1, to form factor 2. The investment decision items 1, 2, 3 and 5 (excluding 4, 6 and 7) converged together to form factor 3. All items belonging to the signalling motive did not converge into any of the factors.

Table 11: Final Pattern Matrix

Pattern Matrix[a]

	Factor		
	1	2	3
Social_2	.893		
Social_3	.866		
Social_1	.852		
Social_4	.728		
Dual_1		.927	
Finance_4		.653	
Finance_1		.634	
Invest_2			.716
Invest_5			.674
Invest_3			.571
Invest_1			.554

Extraction Method: Principal Axis Factoring.
Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

Table 12: First Iteration Pattern Matrix

Pattern Matrix[a]

	Factor						
	1	2	3	4	5	6	7
Social_3	.935						
Social_2	.933						
Social_1	.876						
Social_4	.762						
Dual_4		.804					
Dual_3		.763					
Invest_6		.506					
Invest_7		.500					
Dual_2		.430					
Finance_1			.905				
Finance_4			.755				.420
Dual_1			.687				
Finance_3			.434				
Invest_3				.775			
Invest_2				.720			.450
Invest_5		.407		.576			
Invest_1				.510			
Invest_4				.461			
Signal_5					.771		
Signal_2					.734		
Signal_4					.429		
Signal_3					.413		
Signal_1						.831	
Social_5						.595	
Finance_2							.542

Extraction Method: Principal Axis Factoring.
Rotation Method: Promax with Kaiser Normalization. [a]

a. Rotation converged in 11 iterations.

4.5 Reliability Analysis

The reliability analysis tests that “a measure (or in this case questionnaire) consistently reflect[s] the construct that it is measuring” (Field, 2017, p.1189).

4.5.1 Social Impact Motive

As illustrated by the reliability statistics table 13 below, the Cronbach’s alpha of the social impact motive is 0.898, which is good as it is greater than the targeted 0.7 Cronbach’s alpha. The Inter-Item Correlation Matrix (table 14) shows the correlation between the items within a factor. The items within the social impact motive factor are moderately to highly correlated and thus related to each other. The Item-Total Statistics (table 15) shows that neither one of the items have a Cronbach’s alpha score greater than that of the factor, thus none were removed from the factor.

Table 13: Reliability Statistics (Social)

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.898	.900	4

Table 14: Inter-Item Correlation Matrix (Social)

Inter-Item Correlation Matrix

	Social_1	Social_2	Social_3	Social_4
Social_1	1.000			
Social_2	.715	1.000		
Social_3	.743	.768	1.000	
Social_4	.597	.667	.661	1.000

Table 15: Item-Total Statistics (Social)

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Social_1	15.29	21.988	.770	.608	.871
Social_2	15.18	22.966	.814	.665	.856
Social_3	15.60	20.133	.824	.686	.852
Social_4	15.18	24.744	.705	.505	.894

4.5.2 Financial Return Motive

The reliability statistics of the financial return motive (factor 2), table 16 below, state a Cronbach's alpha score greater than 0.7, at 0.748. The correlation between the financial return motive items is moderate, as illustrated by table 17. All the items within this factor have a Cronbach's alpha score lower than that of the factor (0.748), as per table 18. Therefore, all the items remain within this factor.

Table 16: Reliability Statistics (Financial)

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.748	.758	3

Table 17: Inter-Item Correlation Matrix (Financial)

Inter-Item Correlation Matrix

	Finance_1	Finance_4	Dual_1
Finance_1	1.000		
Finance_4	.440	1.000	
Dual_1	.503	.588	1.000

Table 18: Item-Total Statistics (Financial)

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Finance_1	10.16	7.883	.523	.285	.724
Finance_4	10.41	6.756	.584	.374	.662
Dual_1	9.57	8.395	.645	.420	.609

4.5.3 Investment Decision

While the investment decision factor (factor 3) has the lowest Cronbach's alpha score at 0.733, as per table 19, this factor is still reliable as the value is greater than the 0.7 target. The items belonging to this item are all correlated, as illustrated by table 20, although the correlation is moderate. Finally, the Item-Total Statistics (table 21) highlights that all the items within this factor are reliable as they possess Cronbach's alpha scores lower than the factor's 0.733 Cronbach's alpha.

Table 19: Reliability Statistics (Invest)

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.733	.746	4

Table 20: Inter-Item Correlation Matrix (Invest)

Inter-Item Correlation Matrix

	Invest_1	Invest_2	Invest_3	Invest_5
Invest_1	1.000			
Invest_2	.398	1.000		
Invest_3	.422	.456	1.000	
Invest_5	.478	.343	.444	1.000

Table 21: Item-Total Statistics (Invest)

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Invest_1	14.36	14.310	.541	.314	.664
Invest_2	15.36	12.791	.511	.266	.686
Invest_3	15.80	12.200	.566	.325	.650
Invest_5	14.42	16.470	.531	.306	.687

4.6 Assumption Testing

A linear regression model is dependent on the validation of underlying assumptions, such as normality, linearity and homoscedasticity, among others. A violation of these assumptions will inhibit the researcher from making accurate inferences from the data (Ernst & Albers, 2017).

Composite scores were obtained to group the individual items under a factor into one value that represents the factor, by calculating the average (mean). Therefore, the variables used henceforth, were computed using a mean function.

4.6.1 Test of Normality

The normal distribution of data is an essential assumption required to perform parametric tests (Mishra et al., 2019).

Table 22: Descriptive Statistics

Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Social_Impact_Motive	56	5.50	1.50	7.00	286.75	5.1205	1.54404	2.384	-.876	.319	-.144	.628
Financial_Motive	56	6.00	1.00	7.00	281.33	5.0238	1.30555	1.704	-.797	.319	.457	.628
Investment_Decision	55	4.75	2.25	7.00	274.75	4.9955	1.19266	1.422	-.314	.322	-.556	.634
Valid N (listwise)	55											

The Mean Statistic values, in table 22, of 5.12 (Social_Impact_Motive), 5.02 (Financial_Motive) and 4.99 (Investment_Decision) indicate that the average

response given by participants to the items belonging to these three variables was *Somewhat Agree,* given a 7-point Likert scale where 7 is Strongly Agree.

The Skewness Statistic for the Social_Impact_Motive is -.876. This indicates the data is negatively skewed. However, since the value is within -1 and 1, it can be determined that there is a normal distribution of data (Mishra et al., 2019). A similar conclusion can be made regarding the Financial_Motive and Investment_Decision variables, with skewness statistics of -.797 and -.394 respectively. With scores between -1 and 1, these variables are also negatively skewed, but normally distributed.

The Kurtosis Statistic for the Social_Impact_Motive is -.144, while that of the Financial_Motive and Investment_Decision variables is .457 and -.556 respectively. These values indicate a normal distribution as these values are within the -1 and 1 range (Mishra et al., 2019).

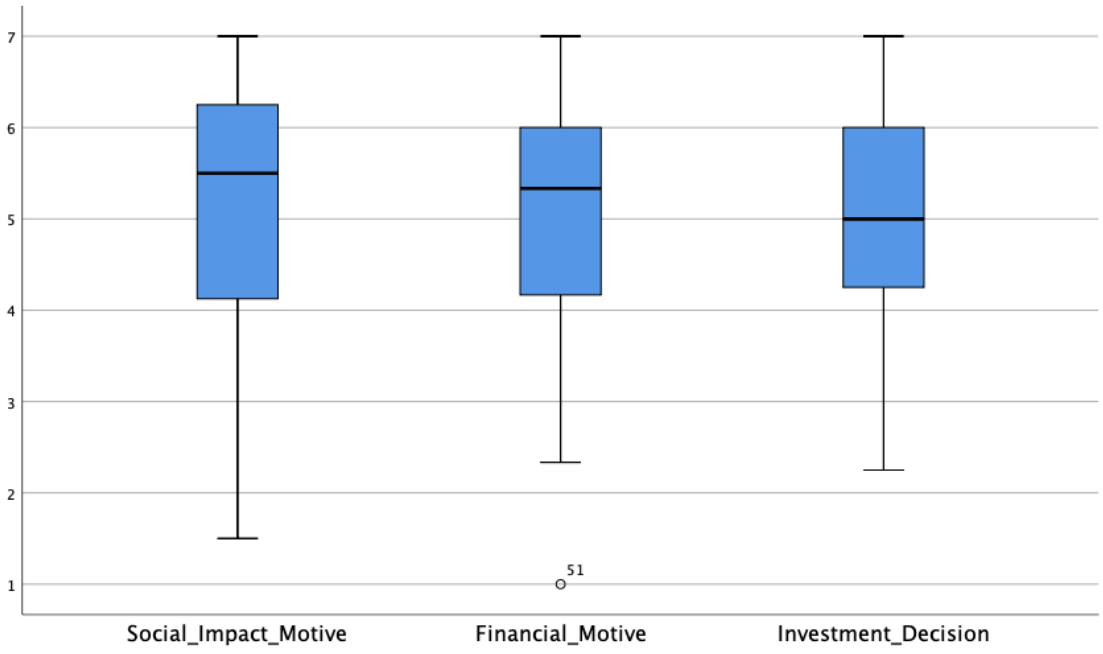


Figure 9: Outliers

A box and whisker plot was extracted to determine whether any outliers existed in the dataset. As illustrated in figure 9 above, no outliers were present for the Social_Impact_Motive, Financial_Motive or the Investment_Decision variables. The absence of outliers implies a normal distribution of data (Mishra et al., 2019).

According to figure 10 below, the residuals have a normal distribution as “all errors are normally distributed around zero” (Ernst & Albers, 2017, p.2).

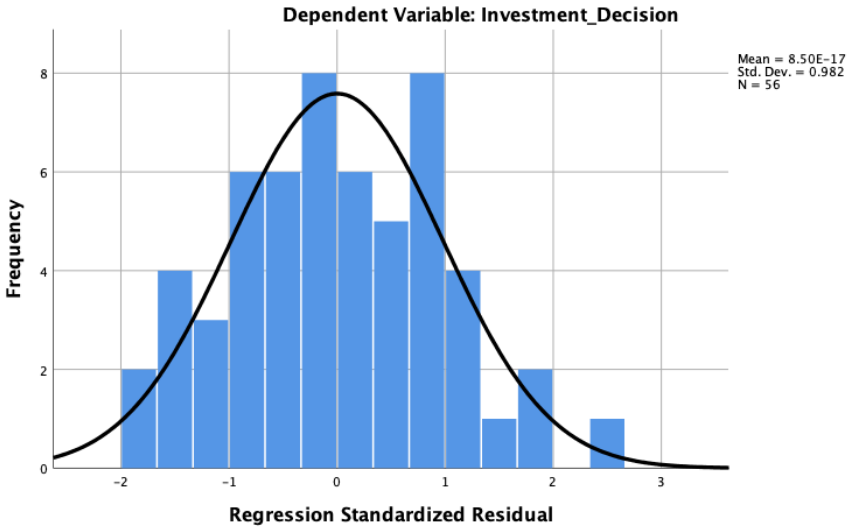


Figure 10: Histogram

4.6.2 Test of Linearity

The Normal P-P plot in figure 11, is an illustration of the outcome variable (Investment Decision) plotted against the predictor variables (Social Impact and Financial Return).

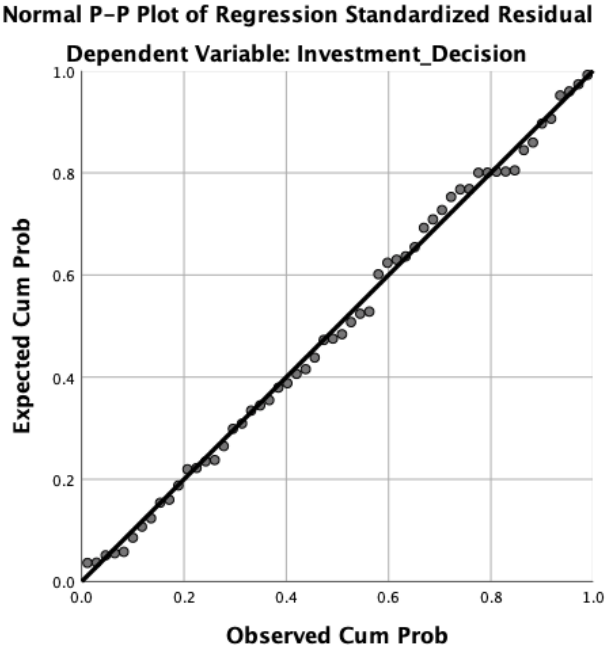


Figure 11: Normal P-P Plot

A linear pattern (trend line) indicates a linear model - relationship between the dependent and independent variables (Casson & Farmer, 2014). Figure 11 depicts a linear model with the plots following the normality line. Therefore, the linearity assumption is confirmed, and this supports the use of a Linear Regression analysis.

4.6.3 Test of homoscedasticity

Residuals scattered randomly, without a distinct pattern, on either side of the x=0 and y=0, indicate homoscedasticity (Bewick et al., 2003; Casson & Farmer, 2014; Statistics Solutions, 2021). The scatterplot can also be used to examine the constant variance of errors (Casson & Farmer, 2014). The random spread of residuals in figure 12 postulates a constant variance. Therefore, the assumption of homoscedasticity is satisfied.

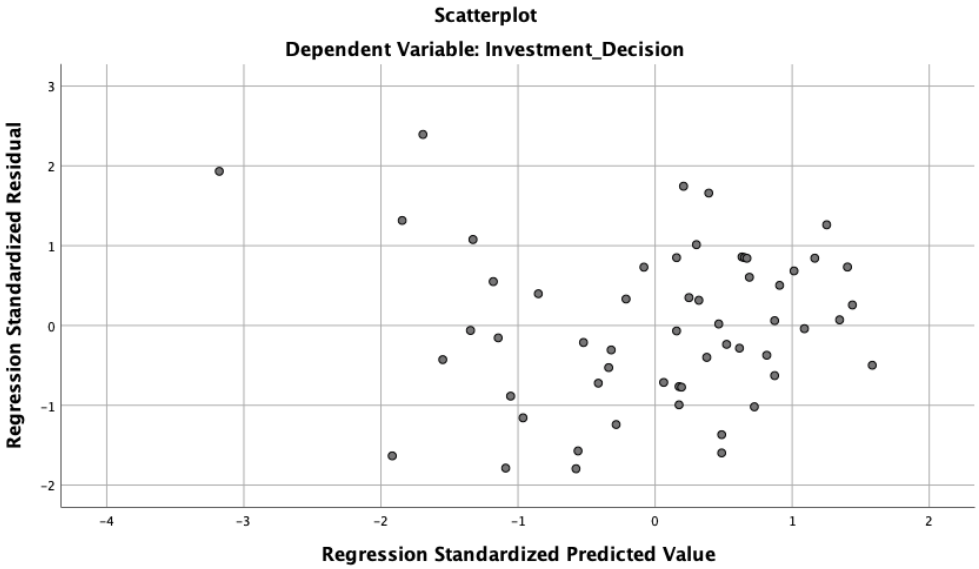


Figure 12: Scatterplot

4.7 Hypothesis Testing

Linear regression was the main technique employed to test the research hypotheses. Correlation analysis and linear regression were used to present the results pertaining to each of the study's hypotheses. These statistical techniques

are the most commonly used when examining the relationship between quantitative variables (Bewick et al., 2003). Correlation analysis indicates the direction (positive/negative), strength (small/moderate/high) and significance of the correlation between variables (Saunders et al., 2012). Linear regression seeks to predict the effect of each independent variable on the dependent (Bewick et al., 2003).

The model summary, in table 23 below, highlights that the model received a Durbin Watson score of 1.573 and an R Square value of 0.181. The Durbin Watson is a test of autocorrelation (another underlying assumption), with scores ranging between 0 and 4, where 2 indicates no autocorrelation between the residuals (Sarstedt & Mooi, 2014). As the score of 1.573 is close to 2, it can be concluded that there is no evidence of autocorrelation (Sarstedt & Mooi, 2014). The R Square value states that 18.1% of the variation in the investment decision (dependent variable) is explained by the independent variables (social impact and/or financial return motive).

Table 23: Model Summary (Combined)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.426[a]	.181	.151	1.08920	1.573

a. Predictors: (Constant), Financial_Motive, Social_Impact_Motive

b. Dependent Variable: Investment_Decision

According to table 24, the model (relationship between the dependent and independent variables) is significant at 0.005 (p=0.005) as this p value is lower than 0.05, the significance level (α = 0.05).

Table 24: ANOVA (Combined)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.934	2	6.967	5.873	.005[b]
	Residual	62.877	53	1.186		
	Total	76.811	55			

a. Dependent Variable: Investment_Decision

b. Predictors: (Constant), Financial_Motive, Social_Impact_Motive

Table 25 below outlines the correlation between the dependent and independent variables, while table 26 presents the coefficients of each independent variable in relation to the dependent variable.

Table 25: Correlations

Correlations

		Social_Impact_Motive	Financial_Motive	Investment_Decision
Social_Impact_Motive	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	56		
Financial_Motive	Pearson Correlation	.100	1	
	Sig. (2-tailed)	.463		
	N	56	56	
Investment_Decision	Pearson Correlation	-.005	.425**	1
	Sig. (2-tailed)	.972	.001	
	N	55	55	55

**. Correlation is significant at the 0.01 level (2-tailed).

Table 26: Coefficients (Combined)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	3.235	.727		4.453	.000	1.778	4.693		
	Social_Impact_Motive	-.036	.096	-.048	-.381	.705	-.228	.155	.990	1.010
	Financial_Motive	.387	.113	.428	3.427	.001	.161	.614	.990	1.010

a. Dependent Variable: Investment_Decision

The results pertaining to the Social Impact Motive, in table 26, highlight that this independent variable is an insignificant predictor of the investment decision, as $p>\alpha$ and B is virtually zero. In other words, it appears from this table that this variable has no influence on the investment decision.

In order to provide a definitive outcome pertaining to the influence of each independent variable (social impact, and financial return), separate regression tests were conducted to scrutinise the model, as outlined in the proceeding paragraphs. These tests sought to test each hypothesis by assessing the strength of each independent variable on the dependent variable. The following tests determine whether both independent variables contributed to the model R Square value of 18.1% and whether each independent variable is a significant predictor of the dependent variable.

4.7.1 Results pertaining to hypothesis 1: Social Impact Motive

This section seeks to present the findings pertaining to hypothesis 1.

> ***Hypothesis 1:*** *The social impact motive influences the investor's decision to invest in social impact ventures.*

Table 25 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 very small and not statistically significant as the p value (at p = 0.972) is greater than 0.01.

Table 27: Model Summary (Social Impact)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin–Watson
1	.005[a]	.000	-.019	1.20384	1.568

a. Predictors: (Constant), Social_Impact_Motive

b. Dependent Variable: Investment_Decision

The R Square value of 0.000, in table 27 above, indicates there is no variance in the investment decision, explained by the variable *Social Impact Motive*.

To support this finding, the ANOVA table (table 28) highlights that the model between the social impact motive and the investment decision is not significant as α<p or 0.05<0.972. Therefore, this regression model is not significant.

Table 28: ANOVA (Social Impact)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	.001	.972[b]
	Residual	76.810	53	1.449		
	Total	76.811	54			

a. Dependent Variable: Investment_Decision

b. Predictors: (Constant), Social_Impact_Motive

Table 29: Coefficients (Social Impact)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	5.015	.566		8.860	<.001	3.879	6.150		
	Social_Impact_Motive	-.004	.107	-.005	-.035	.972	-.218	.210	1.000	1.000

a. Dependent Variable: Investment_Decision

H_0: β = 0 (Social impact motive has no influence on the investment decision)

H_1: β > 0 (Social impact motive has an influence on the investment decision)

Hypothesis 1 test checklist:

$t = \frac{\hat{\beta}-\beta}{se(\hat{\beta})}$ where β is the unbiased estimate of β and (β) the standard error of the estimate.

If t > critical value of 1.674 (where critical value is derived from $t_{0.95,54}$); reject the null hypothesis (H_0).

If $\alpha \geq p\ value$ (where α = 0.05 or 1-0.95); we reject the null hypothesis (H_0)

Hypothesis 1 findings:

Test 1: The unstandardized coefficients B indicates a negative, near zero slope at -0.004. In other words, there is a near zero relationship between social impact and investment decision. Therefore, we fail to reject the null hypothesis.

Test 2: The t statistic of -0.035 is lower than the critical value (-0.035 < 1.674). Therefore, we fail to reject the null hypothesis.

Test 3: The p value 0.972 is greater than the significance level alpha (0.972 > 0.05).

The above analysis conclusively confirms the null hypothesis, which states that the social impact motive does not influence the investor's decision to invest in social impact ventures. Consequently, hypothesis 1 (*The social impact motive influences the investor's decision to invest in social impact ventures*) is not supported by these findings, as we fail to reject the null hypothesis. In other words, there is insufficient empirical evidence to conclusively reject the null hypothesis.

4.7.2 Results pertaining to hypothesis 2: Financial Return Motive

This section seeks to present the findings pertaining to hypothesis 2.

> ***Hypothesis 2:*** *The financial return motive influences the investor's decision to invest in social impact ventures.*

There is a positive correlation between the financial return motive and the decision to invest in a social venture. This correlation is moderate at 0.425 and statistically significant as the p value is 0.001. This is illustrated by table 25, above.

Table 30: Model Summary (Financial Return)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.425[a]	.181	.166	1.08945	1.579

a. Predictors: (Constant), Financial_Motive

b. Dependent Variable: Investment_Decision

The R Square value of 0.181, in table 30 above, indicates 18.1% of the variation in the investment decision (dependent variable) is accounted for by the financial return motive (independent variable). This states that the R square value of 18.1% in table 23, represented the contribution of the financial return motive. To support this finding, the ANOVA table (table 31) highlights that the model between the financial return motive and the investment decision is significant as $p < \alpha$ (0.001 < 0.05). Therefore, this regression model is significant i.e. financial return significantly predicts the investment decision.

Table 31: ANOVA (Financial Return)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.906	1	13.906	11.716	.001[b]
	Residual	62.906	53	1.187		
	Total	76.811	54			

a. Dependent Variable: Investment_Decision

b. Predictors: (Constant), Financial_Motive

Table 32: Coefficients (Financial Return)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	3.057	.585		5.227	<.001	1.884	4.231		
	Financial_Motive	.387	.113	.425	3.423	.001	.160	.614	1.000	1.000

a. Dependent Variable: Investment_Decision

H_0: β = 0 (Financial return motive has no influence on the investment decision)

H_1: β > 0 (Financial return motive has an influence on the investment decision)

Hypothesis 2 test checklist:

$t = \frac{\hat{\beta}-\beta}{se(\hat{\beta})}$ where β is the unbiased estimate of β and (β) the standard error of the estimate.

If *t* > critical value of 1.674 (where critical value is derived from $t_{0.95,54}$); reject the null hypothesis (H_0).

If $\alpha \geq p\ value$ (where α = 0.05 or 1-0.95); we reject the null hypothesis (H_0)

Hypothesis 2 findings:

Test 1: The unstandardized coefficients B indicates a positive slope at 0.387, which indicates a positive relationship, where a one unit increase in financial return results in a 0.387 unit increase in the investment decision. Therefore, we reject the null hypothesis.

Test 2: The t statistic of 3.423 is greater than the critical value (3.423 < 1.674). Therefore, we reject the null hypothesis.

Test 3: The p value 0.001 is less than the significance level alpha (0.001 > 0.05). Thus, we reject the null hypothesis and conclude that the model is significant.

The above analysis definitively rejects the null hypothesis in favour of the alternative hypothesis. Hypothesis 2 (t*he financial return motive influences the investor's decision to invest in social impact ventures*) is supported by these findings.

4.7.3 Results pertaining to hypothesis 3: Dual Return Motive

Hypothesis 3: The social impact and financial dual-return motive influences the investor's decision to invest in social impact ventures.

The items belonging to the dual return motive did not converge and create a dual return factor, in the exploratory factor analysis discussed earlier in this chapter. Only one dual return item remained (Dual_1), and this converged into the financial return factor above. Therefore, this construct was eliminated from any further analysis and the hypothesis will no longer be considered in this study, as it is unsupported.

4.7.4 Results pertaining to hypothesis 4: Signalling Motive

Hypothesis 4: The signalling motive influences the investor's decision to invest in social impact ventures.

In a similar manner as the dual return items did not converge, none of the signalling motive items converged into any of the existing factors or into a distinct signalling factor. Therefore, this construct was excluded from the study going forward, and the corresponding hypothesis unsupported.

4.5 Summary of the results

A total of 78 impact investors responded to the survey. However, a data screening process, which entailed eliminating incomplete or partially answered responses,

resulted in 56 remaining responses to be statistically analysed. The demographic profile of these respondents revealed that 51.8% of the impact investors were between the ages 26 and 36; 66.1% possessed a postgraduate degree qualification; and 69.6% were investing on behalf of a client, rather than in their personal capacity.

In order to assess the validity and reliability of the research, Exploratory Factor Analysis (EFA) was conducted (test of validity), to determine whether the survey items accurately represented their respective factors. This test revealed that the items which remained on the final pattern matrix were those that converged to form three factors, namely Social Impact Motive, Financial Return Motive, and Investment Decision. The items belonging to the Dual-Return Motive and Signalling Motive did not converge into their intended factors. To test for reliability, a reliability analysis took place to confirm internal consistency and a reliable scale. Cronbach's alpha scores above 0.7 (threshold) were achieved by all three remaining factors, where social impact scored 0.898, financial return scored 0.748 and investment decision received a Cronbach's alpha score of 0.733. Furthermore, the items belonging to each factor achieved inter-item correlation and did not receive a Cronbach's alpha score higher than that of their respective factor.

Linear regression was performed to test the study's hypotheses, to determine whether each independent variable influenced the impact investor's decision to invest in a social venture (dependent variable), as well as the extent of this effect. The linear regression analysis was conducted subsequent to validating the assumptions of normality, linearity and homoscedasticity.

The findings indicated that the decision to invest in a social venture is significantly predicted by the financial return motive, where 18.1% of the variability in the investment decision is explained by the financial return.

The social impact motive was found to have no influence on the investment decision (null hypothesis), as there was insufficient empirical evidence to reject the null hypothesis. Therefore, the regression model between social impact and investment decision was not significant. The results from the correlation analysis

supported these findings, expressing that there is a positive, moderate and statistically significant linear relationship between the financial return motive and the investment decision. On the contrary, the correlation between the social impact motive and the investment decision was found to be negative, low, and statistically insignificant.

Unfortunately, the final two independent variables (dual-return motive, and signalling motive), which were initially included in this study, were excluded from further analysis as their respective items did not converge into the desired factors, during the Exploratory Factor Analysis. Consequently, hypothesis 3 and 4 could not be tested, owing to the exclusion of their constructs.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 Introduction

Impact investors may be driven to invest in social ventures by a combination of motivations or objectives, but it can be argued that a hierarchy or order of importance exists, to which the investors ascribe a motive higher than another. This is informed by the behavioural portfolio theory, which asserts that investor's investment decisions are driven by expected outcomes or objectives (Meyer et al., 2019). This study sought to determine the extent to which impact investors were driven to invest in social impact ventures primarily by the motivation to obtain (i) social impact, (ii) financial return, (iii) social impact and financial dual-return, or (iv) a sense of altruism (signalling).

Following an analysis of the data collected from South African impact investors, in the previous chapter (Chapter 4), this chapter will discuss the findings of the study starting with the demographic profile of the respondents, to the findings pertaining to each one of the research hypotheses.

In doing so, the research findings will be mapped against previous literature, to determine whether the existing literature refutes or supports the research findings and hypotheses.

5.2 Demographic profile of respondents

The gender demographics of the surveyed respondents revealed a 67.86% to 32.14% divide between male and female impact investors, respectively. The majority (51.79% to be specific) of the research respondents were found to be within the ages of 26 and 36 years of age, with only 25% within the 37 to 45 year age category, and 23.21% over the age of 45 years old. The researcher expected to find that impact investors were more mature in age than the findings presented.

With a majority of the respondents within the 26-36 age group (millennials), the researcher also expected that the primary objective of these investors would be on the social impact (impact-first) of the investments, or at least on achieving dual return. According to Charles and Kasilingam (2013) an investor's investment decisions and behaviours are a factor of demographic factors – age playing a significant role. Massey (2020) found that millennials' investment decisions are influenced by the company's social and environmental impact. A study by Barclays (2018) shows that millennials are the most involved age group in impact investing. Older generations, who are typically wealthier, remain sceptical about the risks involved with impact investing (Barclays, 2018).

The findings also highlighted that 62.5% of the impact investors possessed either an Honours or Master's Degree. This discovery was unsurprising, considering Brieger and De Clercq (2019) who indicated that factors such as high levels of human capital were characteristic of social value creation. These authors found evidence that states a positive significant relationship between human capital and social value creation (Brieger & De Clercq, 2019). Interesting to note is that the 26- to 36-year-old respondents were found to hold the greatest number of Master's Degrees and 1 of the 2 Doctoral degrees from the dataset.

In pursuit of establishing whether the surveyed South African impact investors were HNWIs, family offices or foundations, investing their personal funds, or a type of asset managing impact investor, the respondents were asked "Are you investing on behalf of an organisation or another individual?" To this, almost 70% (69.64%) answered *yes*. From this outcome the researcher was able to deduce that these respondents were either DFIs, institutional/retail investors, fund managers, or related type of impact investor, rather than those who invest their personal funds towards social impact ventures that align to their personal values. There was hardly any noteworthy distinction between younger and more mature respondents, in relation to investing their personal funds. The data found that only 3 out of the 10 impact investors over the age of 45 were using their own funds to invest in social impact ventures.

5.3 Discussion pertaining to Hypothesis 1: Social Impact

Hypothesis 1: *The social impact motive influences the investor's decision to invest in social impact ventures.*

Studies have shown that investors who are primarily concerned with the social impact of the investment, over the financial return on investment, are typically foundations and family offices (Harji & Jackson, 2012). These investors have minimal requirements for financial return, conceding market-related financial returns (willing to accept below market returns) for the attainment of social impact (Meyer et al., 2019). Their investment decision is first and foremost determined by the social impact achieved by the social enterprise.

The research results were unsuccessful in proving hypothesis 1, expressing instead that the social impact of the investment does not drive an investor's decision to invest in a social impact venture. However, this outcome was statistically insignificant. In other words, the researcher discovered that the social impact motive has no influence on the decision to invest in a social venture. The inability to support the above stated hypothesis can be attributed to insufficient empirical evidence to conclusively determine that the social impact of a social impact venture influences the investor's decision to invest said enterprise.

As presented in Chapter 4, there is a very small negative, near zero correlation between the social impact motive and the decision to invest in social impact ventures. This means that an increase in the social impact of the investments has no effect on the impact investor's decision to invest in social impact ventures. This relationship is statistically insignificant and cannot successfully predict the decision to invest in a social impact venture.

The research findings are not adequate to prove that South African impact investors are willing to forgo a competitive financial return on investment, in pursuit of a positive social impact. Therefore, there is insufficient evidence to validate the above hypothesis.

Contradictory to the above findings, in their study on impact investing motivations in Switzerland, Meyer et al. (2019) found that value attributes are a stronger predictor of the decision to invest in an impact venture. They assert that “values are more important than financial considerations’” (Meyer et al., 2019, p.19).

The contradictory findings can be attributed to a variety of factors. For instance, it can be stated that the surveyed respondents did not possess enough information about the social impact contributors that may influence their decision to invest. Perhaps providing the respondents with a list of various socio-economic elements addressed by social ventures, would have improved the results, as respondents would be able to relate their investment decision to specific social impact outcomes. As outlined by GIIN (2016), the term *impact investor* is currently not widely understood by South African investors. Therefore, the impact investing field can be strengthened through increasing the number of academic research publications together with an active buyer and seller’s market (SAIIN, 2016), to enhance the respondent’s understanding of social impact as a legitimate investment outcome.

However, the type of impact investors surveyed in this study and their inherent motives could also have contributed to the findings. In other words, 69.64% of the surveyed impact investors expressed that they were investing on behalf of a client, and not using their personal funds. Therefore, from deductive reasoning it can be said that these investors cannot prioritise social impact aligned to their personal values, over financial return, as easily as they would with their personal funds. These investors, as asset managers, are seeking vehicles that will yield a moderate to high financial return for their clients. Nevertheless, Hopkins & Olvera (2013) argue that one cannot expect capital providers to go against their natural disposition and forgo market-related financial return, in pursuit of creating scalable solutions that address social challenges.

5.4 Discussion pertaining to Hypothesis 2: Financial Return

Hypothesis 2: *The financial return motive influences the investor's decision to invest in social impact ventures.*

The research results successfully proved hypothesis 2, affirming that the financial return motive influences the investor's decision to invest a social impact venture.

The research findings presented in the preceding chapter indicated that a moderate, positive correlation exists between the financial return motive and the investment decision variables. This correlation was proven to be statistically significant, with a p-value less than 0.01. Therefore, financial return is a significant predictor of the investment decision. The relationship between these variables was further elaborated by a regression analysis highlighting that 18.1% of the variability in the decision to invest in a social venture is explained by the financial return motive. This statistically significant relationship provides evidence that indicates a positive linear relationship between these two variables and proves the above hypothesis.

In other words, it can be deduced that South African impact investors are largely driven by the objective of receiving a market-related or above-market financial return on investment. These investors prioritise the financial return of the social impact investment, over the social impact objective.

The concerns and trepidations of fund managers, when approaching social impact funds, is that they will have to compromise client resources by sacrificing a competitive financial return for a social return on investment (Ormiston et al., 2015). Mogapi et al. (2019) concur and highlight that South African impact investors face legitimate challenges in finding a balance between profit and impact. In order to meet their fiduciary duties, investors select funds on the basis of yielding a competitive financial return on investment, to preserve their client's funds. A participant in a study by Ormiston et al. (2015, p.366) was quoted stating that they "do not accept a lower return just because it is an investment that is also having a social impact".

Investors who manage someone else's money, such as banks, sovereign wealth funds, pension funds, development finance institutions for instance, are primarily focused on the financial competitiveness of the investment, in comparison to other investment options. These investors have a financial return floor (minimum acceptable return); whereas the social impact is a secondary factor influencing their investment decision (Harji & Jackson, 2012). In their study, Castellas et al. (2018) found that investors believed that there should be no financial trade-off in exchange for social impact.

This literature supports the research findings, as 69.64% of the surveyed impact investors indicated that they were investing on behalf of someone else (fund managers, for instance). Similar to the investors in literature above, it can be argued that investors who manage someone else's money are bound by fiduciary duties to invest their client's funds into investment vehicles that "protect their client's financial interests" (UNDP, 2015. p.31), and possess the greatest potential to generate market-related or above-market financial returns.

Contradicting findings from Meyer et al. (2019) contend that the financial return of the investment is not a prevailing predictor of the decision to invest in a social impact venture. They assert that the financial considerations only influence the amount invested, rather than the decision to invest. They add that the amount invested is significantly influenced by the age and education level of the investor, "keeping in mind that [the] sample is located in Switzerland, which is characterised by high per capita income" (Meyer et al., 2019, p.20). A respondent in a study by Castellas et al. (2018) explains that the type of investor determines the varying investment objectives. Expanding upon this by stating that HNWIs are less risk averse and willing to stake their investment on low financial returns for high social returns.

The focus on 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 can be perceived from the perspective of sustainability. In other words, 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).

5.5 Discussion pertaining to Hypothesis 3: Dual-Return

Hypothesis 3: The social impact and financial dual-return motive influences the investor's decision to invest in social impact ventures.

Ormiston et al. (2015) discovered that non-institutional impact investors, such as family offices and foundations, strategically sought a mix of investment opportunities, where some were finance-first focused, and others were impact-first focused. This would be considered a means of spreading the potential risk. The authors cite Godeke and Pomares (2009, as cited in Ormiston et al., 2015) who similarly observed the same behaviour displayed by foundations.

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).

Institutional investors are not interested in investment opportunities that comprise of a trade-off, but rather seek those opportunities where there is a complementary return of social impact and market-rate financial returns (Ormiston et al., 2015). South African impact investors investing on behalf of a client should seek to achieve a dual-return on investment, thereby achieving competitive financial returns for their clients, while investing in ventures that achieve healthy social impact returns. The challenge, as cited by Mogapi et al. (2019) may be that most investors do not know how, or are not finding innovative means, to identify investment opportunities that provide dual benefits, while others doubt that such investment opportunities exist at all. These authors discovered that "trade-offs did not exist or did not need to [since] maximum return was possible while pursuing impact" (Mogapi et al., 2019, p.409).

5.6 Discussion pertaining to Hypothesis 4: Signalling

> ***Hypothesis 4:*** The signalling motive influences the investor's decision to invest in social impact ventures.

High net worth individuals (HNWIs) and those impact investors who invest their own funds like family offices, are best positioned to allocate their funding towards opportunities that align with their investment preferences and their personal social causes (Ormiston et al., 2015).

While the signalling motive variable was not analysed in this study, following the falling away of its items in the exploratory factor analysis, the findings from Meyer et al. (2019) present an alternative perspective. These authors found that investors who use impact investing as a means to signal (pseudo) altruism, tend to only invest a small amount. Furthermore, they concluded that the signalling motive "is not related to the decision to invest" (Meyer et al., 2019, p.20). Their finding somewhat contradicts Chatterji et al. (2009) who cite signalling (or expressive) motives as one of the motivations of social impact investors.

5.7 Conclusion

This research study sought to determine the role of the impact investing motives in determining an investor's decision to invest in social impact ventures, within the context of South Africa.

The data analysed pertained to two motives that may influence South African impact investors' decision to invest, (i) social impact and (ii) financial return of the social impact venture investment.

The Exploratory Factor Analysis eliminated the other two potential impact investing motives from further analysis, those being the dual-return motive and the signalling motive.

Ultimately, the financial return expected from the impact investment was found to be a significant determent of the decision to invest in a social impact venture. The social impact motive had a weak negative, near zero, correlation to the decision to invest in a social venture. This relationship was found to be statistically insignificant, with the null hypothesis holding true.

While the social impact and financial return of an impact investment may be fundamental determinants of investing in social ventures, findings show that South African impact investors are largely driven by the financial return on investment (ROI) when making their impact investment decisions. South African impact investors can thus be classified as finance-first impact investors. Finance-first impact investor wish to invest in enterprises that achieve a social mission but primarily yield a market-related or market-exceeding financial return.

The reason behind this can be attributed to whether an investor is investing their personal funds or investing on behalf of a client. The demographic data from this study illustrates that approximately 70% (69.64%) of the respondents expressed that they were investing funds on behalf of someone else and not their own funds. Studies indicate that investors in this situation (who are managing someone else's funds) are bound by their fiduciary duties to act in the best interest of the client. Said duties compel this type of impact investor to put the client's interests first, typically, to seek investment opportunities that yield the market-rate return at the level of risk approved by the client, to preserve the client's financial well-being.

Contrary to this motive, investors who use their own funds to invest in social enterprises have the liberty to channel their funds on a concessionary basis, towards social ventures that are aligned to their personal social mission. These impact-first investors would be less risk-averse, with their investment decision being driven primarily by the social impact achieved by the social venture, or perhaps even a sense of altruism.

CHAPTER 6: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

6.1 Introduction

This final chapter will conclude the study by reiterating the purpose of the study and presenting the resulting findings. The implications of these findings for the South African impact investing industry will be highlighted, followed by recommendations for the industry, limitations of the study and suggestions for further research.

6.2 Conclusions of the study

This study sought to identify the various objectives or motives that impact investors ascribe to their decision to invest in social impact ventures. The theoretical underpinnings of this investigation can be linked to the Economics theories of investment namely, the Behavioural Portfolio Theory and the Prospect Theory. Essentially these theories postulate that investors have specific goals or desired gains (financial or non-financial) for the investment, which explain their investment behaviour. Using this as a basis, the four motives which were considered as drivers of impact investing decision-making were (i) the social impact of the investment, (ii) the financial return on investment, (iii) the social and financial dual-return, and (iv) the sense of altruism or feel-good resulting from the investment (signalling).

Knowledge of the objectives of impact investors is vital for social entrepreneurs who approach these specific investors in pursuit of impact capital. Studies have found that some of the challenges hindering African social entrepreneurs from accessing impact capital is that they do not meet the requirement s of the impact investors. These social enterprises are considered not investment-ready. Since entrepreneurship is the act of creating value, it can be said that such social enterprises (not investment-ready) have failed to demonstrate their value to impact investors.

The main findings indicated that South African impact investors are largely driven by the financial return motive, when making the decision to invest in social impact ventures. This discovery can be attributed to the type of investor and their inherent objectives. More than two thirds of the impact investor respondents were investing on behalf of a client (e.g. asset managers) and thus bound by their fiduciary duty to preserve or grow the client's wealth, rather than forgoing a competitive or market-related return, for a positive social impact.

It can be concluded that South African impact investors, unlike impact-first HNWIs or family offices, are finance-first, investing in social impact ventures that have the potential to yield market-related or above-market financial returns, in addition to a positive social impact. These investors are not willing to sacrifice this return in lure of a social impact return on investment. This discovery concurs with some studies, who believe in the sustainability of finance-first oriented impact investing, while contradicting other scholars who believe that a finance-first motive does not distinguish impact investors from traditional financial institutions, thus impeding social enterprises from accessing much-needed impact capital.

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.

6.3 Implications and Recommendations

6.3.1 Implication of the findings for South African Impact Investing Industry

In order to improve the impact investing industry in South Africa (willing buyer and willing seller's market), it is vital that an effective ecosystem exists. This ecosystem should consist of, among other factors, business support organisations that groom social entrepreneurs to become investment-ready and target funding-ready impact investors seeking well-defined investment opportunities.

A healthy impact investing industry has the potential to contribute towards the creation of innovative solutions that address the myriad of socio-economic needs and challenges plaguing South Africa.

Studies indicate that finance-first impact investors, such as those in South Africa, should not be perceived as lacking in the pursuit of social upliftment, instead, they should be observed as having a long-term, sustainability outlook of impact investing. Finance-first investors believe in yielding a competitive financial return on investment to enable them to use the earning (from the existing impact investments) to invest in other social impact ventures. Therefore, the growth of the South African impact investment industry relies on impact investors who can sustainably continue investing into new and existing social impact ventures.

To reiterate an earlier statement, access to capital is arguably one of the most significant factors in the creation and/or expansion of an entrepreneurial venture. Equally so is the availability of capital by financing institutions or bodies.

6.3.2. Recommendations

A diverse set of impact investors (with varying motives) is essential to ensure the different 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 catered 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. It is important to note that impact investors should be regarded as investors specifically concerned with social impact ventures and thus more progressive than their counterparts. Governmental or national agencies such as the South African Impact Investing Network (SAIIN) can drive these changes and ensure a social entrepreneurship ecosystem that produces the intended socio-economic results.

6.4 Limitations of the study

The study faced sample size limitations, whereby 78 respondents out of a population of approximately 178 South African impact investors. A greater sample may have contributed to the analyses of hypothesis 1, 3 and 4, by supplying a larger amount of empirical evidence. The inability to obtain convergence for the dual-return and signalling factors inhibited the researcher from testing these factors and contributing to the research analysis and findings.

The respondents of the study were not as diverse enough to represent the various types of impact investors and their inherent goals.

6.5 Suggestions for further research

Future research may consider the use of stratified sampling, obtaining respondents from the various types of impact investors (e.g. HNWIs, foundations, DFIs, fund managers etc.). This would enable the researcher to draw comparisons between the varying motives of each group of impact investors.

Further research could consider the perspective of social entrepreneurs who have engaged with impact investors, to determine what they perceive to be the objectives of impact investors. This study could be mapped against the findings of impact investors and assess the alignment or lack thereof.

South African impact investing literature can also benefit from closer analysis into the investment activities of South Africa impact investors. This investigation should observe (i) the proportion of available capital versus invested capital, (ii) the specific social impact and financial return resulting from their investments. Additionally, the researcher may consider assessing the proportion of financial earnings that are used to reinvest in other social impact ventures.

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APPENDICES

APPENDIX A: Research instrument

Survey Flow

Block: Demographics (3 Questions)

Block: Social Impact Motives (1 Question)

Block: Financial Return Motives (1 Question)

Block: Social Impact and Financial Return Motives (1 Question)

Block: Signaling Motives (1 Question)

Block: Decision to invest in social impact ventures (1 Question)

Page Break

Start of Block: Demographics

Q1 Gender
Male (1)
Female (2)
Other (3)
Q2 Age
18-25 years (1)
26-36 years (2)
37-45 years (3)
Above 45 years (4)
Q3 Highest level of education
Pre-Matric (1)
Matric (2)
Undergraduate Degree (3)
Honours Degree (4)
Master's Degree (5)
PhD (6)
Q4 Are you investing on behalf of someone else?
Yes (1)
No (2)

End of Block: Demographics

Start of Block: Social Impact Motives

Q4 This section seeks to understand your investment decision regarding social impact value.							
Please rate the following statements regarding your social impact investment							
	Strongly agree (1)	Agree (2)	Somewhat agree (3)	Neither agree nor disagree (4)	Somewhat disagree (5)	Disagree (6)	Strongly disagree (7)
I care about the mission, even though it does not yield market-rate financial returns (1)							
I want to see more people contributing towards the social mission, even though the financial returns may be lower than another investment (2)							
I believe that the social mission is important and I am willing to forgo a market-related financial return on my investment to realise the social value (3)							
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 (4)							
I am confident that investing in social impact ventures will ensure social impact (5).							

End of Block: Social Impact Motives

Start of Block: Financial Return Motives

Q5 This section seeks to understand your investment decision regarding financial return.							
Please rate the following statements regarding your social impact investment.							
	Strongly agree (1)	Agree (2)	Somewhat agree (3)	Neither agree nor disagree (4)	Somewhat disagree (5)	Disagree (6)	Strongly disagree (7)
The financial returns are competitive to non-mission investments (1)							
I want to diversifying my portfolio risk (2)							
I expect that the returns of the social impact investment will be much higher than non-impact investments (3)							
The risk of investing in a social enterprise is compensated by a market-related or above-market financial return on investment (4)							

End of Block: Financial Return Motives

Start of Block: Social Impact and Financial Return Motives

Q6 This section seeks to understand your investment decision regarding social impact value and financial return.							
Please rate the following statements regarding your social impact investment.							
	Strongly agree (1)	Agree (2)	Somewhat agree (3)	Neither agree nor disagree (4)	Somewhat disagree (5)	Disagree (6)	Strongly disagree (7)
I believe in the social mission of investment and the financial return is competitive. (1)							

I invest in enterprises that have proven to yield a healthy financial return and create social impact. (2)							
Impact investments should yield a financial return that is competitive relative to commercial investments, together with social value. (3)							
Generally, I am certain that investing in social impact ventures will yield a high financial return and have a positive impact. (4)							

End of Block: Social Impact and Financial Return Motives

Start of Block: Signalling Motives

Q7 This section seeks to understand your investment decision regarding social impact value and financial return.							
Please rate the following statements regarding your social impact investment.							
	Strongly agree (1)	Agree (2)	Somewhat agree (3)	Neither agree nor disagree (4)	Somewhat disagree (5)	Disagree (6)	Strongly disagree (7)
I can talk about investments with others (1)							
I enjoy showing my peers my social impact investments (2)							
I believe my peers will regard me as socially conscious for investing in a mission-driven enterprise, even if the financial return is relatively low. (3)							
My colleagues and peers have encouraged me to invest in social impact ventures. (4)							
I am not interested in discussing my social impact investments with my peers. (5)							

End of Block: Signalling Motives

Start of Block: Decision to invest in social impact ventures

Q8 This section seeks to understand the impact of the socio-economic environment							
Please rate the following statements regarding your decision to invest in social impact ventures.							
	Strongly agree (1)	Agree (2)	Somewhat agree (3)	Neither agree nor disagree (4)	Somewhat disagree (5)	Disagree (6)	Strongly disagree (7)
My investment portfolio consists of social impact investments. (1)							
I have opted to invest in a social impact venture over a commercial venture. (2)							
I have reallocated funds away from a commercial investment, to a social impact investment. (3)							
The socio-economic climate has driven me to invest in social impact ventures. (4)							
Investors are increasingly deciding to invest in investments that yield a social impact. (5)							
The current COVID-19 pandemic is influencing my investment decisions. (6)							
Social impact investments have increased as a result of the COVID-19 global pandemic. (7)							

End of Block: Decision to invest in social impact ventures

APPENDIX B: Consistency matrix

Research aim: To assess the role of impact investor motivations influencing their decision to invest in social impact ventures.							
Sub-aims of research	**Literature Review**	**Research questions**	**Hypotheses**	**Variables**	**Source of data**	**Type of data**	**Analysis**
1. To assess the extent that impact investors are driven primarily by social impact motives, to invest in social impact ventures	(Brest & Born, 2013; Glänzel & Scheuerle, 2016)	1. To what extent are impact investors driven primarily by social impact motives, to invest in social impact ventures?	***Hypothesis 1:*** *The social impact motive influences the investor's decision to invest in social impact ventures.*	**IV:** Social Impact Motives **DV:** Decision to invest in social impact ventures	Online survey, distributed via email to impact investors, comprising of 7-point Likert scale-style questions. Instrument questions Q4 (4.1 – 4.5); Q8 (8.1 – 8.7)	Quantitative, ordinal data	**Instrument Validity:** Exploratory Factor Analysis (EFA) to determine relevance of items to respective factor (variable). **Instrument Reliability:** Cronbach's Alpha of no less than 0.7. **Correlation and Hypotheses Testing:** Pearson correlation coefficient analysis and Regression Analysis between independent and dependent variables.
2. To assess the extent that impact investors are driven primarily by financial return motives, to invest in social impact ventures	(Brest & Born, 2013; Brodback et al., 2018; Maradana et al., 2017; Meyer et al., 2019)	2. To what extent are impact investors driven primarily by financial return motives, to invest in social impact ventures?	***Hypothesis 2:*** *The financial return motive influences the investor's decision to invest in social impact ventures.*	**IV:** Financial return motives **DV:** Decision to invest in social impact ventures	Online survey, distributed via email to impact investors, comprising of 7-point Likert scale-style questions. Instrument questions Q5 (5.1 - 5.4); Q8 (8.1 – 8.7)	Quantitative, ordinal data	

3. To assess the extent that impact investors are driven by both social mission and financial return motives, to invest in social impact ventures	(Brodback et al., 2018; Cetindamar & Ozkazanc-Pan, 2017; Meyer et al., 2019)	3. To what extent are impact investors driven by both social mission and financial return motives, to invest in social impact ventures?	***Hypothesis 3:*** *The social impact and financial dual-return motive influences the investor's decision to invest in social impact ventures.*	**IV:** Social Impact and financial return motives **DV:** Decision to invest in social impact ventures	Online survey, distributed via email to impact investors, comprising of 7-point Likert scale-style questions. Instrument questions Q6 (6.1 – 6.4); Q8 (8.1 – 8.7.)	Quantitative, ordinal data	
4. To assess the extent that impact investors are driven primarily by signalling motives, to invest in social impact ventures	(Ariely et al., 2009; Brodback et al., 2018; Maradana et al., 2017; Riedl & Smeets, 2017)	4. To what extent are impact investors driven primarily by signalling motives, to invest in social impact ventures?	***Hypothesis 4:*** *The signalling motive influences the investor's decision to invest in social impact ventures.*	**IV:** Signalling Motives **DV**: Decision to invest in social impact ventures	Online survey, distributed via email to impact investors, comprising of 7-point Likert scale-style questions. Instrument questions Q7 (7.1 - 7.4); Q8 (8.1 – 8.7)	Quantitative, ordinal data	

APPENDIX C: Participant Information

Good day,

My name is Odifentse Mapula-e Lehasa and I am a Master's student in Entrepreneurship and New Venture Creation at the University of the Witwatersrand, Business School in Johannesburg. As part of my studies, I am conducting a research study on impact investor motives influencing the decision to invest in social impact ventures.

The purpose of my research project is **to assess the role of impact investor motivations influencing their decision to invest in social impact ventures.** With the number of socio-economic challenges in South Africa; the increasing number of social ventures; coupled with the growing impact investment market; it essential to understand what motivates impact investors to invest in social ventures, over conventional investments. This can determine the amount they invest and the types of social ventures in which they invest.

In order to conduct this assessment of impact investor motives influencing their decision to invest in social ventures, I would like to invite you, as an impact investor, to participate in my study by completing an online survey. Through this, I hope to obtain information regarding your goals or motives driving your decision to invest in social impact ventures, within the South African context.

Participation will entail opening the provided link to complete the online survey, which should not exceed 10 minutes of your time. Participation in this research will be of no cost to you and will be completely voluntary. You may choose to withdraw from the study when you wish, at no penalty, and all questions are optional. The online survey tool will ensure your anonymity, ensuring that your confidentiality is guaranteed.

Should you have any questions or comments, or if you wish to receive a report of the final study please do not hesitate to contact me on either one of these email addresses: 673801@studentse.wits.ac.za or odifentselehasa@gmail.com.

Due to the tight timelines of this study, all data should be collected before 1 December 2020. It would be appreciated if you could complete this survey as soon as possible, and by 1 January 2021 at the very latest. Thank you for your time and consideration. I hope that you will find participation in this study beneficial and pleasant.

Sincerely,

Odifentse Mapula-e Lehasa

Supervisor:

Professor Boris Urban

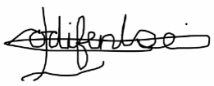
boris.urban@wits.co.za (011 717 3762)

APPENDIX D: Research Consent

Research Title	Impact investor motives influencing the decision to invest in social impact ventures
Researcher	Miss Odifentse Mapula-e Lehasa

Participation Information
Please read the participant information letter, prior to providing your consent to the following: • I understand the research purpose as well as what my participation will entail. • I understand that my participation is completely voluntary, and I may withdraw from the study at any moment, without any penalty. • I understand that the information I provide may only be used for academic research purposes. • I understand that my participation in this study consists only of the completion of the provided survey. • I understand that my identity will remain confidential and will not be revealed in the study. • I understand that I will not receive any incentives for participating in this research.

Voluntary Consent
I, , consent to participate in the above-mentioned research study.

Researcher Declaration	
I, Odifentse Mapula-e Lehasa, declare that I have provided the participant will all the relevant information pertaining to their participation in this study, including the purpose of the research study.	
Researcher Signature: 	Date: 24 / 09 / 2020

APPENDIX E: Ethical Clearance Certificate

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

SCHOOL OF GRADUATE SCHOOL OF BUSINESS ADMINISTRATION ETHICS COMMITTEE
CONSTITUTED UNDER THE UNIVERSITY HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)

CLEARANCE CERTIFICATE	**PROTOCOL NUMBER: WBS/BA673801/654**
PROJECT TITLE	Impact investor motives influencing the decision to invest in social impact ventures
INVESTIGATOR	Miss Odifentse Lehasa
SCHOOL/DEPARTMENT OF INVESTIGATOR	MM (Entrepr & New Venture Creation)
DATE CONSIDERED	09 October 2020
DECISION OF THE COMMITTEE	Approved unconditionally
RISK LEVEL	MINIMAL RISK
EXPIRY DATE	30 JUNE 2021

ISSUE DATE OF CERTIFICATE 23 October 2020 **CHAIRPERSON** _____
(Dr MDJ Matshabaphala)

cc: Supervisor: Prof Urban

DECLARATION OF INVESTIGATOR

To be completed in duplicate and **ONE COPY** returned to the Chairperson of the School/Department ethics committee.

I fully understand the conditions under which I am are authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee.

_____ 26 / 10 / 2020
Signature **Date**