Educational Administration: Theory and Practice
2024, 30(10), 759-773
ISSN: 2148-2403
https://kuey.net/

Research Article

Is it Challenging to make Impact Investments in India? An Empirical Study

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Citation: Arora & Garg (2024), Is it Challenging to make Impact Investments in India? An Empirical Study, *Educational Administration: Theory and Practice, 30(10) 759-773*
Doi: 10.53555/kuey.v30i10.9782

ARTICLE INFO

ABSTRACT

This study attempts to determine the most significant challenges impacting various stakeholders in Indian impact investing. The variables have been identified from the existing literature; based on that, 69 variables have been created. The authors attempted to validate the variables by conducting the analysis based on primary data collected from the respondents who are working in Indian impact investing. The data was collected via a questionnaire prepared on Microsoft Forms from the 90 respondents using a 5-point Likert scale. This study is the first to identify the most significant factors impacting the multiple stakeholders. So, to check the validity and reliability of the data, the standard deviation, Cronbach's Alpha test, Bivariate Pearson coefficient correlation, Kaiser-Meyer-Olkin (KMO) Test for Sampling Adequacy, and Bartlett's Test of Sphericity have been applied. The study also used exploratory factor analysis (EFA) to determine the most critical factors/challenges affecting the various stakeholders in Indian impact investing. The study found that eight of sixty-nine variables are insignificant in the Indian impact investing and have been removed. The remaining sixty-one variables are categorized into the six most critical factors: Access to Capital, Business Model, Compliance, Ecosystem Deficiency, Human Resource, and Investor Management.

Keywords: Impact Investing, Challenges of Impact Investment, Exploratory Factor Analysis (EFA), Social Entrepreneurship, Sustainable Investment

1. Introduction

Impact investing has taken a significant position in mainstream investing in recent years. It can potentially address all the social challenges by generating financial returns. Impact Investment is undoubtedly the most innovative product developed by financial engineers, revolutionising and combining charity and venture capitalists. Since it has a fantastic advantage and features above all the financial products, the challenges faced by this industry are also unique. This study attempts to identify the challenges faced by the different stakeholders in impact investing in India by collecting primary data from the relevant professionals in India.

According to the Global Impact Investing Network (GIIN) 2020 Annual Impact Investors Survey, nearly 294 impact investors are managing impact investments globally compared to only twenty-four in 2010 (Hand, Dithrich, Sunderji, & Nova, 2020). The authors found that the term Impact Investment originated first from the Rockefeller Foundation in 2007 in one of their meetings of the group of investors called Rockefeller Impact Investing Collaborative (RIIC) (Olsen & Galimidi, 2008). In 2009, to boost the for-profit investments in solving social and environmental challenges, the Clinton government took two crucial initiatives by establishing GIIN and The Impact Reporting and Investment Standards (IRIS) (Meyer & Samuelson, 2009). Soon after its establishment, the GIIN started working to promote the impact investments and became a primary advocacy organisation globally. It also found that 64 organisations in this world had already made impact investments even before 2000 (Hand, Dithrich, Sunderji, & Nova, 2020). Before the birth of the term impact investment, different nomenclatures were used, such as Ethical Investment. (Cullis, Lewis, & Winnett, 1992) (Cowton, 1999) (Kolers, 2001) (Abbey, 2005), Socially Responsible Investment (Kurtz, 1999) (Mills, Cocklin, Fayers, &

Holmes, 2001) (Donge, 2004) (Heese, 2005), Responsible and Mission-Related Investments (Godeke & Bauer, Philanthropy's new passing gear Mission-Related Investing A Policy and Implementation Guide for Foundation Trustees, 2008) (Wood & Hoff, Handbook on Responsible Investment Across Asset Classes, 2008) (Swack, 2008). To boost and provide a platform for social aspects in investments, the Dow Jones and Sustainable Asset Management (SAM) established and launched the Dow Jones Sustainability Index (DJSI) as the world's first sustainability index in the world in 1999 (Naqvi, 2022). Following the developed markets in 2004, South Africa took a step forward to launch the first sustainability index in the emerging markets in 2004, known as Johannesburg Stock Exchange Socially Responsible Investment Index (JSE - SRI) (Sonnenberg & Hamann, 2006). After impacting the global world, impact investments have also knocked on India's doors.

The Impact Investors Council (IIC) was incorporated in 2014 as a section 8 company to strengthen the impact investment ecosystem in India. (Anomymous, 2022). Soon after its establishment, in 2015, they recommended the different departments of the Indian government to boost and strengthen the impact investment ecosystem in India. IIC highlighted that impact investing in India already had a cumulative investment of USD 1.6 billion in 2015, where 30+ impact investors have invested with 300+ social enterprises in different sectors in India. IIC has also highlighted that starting from 2007 with USD 92 million, the impact investments have already touched USD 480 million of assets in 2015 (Bhatia, 2015). Philanthropy, charity, and social investments are not new in India, but they are in the blood of Indians when considering the socio-economic parameters of India as a country. Before 2000, most of the investments were for not-for-profit or charities. The landscape changed in 2000 when for-profit social investments stepped inside; India witnessed the birth of impact investments in 2001 when Aavishkar launched its first social fund and in 2004 when Acumen made its first investment in India. (Dutt, et al., 2014). One of the studies concluded that venture capital is an excellent channel to attract private sector capital for social entrepreneurs. They analysed the venture investment of 173 companies with a social focus between 2001 and 2013 in India. (Rajan, Koserwal, & Keerthana, 2014). The India Impact Investors Council (IIC) report has highlighted that 2021 has already reached the impact investments of USD 6.8 billion. (Balooni, Pai, & Batra, 2022). This industry has grown to USD 6.8 billion from USD 92 million in 2007 each year in India, proving that this industry has a significant way ahead in India and the world. The impact of investment in India is comparable to the world's market. In 2019, USD 47 billion was invested by impact investors across the globe, and in India, it was USD 3.5 billion in the same year. (Pai, Saraogi, Nene, & Kalsi, 2021) (Hand, Dithrich, Sunderji, & Nova, 2020).

Several authors have listed future challenges that impact investing may encounter. (Godeke, et al., 2009) (Bugg-Levine & Goldstein, Impact Investing: Harnessing Capital Markets to Solve Problems at Scale, 2009) (Freireich & Fulton, 2009). The JP Morgan Global Research study can be seen as the first report that provides a practical/realistic view of the challenges faced by impact investing based on the primary data. (O'Donohoe, Leijonhufvud, Bugg-Levine, & Brandenburg, 2010). After that, many attempts were made to discover the global challenges of impact investing. The authors found an enormous variation in the studies while reporting the challenges w.r.t. countries. It ranges from a single country/continent to multiple countries, and some studies have considered all the countries in the world. The authors discovered that four major stakeholders operate in impact investing, and the challenges they face are unique to each other. So, this study adopted an exploratory approach to determine the stakeholder-wise challenges in Indian impact investing.

This paper is divided into five sections. In the first part of this paper, the authors attempted to provide the foundation and introduce the impact of investing globally and in India. The second part deals with reviewing the literature to find out the gaps in the existing literature. The third section emphasised the research methodology and described the data collection and analysis methods. Section four illustrates the results of the data analysis and discussions thereon, and the last section concludes the study and provides the current study's limitations. This section also suggests recommendations for future research.

2. Review of Literature

2.1 Challenges Related to the Impact Investors (Supply Side)

The study conducted by (Saltuk, Bouri, & Leung, 2011) has identified the challenges of the impact investors at a global level. The challenge is based on secondary data such as risk management, design, and implementation; the relative weakness of the evidence base overlaps with existing public programs, and issues of scale and transaction cost have been identified by (Mulgan, Reeder, Aylott, & Bo'sher, 2011). One of the studies identified the challenges related to the impact investors in different countries of Africa. (Arnoldus, 2013). The challenges associated with the regulatory framework, such as policies, structure, and framework, are also the bottlenecks for impact investing. (Charlton, Donald, Ormiston, & Seymour, 2014). This study has identified the challenges of defining the nexus, leveraging nexus thinking, targeting nexus issues, integrating nexus approaches, providing nexus products and services, and measuring the impact of the nexus as a challenge to this industry. (Dahlmann, Stubbs, Raven, & Albuquerque, 2020). (Hill, 2015) has identified the challenges such as liquidity, risk mitigation, track record of the organisations within this sector, and suitability. A Ph.D. thesis conducted

by (Ferratusco, 2015) has identified the challenges related to the mismatch of public/investors' perceptions and awareness.

One of the studies conducted in five semi-structured interviews covering different African countries has identified the challenges related to application, demonstration, assessment, trade-off, governance, transparency, facilitation, and leadership. (Koenig & Jackson, 2016). (Armeni & Bone, 2017) has identified challenges such as higher perceived credit risk, lower potential returns, longer time horizons, a more complex and slower path to scale, fewer exit opportunities, higher transactions, and other costs by conducting the 34 semi-structured interviews in South America. (Alberti & Garrido, 2017) has identified the challenges, such as promoting the interests of promoters for obvious social reasons and making the market more difficult for themselves; the dilemma of being acquired by more giant conglomerates, scaling up the business model, maintaining sustainability, and financing is one of the most pressing challenges, non-existence of supportive ecosystem. The study focused on Tanzania has identified challenges such as insufficient investment-ready opportunities, insufficient human capital, international decision-makers, difficulty accessing bank financing, limited currency financing, and few exit examples, the absence of fully transparent and accountable public accounts, the haphazard regulatory environment, the potential for corruption and rent-seeking, insufficient amount of capital, unreliable records, and non-existent credit histories, modest margins, long times to scale and high risk, measurement of the actual impact, providing technical assistance alongside investment capital based on secondary data. (Kelter, 2018).

Challenges in Assessment Models and identifying and measuring the impact have been the most pressing challenges for impact investors. (Minguzzi, Modina, & Gallucci, 2019) (Messina, 2019). (Iarossi, Gregory, & Lankes, 2019) Has identified challenges such as uncertainty about financial returns, impact washing, limited comparability of measured impact, and support from the regulatory framework for the impact investors. The challenges, such as a strong view that impact investment returns are always below market value, a lower understanding of social impact, poor social impact measurement skills, and using the image of a social/environmental enterprise for unfair promotion, have been identified. (Arif, Lyshchikova, & Dobrodomova, 2020) (Raak & Raaphorst, 2020). Another study conducted in Greece has identified challenges such as measurement and valuation, risk-return, and extending the analysis to include social impact, the scale of impact investments and conventional capital markets, investment horizon, and metatheoretical concerns. (Andrikopoulos, 2020). One of the studies conducted in the United States of America identified the challenges related to portfolio management as the biggest challenge for the impact investors after conducting eighty-two semi-structured interviews. (Burton, et al., 2021). (Roth, 2021) has identified the challenges related to investments and grants as the most pressing challenges for impact investors.

2.2 Challenges related to the social enterprises/entrepreneurs (Demand side)

(Evenett & H Richter, 2011) has identified the challenges related to social entrepreneurs/enterprises by conducting twenty-one semi-structured interviews in the UK, such as fragmentation of capital supply, business support for social purpose organisations, no universally agreed metrics for social outcomes, absence of clear market signals, restrictive regulatory and legislative environment, need for deal-broking, insufficient incentives. The challenges related to the execution and management of social projects have been identified. (Wilson K. E., New Investment Approaches for Addressing Social and Economic Challenges, 2014). Keeping the global view and by conducting the workshops and twenty-six interviews in Switzerland, this study has identified the challenges such as shortage of resources, timing, accessibility, and risk amongst the social entrepreneurs have been determined by (Smith, et al., 2014). (Audette, Gillis, Muller, & Berman, 2015) has conducted the survey and, based on the results of twenty-two respondents, have reported the challenges related to social entrepreneurs: where they originate transactions and find investment opportunities, where they can go for help with support and due diligence once they see a chance. (Ormiston, Charlton, Donald, & Seymour, 2015) has conducted ten semi-structured interviews in Australia and has identified the challenges such as statutory and general law duties, portfolio fitment, infrastructure, and portfolio management. (Trapp, 2015) has conducted a study in the United States of America and found the challenges related to the social entrepreneur. (Kickul & Lyons, Financing Social Enterprises, 2015) has conducted a secondary study based on multiple countries and has identified that increased pressure to measure and monetise social impact is a challenge for social entrepreneurs. One of the studies conducted twenty-one semi-structured interviews in Germany and concluded that managing financial and social returns becomes a challenge for social entrepreneurs in impact investment. (Gla¨nzel & Scheuerle, 2015). (Chow, 2015) The significant challenges in the Hong Kong market are identified as a few financially self-sustainable enterprises, market mismatch, track record, and measurement of success. The study has identified challenges in the global market, such as a mismatch between financial return and actual performance, inadequate fund structures, products, subsidies, and patient capital. (Bolis, West, Sahan, Nash, & Irani, 2017).

The challenges of financial resources, financial value creation, skillset, risk-reward trade-off, willingness, and capacity to restructure the organisation have been identified in Switzerland. (Forsyth, Stiles, Lawrence, Tweedley, & Chrisney, 2018). The challenges related to social entrepreneurs on the demand side include capacity requirements, lack of knowledge of the market, inadequate financial literacy, and the challenges of measuring and valuing social impacts and regulatory and policy barriers. (Phillips & Johnson, 2019). The challenges, such as the viability of the organisations, the scope for diversification in the dynamic employment

market, and the access to funding that would enable the establishment of the next generation of social entrepreneurs have been identified by conducting twenty-five semi-structured interviews in Canada. (Umfreville & Bonnin, 2021).

2.3 Challenges related to the intermediaries

(Martin, Status of the Social Impact Investing Market: A Primer, 2013) has identified the challenges related to intermediaries in impact investing, such as too few established players active in social impact investing, no universally accepted ratings of social impact investments, and a lack of appropriate products in the industry based on two hundred fifty respondents. In the expert group meeting (one in Paris and another in London), forty participants participated and identified the challenges related to the intermediaries. (Wilson & Silva, 2015). Considering Asia as a target area, (Šoštarić, 2015) has identified the challenges, such as lack of proper education on impact investing and lack of adequate intermediation in impact investing based on the seventeen respondents who participated in the preliminary study conducted in Singapore. After performing the fifty-seven semi-structured interviews in Germany, this study has identified the challenges, such as the limited size of current intermediaries and Giving and investing being seen as conflicting spheres. (Freiburg, Oldenburg, & Daub, 2016). A study conducted in Australia has identified that high due diligence costs, high transaction costs, and lack of professionals are intermediary-related challenges. (Crawford, 2017). (Jarvis, 2020) has identified the challenges of Social Investment Finance Intermediaries (SIFIs) by doing secondary research in the United Kingdom.

2.4 Challenges related to the regulators

The challenges, such as lack of clear-cut classification, transparency, standardised reporting standards, lack of structural and cohesion funding, lobbying, and networking, have been identified after conducting a secondary data-based study in Russia. (kowski & Wiśniewski, 2013) (Harji & Jackson, 2012). The preliminary research based on ten interviews conducted in Senegal, Ghana, Nigeria, Kenya, and South Africa has identified a lack of awareness of impact investing, poor policy coherence, and competing incentives as regulatory-related challenges in impact investing. (Barby, Barley, Dewan, & Osibo, 2014).

The wide variations in the adoption of SRI practices across countries, the weakness of the retail SRI market, and the under-utilized potential of sustainability-themed investments, given their potential to align with particular public policy objectives closely, are the challenges identified by (Passant & Emson, 2014). (Sales, et al., 2015) has determined that the unclear and inconsistent regulatory environment, poor linkages between sustainable social enterprises, entrepreneurs, investors, and innovation networks, and poor and inconsistent impact measurement practice are the significant challenges related to the regulators in impact investing. (Freiburg, Oldenburg, & Daub, 2016) has identified challenges such as not all types of investors entering the market, the pipeline of investible businesses not being developed, and subsidies and a missing supporting regulatory frame based on the semi-structured interview of fifty respondents in Germany. The challenges, such as impact investments, especially at this nascent stage, are generally small-scale, bespoke, and illiquid; the impact investment ecosystem is still developing and has been an obstacle in Australia. (Crawford, 2017). According to Global Impact Investing Network (GIIN), the most pressing challenges related to the regulators are lack of regulations on foreign investment and foreign ownership, inconsistent and unpredictable application of policy, particularly regarding foreign direct investment and taxes, complex capital controls, such as in India and China, interest rate caps, restrictive application or interpretation of fiduciary duty, or both, non-existent or limited reporting regulations, general political instability and corruption and, in some cases, an absence of law for impact investing. (Mudaliar, Bass, Dithrich, & Nova, 2019).

2.5 Challenges related to the Indian impact investing

The study conducted by the Lemelson Foundation identified three big categories of challenges for the Indian impact investing ecosystem: financial and capacity gaps (Dahl, 2015). Impact investing in India and Africa has faced challenges such as establishing effective cross-sector partnerships, governance problems, the risk tolerance of investment firms, working in informal markets, and measuring impact (Balkus, Luque, & Alfen, 2014). The multi-country study was conducted on 68 respondents covering different continents such as Africa, Asia, Australia, Europe, South America, and North America, and it found that millennials' approach toward impact investing (Fort & Loman, 2016). The study based on the forty interviews conducted by Intellecap and the John D. & Catherine T. Macarthur Foundation has identified challenges such as information asymmetry, inadequate market structure, and lack of mechanisms for monitoring and measurement of impact in the Indian impact investing (Chandrasekaran, Gupta, & Arora, 2016). One significant study found that the challenges such as missing common language for impact investment, limited regulatory and structural foundation, reality perception gap, lack of an efficient marketplace, and nascent supporting ecosystem are the significant challenges for impact investing in Asia (Yeo, Prakash, Wang, & Moore, 2019).

2.6 Research Gaps

Practitioners have published most studies on impact investing, and academicians have published significantly less research on the challenges of impact investing. The authors found very few studies focussing on the Indian market and represent just 1\4th of the reviewed studies. Further, very few academic pieces of literature are based on primary data.

Though multiple stakeholders operate in this industry, no study has been conducted considering all the stakeholders in one study. Furthermore, most studies are based on a small sample focusing on impact investors in the existing literature. Therefore, this study has been conducted on multiple stakeholders' challenges in impact investing in India. This study is also unique as it is based on primary data collected from the working professionals of all the stakeholders in the Indian context. The study is also vital as no study has been conducted in the Indian context focusing on all stakeholder-wise challenges.

3. Research Methodology

3.1 Research Objectives

From the existing literature, the authors found four significant stakeholders operating in the impact investment ecosystem: the impact investors, social entrepreneurs, intermediaries, and regulators. The study investigates the challenges faced by different stakeholders operating in the impact investment industry in the Indian context.

3.2 Questionnaire Design & Scale Development

After scanning the existing literature related to challenges of the impact investments, the authors found 69 of the most pressing challenges affecting the different stakeholders. The questionnaire was designed to validate such challenges in Indian impact investing. The challenges were converted into a statement to capture the responses. The online survey was designed on Microsoft Forms to collect the responses from the different stakeholders. The questionnaire was developed using the 5-point Likert scale to capture the reactions on a strongly agree to disagree scale. All these statements are used as a variable to conduct further analysis. The stakeholder-wise statements are shown in Table 1.

Table 1. No. of Statements (Variables)

Stakeholder	Total Statements	Feedback & Closing Remarks
Impact Investors	20	3
Social Entrepreneurs	20	
Intermediaries	15	
Regulators	14	

3.3 Data Collection & Sample Size

The authors found that twenty-eight impact investors are operating in India per the Indian Impact Investors Council (IIIC). The authors visited each organisation's website and collected the staff details and email IDs. The authors created a database of 294 staff members from the impact investors and 144 general information email IDs of the social entrepreneurs. The survey was sent to all of them, and only ten people reverted, and finally, only four people participated. It is just 1.36% of the total population. The authors explored further and built connections on the professional networking site LinkedIn. The authors used different keywords to search for professionals working in Indian impact investing and sent thousands of connection requests to these professionals. Finally, 1247 professionals have accepted the connection request. The survey request was sent to all these 1247 professionals. Out of that, 86 people have responded and filed away, making a 6.89% response rate way higher than the email response rate shown in Table 2. In total, 90 professionals participated in this survey (N = 90). Of 90, 23 professionals had no investment/exposure in India. So, they were not allowed to share their response to the challenges they faced in Indian impact investing. So, this study is based on the responses from 67 professionals who have exposure/investments in Indian impact investing (n = 67).

Table 2. Survey Response Summary

Type of Respondents	Total Database	Responses	Response Rate
Staff of Institutions	294	4	1.36%
General Email Id	94	0	0.00%
Social Entrepreneurs' Email ID	50	0	0.00%
LinkedIn Connections	1247	86	6.89%
Total Direct Contact	1685	90	5.34%

3.4 Data Screening and Cleaning

Before conducting the data analysis, the researcher must ensure that the data is clean and error-free. Multiple steps were taken to screen and clean the data. This study collected the data through Microsoft Forms, and all

the fields were made mandatory to attempt, so there is no chance of missing data or entries. The data collected through this technique is free from any error, and there is no scope for omitting data and inserting impermissible values. All the answers were prepopulated into the questions to avoid outliers and errors. Since this survey targeted high-level professionals, the authors have added the choice to protect the identity and maintain the dignity of the professionals. To check the respondent misconduct, which is more likely in the case of online service, has been tested by calculating the standard deviation of each respondent on Microsoft Excel. The standard deviation of all values was above the 0.25 level, and the range was between 0.41 to 1.44. So, there was no respondent misconduct found in the reported data. After performing all these steps, the data is ready for further analysis.

3.5 Data Analysis

As a first step, to check the reliability and validity of the questionnaire, Cronbach's Alpha test and Bivariate Pearson coefficient correlation at two-tailed at 95% confidence level were applied, respectively. The overall significance of the variables was verified through the Kaiser-Meyer-Olkin (KMO) Test for Sampling Adequacy and Bartlett's Test of Sphericity. The Kaiser Meyer Olkin is a standard measure to check the sampling adequacy (MSA), and if this value is above .50, it is considered appropriate for the factor analysis.[1]. If the *p*-value is less than 0.001, the sample is suitable for performing the data reduction test. The Exploratory Factor Analysis method used the Principal Component Analysis and varimax rotation method. All the data analysis and tests were conducted using SPSS.

4. Results and Discussions

4.1 Reliability Test

Cronbach's alpha test has been applied using SPSS software. This test was applied to all the stakeholders separately, and it was found that Cronbach's alpha was very high; hence, we can say that the questionnaire is reliable, where n = 67, and there is no missing value on each scale. The stakeholder-wise results can be seen in Table 3.

Table 3. Reliability Statistics

S. No	Scale	No of Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
1	Impact Investors	20	0.825	0.824
2	Social Entrepreneurs	20	0.869	0.872
3	Intermediaries	15	0.892	0.890
4	Regulators	14	0.880	0.883

Source: Authors' work with SPSS

4.2 Validity Test

This study conducted the Pearson coefficient of correlation test to check the validity of the questionnaire and took a 95% confidence level at two-tailed tests. The observed values were marked with double and single asterisk at 99% and 95% confidence levels, respectively. It has been found that all the observed values are higher than the critical values at both confidence levels. Hence, the questionnaire and the survey conducted are valid.

4.3 Test of Sampling Adequacy

Kaiser-Meyer-Olkin test (KMO): Most of the values obtained from the Kaiser-Meyer-Olkin test to measure the sampling adequacy range from 0.67 to 0.80. It can be said that the sample size is adequate at a middling and mediocre level. Bartlett's Test of Sphericity: The *p*-value obtained in the test was less than 0.001 for all the stakeholders, so it can be said that the data collected is suitable for performing the data reduction test and factor analysis. The results of both tests can be seen in Table 4:

Table 4. KMO and Bartlett's Test of Sphericity

		Impact Investors	Social Entrepreneurs	Intermediaries	Regulators
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.672	0.758	0.790	0.797
Bartlett's Test of Sphericity	Approx. Chi-Square	444.859	525.109	496.161	417
	Df	190	190	105	417.113
	Sig.	<.001	<.001	<.001	<.001

Source: Authors' work with SPSS

[1] https://www.ibm.com/support/pages/kaiser-meyer-olkin-measure-identity-correlation-matrix

4.4 Exploratory Factor Analysis

The exploratory factor analysis was conducted to determine the most critical challenges used in the questionnaire. This study has applied the principal component analysis method on SPSS, which was based on the varimax rotation. This test has allowed us to rotate the factors with 25 iterations and take the eigenvalues of one and more than one. The factor loading was considered at a 0.500 and above level. The thumb rules explain how to delete the statements are as follows:

a) The variable that generates the loading of less than 0.5 will be deleted step by step.
b) The variable will be deleted if it has a cross-loading or loading on multiple factors.
c) The deletion process continues until all the variables are free from the effect of no-loading and cross-loadings.
d) The test was conducted separately for all the stakeholders, and the stakeholder-wise results were interpreted.

4.4.1 Impact Investors

After the literature review, the authors identified 20 variables as a challenge related to the impact investors across the globe. The authors tested the applicability of all the specified variables in the Indian context with the help of factor analysis.

As per the final step, after removing two variables, this measure came out as .666, which is considered appropriate for conducting factor analysis. The results obtained from Bartlett's Test of Sphericity were significant as the values are x2 = 390.836, $p < 0.001$ and df = 153 (N = 90 & n = 67), indicating that the data is suitable for conducting factor analysis.

The communalities of the variables have also been checked, and all 19 variables were over 0.50. There was only one variable, i.e., variable five, which was around 0.50 (.497), and it was loading well on one unique factor; hence it was included in this study.

After applying the exploratory factor analysis (EFA), the author found some concerns in the initial solution; hence, step by step, those concerns are solved to conclude.

As a result, variable 13, Difficulty in negotiating a deal and valuation of the business, and variable 3, Difficulty in exiting investments, were deleted individually as they were loading less than the required factor loading and hence removed. The result of the rotated component matrix is given in Table 5. The final solution derived six factors and included 18 variables out of a total of 20 variables, which accounted for 68.138% of the variation of the total variance.

The authors further named these factors, which emerged from analysing the challenges related to the impact investors. The strongest to weakest aspects are categorised as investor management (4 variables), portfolio management (4 variables), human resource (3 variables), business model (3 variables), access to capital (2 variables), and compliance (2 variables). Out of 20, 18 variables were categorised under different factors, and two were deleted due to no loading resulting from EFA.

Table 5. Rotated Component Matrix – Impact Investors.

Variable No.	Variable	Factor 1 Investor Management	Factor 2 Portfolio Management	Factor 3 Human Resource	Factor 4 Business Model	Factor 5 Access to Capital	Factor 6 Compliance	Deleted
14	Difficult to maintain the donor mandates	.716						
16	Difficulty in establishing effective cross-sector partnerships	.566						
17	It is difficult to work in informal markets because of the lack of standard practices	.735						
18	Difficult to define a risk-return trade-off	.607						
7	Difficulty in demonstration of impact		.650					
8	Scaling up the business model		.541					
9	Challenges in the management of assets (Portfolio)		.811					
12	Difficulty in providing technical assistance alongside investment capital		.764					
1	Lack of investment professionals with relevant skills			.791				

2	Inadequate impact measurement practice		.818				
19	Lack of awareness of impact investing		.655				
6	Long term Viability of the business model			.566			
15	High risk in investments			.749			
20	Less Involvement of local HNIs (High Net worth Individuals), family and corporate foundations			.740			
10	Limited options for co-financing				.825		
11	Difficulty in accessing bank financing				.810		
4	Lack of Database of NGOs					.796	
5	Non-Standard Reporting Standards					.529	
13	Difficulty in negotiating a deal and valuation of the business						Yes
3	Difficulty in exiting investments						Yes

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. [A] *rotation converged in 10 iterations.*
Source: Authors' work with SPSS

4.4.2 Social Entrepreneurs

The authors identified 20 unique variables impacting the Global Social Entrepreneurs working in impact investing. The authors tested the applicability of all the specified variables in the Indian context with the help of exploratory factor analysis.

The Kaiser-Meyer-Olkin (KMO) comes out to be .758, and Bartlett's Test of Sphericity was significant as the values are x2 = 525.109, $p < 0.001$, and df = 190 (N = 90 & n = 67), which indicates that the data is suitable for conducting factor analysis.

The communalities of the 17 variables were over 0.50, and three were slightly below 0.50 (.454, .474, and .495). All 17 variables were loading well only on one unique factor; hence, they were included for further analysis. After applying the exploratory factor analysis (EFA), the authors did not find any concern of no loading or cross-loading, so the initial solution was kept as a final solution. The final solution derived six factors and included all 20 variables, which accounted for 67.295% of the variation of the actual data. The result of the rotated component matrix is given in Table 6.

The factors such as human resource (5 variables), investor management (3 variables), access to capital (3 variables), business model (3 variables), compliance (3 variables), and ecosystem deficiency (3 variables) have emerged as the strongest to weakest factor respectively. As per this study, they are the most challenging for social entrepreneurs in Indian impact investing.

Table 6. Rotated Component Matrix – Social Entrepreneurs

Variable No.	Variable	Factor 1 Human Resource	Factor 2 Investor Management	Factor 3 Access to Capital	Factor 4 Business Model	Factor 5 Compliance	Factor 6 Ecosystem Deficiency
12	Lack of knowledge and expertise while pitching investment or filling loan applications	.549					
13	Low Reputation and credibility of NGOs	.550					
14	Less awareness and access to Investors	.559					
15	Lack of Project Management Skills	.753					
16	Less Scope of Investments for an Individual	.804					
4	Uncertainty about financial returns		.756				
8	The gap between expectations about returns (financial social) and actual performance		.695				
11	Lack of scalable and investment-ready social ventures		.710				
1	Shortage of high-quality investment opportunities			.630			

2	Inadequate knowledge of Impact Investments		.812			
3	Low Compatibility/alignment with investor		.800			
5	Lack of accessible, high-quality data to measure outcomes			.836		
6	Limited capacity in the community sector to deliver projects			.703		
7	Lack of outcome Measurement practice (Based on Social Benefits/Qualitative Aspects)			.822		
9	Lack of transparency				.598	
17	Inadequate examples of startup/business model based on Impact Investment in India				.721	
18	Legal restrictions and the decision of the financially supporting organisation				.820	
10	Concentration of Social Enterprises in specific sectors					.748
19	Challenges of measuring and valuing social impacts					.526
20	Most investors are foreign-based, so there is less knowledge about the reality of the ground.					.654

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. [A] *rotation converged in 8 iterations.*
Source: Authors' work with SPSS

4.4.3 Intermediaries

There were 15 global challenges related to the intermediaries under impact investing. The authors tested the applicability of all the variables in the Indian context with the help of factor analysis.
After removing two variables, the Kaiser-Meyer-Olkin (KMO) comes out to be .815, and Bartlett's Test of Sphericity was also significant as the values are x2 = 436.879, $p < 0.001$ and df = 78 (N = 90 & n = 67) which indicates that the data is suitable for conducting factor analysis.
The communality was checked, and all 15 variables were over 0.50, so all the variables were included for further study.
After applying the exploratory factor analysis (EFA), the author found some concerns in the initial solution; hence, step by step, those concerns are solved to conclude. Variable 13, lack of standardised social impact measurement tools, and variable 11, lack of training and education, were loading on more than one unique factor; hence, they were removed individually. The result of the rotated component matrix is given in Table 7.
The final solution derived four factors and included 13 out of 15 variables, accounting for 70.963% of the variation of the total variance.
The factors such as human resource (5 variables), ecosystem deficiency (5 variables), business model (2 variables), and investor management (1 variable) have emerged as the most critical challenges faced by the intermediaries operating in the Indian impact investing.

Table 7. Rotated Component Matrix – Intermediaries

Variable No.	Variable	Factor 1 Human Resource	Factor 2 Ecosystem Deficiency	Factor 3 Business Model	Factor 4 Investor Management	Deleted
4	Lack of specialist lawyers	.671				
5	Lack of finance professionals	.870				
6	Lack of professionals for establishing new projects	.822				
7	Lack of the resources for complex contract negotiation	.675				
9	Lack of Data on investment products and opportunities	.532				
1	Lack of common forum for various stakeholders in the Impact Investing Ecosystem		.645			

2	There is no mechanism to identify the set of intermediaries.	.725				
3	Lack of mainstream advisers or wealth managers who can provide advice on social impact investments	.686				
8	Less research on market activity, trends, performance, and practice	.618				
10	Non-availability of Social Exchange Traded Funds (ETFs) and Index Funds	.748				
14	Partiality due to the dominance of religious motivations in the social economy		.873			
15	Lack of Strong incubation facilities and guidelines		.725			
12	Non-alignment of values, interests and activities within various Stakeholders in the social sector.			.915		
11	Lack of training and education					Yes
13	Lack of standardised social impact measurement tools					Yes

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. [A] *rotation converged in 5 iterations.*
Source: Authors' work with SPSS

4.4.4 Regulators

The authors identified 14 variables as a global challenge related to the regulators in impact investing. The authors tested the applicability of all the specified variables in the Indian context with the help of factor analysis.

As per the final step, after removing four variables, the Kaiser-Meyer-Olkin (KMO) value came out as .787, which is considered appropriate for conducting factor analysis. The results obtained from Bartlett's Test of Sphericity were significant as the values are x2 = 237.702, $p < 0.001$ and df = 45 (N = 90 & n = 67), indicating that the data is suitable for conducting factor analysis.

The communality of the variables was also checked, and nine were over 0.50. There was only one variable, i.e., variable two, which was slightly lesser than 0.50 (.463), but it was loading well on one unique factor only; hence it was included in this study.

After applying the exploratory factor analysis (EFA), the author found some concerns in the initial solution; hence, step by step, those concerns are solved to conclude. Variable 6, "Lack of Transparency in the Government System," Variable 9 ", Lack of awareness of the concept of impact investing in government officials," Variable 12 ", Political uncertainty and economic slowdown," and Variable 14 ", Red tape and burdensome bureaucratic procedures" were loaded on more than one explored factors. So, they've been deleted one by one. As per Table 8, the final solution derived three factors and included ten out of 14 variables, accounting for 63.516% of the total data variation.

As a result of factor analysis, factors such as compliance (5 variables), business model (2 variables), and ecosystem deficiency (3 variables) are categorised as the most significant bottlenecks for policymakers and regulators.

Table 8. Rotated Component Matrix – Regulators

Variable No.	Variable	Factor 1 Compliance	Factor 2 Business Model	Factor 3 Ecosystem Deficiency	Deleted
3	Lack of regulations on foreign investment and foreign ownership	.780			
4	Inconsistent and unpredictable application of policies in the Social Sector	.761			
5	Lack of Clear-Cut Classification on the legal structure of Impact Investment	.840			
8	Unclear and inconsistent Regulatory Environment for impact investing	.638			

11	Lack of Government efforts to incentivise philanthropy	.574				
1	Lack of innovative fund structures to accommodate investors' needs		.849			
10	Uncertainty as to where impact investment is included within modern investment portfolios		.826			
2	The non-existence of a supportive ecosystem			.606		
7	Intense Lobbying and networking lead to wrong investments.			.613		
13	Poor digital access in highly rural areas			.779		
6	Lack of Transparency in the Government System					Yes
9	Lack of awareness of the concept of impact investing in government officials					Yes
12	Political uncertainty and economic slowdown					Yes
14	Red tape and burdensome bureaucratic procedures					Yes

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. [A] *rotation converged in 5 iterations.*
Source: Authors' work with SPSS

4.4.5 The Indian Impact Investment Industry

After categorising all the factors, the authors attempted to collate all the elements into one table impacting the Indian impact investing. The authors found that all 61 variables can be clubbed into six major factors, the most significant bottlenecks for Indian impact investing. As shown in Table 9, the variables related to human resources are the most pressing challenges for this industry. It includes 13 variables and impacts the three major stakeholders: impact investors, social entrepreneurs, and intermediaries of Indian impact investing. Investor management is the second most crucial challenge for impact investors, social entrepreneurs, and intermediaries. The ecosystem deficiency may not emerge as this study's bottleneck for the Indian impact investors. Still, it is impacting the other three essential stakeholders of the Indian impact investing. The variables related to the business model and compliance include ten variables each. Both factors are challenging for the three stakeholders, such as impact investors, social entrepreneurs, and regulators, and the business model also impacts the intermediaries. Access to capital only affects the demand and supply level and is the major bottleneck for the impact investors and social entrepreneurs.

Table 9. Total Factors

Factor	Stakeholders Impacted	Stakeholders Count	No. of Variables
Access to Capital	Impact Investor & Social Entrepreneur	2	5
Business Model	Impact Investor, Social Entrepreneurs, Intermediaries, Regulators	4	10
Compliance	Impact Investor, Social Entrepreneur, Regulators	3	10
Ecosystem Deficiency	Social Entrepreneur, Intermediaries, Regulators	3	11
Human Resource	Impact Investor, Social Entrepreneur, Intermediaries	3	13
Investor Management	Impact Investor, Social Entrepreneur, Intermediaries	3	12
Total			61

Source: Authors' compilation from the EFA output of all stakeholders

5. Limitations of the study

This study is limited to only 69 respondents exposed to impact investing in India. The study is based on a small sample size, as impact investing is nascent in India, and only a few prospective respondents were available. Further, there is no public database available for impact investors; as a matter of fact, the authors have limited options to contact the right respondents.

6. Conclusion and recommendations

The study can be viewed as a pioneer in impact investing. The attempt is made to identify the factors and segregate the challenges related to the stakeholders in impact investing, such as impact investors, social entrepreneurs, intermediaries, and regulators, and successfully meet the objectives. All the results are valid, reliable, and significant as per the data analysis.

The study can conclude that out of the 69 challenges, eight were not significant and were deleted. The study concludes that all 61 variables could be clubbed into nineteen factors for the overall impact of investing in India. The challenges related to the impact investors and social entrepreneurs can be clubbed into six elements each. In contrast, the obstacles to intermediaries can be clubbed into four factors, and the challenges related to regulators can be divided into three unique aspects. The study found that all sixty-one variables and nineteen factors can be further classified into six unique elements: the bottlenecks of Indian impact investing. Human resource and investor management are the bottlenecks for the three stakeholders: impact investors, social entrepreneurs, and intermediaries. There is a lack of professionals with relevant special skills such as project management, investments, impact measurement, fundraising, legal and taxation, and donor management, as professionals need to work on social returns and financial returns, which are contrary.

The factor of ecosystem deficiency impacts social entrepreneurs, intermediaries, and regulators. This deficiency occurs due to the non-alignment of the interests of the different stakeholders. It also limits the possibilities of making an equal impact across sectors and countries. The business model is the only factor affecting all the stakeholders in Indian impact investing. The activities of impact investors and social entrepreneurs are always as challenging as they suffer from long-term viability, clear outcomes, higher risk, and lower impact. Moreover, policymakers and intermediaries feel helpless in innovating a viable business model to create a win-win situation for all stakeholders. Compliance is the major bottleneck for the stakeholders: impact investors, social entrepreneurs, and regulators. The factors related to capital and finance are only the bottleneck for the impact investors and social entrepreneurs. The impact is that investors struggle to borrow funds from banks and find co-financing challenging. Social entrepreneurs do not have adequate knowledge about the impact of investors and the investment opportunities available; hence, they struggle to scale their impact.

This study is probably the first to identify the factors affecting the stakeholders in impact investing based on exploratory factor analysis (EFA). So, it is suggested that confirmatory factor analysis (CFA) be applied in future research to compare and validate the results obtained from this study. This study was based on the respondents from India only, so further analysis can be done by involving respondents from another country, which may be based on multiple countries. This study also recommends that future studies may explore to identify new variables that have not yet been observed during the current study.

This study is helpful for practitioners, academicians, and policymakers engaged in impact investing to frame policy and further regulations. As India has widespread regional differences in social class, basic facilities, and other social problems, Impact investment could help eliminate these differences. The authors argue that removing all the bottlenecks in this industry is crucial to laying down a strong foundation for building a solid impact investing ecosystem. Based on the Triple Helix model, this study strongly recommends that a task force be formulated to address and resolve all the challenges of impact investing.

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