A Study On The Influence Of Covid'19 On Individuals' Perception Towards Impact Investment

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ABSTRACT

Investments undertaken with an intention of generating measurable socio-environmental benefits to solve the global issues like poverty, unemployment, climate change along with giving financial benefit to the investors is the point of discussion in this study. Impact Investments try to fill the gap to achieve United Nations Sustainable Development Goals (SDGs) which solve the global issues and try to create sustainable development. This study has been undertaken during the global pandemic which brings in a significant influence and a shift on the individual investors' perception on social impact. The paper is approached in an empirical study, designed with primary data collected using sampling technique. With the findings on individuals' perception on social investments, it could provide the right perception towards social investments and can lend in making a healthy environment possible with the private capital solving the global issues.

Key Words: Impact Investment, Sustainable financing, Investors' Perception.

Introduction

Sustainability is the key driver for the human species to foster and it is witnessed at the present and is also going to be future for generations to live in this planet earth. Every responsible individual and organization are approaching this issue in different ways as per the field of expertise. Finance is no exception to this, and Green financing is the key for all the sustainable initiatives that brings in social impact through creating an impact in investment. Thus, Impact Investing has the ability to add capital and new ideas to targeted problems when applied to a particular social concept. The growing efforts to harmonize impact investing with the Sustainable Development Goals (SDGs), that all the governments, businesses and non-profits are committed from the beginning of 2016 serves as an example to this. The 2017 GIIN Annual Impact Investor Survey found that 60 per cent of identified investors are actively monitoring their investments' financial performance in line with the SDGs.

The SDGs are capable of shaping the financial sector to look through a different lens and evaluate the real value of investment and inspiring investors to think differently. To meet these goals there is a requirement of $2.5 trillion, the feasibility of which is with the coordinated efforts of Impact Investments. The question to be addressed is whether this Impact Investment is a strategy that relies on individuals' values and principles and how well they appreciate the opportunities before them among multitude of choices and an array of ways to make their desired investments.

In the current scenario this study would be appropriate as, modern investment which focuses more on contributing towards society. Individual commitment towards society is improving and organizations are taking up the impact investments as a part of their strategies. The impact of pandemic- COVID'19 has given a new hope to view the economy in a different perspective. There is an increase in the commitment of individuals, especially among the millennials to understand and improve the social and environmental benefits of their investments in alignment with personal and society goals. With this yearning this study seeks to understand the perception of individual investors towards impact investments.

Objective

As an investment tool, impact investment helps individual investors uncover new ways of investing for the benefit of the society. There is a need to understand the perception of the participants towards this field. Therefore, this study tries to understand the perception of individuals on the interdependence between investor expectation and social impact.

The field of Impact Investing is deep and is multidisciplinary, hence current study is explained taking into the perception of only individual investors in India.

Literature review

(a) <u>Meaning:</u> GIIN defines (a) "Investments made in for-profit enterprises where management and investors have a stated mission of serving and measuring impact on underprivileged communities or the environment (b) Investments made via equity instruments (excluding debt and infrastructure project financing)". D'SOUZA, (2020) states investments are considered as the starting point of any development. An investment which leads to sustainable development can be termed as sustainable requirement and Impact Investments try to achieve sustainable development with investments. India has around 2 million social firms and 75 impact investors. In India it is creating impact on rural and improving the rural efficiency, with the establishment of organizations such as Moksha yug Access, Khoshla impact, Unitus Equity Fund. Micro finance can be taken as the pioneer of Impact Investment which had an aim of providing capital to the micro entrepreneurs which would impact the life of many in the society.

(b) Scope: Global Impact Investment Network, (2019) report states that market of Impact Investments offers funds to meet the world's critical issues in different sectors. Bhatia, (2018) states, the impact economy is $23 trillion and the capitalism is increasingly focusing on impact. The scope can be discussed from the view point of Bottom of the Pyramid (BoP), an idea proposed by a management scholar CK Prahlad referring to the population who earn less than $2.5per day, as they are the best market for Impact Investments to solve the social issues. Bridgespan Group, (2018) states that, it is estimated by the UN that there is a need of $3.9 trillion a year to meet Sustainable Development Goals (SDGs). This article says that funds from philanthropy and government do not suffice to meet the needs, and there will be an extra requirement of $2.5 trillion a year to fill the gap and Private capital arise to solve social problems.

(c) Challenges: Godsall & Sanghvi, (2016) explain that the impact fund managers are facing difficulty in locating the companies that are ready to put the capital in work. US National Advisory Board (NAB) on Impact Investing (2014) states that for further growth in Impact Investments and increase the scope of value creation government has a huge role to play as a supporter.

Methodology

The study is exploratory in nature, engaging sampling techniques for primary data collection through questionnaire using google forms (virtual submission of forms) as a tool. A combination of convenient sampling and snowball sampling was used. The sample size finally fitted is 99 in numbers out the total circulated forms of 150 in number. Hypothesis was set for understanding endogenous and exogenous variables contributing to social impact and Individual investors perception under Quantitative research method, using MS Excel and SPSS.

To test the internal consistency and reliability of the questionnaire Cronbach's Alpha test was performed.

Table.No.1 Cronbach's Alpha Test Results **-Reliability Statistics**	
Cronbach's Alpha = 0.718	No. of Items = 43
Observation: Alpha value > 0.60	

Source: SPSS Output Editor

Data Analysis

(I) Demographic Profile: The age classification reveals that 19.2 per cent of the respondents belong to less than 25 years, 29.3 per cent belong to 25 years-35 years category, 35 years - 45 years age group reveals 25.3 per cent, 16.2 per cent belong to 45 years-55 years age group and the remaining of 10.1 per cent belong to age above 55 years. Out of the respondents 53.5 per cent are male and 46.5 per cent are female. The distribution of the education qualification is represented by 25.3 per cent done under graduations, 40.4 per cent with post-graduation, 25.3 per cent belong to professional category, and 9.1 per cent belong to others category. Occupation category shows
13.1 per cent under government service, 6.1 per cent work in public sector companies, 62.6 per cent in private sector, and 13.1 per cent work in other areas. Further, annual income of the respondent's states that 44.4 per cent income level are less than INR 5 lakhs, 32.3 per cent in the range of INR 5 lakhs - 10 lakhs, 17.2 per cent under INR 10 lakhs -15 lakhs, and 6.1 per cent are in the category more than INR 15 lakhs per annum.

(II) Investors' preference: Inference was subjected to hypothetical testing to test the independency of the ranking using Friedman's Test for ranking, done in sequence from 1 being the highest down to 9 being the lowest preferred avenue.

Table No.2 Friedman's Test for ranking			**Test Statistics**
Avenues of Investment	**Mean**	**Assigned Rank**	N = 99 Chi-Square = 174.159 p value = <.001
Green Bond	5.80	8	
Social Impact Bonds	**5.61**	**6**	
Social Impact Shares/Securities	**4.93**	**4**	
SME Impact Funds	**5.60**	**5**	
Fixed Deposits	3.27	1	
Mutual Funds	4.00	3	
Debt and Equity Capital	5.65	7	
Provident Fund	3.39	2	
Venture Capital	6.75	9	

Source: Source: SPSS Output Editor

The above ranks explain that individuals prefer less risky avenues as witnessed in earlier studies. On considering the position for social impact shares/ securities/impact bonds, it finds its place amongst other avenues signifying the awareness level and its inclination towards investors' preference. Further, literature also states that equity is the dominant instrument in the field of impact investment. (D'SOUZA, 2020). It can be concluded that the individual investors prefer less risky investments and if they invest in companies, they would prefer social impact securities over debt and equity and social impact bonds.

(III) Investors Influence: The current study also attempts to signifies that the investors are ready to contribute more towards social investments after the occurrence of Covid'19, to keep the economy sustainable. The mean statistics presented in Table.No.3, proves this point.

Table.No.3 Mean Statistics of Impact of Covid-19 on contribution towards Social Investments

Perception-Impact of Covid-19 on Investments				
N	Valid	99	Mean	3.64
	Missing	0	Std. Deviation	1.064

Source: Source: SPSS Output Editor

The respondents were asked to give their opinion on the basis of 5-point Likert scale, 5 being strongly agree. The mean value 3.64 explains that the investors' opinions on contributing more towards social investments after the occurrence of Covid-19, to keep the economy sustainable ranges from agree to strongly agree.

(IV) Investors Perception: To understand, if the current investment behaviour can influence the investment towards social investment, to know if there exists a relation between current annual savings/investment and contribution towards social investment chi-square test was performed.

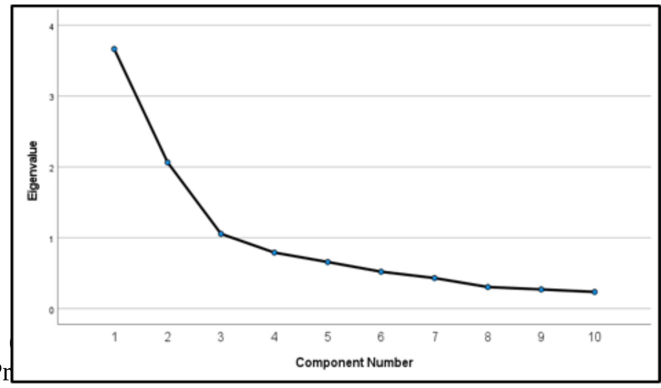
Table. No. 4 Current Annual Savings and contribution to Social Investment projects			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	23.773	9	.004
N of Valid Cases	99		

Source: SPSS Output Editor

Table.No.4, the p value tells that there is a significant association between the percent of current annual savings and percent of saving willing to be contributed towards social investments.

(V) Identified Influencers: Exploratory factor analysis was applied in order to group the iterate variables into compound factors. The test result reveals the Kaiser-Meyer-Olkin Measure of Sampling Adequacy as 0.744. The Eigen values against all the factors as shown in the graph below reduce the constructs to 3 significant components.

(VI) The three factors are named based on the variables grouped



Source: SPSS Output Editor

Preferences and beliefs: ... nt in the economy and for personal satisfaction(b) Pr... al good thus prefer to create impact first. (c) The recent pandemic (Covid-19) situation makes the individuals prefer more social investments. (d) Believe that the II act as capital to meet the world's critical challenges. (e) The more transparent the social investments the more the individuals invest in them (f) Look for easily accessible platforms to take up social investments.

Level of understanding: (a) The social investments require long holding periods (b) The social investments generate low returns. The individual investor's decision to take up social investment is influenced by his understanding towards impacted investments

Returns: (a) Financial returns are considered before taking up an investment (b) Social investment are taken to reduce tax liability.

SUGGESTION AND CONCLUSION

The current investment pattern reveals that most of the individuals take up risk free investments as their choice of investment. Around 2 per cent contribute towards social investments, and is because the respondents have varied perceptions towards social investments.

Inferential test indicates that the individuals' perception towards social investments are persuaded by the current annual savings in the form of portfolio preferred, amount of investment and holding period. The factors influencing are the preferences and beliefs, the Level of Understanding, and the returns expected from the social investments. This tells that these three factors change the perception of the individuals towards the interdependence between Individual investment perception towards social impact. The significant suggestions this study gives are:

1. Transparency of the Corporates in social investments projects, the impact created and the funds allocated to the individual investors.
2. Impact companies may work to show the financial returns generated from the social investments.
3. The government can initiate to help impact companies in setting up a conducive market infrastructure and capacity for facilitating impact investments.
4. The startups can take advantage of the proposals of budget 2021 regarding turnover and period of eligibility for claim of deduction on profits and involve in impact projects by attracting Individuals for an impact investment. With this understanding, the impact companies and the government are appealed with suggestions to improve the impact investment field and achieve the sustainability in the economy by making every individual investor contributing to save the planet. Some untapped areas from this study creates a gap for further exploration on the CSR policies, role of fintech, geographic constrains comparing emerging market economies, measuring the impact in real return terms and many, will help to make this planet earth safe and sustainable.

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