

REVOLUTIONIZING INVESTMENT PARADIGMS: INVESTORS PERCEPTIONS AND ATTITUDES TOWARD IMPACT INVESTING

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ABSTRACT

Impact investing, which aims to produce measurable social and environmental benefits in addition to financial returns, has emerged as a revolutionary approach to capital allocation. Impact investing is increasingly seen as a potential revolution in traditional investment paradigms as global issues like inequality, climate change, and sustainable development become more relevant. As environmental, social, and governance (ESG) aspects become more widely recognized, investors increasingly consider companies' sustainability into account when making investment decisions. This study explores the reception, awareness, and attitudes of investors toward impact investing, with a focus on understanding the factors that influence acceptance and adoption of this investment strategy. Based on secondary data this research analyzes how demographic factors, financial literacy, risk perception and value alignment shape investor behavior. To increase the acceptance of impact investing, investors should be educated about its potential for generating both financial and social advantages. Younger investors and socially conscious firms show higher levels of acceptance, due to long-term sustainability goals and ethical considerations. Wider adoption is still delayed by issues including low knowledge, worries about lesser returns, a lack of consistent impact measurement, and unclear regulations. By focusing on investor perception within an emerging market context, this research contributes to the growing body of literature on sustainable finance and behavioral finance. The findings provide valuable insights for policymakers, fund managers, and financial institutions aiming to promote impact investing as a mainstream.

Keyword: Investment Decision, Sustainable Investments, Environmental Awareness

1. INTRODUCTION

Impact investing refers to [investments](#) "made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return. This investment strategy can involve different asset classes, such as stocks, bonds, mutual funds, or microloans. The point of impact investing is to use money and investment capital for positive social results. The term impact investing was first coined in 2007 by the Rockefeller Foundation. The Rockefeller Foundation. "[Bringing Scale to the Impact Investing Industry](#)". Basic goal of impact investing is to help reduce the negative effects of business activity on the social or physical environment. It may sometimes be considered an extension of philanthropy. When adopting an impact investing strategy, investors first take into account a company's dedication to corporate social

responsibility (CSR), or the need to contribute positively to society at large

It has become a significant opportunity to raise money for investments that aim to achieve both financial returns and measurable good social, economic, or environmental effect. Impact investments are becoming more and more popular among investors. To show how their investments and impact are related, many are using the SDGs and other goals as a benchmark.

Over the past ten years, India's impact investment industry has made an important contribution to the nation's development narrative by enhancing service delivery in crucial social sectors including financial services, education, health, and agriculture, as well as effectively use technology to advance. A report by the International Innovation Corps (2020) suggests that impact investing in India has reached around 200 million people and

has unlocked private capital necessary for India's sustainable development goals. The report further claims that each dollar of impact funding has the potential to attract double the amount of commercial capital.

Investor perception plays a central role in shaping the growth and adoption of impact investing, as it directly affects investment decisions, capital allocation, and the broader development of sustainable finance. Recent trends highlight how evolving investor attitudes are influencing the field. Millennials and Gen Z investors continue to show strong interest in sustainable and impact-oriented investments, often ranking social and environmental purpose alongside financial performance in their investment choices.

1.1.Types of impact Investments;

Impact investments can be made using a variety of financing and investment structures. Like any other kind of investment class, they offer investors a variety of return options. Impact investments can be made using a variety of financing and investment structures. Like any other kind of investment class, they offer investors a variety of return options. The key consideration is that these investments fulfill the investor's conscience in addition to providing a financial return. The opportunity for impact investments varies and investors may choose to put their money into emerging markets or developed economies. Impact investments span several industries including:

- Healthcare
- Education
- Energy, especially clean and renewable energy
- Agriculture

2. LITERATURE REVIEW:

According to Ahmed (2023) [8], impact investing can be a significant driver for climate change solutions by prioritizing positive social and environmental impact while still seeking financial returns. In his study, Ahmed assessed the potential of impact investing in addressing climate change by reviewing academic literature and conducting a quantitative analysis of impact investors. The research findings suggest that impact investors have significant potential to

make investment decisions inclined towards climate change solutions, with the effects of geographic region and investor type found to be significant in influencing the climate change intensity of impact investors through their annual reports. Ahmed highlights the opportunity for impact to be measured in positive or negative alignment with climate change solutions, and suggests that as regulatory policies evolve to incorporate climate-related disclosures in finance, the effect of assets under management in this research could change.

According to Yaşar (2021) [6], impact investment is an emerging financial paradigm aimed at generating positive social and environmental impact alongside financial returns. This investment approach can help achieve the United Nations Sustainable Development Goals by directing financial resources from capital markets. Private investors, institutional investors, and NGOs are among the major actors in the impact investment market, with innovative financial structures developed along the risk-return spectrum. As businesses and investors face changing norms and demands for social and environmental transparency, impact investment is gaining traction as a means of creating long-term value and positive impact for society. The author highlights the need for further research and training programs to develop the impact investment field.

"Social Impact Investing: Behavioural and Attitudinal Study," 2021 was conducted by Centapse, which looked into social impact investing and proposed ways to involve consumers in the investment. The report found lack of awareness to be the major obstacle and suggested communication to be more focused on reducing the perceptions of barriers and making investors comfortable with impact investing. It recommends targeting interested investors and highlighting the alignment of investment goals with values. The report's conclusions were utilized in Greg's 2021 report, "Growing a Culture of Social Impact Investing in the UK."

Impact investing is differentiated from traditional financial investing as it seeks positive environmental and social impacts in addition to financial returns, yet on the other hand it is not considered philanthropy as it still seeks to generate financial returns (Weber, 2016). The practice of impact investing tends to be taken up

by private and institutional investors, whereas banking institutions are more involved in product and service Offerings Such As Savings Accounts And Loans (Weber, 2016).

3. THEORETICAL FRAMEWORK:

The current study is based on behavioral finance theory, which acknowledges that investing choices are impacted by psychological, social, and ethical factors in addition to a logical assessment of risk and return. Impact investing offers an appropriate framework for analyzing investors' attitudes and perceptions using behavioral theories because of its dual goals of financial return and social or environmental effect.

Theory of Planned Behaviour (TPB):

The primary theoretical foundation of this study is the Theory of Planned Behaviour (Ajzen, 1991). According to TPB, an individual's behaviour is driven by behavioural intention, which in turn is influenced by three key components: attitude towards the behaviour, subjective norms, and perceived behavioural control.

Attitude towards Impact Investing refers to investors' positive or negative evaluation of impact investments, shaped by their beliefs regarding financial returns, risk, and social or environmental outcomes. **Subjective Norms** represent the perceived social pressure from peers, financial advisors, institutions, and society to engage or not engage in impact investing. **Perceived Behavioural Control** reflects investors' perception of their ability to invest in impact assets, influenced by factors such as access to information, investment knowledge, availability of impact investment products, and regulatory support

ESG and Stakeholder Theory Perspective:

The framework is further supported by Stakeholder Theory, which emphasizes that investors increasingly consider the interests of multiple stakeholders beyond shareholders. Impact investing aligns with this perspective by integrating Environmental, Social, and Governance (ESG) considerations into investment decisions. ESG performance signals ethical responsibility and long-term sustainability, positively influencing investors' perception and attitude.

Conceptual Relationship:

Based on these theories, the study proposes that: Investor awareness and knowledge influence perception of impact investing. Perception significantly affects investors' attitude. Attitude, along with perceived behavioural control and subjective norms, shapes investors' intention to invest in impact assets.

4. RESEARCH OBJECTIVES:

- To explain investors perception towards impact investing.
- To identify factors influencing perception and attitude towards impact investing.
- To describe the investors level of awareness towards impact investing and their perception towards its potential benefits and risks.
- To study how much investors take environmental, social, and governance (ESG) considerations into account when making investment decisions in connection with impact investing.

5. RESEARCH METHODOLOGY:-

The study uses a descriptive research design with the objective of systematically describing investor attitudes and perceptions regarding impact investing.

Sources of Data

The study is based entirely on secondary data collected from the following sources:

- Peer-reviewed national and international journals
- Published research articles and working papers
- Reports from Global Impact Investing Network (GIIN)
- ESG and sustainable finance reports
- Government and financial institution publications

Period of Study

The study reviews literature and reports published during the recent years to capture Modern trends in impact investing and evolving investor attitudes.

Sampling Technique (for Secondary Data)

A purposive sampling technique was adopted to select relevant studies and reports. Only sources that explicitly addressed investor perception, attitude, behaviour, or trends in impact investing were included.

6. ANALYSIS AND INTERPRETATION OF DATA:

Study analysed investors have a generally favorable opinion of impact investing due to growing awareness of social, environmental, and governance (ESG) issues as well as the desire to provide long-term value in addition to financial gains. However, this favorable impression is mitigated by perceived financial risk, poor conceptual clarity, and worries about effect assessment and return performance. Because attitude, subjective norms, and perceived behavioral control have a major impact on investing intention, The Theory of Planned Behavior provides an effective explanation for investor behavior. Improved investor education, uniform impact measurements, and increased transparency can boost trust and encourage impact investing's broader adoption.

Attitudes on impact investing are influenced by various factors.

Attitudes toward impact investing were significantly predicted by age, income and social responsibility ideals. In particular, investors with greater social responsibility ideals, higher incomes, and younger ages tended to see impact investment positively.

The study examined how investors level of awareness towards impact investing affected their investments. Awareness is influenced by access to research reports, financial advisors, and educational campaigns. Impact investing products (green bonds, ESG mutual funds, social impact bonds) generally become more familiar to institutional investors. Impact investing concepts, measuring standards, and reporting methods are frequently poorly understood by retail investors. Because of this institutional investors focus more on governance quality, impact metrics, where as retail investors prioritize simplicity and expected to be safe. And if impact investments have positive return related to financial and social impact, investors show their intention to invest. Where as negative risk perception, lower returns change their intention to invest.

Investors are increasingly considering Environmental, Social, and Governance (ESG) factors in addition to financial rewards when assessing investment opportunities, particularly when it comes to impact investing. Carbon emissions, resource efficiency, and the effects of climate change are examples of environmental factors. While governance considerations concentrate on openness, moral leadership, and board accountability, social factors include labor practices, community development, and social responsibility. Investor groups differ in how much they incorporate ESG factors. Due to regulatory requirements and data availability, institutional investors typically systematically include ESG criteria, while retail investors frequently depend more on ethical choices and broad opinions than on in-depth ESG analysis.

7. SUGGESTIONS:

- Investors should be educated about impact investing and ESG through awareness programs, workshops, and online platforms. Better knowledge helps investors develop a positive attitude towards impact investing.
- Many investors believe that impact investing gives lower returns. Proper communication about risk and return can remove this misunderstanding and improve investor confidence.
- Government policies such as tax benefits and regulatory support can encourage more investors to choose impact investing.

8. CONCLUSION:

According to the study's outcome, investors' attitudes and perceptions of impact investing are gradually improving. When making investment decisions, investors are now considering social, environmental, and governance (ESG) considerations in addition to financial rewards. The results show that investors' opinions are significantly influenced by their understanding and awareness of impact investing. Investors are more likely to purchase impact-oriented items when they are well informed and have access to clear information. However, lack of clear information and perceived risk still act as major barriers to wider adoption. The study shows how investors' beliefs, social influence, and their perceived ease of investing all influence their intention to invest in impact investing by using the

Theory of Planned Behavior. Investor confidence can be further enhanced by support from financial advisors, government programs, and the media. Overall, the analysis indicates that impact investing has significant development potential and can become a popular investment option among investors with greater awareness, transparency, Policy making and education.

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