

**A STUDY ON INVESTOR'S PERCEPTION AND AWARENESS
TOWARDS IMPACT INVESTING WITH SPECIAL REFERENCE TO
INVESTORS IN THE STATE OF TAMIL NADU**



ABSTRACT

Impact Investing is gaining a lot of popularity in recent times. This paper seeks to understand the various aspects that affect an investor's decision for making an Impact Investment and the level of awareness about impact investing among investors. The Data collected were tabulated and tested with the use of various statistical tools like simple percentage analysis and Hypothesis testing with Chi-Square technique. Investing with an impact can do good to the society, so investors are interested to bring about positive changes while earning substantial profit.

Keywords : *Investor perception - Impact Investment - Awareness - Social and Environmental Benefit.*

Introduction

Impact Investors search for possibilities that will benefit their investments both in social and financial spheres. Currently there is lack of data for Investors who want to learn more about the idea of Impact Investing. Based on information gathered from 120 respondents who are investors in and around the state of Tamil Nadu, the study was carried out. This study is purely undertaken to understand the scope for Impact Investing among various investors and to identify whether they have enough knowledge about the same. Impact Investing is gaining a lot of popularity after the impact of Covid19 as people have developed their social responsibility by being more environmentally friendly and by raising awareness about various social crisis. Investors as a part of their contribution are beginning to invest in those organisations who utilise such funds for either a good social cause or an environment friendly activity while earning a decent sum of return out of such investments. Impact Investing is slowly finding its place in India. Many of the investors in this study have knowledge about Impact Investing to an extent and they are also ready to make such Impact Investments even if it yields a lower return when compared to other types of investments; as it satisfies their goal to create a good social or environmental Impact while earning profit.

Significance of the Study

This study brings in to light the new trend in investing (i.e.,) investing with social or environmental consciousness along with earning profit. The impact of

Covid 19 has increased human values, people have started being helpful to one another and they are raising voices against various social and environmental crisis. This study analyses the interest of such investors who are willing to bring a positive change in the society by investing in those organisations who work for a good social or environmental cause while earning a decent return.

Statement of the Problem

Very few investors are aware of the concept of Impact Investing and those who are interested in making such Impact Investments have very few organisations to invest in. And the organisations that offer Impact Investing work towards eradicating a social or environmental issue and their activities are based on the funds they receive. Hence, their motive is profit oriented. Therefore, the return on such Impact Investments will be slightly lower when compared to other types of investments.

Literary Review

The investments of 28 Community Development Venture Capital Firms (CDVCs) were analysed by Kovner

Mrs. B.SUMAIYA SHERIN

Ph.D (Part-time) Research Scholar, PG & Research Department of Commerce, Jamal Mohamed College (Autonomous), Affiliated to Bharathidasan University, Tiruchirappalli, Tamilnadu, India.

Dr. K.VIJAYAKUMAR

Assistant Professor and Research Supervisor, PG & Research Department of Commerce, Jamal Mohamed College (Autonomous), Affiliated to Bharathidasan University, Tiruchirappalli, Tamilnadu, India.

and Lerner in 2015. It proved that the CDVCs invest in sectors where venture capital activity has recently performed worse than the traditional venture capital firm’s portfolio companies.

Geczy et al. in 2020 analysed 214 contracts of General Partners (“GPs”) with Limited Partners (“LPs”) to evaluate how such contracts contribute to impact the goal in a study based on a sample of 53 Impact funds. It was concluded that impact-related contract modifications allowed impact investors to focus more on the dual objective of financial gain and social good.

Objectives

- ❖ To know the level of awareness about Impact Investing among investors.
- ❖ To know the factors that influence an Investor to make Impact Investment.
- ❖ To know the Investment traits and demographic profile of the Investors.
- ❖ To suggest measures to promote Impact Investing.

Research Methodology Used

Both primary and secondary data was used for this study. The primary data was obtained from various investors in the state of Tamil Nadu with a help of a questionnaire. The sample size is 120. The various sources of secondary data were Research articles, Journals and Books. The data were collected based on Representative Sampling Technique. The data analysis for the study is done with the help of Simple Percentage Analysis and Chi-Square Test.

Hypotheses

The study will be based upon the following hypotheses. The hypotheses were developed in pertinence to the objectives of the study.

- ❖ Null Hypothesis (Ho): The annual income of investors and their interest in making an impact investment are not significantly correlated.
- ❖ Alternative Hypothesis (H1): The annual income of the investor and their interest in making an impact investment are significantly correlated.

Limitations

The following are the various limitations for the study.

- ❖ This study concentrates only on a few Investors in Tamil Nadu.
- ❖ The sample data is limited to 120 respondents only.
- ❖ Despite the expansion of Impact Investments, it remained difficult to acquire data on their varied qualities.

Statistical Techniques

Chi-Square test and Simple Percentage Analysis were the tools utilised for the analysis of the data collected. The variables taken for the chi square are the Actual Interest of Investors towards Impact Investments and the Income of Investors. Simple Percentage analysis was used to analyse the demographic profile and Pie charts were drawn to know the General Opinion of Impact Investments and overall Interest of Investors towards Impact Investing.

Description of Respondent’s Demographics

**Table 1
Statistical Profile**

Particulars	Age of respondents	No. of Respondents	Percentage of Respondents
	20-30	24	20
	30-40	60	50
	40-50	22	18
	Above 50	14	12
	Total	120	100
Gender			
	Male	82	68
	Female	38	32
	Transgender	0	0
	Total	120	100
Educational Qualification			
	Qualified Schooling	2	2
	Graduate	10	8
	Post Graduate	56	47
	Professional Qualification	42	35
	Others	10	8
	Total	120	100
Annual Income			
	Less than 1 lakh	20	17
	1 -2 lakhs	24	20
	2 - 3 lakhs	20	17
	Above 3 lakhs	56	46
	Total	120	100

Source: Primary

Findings of Demographic Profile

Based on the study, the following findings have been identified

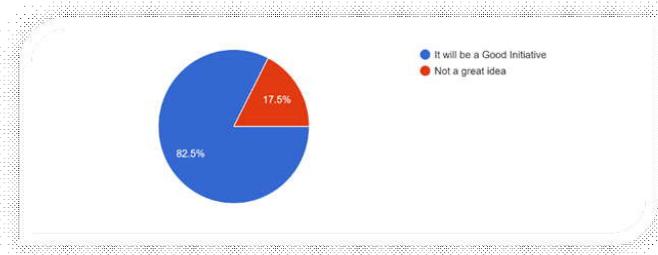
- ❖ 50% of the respondents are aged between 30 – 40 years of age and majority of the respondents are male. 68% of the data collected are obtained from male respondents.
- ❖ 46% of respondents earn an annual income of above 3 Lakhs and 17% of the respondents earn an income below 1 Lakh.

Percentage Analysis

With the data collected a pie chart was drawn to understand and make clear the percentage analysis.

Chart 1

General Opinion about Impact Investments

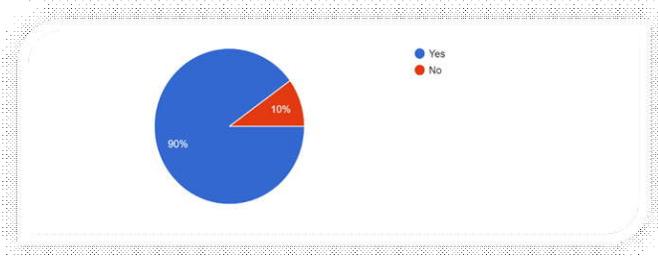


Findings:

- ❖ When asked about the general opinion about Impact Investments, 82.5% of the investors (i.e.,) around 99 people felt that it will be a good initiative to bring positive changes in the society.
- ❖ 17.5% of the investors, around 21 people felt that Impact Investments is not a great idea to bring a positive environmental and social change.

Chart 2

Interest towards learning more about Impact Investments



Findings:

- ❖ Among the respondents 90% of the Investors are interested in learning more about Impact Investments, as they have more social and environmental benefits.

Chi-Square Test

**Table 2
Chi Square Calculation**

Chi – Square $\chi^2 = \sum (O_i - E_i)^2 / E_i$			
Interested in Impact Investments / Annual Income	Yes	No	Grand Total
1 – 2 Lakhs	3.2	6.4	9.6
2 – 3 Lakhs	0.757576	1.515152	2.27272727
Less than 1 Lakh	0.333333	0.666667	1
More than 3 Lakhs	2.613333	5.226667	7.84
Grand Total	6.904242	13.80848	20.7127273

**Table 3
Critical Value of Chi Square**

Degrees of Freedom	$(r-1)(c-1) = (4-1)(2-1)$	3
Critical Value	Significance level (0.05)	7.8147279

Findings of Chi-Square Test

The calculated value of 20.71272 is more than the value of 7.8147279 in the table. As a result, the Alternative Hypothesis is accepted and the Null Hypothesis is rejected. Therefore, there is a considerable correlation between investor’s income and interest in making an impact investment. The investor’s behaviour towards making Impact Investments is clearly based on the income they earn.

Suggestions

- ❖ The investors have very little knowledge about Impact Investing. The organisations which offer Impact Investing should make promotions about offering such Investments through advertisements in various social medias and make Campaigns.
- ❖ Awareness about Impact Investing should be provided to everyone. It will be better if the concept

of Impact Investing is provided to the younger generation in particular as they are more social and environmental conscious and the future of investments lies in their hands. Conferences and webinars should be organised to enlighten them about such investments.

Conclusion

The various environmental crisis in the world has reached a point where there is no recovery. Social Crisis are increasing at an alarming extend. Humans have to act fast to protect what is remaining of the environment and to eradicate various social crisis and Impact Investing will have a huge contribution in achieving it. As Impact Investments will provide major financial support to carry out such good initiatives. The world needs a change and Impact Investors have the possibility to bring about such positive changes. Based on the study Impact Investing is gaining popularity among local investors and many are actually interested in bringing about such positive changes through Impact Investments.

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