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A STUDY ON INVESTMENT BANKS IN DEVELOPING SOCIAL ENTERPRISES: WITH SPECIAL REFERENCE TO IMPACT FINANCING

Mr. Mahesh K. M.

Research Scholar at Dravidian University, Kuppam
Principal, Sri Bhagawan Mahaveer Jain Evening College Bangalore.

ABSTRACT

The term 'Impact Finance' is an investment made in companies, organizations, and funds with the intention to generate a measurable beneficial social or a financial return. Impact finance is successful in creating both a financial and a social return. Impact finance provides funds to Social startups. Social entrepreneurship creates "Something out of nothing". Social entrepreneurship acts as a role of change agents of social sectors. Social entrepreneurs drive social innovation and transformation in various field including education health, environment, and enterprise development. The financial crisis in the United States spread around the world over including BRIC Countries given scope for "Innovation and Introducing" impact financing by Investment Bank. The European Investment Bank (EIB) developed innovative financing Instrument like impact Financing. Africa, the Caribbean, and Pacific regions (ACP) formally signed for impact finance facility. INCA International, a Washington D.C impact finance global provider through microfinance institutions and Bank. In India, Indus land Bank set up Impact financing Unit.



KEY WORDS: *Impact Financing, Social Entrepreneurship, Financial crisis, Investment Banks.*

INTRODUCTION:

**If you don't invest in risk management, it doesn't matter what business
You are in, it is risky business.**

-Gary Cohn, Chief Economic Advisor to President Donald Trump

Impact Financing is new vertical and Sustainable banking business in India. Impact financing has high risk and returns, because of a lot of profitable companies that are doing good but not able to raise funds. To provide fund some of the investment banks have set up separate impact investment funds to provide finance to social enterprises in the sectors such as healthcare, low housing development, education, alternative energy, sustainable agriculture, alternative Transport, Eco-Tourism, Recycling etc., People working in this area are small.

Former UN Secretary General Ban Ki-Moon speech to the General Assembly(CNBC WED 8 NOVEMBER 2017) Positive Impact Finance offers us the tools to make the world a better place. 'The truth is that positive impact finance is still not well know'. In India Indusland Bank to set up impact financing unit

says the Roopa Satish, country head for corporate, institutions and investment banking at Indusland Bank. A Billion to Gain report displayed the strength of the combination of these two directions which will create jobs, save time and make financial services more affordable. These developments have made ING change their focus and thus increasing social impact. Therefore ING Microfinance has been renamed to ING Impact Finance.

Impact investing 'don't do bad' to 'do good' to make a positive difference in the world. Positive impact finance is different to impact investing. Impact investing is for non-profit investors and is focused on equity rather than debt. Impact finance is for enterprises and investors with profitability constraints, it aims to nudge for-profit investing to words doing good.

Impact finance is more constructive and humanistic role of finance in countries. Impact finance provides debt to SME'S that conscious strive to deliver developmental outcomes to address social and environmental needs.

Indusland Bank the impact financing unit will lend Rs 2-15 crore to small and medium enterprises in healthcare, education, clean energy, affordable housing sectors, rural areas and agriculture.

"If we can change the culture in finance, We can change the world"

By Jeremy K.Balkin

The financial crisis of 2008 in the United States, spread around the world over including BRIC countries given has to force for change in the roadmap for investment and scope for impact financing. It can generate rich opportunities to fund projects that fuel Economic growth and Improve people's lives.

McKinsey & Co. says impact investing in India has the potential to grow from \$1 billion worth of investments in 2015 to \$6-8 billion by 2025.

"India is one of the world's biggest markets for impact investing, given the nation's many pressing social needs and an abundance of global capital.

According to McKinsey, the Indian impact investment space has seen \$4.1 billion worth of cumulative investments in the past six years. The pace of investment is growing at 15% annually, it said.

"At least 60-80 million lives were touched last year across socially relevant sectors such as financial inclusion, agriculture, healthcare, and education,"

(www.livemint.com > Companies > Management) Nov 17, 2016 - McKinsey & Co.

Jan 1, 2015, published by European Investment Bank "Make a difference in people's lives" Interview with European Investment Bank about Impact Financing. EIB support sound and Sustainable infrastructure and private sector investment projects across Europe and around the world. By funding USD500 million each institution like hundred old hospitals, wind farms, improving education and sustainable transport.

Social enterprises can earn a profit by investing Social beneficial products like

- 1.Green energy
- 2.Organic food
- 3.Affordable healthcare

Social enterprise has now great opportunities to get funds through impact finance. Social entrepreneurs as individuals are the change agents. 'Social Entrepreneurship' is proposed to create a balance between community interest and business interest. Impact finance will improve the financial conditions for Social startups. Social entrepreneurship creates 'Something out of nothing'. Mohammad Yunus, the recipient of the 2006 Nobel Peace Prize, has created social entrepreneurship in Bangladesh and another Bangladesh Munir Hasan enhancing the value of Mathematics in Bangladesh and bringing youth to in International Mathematical Olympiads. Steve Bigari USA empowering disadvantaged citizens to successfully pursue their professional career in McDonald's. Social entrepreneurship acts as a role of change agents of

social sectors through continuous innovation, social value, learning ethical values, brings new pattern across all of society.

Africa requires an investment of \$ 1,00,000 to build new health clinics and expects earn \$5000 a year.

“ALL HUMANS ARE BORN ENTREPRENEURS”
“ENTREPRENEURS ARE
INNOVATIVE, HIGHLY-MOTIVATED,
AND CRITICAL THINKERS.WHEN
THESE ATTRIBUTES ARE
COMBINED WITH A DRIVE TO
SOLVE SOCIAL PROBLEMS, A SOCIAL ENTREPRENEUR IS BORN”

- Muhammad Yunus, Nobel peace Recpent

SOCIAL ENTREPRENEURS

In Karnataka Mr.Madhu Chandan Chikkadeviah, an IT professional working in IT firm in the USA, left IT profession come back to India and started Organic Mandya and Agri Tourism is first of its kind initiative to grow organic food Agri Tourism.

In North Karanatak NGO's by We, Care Society has taken initiative for Water and Sanitation, Housing and Infrastructure, Public health and Education, Public Finance, Women and Child welfare and sustainable agriculture. If this organization gets Impact finance they provide a better facility society and helps in job creation.

Garvita Gulhati Co-founder, Why Waste?

The campaign to conserve natural resources.

Harish Hande, Co-founder of SELCO

Dedicated to providing sustainable energy services to the poor in rural Karnataka.

Hanumappa Sudarshan, Founder –Vivekananda Girijana Kalyana Kendra integrated development of tribals and dedicated towards the cause of rural development in the states of Karnataka and Arunachal Pradesh.

Aparajita Ray helps distressed farmers, she shares her story in two days meet organized by Confederation of Indian Industries(CII).

Harsh Songra, Co-founder, My child.

He helps parents track the child's mental and physical development.

Siddharth Pandiya, Founder –Debate for Change, supported by Google.

He discusses varied topics with students across the world.

The Government Funding for Social and Small Business

The Pradhan Mantri MUDRA YOJANA the Funding for Social and Small Business through Standup and for Startup entrepreneurs in India implement through The Micro units Development and Refinance Agency Ltd. The loan amount is limited to 10lakh it is one of the government initiated to encourage the entrepreneurs.

Table-1 LIST OF IMPACT INVESTORS IN INDIA

SL NO	IMPACT INVESTORS
1	UNITUS IMPACT
2	AAVISHKAAR
3	MICHAEL AND SUSAN-DELL FOUNDATION
4	VILLGRO
5	ASPADA ADVISORS
6	ACCION
7	KHOSLA IMPACT FUND
8	ACUMEN-DEDICATED FUND

(Source: e-27.co/10Impact investors)& (YOUR STORY.COM)

Table-2: PERCENTAGE OF DISTRIBUTION -SOCIAL ENTERPRISES BY SECTOR WISE

SL NO	SOCIAL ENTERPRISES BY SECTOR	%
1	AGRIBUSINESS	15
2	LIVE HOOD	15
3	CLEAN ENERGY	15
4	HEALTH CARE	11
5	EDUCATION	09
6	<u>WATER & SANITATION</u>	08
7	OTHER(AFFORDABLE HOUDING& TECHNOLOGY)	06

Sources: (India Forbes –published January 16.2017)

Table-3: LIST OF TOP SEVEN STATES BY NUMBER OF SOCIAL ENTERPRISES PERCENTAGE WISE

SL NO	STATES	%
1	MAHARASHTRA	151
2	KARNATAKA	136
3	TAMIL NADU	107
4	TELAGANA AND ANDHRA PRADESH	100
5	UTTAR PRADESH	87
6	GUJARAT	82
7	RAJASTHAN	81

Sources: (India Forbes –published January 16.2017)

India ranks 102 among 135 Nations on the Social Progress Index, highlighting the huge funding gap that threatens to slow down the development of Social Infrastructure.

By: Rana Kapoor, MD&CEO YES BANK

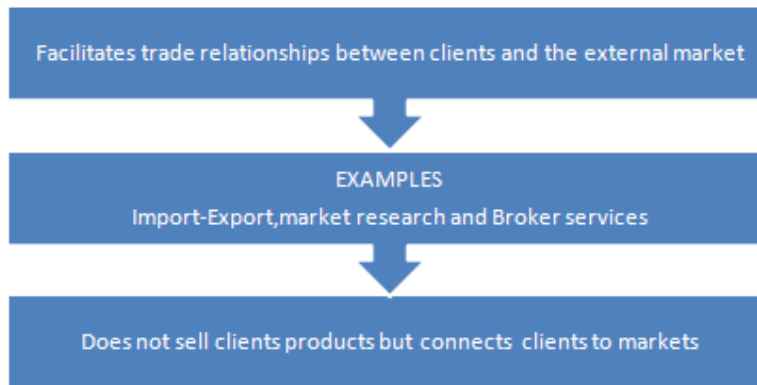
ADVANTAGES OF IMPACT FINANCING

1. It accelerates Economic growth
2. It helps small business
3. It improves health and welfare
4. In sustainability
5. Unlocking the new Investment
6. It helps in R&D
7. In Job creation
8. Better loan repayment rates.

9. Tax Benefit

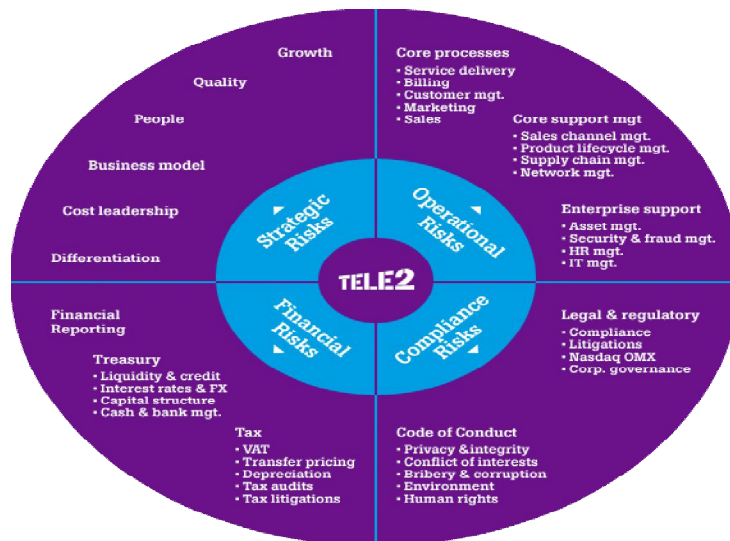
IMPACT MONITORING SERVICE WILL PROVIDE IMPACT FINANCE TO SOCIAL ENTREPRENEUR CONSIDERING THE FOLLOWING FACTORS

1. Market linkages



(Sources: Images.search.yahoo.com)

2. Risk assignment



3.Social Impact Assessment



(Sources: Wikipedia)

OBJECTIVES

1. To Understand an Overview of Impact Financing.
2. To Analyze impact financing to Social Enterprises.
3. To study the riskier ventures with reference to Impact Financing.

METHODOLOGY OF STUDY

This study is based on previous journals, articles, research papers and reports available at official websites.

LIMITATIONS OF THE STUDY

- Time constraints while collecting the secondary data for the study.
- All the data for the study cannot be generalized.
- Concept New, less information available .

The former UN secretary General Ban Ki-moon points out that "impact finance offers us the tools to make the world a better place but still positiveness of impact finance is still not known."

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