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IMPACT INVESTING: CHARACTERISTICS AND GLOBAL DEVELOPMENT TRENDS

The content and complexity of the rules for ensuring social responsibility in the field of impact investing, which are aimed at generating positive social and environmental effects, are detailed. Based on the global experience of the development of impact investing, the main challenges and barriers to its implementation in Ukraine are outlined. Factors that contribute to the successful scaling of impact investments are analyzed, including financial mechanisms, legal framework, and institutional support. The essence and content of the processes of ensuring social responsibility of impact investors are revealed and detailed, the importance of transparency, measurability of results and compliance with ESG standards (environmental, social and management criteria) is emphasized. Approaches to developing strategies and mechanisms to overcome challenges related to monitoring and reporting are considered.

Keywords: *impact investing, environmental, social and governance factors, investment decisions, sustainable development indicators.*

Statement of the problem. In the context of contemporary challenges, such as the full-scale invasion of Ukraine by Russia, the development of Ukraine’s recovery plan, climate change, growing social inequality, depletion of natural resources and the need to ensure access to quality education and healthcare for all segments of the population, the issue of impact investing as a new financial approach aimed at combining financial efficiency with the achievement of social and environmental goals is becoming increasingly relevant. This type of investment, which integrates financial efficiency with positive social and environmental impact, is evolving under the influence of several factors: growing investor demand, government interest in promoting sustainable development and technological innovations that improve the measurability of results.

Analysis of recent research and publications. The development of impact investing has been addressed in the works of many domestic and international scientists, including Lomachynska I.A., Marukhlenko O.V., Skorobagatova N.Ye., Tyshchenko V.V., Tulchynska S.O., Bugg-Levine A., Bagnett C., Jackson E., Narij K., Snyder A., Flynn J., nd others [1-9]. Acknowledging the theoretical and practical value of previous academic achievements in this area, we deem it appropriate to recognize that, in the face of global economic challenges and the constant evolution of the regulatory environment, there is a requirement for innovative approaches to implementing and scaling impact investing. In particular, greater attention must be paid to develop clear criteria for measuring social impact, adapting international standards to national realities and fostering partnerships between the public, private and civil society sectors. It is also crucial to consider the multifaceted nature of impact investing, which requires a systematic approach to risk management and process transparency. This creates new opportunities for attracting capital, facilitates the implementation of socially significant projects and contributes to achieving the UN Sustainable Development Goals. Therefore, further research and development in this area should focus on integrating impact investing into the overall economic development strategy, which will create a favorable environment for their growth and expansion of influence.

Objectives of the article is to examine trends in the development of impact investing, analyze challenges and opportunities for investors and review regulatory initiatives and new financial instruments that support the growth of this field.

Summary of the main research material. According to the 2024 research by Pictet, the global impact investment market, as a new financial approach aimed at combining financial efficiency with achieving social and environmental goals, has achieved significant progress, showing a strong trend towards integration with traditional financial markets. This trend is confirmed by the following indicators:

– Growth in investment volumes: Over the past five years, the volume of impact investments has grown by 15% annually, reaching USD 1.5 trillion in 2024;

– Expansion of instruments: The number of financial products combining traditional investments with impact goals increased by 20% compared to the previous year;

– Attraction of institutional investors: The share of pension funds and insurance companies in impact investments increased from 10% in 2020 to 25% in 2024;

– High financial efficiency: The average annual return on impact investments stood at 8%, which is competitive compared to traditional investments;

– Increased transparency: 85% of impact investors have implemented standardized methods for assessing social and environmental impact, fostering trust and attracting new market participants [10].

The initial attempts to integrate environmental and social values into corporate business models emerged in response to global crises, such as the oil crises of the 1970s and the growing awareness of environmental catastrophes. The rise of movements like "ethical investing" in the USA and Europe marked the first step toward the formation of modern impact investing. However, such approaches remained limited to a narrow circle of investors [11].

In the 2000s, global economies faced new challenges, including climate change and the global financial crisis. These events underscored that the traditional financial system cannot remain isolated from global environmental and social changes. Consequently, new financial models emerged, among which the concept of impact investing proved to be the most promising.

The integration of environmental, social and governance (ESG) factors into investment decision-making has become a key step toward the development of impact investing. Initially, ESG factors were viewed as tools for risk minimization and enhancing the long-term stability of investment projects. However, today they have become a central element of many investment strategies. In 2024, BlackRock reported that ESG-aligned investments demonstrated better performance compared to traditional investments, as companies that consider environmental and social risks are less vulnerable to market shocks and exhibit more stable long-term development strategies [12].

ESG investments are particularly significant in sectors such as energy, industry, and healthcare, where environmental risks and societal impact play a crucial role in shaping business strategies. In practice, ESG factors often serve as indicators of corporate sustainability, enabling investors to make more informed decisions by considering not only financial metrics but also companies' societal and environmental impacts.

At the same time, it is important to distinguish between the terms "responsible investments" and "impact investments." Although these terms are often used interchangeably, there is a fundamental difference between them. Responsible investments typically focus on minimizing negative societal and environmental impacts, while impact investments aim to achieve specific, measurable outcomes. Responsible investments emphasize the exclusion of companies that harm society or the environment from investment portfolios. For example, investors may exclude companies producing tobacco products or weapons. In contrast, impact investments actively create positive effects by investing in areas such as renewable energy, social entrepreneurship and healthcare. Thus, responsible investments represent a passive strategy focusing on avoiding negative impacts, whereas impact investing is an active strategy aimed at achieving concrete social and environmental goals.

Based on the conducted analysis, one of the main trends in impact investing in 2024 is the active geographical expansion into developing markets:

– Africa: Investments in infrastructure and social services. Africa remains one of the most attractive regions for impact investors, as it faces numerous challenges related to a lack of infrastructure, access to healthcare and education and significant environmental issues. According to the World Bank [13], Africa's population will exceed 2 billion by 2050. It will create enormous demand for social services and infrastructure projects. Impact investors in the region focus on projects aimed at developing infrastructure, access to clean water, electricity and medical services. LeapFrog Investments, a leader in African impact investing, invests in financial services and healthcare enterprises that improve access to basic social services for low-income populations [14]. For example, the fund supports companies providing affordable health insurance and financial services to rural residents;

– Asia: Environmental innovations and renewable energy development. Asia, particularly India and China, faces serious environmental challenges, such as air and water pollution and biodiversity loss. Consequently, impact investments in the region focus on developing clean technologies and renewable energy. According to Capgemini, India is a leader among developing countries in attracting impact investments to finance solar and wind energy projects. Funds focused on Asia actively invest in startups and companies implementing technological solutions to reduce the environmental footprint, particularly in the transport and energy sectors [15]. For instance, in China, impact investors support the development of electric mobility, contributing to CO_2 emissions reduction and combating climate change;

– Latin America: Sustainable agriculture and biodiversity conservation. Latin America is one of the regions most affected by environmental problems, such as deforestation, land degradation and biodiversity loss. Impact investors actively support projects aimed at ecosystem conservation and the development of sustainable agriculture. An example is the EcoEnterprises Fund, which invests in enterprises engaged in sustainable natural resource management and biodiversity preservation [16]. The region also faces serious social challenges, such as inequality and poverty, increasing requirements for impact investments in education, healthcare and social infrastructure development.

According to the authors, Africa, Asia and Latin America have become key regions for attracting impact capital, as they hold significant potential for positive social and environmental change.

Another trend in this field's development is the growth of impact investments in the venture capital sector. In 2024, there is a notable increase in the number of venture funds specializing in supporting startups and social enterprises aimed at addressing global social and environmental problems. This sector attracts investors seeking to support innovations in areas such as healthcare, education, renewable energy technologies and environmental innovations. In particular, venture funds actively invest in startups developing technologies to tackle climate change, reduce waste and conserve natural resources. Examples include companies developing new methods for plastic recycling or renewable materials to replace traditional fossil-based sources [17].

The authors also consider it appropriate to focus on the challenges for investors in the field of impact investing (Table 1) and the share of "impact" capital raised by region and impact category, aggregated by impact categories (Figure 1).

Table 1 – Challenges and Issues for Investors in the Field of Impact Investing

№	Challenege	Description
1	Lack of Unified Standards	Different approaches to performance evaluation and reporting make it difficult to compare projects.
2	Political and Regulatory Risks	Changes in the political environment can affect the investment climate and market stability.
3	Difficulty in Monitoring Results	Challenges in measuring the social and environmental impact of investments and reporting outcomes.
4	Limited Access to Information	Insufficient transparency in companies' reporting on their social and environmental performance.
5	High Initial Costs	Investments in new technologies and infrastructure can be costly.

Source: Summarized and systematized in tabular form by the authors based on [12; 13; 15; 17; 19]

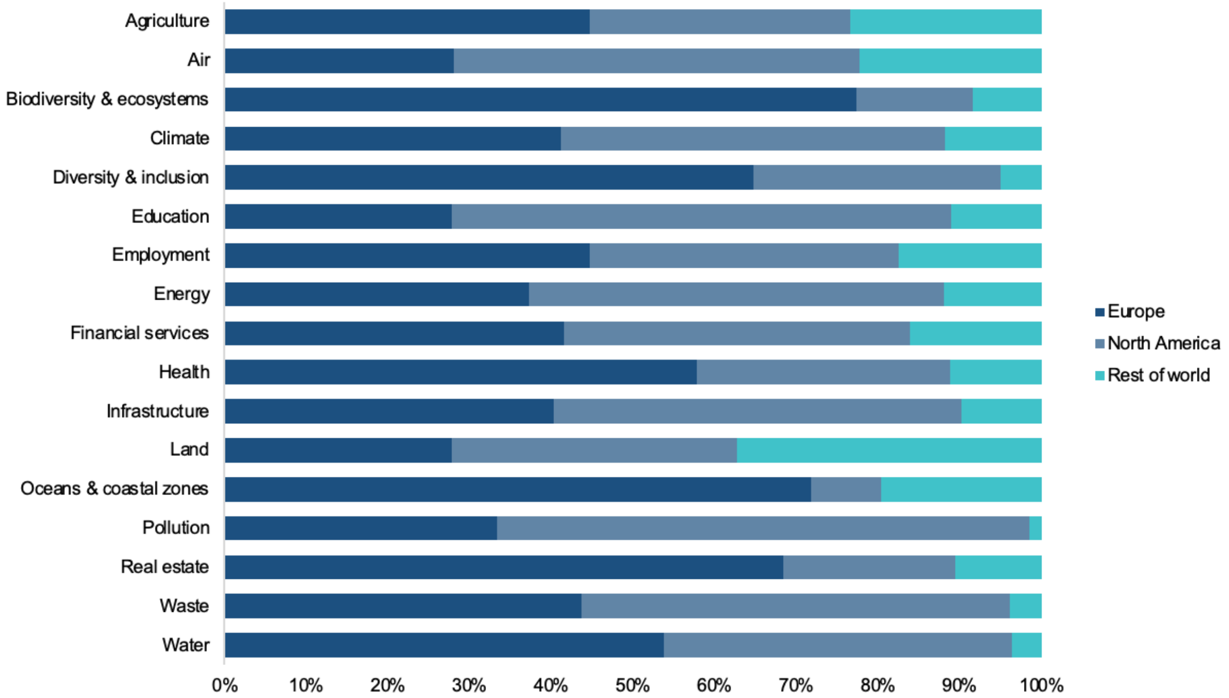

Figure 1 – Share of Allocated "Impact" Capital by Regions and Impact Categories, Aggregated by Impact Categories, 2024

Source: Summarized and systematized in tabular form by the authors based on [17]

In this regard, the authors of the study support the proposals of experts [18] regarding the advisability of using information technologies to measure the impact of impact investments. The application of cutting-edge Industry 5.0 technologies, such as blockchain, artificial intelligence (AI) and big data analytics, is becoming essential tools to ensure transparency and measurability of impact investment outcomes. The use of information technologies allows investors to more accurately assess the impact of their investments on indicators such as greenhouse gas emission reductions, improved education levels and enhanced healthcare services:

– Use of blockchain technologies. Blockchain creates a transparent reporting system that enables precise tracking of investment impact. This technology is particularly useful for projects aimed at reducing CO_2 emissions or improving access to healthcare in far regions. Thanks to blockchain, investors can obtain real-time reports on the effectiveness of their investments;

– Artificial intelligence and big data. Artificial intelligence and big data analytics assist investors in forecasting project performance and analyzing risks. For instance, these technologies can be used to model outcomes of investments in biodiversity conservation or renewable energy development projects. Additionally, they enable real-time monitoring, which makes investment management processes more efficient.

The authors firmly believe that an integral component of the measures supporting the development of impact investing is the implementation of regulatory initiatives by governments and international organizations. Governments in many countries actively support the growth of this sector by introducing tax incentives and stimulating the development of financial instruments for impact investors. For example, within the European Union, programs exist to support investors who allocate capital to green bonds and social enterprises [19]. Moreover, many countries are establishing government funds to finance sustainable development projects. These funds typically operate in partnership with private investors, which reduces risks and makes such investments more attractive to the market.

International organizations, such as the United Nations and the World Bank, play a crucial role in advancing impact investing. They actively work on creating standards for assessing the effectiveness of impact investments and promote the mobilization of private capital for projects aligned with the UN Sustainable Development Goals (SDGs). The SDGs are one of the key initiatives actively supporting impact investments. Investors focused on these goals concentrate their efforts on projects aimed at poverty alleviation, improving education quality, healthcare services and environmental protection.

Conclusions. Impact investing remains one of the most promising financial models that enables the combination of financial efficiency with achieving positive social and environmental outcomes. In 2024, this sector is actively growing due to the integration of technological innovations, the expansion of the green bond market, and increasing support from governments and international organizations. In the future, impact investing could become a central element of financial strategies, delivering both profits for investors and positive changes for society as a whole.

However, investors face significant challenges, including the absence of unified standards for evaluating project effectiveness, political risks and difficulties in monitoring results. For the successful development of this sector, it is necessary to continue working on creating transparent reporting mechanisms, improving technological tools for monitoring investment impact and fostering cooperation between the public and private sectors.

Promising directions for applied research on this topic include: a) the development of methodologies for standardizing the evaluation of impact investments, including the creation of unified criteria for measuring social and environmental outcomes; b) studying the effectiveness of technological tools, particularly the application of artificial intelligence and blockchain for automating data collection and monitoring impact; c) developing risk management models that consider political, economic and social aspects, which is also necessary to enhance the reliability and stability of investments and encourage small and medium-sized enterprises to participate in impact investment projects.

Besides, it is important to explore ways to optimize cooperation between government institutions, the private sector and civil society organizations to achieve maximum synergy in project implementation.

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СВІТОВІ ТРЕНДИ ІМПАКТ-ІНВЕСТУВАННЯ

Розкрито та деталізовано зміст комплексу правил у контексті забезпечення соціальної відповідальності у сфері імпакт-інвестування, які спрямовані на створення позитивного соціального та екологічного ефекту разом із фінансовою віддачею. Спираючись на світовий досвід розвитку імпакт-інвестування, окреслено основні виклики та бар'єри для його впровадження в Україні. Визначено та детально проаналізовано фактори, що сприяють успішному масштабуванню ефектних інвестицій, включаючи фінансові механізми, законодавчу базу та інституційну підтримку. Визначено основні типи імпакт-інвесторів, до яких належать соціально відповідальні інвестиційні фонди, великі корпорації, що інтегрують у свою діяльність принципи сталого розвитку, та приватні інвестори, зацікавлені у сприянні соціальному добробуту. Вказано роль міжнародних організацій, державних інституцій та некомерційних організацій у розвитку екосистеми імпакт-інвестування. Розкрито та деталізовано *сутність та зміст процесів забезпечення соціальної відповідальності імпакт-інвесторами, підкреслено важливість прозорості, вимірності результатів та дотримання стандартів ESG (екологічних, соціальних та управлінських критеріїв). Серед ключових аспектів стимулювання імпакт-інвестування визначено: а) розвиток партнерства між державним та приватним секторами, що дозволяє об'єднати ресурси та експертизу для реалізації масштабних проектів із соціальним ефектом; б) впровадження інноваційні технології, як блокчейн і штучний інтелект, що сприяє підвищенню прозорості процесів моніторингу та оцінки впливу. Важливу роль відіграє розвиток локальних екосистем, у тому числі створення акселераторів для стартапів, орієнтованих на вирішення соціальних проблем, та освітніх програм для підготовки фахівців у цій сфері. Зазначено, що саме інтеграція цих елементів сприятиме успішному розвитку ринку імпакт-інвестування. Окреслено ефективні підходи до розробки стратегій і механізмів, які допоможуть подолати проблеми моніторингу та звітності.*

Ключові слова: *імпакт-інвестування, екологічні, соціальні та управлінські фактори, інвестиційні рішення, індикатори сталого розвитку.*

JEL classification: E62, F21, H54