UNIVERSITY OF GHANA

THE EMERGENCE OF IMPACT INVESTING IN GHANA: CHALLENGES AND OPPORTUNITIES

ABRAHAM MENSAH – BELLEY
(10112306)

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JULY, 2019
DECLARATION

I, ABRAHAM MENSAH – BELLEY, do hereby declare that this work is the result of my own research and has not been presented by anyone for any academic award in this or any other university. All references used in this work have been fully acknowledged.

I bear sole responsibility for any shortcomings.

……………………………………      …………………

ABRAHAM MENSAH – BELLEY                            DATE
(10112306)
CERTIFICATION

I hereby certify that this long essay was supervised by me in accordance with procedures laid down by the University.

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DR. EMMANUEL SARPONG-KUMANKOMA DATE
(SUPERVISOR)
DEDICATION

This work is dedicated to my father, Evan K. Belley, and my mother, Elizabeth Aggrey, for believing in education and pushing me all the way to the very top.
ACKNOWLEDGEMENT

I would like to acknowledge all the amazing people who played a role in my academic accomplishments. First of all, I will like to thank my supervisor, Dr. Emmanuel Sarpong-Kumankoma, for his invaluable contribution to this work, without which it would not have been complete.

I will also like to thank my wife, Elizabeth, and my children, Selorm, Senam and Sedinam, who supported me with love and understanding during the study and research period. Without you, I could never have reached this current level of success.

I cannot say enough thank you to Angela Ackon whose patient advice and guidance throughout the research process helped this research. From taking time to read the drafts to providing links and network for the research, I will like to say ‘God Bless You, Angie’.

Also to all respondents who took time off their very busy schedules to make the interview sessions and make their network available for sampling purpose, I am very thankful.

Thank you all for your unwavering support.
ABSTRACT

The study set out to examine the emergence of impact investing in Ghana. The research is to identify what the challenges to the growth of Impact Investing (II) in Ghana are, while exploring who the key actors are and the opportunities available to these actors and potential actors. To help reach the set out aim, the following question were asked:

1. What is the current landscape of II in Ghana?
2. What are the major challenges to the growth of II in Ghana?
3. What opportunities exist for II in Ghana?
4. Who are the main actors for II in Ghana and what would be needed to accelerate growth of II in Ghana.

To help with a good understanding of the concept of II in Ghana, the term is defined and its components carefully explained and discussed. This is done to ensure that there is understanding of the field since it is a new and emerging field of study. This study, being exploratory in nature, a qualitative research method was used to map current scene of II in Ghana, and this was done by recording interview sessions with some industry players. Due to the limited literature and data, the snowballing sampling technique was used.

From the research findings, several challenges to the growth of II in Ghana were found including the lack of capacity by industry actors, the need for education of the public on the new concept of II and what it requires, since II requires a total change in mind-set from philanthropy to investing for returns. There is also the challenge of appropriate investible funding as well as investible businesses, not to mention policy guidelines.
Respondents also listed some opportunities for II in Ghana, indicating that there is the need for private sector to drive change since government cannot do so by itself. The case for the attainment of the SDGs serves as another identified opportunity for II in Ghana.

*KEYWORDS: impact investing, socially responsible investing, ESG, moral investing.*
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<table>
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<th>Abbreviation</th>
<th>Meaning</th>
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<tr>
<td>II</td>
<td>Impact Investing / Impart Investment</td>
</tr>
<tr>
<td>NGO(s)</td>
<td>Non-Governmental Organisation(s)</td>
</tr>
<tr>
<td>NPO(s)</td>
<td>Non-Profit Organisation(s)</td>
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<td>GIIN</td>
<td>Global Impact Investing Network</td>
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<tr>
<td>MDG(s)</td>
<td>Millennium Develop Goal(s)</td>
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<tr>
<td>SDG(s)</td>
<td>Sustainable Development Goal(s)</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>ESG</td>
<td>Environmental, Social and Governance</td>
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<tr>
<td>SRI</td>
<td>Sustainable and Responsible Investment / Investing Socially Responsible Investment / Investing</td>
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<tr>
<td>MFI(s)</td>
<td>Micro Finance Institution(s)</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>IRIS</td>
<td>Impact Reporting and Investment Standards</td>
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<td>GIIRS</td>
<td>Global Impact Investing Ratings System</td>
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<tr>
<td>HNWI(s)</td>
<td>High-Net-Worth Individual(s)</td>
</tr>
<tr>
<td>NPRA</td>
<td>National Pension Regulatory Authority</td>
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<tr>
<td>AUM</td>
<td>Assets Under Management</td>
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<tr>
<td>VCTF</td>
<td>Venture Capital Trust Fund</td>
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<td>IIG</td>
<td>Impact Investing Ghana</td>
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<tr>
<td>GSC</td>
<td>Global Steering Committee</td>
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<tr>
<td>FMO</td>
<td>Netherlands Development Finance Company / Entrepreneurial Development Bank</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<tr>
<td>IRR</td>
<td>Internal Rate of Return</td>
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<td>MM</td>
<td>Money Multiple</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

For decades, many attempts have been made by society to solve societal problems through the use of philanthropy (Non-Governmental Organisations (NGOs) or Non-Profit Organisations (NPOs)) and through financial investment for-profit business organisations. While one is structured largely to correct the errors of entrepreneurial endeavours and for the greater good of society or the vulnerable, the other has been structured with profit and (to a large extent) for the benefit of the entrepreneur.

While business entrepreneurs recognise that societal good is important, most business promoters justified profit maximisation by indicating that the invisible hand of the market place will ensure that this will result in the general good of society (Bishop, 1995). Thus, the gap between ensuring societal good and profit maximisation has been left to the market to correct but climate change, poverty and inequality comprise the unholy trinity of social and environmental challenges facing the world today. The realisation that more needs to be done has engendered change that was not foreseen some years ago.

The subject of II has not been thoroughly written about in the literatures. Previous researches into the concept of investment, financial return as well as getting societal needs met through philanthropy has been done. Results of these research show that until recently, the concepts of philanthropy and investment has not been considered as able to cohabit under the same umbrella. While the terms themselves carry traditional meaning of engendering social change (philanthropy) and getting investment return in financial terms (investment), the idea that the
two approaches could be integrated in the same deals (in essence, delivering a financial return while doing good) struck most philanthropists and investors as far-fetched. But not anymore! (Rockefeller Philanthropy Advisors, 2017). This new way of investing for both financial and non-financial return has been termed as IMPACT INVESTING or IMPACT INVESTMENT (II).

As new as this field of investing is, the term II is used to describe investments made across many asset classes and sectors. The concept of II is new but has gained increasing traction over the last decade. The first use of the term in 2007, occurred when the Rockefeller Foundation convened a meeting of leaders in the fields of finance, philanthropy, and development. The meeting was to develop an industry that would be both investing for returns but also for measurable social impact (Osili, Mesch, Ackerman, Bergdoll, Preston, & Pactor, 2018).

According to the Global Impact Investing Network (2018) (GIIN) impact investing is defined as “the investments made into companies, organisations and funds with the intention to generate measurable social and environmental impact alongside a financial return”. This point was expanded on by Martin (2013) to indicate that the use of the word intention in the definition of II contrasted these investments types to other similarly conceived investments which aim to achieve some social good whiles seeking financial returns. II is one of the most innovative ways to bring the resources of the world’s financial markets to the world’s seemingly intractable problems (Clarkin & Cangioni, 2016). Financial investment is now seeking to do good whiles also generating returns for investors.

As a new field in investing, the interest in II is growing in the developing and emerging markets as these markets are worst affected by climate change, poverty, and inequality. Interest in II in
developing countries and emerging markets have grown in recent years for a variety of reasons, including the low attainment of the Millennium Develop Goals (MDGs) and the newly targeted Sustainable Development Goals (SDGs). This is with the realisation that if expedite action is not taken, natural resources would run out and there would not be any economic agents for change in the world, especially the very poor and least-developed countries. (Halais, 2016).

II is very different from the traditional investing with regards to focus on risk and return but the true potential of II is still not fully discovered, as it continues to evolve (Mendell & Barbosa, 2013).

Since the beginning of investing for impact in 2007, its market size has grown to an estimated thirty six billion United States Dollars ($36 billion). This is estimated to grow to, between four hundred and one thousand billion United States Dollars ($400-1000 billion) by 2020 (Martin 2013).

1.2 Problem Statement

As has been the case in many instances, Ghana, part of the emerging markets usually adopt a new concept after it has been tried in more developed economies such as United States of America and Europe. However, this adoption is usually done wholesale with little or no adaptation to the peculiar circumstances of the country or its people or its culture.

Impact investing in West Africa is small – considerably less substantial than in East Africa – but it is starting to grow. Impact investing in West Africa is estimated at a total of $6.8 billion for the ten years from 2005 to 2010 compared to $9.3 billion in East Africa. More than half of the investments made into West Africa are in Nigeria and Ghana (54%) with Senegal and Ivory
Coast account for 21% of impact investments. The interest in Ghana stems largely from recent government policies encouraging foreign investment through such moves as the 2013 re-establishment of the Ghana Investment Promotion Centre and efforts at establishing an impact investing hub for the country (Field, 2015). While some high net worth Africans could provide a substantial source of capital, they simply aren't familiar with II, thus most of the funding for II has come from outside the African continent.

There is currently no literature on the Ghanaian experience of the II and this study is to fill that gap while looking at challenges and opportunities available in the country. If Ghana is to benefit fully from the potential of the new area and also share experiences to improve or help refine the II concept, then telling the Ghana experience and the opportunities or challenges it present would be paramount. The major literature on II at the initial stage of industry development Research has been mainly led by practitioners (Clarkin et al. 2016) with little contribution from the Ghana market. With the market potential projected for II, Ghana can only stand to attract these investments and investors when there is knowledge about the market, the potential of the market and its challenges.

The study of II in Ghana is to narrate the stories so far, the players and also to explore how II has been done in Ghana and the challenges it has encountered. It is to also determine if the impact as envisaged by the promoters of the concept is measuring up to its vision as the driver for change in economic development.

1.3 Objectives

The study would seek to explore the following:

i. Emergence of impact investing in Ghana.
ii. The challenges of II.
iii. The opportunities of II.
iv. The current developmental stage in the ecosystem of II.

1.4 Research Questions

The research sought to answers to the following questions:

i. What is the current landscape of II in Ghana?
ii. What are the major challenges to the growth of II in Ghana?
iii. What opportunities exist for II in Ghana?
iv. Who are the main players in the II ecosystem in Ghana and what would be needed to drive the growth of II in Ghana?

Currently, very little literature is available on II and no academic literature of II in Ghana was found. The research is to contribute to the study of II by increasing the understanding of this novel area of study as well as in pointing out the challenges that limit the growth of II in Ghana.

1.5 Implications of Research

It is the belief of the researcher that adequate knowledge about this emerging field would be good both for investors and investees. When adequate knowledge about the field is readily available, investees can know how to target investment from impact investing companies’ while investors would learn the peculiar nature of the Ghanaian market and what opportunities they can take advantage of.

As has been the argument on discussion on microfinancing, there is the belief that the wrong implementation of the concept from the initial stages has contributed to the challenges faced
by the Micro Finance Institutions (MFIs) and the Ghanaian finance industry as a whole. To help avoid such a mistake, and to fully benefit from the potential of the II market, the research was to make knowledge available to help this new emerging field in Ghana. Whiles some actors are already in the country trying to use the Impact investing model, there has been little enquiry of the local implementation of same and what new investors can anticipate; challenges and opportunities.

1.6 Limitations

There were some challenges with this research, chief among it being the lack of existing research, literature and data considering it is a new field of study. This was more pronounced given the contest of undertaking the research in Ghana. Effort was however made at getting some quantitative data to back the research but there was little success cases to be shared as most investment under the concept of II were yet to exit investment. With active players in the country, the research sought to provide impact data to back the study.

There were interview session with some actors in the impact investing space, whiles effort was also made to interview at least eleven (11) actors or institutions (both private and public). Because the interview was done using snowballing sampling technique, there is the risk that some relevant actors of II may not have been interviewed.

1.7 Dissertation Chapters

This research is structured in five chapters. Chapter one serves as an introduction to the research. It presents the background to the study, its purpose and objectives and the questions that the study seeks to answer in this new subject area. It further highlights the importance of the study as well as its scope and limitation. Chapter two provides a review of current literature
on the subject of study. It will further clarify impact investing, and present the current understanding of impact investing, challenges and opportunities faced by impact investing actors in Ghana. Chapter three deals with data, and methods of data analysis. It also provides justifications for the selected methods and the analysis that follow in chapter four. In Chapter four, the results of the analysis and a discussion of implications are presented. Finally, Chapter five highlights the key issues in the study, findings, conclusions and recommendations. References and appendix would be presented, this would include the interview questions and structure.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter would discuss and analyse the relevant exiting literature on II. Focus would be given to the term impact investing, its definition and a review of the historical background of impact investing. The researcher will also discuss other related terms and concepts of other socially responsible investments, which also seek some good and finance returns. This aims to give a general and a better understanding to the new and emerging subject area of II.

2.2 Explaining Impact Investment

As society got more conscious of the impact of human activities on the environment and the fact that some social activities would never have a profit enough motive to drive private financial investment, discussions started to turn towards using investment to achieve societal good.

“Dembinski, Bonvin, and Monnet (2003) said that “responsibility in investing may be expressed through four types of ethical concern: value-based ethics resulting in the exclusion of so-called “vicious” companies from the investment portfolio; fructification-oriented ethics with a view to long-term investment; consequence-based ethics aimed at initiating a behavioural change in the investment target; and ethics envisaged as a discriminating criterion in the search of the best financial performance. No single formula of responsible investment is available, and the “responsible” approach necessarily implies the active involvement of a free acting subject striving to tackle fundamental ethical issues.”
Before II became topical, many variant attempts have been made to address the issue of philanthropy and profit-for-impact through investors investing in CSR, socially responsible investment, ethical consumerism, ESG investing, to mention but a few (Höchstädter & Scheck, 2015). In the 1920s, The Pioneer Fund was set up with an active aim of ethical screening to ensure investors were ‘ethical’. This movement grew to a stage where society were talking about CSR and companies were actively promoting their CSR; whereby firms link the promotion of their product to a social cause (Babiak & Wolfe, 2006). This concept of social responsibility evolved into socially responsible investing where consumer preferences and/or behaviour were tied to businesses seen as socially responsible (Mohr, Webb, & Harris, 2001). Thus, investors were investing in services / products that actively avoided an identified social ‘sin’ or wrong. There is belief among practitioners that SRI is the first generation of impact investing. SRI was impact investing which carried the idea that responsible investors should have the will to neglect financial return by avoiding some sin investment. The choice was thus monetary returns or social impact (The Office of Social Impact Investment, 2013) and this has further evolved into II.

2.3 Origin of the Term Impact Investing

The use of investment in the pursuit of a social agenda is not new, but the concept of and the term II is (O’Donohoe et al. 2010). The first use of the term in 2007, occurred when the Rockefeller Foundation convened a meeting of leaders in the fields of finance, philanthropy, and development. The meeting aimed to develop an industry that would be both investing for financial returns but also for measurable social impact (Osili, et al. (2018).

Rockefeller Philanthropy Advisors (2017) define impact investing as the investment that aims to produce some financial return whiles delivering an identified social and/or environmental
gain. However, the widely used definition for the term II is “investments made into companies, organisations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.” GIIN. Any investing that is done with an active and conscious effort at choosing an impact to be achieved and be measured, (aside financial return) that will contribute positively to the socioeconomic wellbeing of a group of people / place can be considered as II.

This kind is not focused on avoiding a perceived negative outcome but is concerned with a proactive choice in making an investment impact aside financial return (Kiernan, 2008). Impact investment “combines both the rigorous analytics of traditional investment and the heart of philanthropy” (Dallmann, 2018).

Ethical investing, green investing, mission-related investing, social investing, socially responsible investing and socially conscious investing, even though differently termed, all seek some societal good but there are succinct differences with these terms as used. With the definition from GIIN, according to Maximilian (2013) the word “intention” as used in the definition contrast these (II) investments with other forms of investments which aim for some financial return whiles avoid pursing social and environmental harm.

Hebb (2013) said “impact investing occurs anytime there is a deliberate decision to achieve both a financial return and an ancillary social and/or environmental benefit from the investment opportunity”. This statement supports the notion as espoused by Maximilian (2013) that the passive achievement of some social good is not to be considered as impact investing. It must be a deliberate or an intentional purpose from start to achieve a set social and/or environmental outcome or output, and these set goals must be measured. Unlike in SRI, there is a set goal /
target from the very beginning and this is measured or to be measured at the end of the investment period. According to Eurosif (2010), impact investing can be described as a growing area where investors look to both adopt SRI strategies and evaluate their outcomes. The onus is placed on monitoring and measuring the end results of strategies in portfolio construction with the ex-post assessment of SRI strategies as important as the rationale for strategy selection (Giamporcaro, 2011).

Some have gone on to name some characteristics of impact investing without which there is a different social intervention planned. This is to drive home the point of intentionality and measurement. The following five characteristics of impact investing were put forward by Grabenwarter and Liechtenstein (2012), namely;

- profit is an aim;
- positive relationship between targeted social impact and the profit on that investment;
- an intentional, pre-determined social impact;
- a measurable social impact; and
- a result that produces a net positive change to society.

Thus the main differentiating factor between II and the other forms of socially responsible investment has been the intentionality and the measurability as failure to measure or assess an investment cannot be called out to be making ‘impact’ against an intentional non-financial goal set out at start.

As has been indicated earlier, this new field of study is practice-led whiles academia does catch up. So academic literature and resources are limited or non-existent in the case of Ghana and Africa as a whole.
According to the United Nations Development Programme (UNDP), after Ghana attained the lower middle-income status, there has been “donor flight”, which could impede the country’s ability to achieve the SDGs. Although this could be challenging times, impact investing can bring some array of hope. According to a study published by the GIIN, in 2014 alone, impact capital deployed in Ghana was about $1.6 billion, which was 0.27% of GDP at the time. At the same time, the amount constituted 25 percent of the total $6.5 billion worth of impact investing deployed in West Africa (Debrah, 2018).

Blackrock, the world’s largest investment firm managing over $6 trillion of assets is telling companies to consider their societal responsibilities. Blackrock CEO Larry Fink made it clear in his annual letter that a corporation needs to “serve a social purpose.” (Dallmann, 2018). According to Fink;

“...society increasingly is turning to the private sector and asking that companies respond to broader societal challenges. Indeed, the public expectations of your company have never been greater. Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”

2.2.1 Overlapping Terms

As can be expected with any new field of study or concept, there has been diverse use of terms and description, coupled with the lack of clear boundaries between similar concepts. Thus, a
wide range of investing practices that target some good in the environment, some positive social return, as well as some improved governance regime (ESG) is referred to in varied terms.

Some commonly used variations include Responsible Investment (Dembinski et al. 2003), Sustainable Investment (Koellner, Suh, Weber, Moser, & Scholz, 2007), Socially Responsible Investment (Renneboog, Ter Horst, & Zhang, 2008), Ethical Investment (MacKenzie & Lewis, 1999), Social Investment (Dunfee, 2003) and Environmental Social and Governance Investing (Himick, 2011). Other expressions which are used to convey the same concept are Socially and Consciously Aware Investing, Green Investing, and Values-Based Investing (Schueth, 2003). These terms are fairly loosely defined and thus are often times used interchangeably. Höchstädter et al. (2015) posited that this shows a lack of clarity at the terminology level and can lead to the incorrect use of terms.

The above said however, the terms all seek to describe any investment that would factor into the returns expected, some social, environmental and normal conventional financial return. However, each term may differ in the focus of attention as detailed below.

2.2.2 Some Terminologies Explained

Responsible Investment

According to Dembinski et al. (2003), an investor may choose a particular investment product based on a set of criteria bearing a certain label, but to settle on that investment would be informed by other equally important factors. To these investors, the concept of responsible investment comprises factors that indicate that the act of investing cannot be separated from ethics. These group of investors thus subject all investment choices to some ethical considerations. To these investors, the choice of financial return and ethical consideration is
not a zero sum game. The above considered however, ethics can mean different things to different people, even though they may all converge on doing what is right, but this can be expressed in very many different ways.

With regards to responsible investment, two outcomes can be drawn. The motivation to be responsible is generated from within. What makes an investment responsible is not the statutes that surround it, neither the reference to principals, but it is a referral to conscience or the aim for a chosen common good. Asking investors who identify as responsible to explain their motivation in a legal form may only lead to the exploration of a new awareness but cannot be a substitute for the investor’s own acceptance of responsibility. Secondly, to act responsibly in choosing an investment option is not to apply a set of legal criteria or a set of mathematical rules (Dembinski et al. 2003).

**Ethical Investment**

According to MacKenzie et al. (1999), ethical investment can include all investment kinds made with a mixture of financial objective and ethical consideration. The use of investment such as unit trusts or mutual funds that have been filtered to avoid 'bad' companies or include only "good" companies are examples.

Investors who identified themselves as ethical, have different consideration levels for choosing an investment. Some hold investments that was no clearly ethical but with an aim to generate change in company policy from within. To them, if it meant getting dirty to achieve the aim, then it was worth the sacrifice. Equally, there are ethical investors who invest solely to make themselves feel good from some negative conscience whiles others invested to make a
statement. A Shell investor, concerned about Shell’s operations in Nigeria, was quoted as saying;

“Now some people might say I should get out of Shell if I am unhappy, but I don't feel that's the thing to do. If I sell my investment in Shell, it is just going to somebody who is happy to have them. As it is I can write to Shell as a shareholder and say that I support policies which would rectify their misbehaviour if you like to call it that. So I think that's a bit better than just dis-investing”.

**Sustainable Investment**

According to Koellner et al. (2007), sustainable investment takes into account factors such as socioeconomic, ethical, social and environmental consideration into account. The term socially responsible investment or SRI is used widely for this asset class; but this is a misleading term, because, in reality, what is labelled SRI also includes environmentally responsible investments. Their finding indicated that with respect to the portfolios of sustainable investment, funds in their research exhibited higher rating, environmentally.

**Socially Responsible Investment (SRI)**

Over the past decade, SRI has experienced an explosive growth around the world reflecting the increasing awareness of investors to social, environmental, ethical and corporate governance issues. Peculiar to SRI is that both financial goals and social objectives are pursued. SRI is an investment process that integrates social, environmental, and ethical considerations into investment decision making. Unlike conventional types of investments, SRI apply a set of investment screens to select or exclude assets based on ecological, social, corporate governance or ethical criteria. This is normally done using participation of the local community and active stakeholder involvement to foster the achievement of a corporates’ strategies towards the above
aim(s) (Renneboog et al. 2008). Schueth (2003), also said socially responsible investing in the U.S. can be defined most succinctly as the process of integrating personal values and societal concerns into investment decision-making.

*Social Investment*

The broadest definition of social investing would be any investment strategy that incorporates or is premised on some social or religious view that is not motivated by any financial criteria. Such a definition is open to the criticism of being too broad because it conceivably includes criteria many would consider antithetical to genuine or appropriate social screening (Dunfee, 2003).

2.4 **Opportunities**

As the field evolves, it is important that the path taken by so many investors to grow the industry to its current state be acknowledged. Many opportunities exist for II to achieve its intended purpose. This section of the study would review literature on the opportunities as highlighted by the current available literature.

Because the field is in its infancy, now is the opportune time to develop the right calibre of people to implement it. There is an untapped latent supply of the talent needed to build successful impact organisations. The availability and abundance of human resource and goodwill for the sector is the first major opportunity to be identified. As stated in the Social Impact Investment Taskforce (2014) report;

“One of the strongest reasons to be optimistic about the outlook for impact investment is the growing number of impact entrepreneurs applying their creative energy to find innovative and sustainable ways of addressing social problems. Members of the
millennial generation that is entering the workforce today want their work to have a purpose beyond merely making money”.

To this end, both the investment side and investee side have the right balance of people seeking impact and who are motivated by more than financial return.

The next opportunity is the increase or growth in the demand-side of II. More people and institutions are seeking impact in their search for financing (Social Impact Investment Taskforce, 2014). Even though this is not yet at the level necessary or desired by industry players, it is still growing. Equally remarkable is the number of entrepreneurial start-ups emerging that have social mission at the heart of their organisation and the variety of business models they use. By setting up with more than financial return as the objective, these businesses are set up to attract the right financing needed to push the impact agenda as well as able to meet the demand for II. These social entrepreneurs are thus able to attract large investments to grow in order to meet the needs of the underserving population.

Another identified opportunity of II for social financiers and entrepreneurs is the increased funding to social innovation that tackles persistent social issues (Harji & Jackson, 2012). Impact investment is developing as another means by which other private resources are brought to drive economic growth and fight societal problems beyond what could have been achieved by philanthropy. It also helps make more resources available beyond what is possible and available to governments for achieving non-financial goals. Whiles supply for funding to invest for impact is not at the level desired, it is increasing (Mudaliar et al., 2016). More and more individuals and institutions are positioning themselves to invest for impact as the need to meet the SDGs become even more pronounced in view of the failures of the MDGs. The emergence
of impact investing is happening at least partly as a result of the increasing efforts of social sector organisations to generate revenues, rather than depend solely on grants. According to the Social Impact Investment Taskforce (2014), the increasing incidence of governments contracting social sector organisations to deliver services rather than give grants for these services is increasing the opportunities for II players. This is important because a grant is not impact investing as there is no expectation of getting any of the money back, let alone of earning a financial return on it. The report continues to state that in the UK, for example, more than 80% of government funding received by charities is now in the form of contracts for delivering services rather than grants to support their work, reaching over £11 billion a year in 2011/2012.

In a report by Wong (2012), the opportunities for II are vast if consideration is given to the needs of the demand side of the industry in the coming years. It has been estimated that the world would need some $1.3 trillion to reduce by half greenhouse emissions generated by the energy sector by the year 2050. The report also indicated that another $41 trillion is estimated to be required to reform global infrastructure, with another $5 trillion estimated as needed to make more people have access to the global consumer market. As indicated earlier, more people are setting up to demand II as part of their new businesses and this can only be good for the II industry.

2.5 Challenges

While literature on the topic of II is scarce, there is even less literature focusing on the challenges of II. This may be explained by the state of the field and the level of its evolution. As has been stated elsewhere in the report, the field of II has caused great excitement and interest amongst investors as a vehicle for change / or a real opportunity to drive economic
development. This notwithstanding however, it has also caused equal amount of fear and hesitations in the investment world. This section of the study would look at a few literature on the challenges of II.

Even though a lot of hope is held for II, there is less accurate indication about the size of the II industry globally as various estimates have been given for the market size by different commentators (Ormiston, Charlton, Donald, & Seymour, 2015). This confusion compounds the confusion associated with the various terminologies deployed to explain these type of investments. The inability to know the size of the market does not enable the proper assessment of its overall reach and impact since less information on transactions done are publicly made available (J. P. Morgan, & The GIIN, 2013). It must be added that this may also be because there are differences in what the terminologies mean to different industry watchers and thus the amount measured for II differs depending on how it is defined and the scope given to annual surveys (Mogapi, Sutherland, & Wilson-Prangley, 2019).

Another challenge identified is the fact that very few empirical work has been done by academia on impact investment. This scarcity is striking because there has been significant impetus by promoters of impact investment and the swift growth in impact investment activities across the globe over the period. This said however, various academic works have highlight supply of II finance as one of the main barriers to the growth of social enterprise (Lairikko, 2017; Nicholls, 2010). Because the field is evolving, there are no clear cut identified actors to enable the computation of these figures and thus gauge impact footprints as consensus is yet to be reached on what an II organisation and player should be measured by. Also, when the demand side of the industry do not know who to go to for financing, then the opportunity to grow is only as great as the known players in the field. In keeping with the supply side
shortages, currently the majority of capital for impact investment originates in the United States and Canada, the United Kingdom and Europe, and Oceania (J. P. Morgan, & The GIIN, 2013; Harji & Jackson, 2012). This has meant that areas, such as the emerging markets and Less Developed Countries, are not able to benefit if these investors do not see the need to venture to those countries. This is coupled with the absence of blue prints for investments to be used by these investors to venture out to some of these risky investment zones (Asiedu, 2002).

Another challenge has been that Institutional investors were less likely to move into the II space maybe because they have a set of mandate from those whose funds they manage. On the other hand however, it was noted that it was easy for HNWIs and family offices to implement II when it aligns with their investment preferences. This was because as managers of their own assets, they exercise greater control on their investment direction (Ormiston et al., 2015). This is because the field is evolving and those who are now playing in the industry are those who have changed form from either the traditional investment or philanthropy. Effectively, personnel are being thrust into the field and they need to learn the ropes as they go along.

The fact that II is ‘finding institutions’ has meant that there is no clarity as to the issue of risk return. Currently, the II field has investments that are made with the aim of above market returns on profit, lower than market return on profit, and a blend of the two return types with as many varied social and environmental impacts targeted (J. P. Morgan, & The GIIN, 2013; Harji & Jackson, 2012).

In a research by Ormiston et al. (2015), the following five categories were mentioned to explain some challenges with II:
1. Permissibility under statutory and general law duties. Investors are clearly excited about the new avenues II gives for them to expand their investment portfolios. This excitement is however tempered with caution about the means to meet current legal requirements to which they must comply or the absence of legal direction, as the case may be, thereof.

2. Uncertainty as to where impact investment is included within modern investment portfolios. There is confusion as to how to implement II with the current level of skill set out in the financial market. There are industry commentators who posit that there may be the need for a different set of skills to be acquired to implement II agenda in the best manner. These group of people assert that impact investors should not just know and understand finance, they must also understand socio-political forces that might affect investment results. There is also the need for these investors to be conversant in distinct organizational structures or stand-alone specialist initiatives to be able to properly engage with the impact investment space (J.P. Morgan & the GIIN 2010). This speaks to the confusion of what is impact and how it can be achieved and measured. There are however other industry commentators who believe that the current level of skill set is able to implement II without needing specialised training or equipping since investing for impact sit across a set of established asset classes (World Economic Forum, 2013).

3. Relative immaturity of supporting infrastructure typically used by investors for the origination, analysis and portfolio management of investments. There is the belief that the current support structure of investment by traditional investors is unsuited for II.
Mainstream intermediaries are yet to build a credible depth of knowledge and expertise in impact investment.

4. Frustration with a narrow set of appropriately designed investment opportunities. Because the concept of II is challenged with limited supply side for investment funding, there is the need to increase supply for II funding if the industry is to achieve its potential. This was highlighted in the report by the Social Impact Investment Taskforce (2014). The final component identified was

5. Limited human capital to design, implement, and manage the II strategy. Building expertise is essential throughout the entire impact investment process, from initial knowledge of the field, through to the design, implementation, and management of an investment portfolio incorporating II. The nature of II demands financial expertise together with programmatic expertise in the targeted social or environmental areas, as well as the ability to understand and work with diverse sets of stakeholders across the social, public, and private sectors (Ormiston et al. 2015; Social Impact Investment Taskforce, 2014)

Aside the above challenges, a report by the Social Impact Investment Taskforce (2014), noted the issue of impact measurability remains a challenge for the industry as it is critical to the success of the II endeavour. The report stated among other challenges that, “there will be no perfect measures of impact. But that is no different from our measures of the economy and financial risk. As with them, the goal should be to develop measures that are good enough to be useful. The better we measure impact, the more capital will be invested in achieving it”.
2.6 Literature Summary

As with any new and developing field, there are many things that are yet to be standardised and agreed; terms, scope and basic measurement criteria. What level of social impact must be attained before the label of social responsible investment can be attached? What level of impact must be attained before an investment can be labelled as an impact investment? What ethical questions must be answered before an investment is classified as ethical investment? What is sustainability and how can it be measured?

One thing that cannot be dismissed however is that Impact Investment and Sustainability issues are here to stay and are becoming mainstream (Dallmann, 2018).

According to Reeder, Colantonio, Loder, and Rocyn Jones, (2015), compared to other forms of socially responsible investment, a prominent feature of impact investing is measurement of the social and environmental return (SER) that it aims to generate. Much effort has been undertaken to develop such measurements, but progress is patchy. If the impact investment agenda is to flourish in coming decades, more robust quantifications of the wider effects facilitated by impact investment are needed (Reeder et al. 2015).

An ecosystem has been developing, including investor networks such as the GIIN, reporting standards such as the Impact Reporting and Investment Standards (IRIS), rating agencies such as the Global Impact Investing Ratings System (GIIRS), and searchable online databases of investment products such as ImpactBase (Höchstädt & Scheck, 2015).
Industry leaders must work together to measure and articulate the industry’s successes, build infrastructure to increase its efficiency, and create products that respond to investors’ demand for transparency and liquidity (Bugg-levine & Goldstein, 2009).

It is normal to expect that both theory and practice for any new field or practice would evolve overtime. It may end up radically different from what may have been envisaged at the start of that new field or practice, and at present, Impact Investing is in the process of evolution.
CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter of the study will explain the research methods that was used to achieve the objectives of the study. Themes that are discussed under this chapter include; design of the study, population of the study, sample size and sampling technique, and data collection instruments. The research procedure, data analysis and ethical considerations are also presented under this chapter.

3.1.1 Design of the Study

The researcher used primary data for analysis as there is no literature on the subject in Ghana. Data was collected from existing and new impact investing actors in Ghana. Being an exploratory study in nature, a qualitative approach was used to research the emergence of II in Ghana. The research investigated the factors that can hinder the growth of II as well as the factors/opportunities that can drive its growth in Ghana. Both existing and new II actors were interviewed for their views on the II landscape in Ghana. Structured and unstructured interviews was conducted so that interviewees had the chance to present their views on the subject of II and its current state in the country. The researcher was interested to find out if the current industry players are faced with any barriers in the field or if there are some factors driving the story of impact investment in Ghana.

An inductive research method begins with an observation of the subject area so as to generate new theories from data by reducing the scope of the studied subject through exploratory
research questions. This enables the researcher to generate new insights into and on key drivers as well as factors that influence the outcomes of that field of study (Patton, 2002).

Inductive approach is known to be the best means of exploring a new subject that has little existing literature on it (Creswell, & Creswell, 2017). On the other hand, initiating any research with a hypothesis and then testing same to prove or disprove the theory is done using a deductive research approach.

On the basis of the field of interest and nature of subject under research, the research used an inductive research approach. The researcher used a qualitative research design to collate data and analyse the results.

According to Creswell, et. al. (2017), qualitative research is inductive in nature, and uses a general method that occurs in an everyday setting where by the researcher tries to understand the studied area(s) he/she is learning about but seen from the viewpoint of the researched.

“Qualitative research is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyses words, reports detailed views of informants, and conducts the study in a natural setting”. Creswell.

The researcher elected to use the qualitative research design for the following reasons: First, it allows a deep study of a new field. (ibid). It is also good for getting an understanding of a topic which would be difficult to consider with a quantitative approach, therefore an appropriate tool to research into the challenges and opportunities of II in Ghana. Coupled with this is the fact that with no existing literature on the topic in Ghana, this methodology style would be the best
for such an early stage study. This would afford the researcher the chance to generate hypothesis and questions that would serve as the basis for other research going forward (Strauss, & Corbin, 1990).

3.1.2 Population of the Study

The population of the study included individuals and institutions that are currently in the Impact Investment space as well as those now entering the Ghanaian market for impact investing. These individuals and institutions were chosen on the basis of their in-depth information, knowledge and experience about the impact investing space. Others were some policy makers, and stakeholders with relevant and active part in the formulation and drive of impact investing. There was interviews of some professional actors in the II ecosystem.

For the purposes of this study, actors in the impact investing ecosystem are defined as those that are active in either investor or enterprise support. These include the following types of organizations: • Incubators / accelerators. • Technical assistance providers (including advisory service providers). • Industry associations and networks. • Investee Companies and • Research institutions.

3.1.3 Sample Size and Sampling

Two sampling technique was adopted for the study: purposive and snowballing sampling. The researcher purposively sampled some impact investment institutions and stakeholders. Purposive sampling technique is used because the researcher used references from the known impact institutions and individuals to gather data. This is because it is perceived that these people would have key information relevant to the objective of the study.
The researcher after purposively sampling adopted the snowballing sampling technique to select respondents for the study. Individuals and institutes that are willing and available during the time of research were used for the study. The snowballing allowed the researcher to meet and interview other industry actors that were known to the network of other respondents.

The researcher interviewed eleven (11) actors or institutions (both private and public) as well as a beneficiary of impact investment companies. The numbers are as is because there is no data on impact investment companies or players in the country. Also, there is no central repository for data on registered players in the impact investing space.

### 3.1.4 Sources of Data

The researcher used primary data for the research. The primary data was gathered using mainly structured and unstructured interviews. The interview consisted mainly of open-ended question items, with some follow up questions based on the prior answers supplied. The opened-ended question items was to give respondents the chance to express themselves.

### 3.2 Data Collection Procedure

Research data was collated in several ways. It was collated personally by the researcher through electronic mail, social media channels like WhatsApp, Zoom and Skype. The choice of each of these methods or ways was dependent on factors such as cost and convenience for the purposes of administering the interview.

The researcher personally administered the research instruments (interview guide). The interview were conducted over a two weeks period as industry players were scattered and also engaged at work.
3.1.5 Data Analysis

Data gathered during the research was qualitatively analysed and presented in a prose form. The few quantitative data collected would be analysed using basic excel spreadsheets to provide relevant data to back qualitative data collected.

3.1.6 Ethical Consideration

The researcher did always seek permission from the relevant persons and representatives of institutions before respondents were interviewed for the study. Prior to the administration of the research instruments, respondents were served with data collection letter from the institution of study. Consent was duly discussed with each respondent and the confidential nature of data received was communicated to them. Respondents were also asked to participate in the study voluntarily. Respondents were informed that the research was for academic purpose and data to be collected would not be handled in a manner that would enable anyone trace the results to a respondent. Research outcome and recommendation would be communicated to the respondents after the completion of the research.
CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter of the study is where the results of the data collected is analysed and a discussion of implications of the results are presented. Being an exploratory research and the fact that research is in a new emerging market and field, the research was conducted and data collected using interviews of industry players and actors in the Ghanaian impact industry space. The aim of the interviews was to find out the current state of II in Ghana, the challenges of the industry and the opportunities that existed. Also, for an emerging field and market as Ghana, who were the pillars on which the industry is to be built and who would be key to II if it is to thrive.

In keeping with the research objectives, the current view of the local investing landscape would be discussed, this would be followed by the challenges and then opportunities as well as key actors would be discussed.

Interviews were mainly open ended and recorded using the Total Recorder software to make for easy reference and also to shorten the time for each interview. Most of the interviews were conducted in person but some were conducted using online communication apps such as Skype and Zoom. In each case however, the interview was recorded.

Because II is new in Ghana and there is no database of primary and identified actors in the field, coupled with the fact that people who have knowledge about the subject area to provide deep thoughts on II in Ghana are limited, a snowballing method of sampling was used. This was necessary as the interviewees must have deep knowledge about the subject area and also
part of the II ecosystem. At the end of a two week interview period, a total of eleven industry players were successfully interviewed. Of the people interviewed, one was a member of the global steering committee. Another is a founder of an II company, about the first locally owned company focused on II in Ghana. The others are Investment Executives, Director of Investments and Senior Associates of companies involved with II in Ghana.

4.2 The Current Impact Investment Landscape

The researcher, in a quest to find out more about the current II landscape asked respondent questions such as their views on the emergence of II in Ghana, their view on the developmental stage of II in Ghana as well as the issues about financial returns as against impact returns. Since academia is lagging behind the practice of II, it was important to understand from Practitioners, what their own understanding of the development of II in Ghana.

4.2.1 Developmental Stage of Impact Investment in Ghana

Being a new field in world finance, as well as in an emerging market such as Ghana, the researcher could not find any data or information about the state of II in Ghana. Thus the questions asked to solicit the views of practitioners on the stage of development was to provide an informed basis for concluding on the current state of II in Ghana.

As may have been expected, a new phenomenon that started outside the African continent was aptly described as being in an “embryonic stage” by one of the respondents. To another respondent, “we cannot talk II landscape in Ghana as the grass of II is yet to shoot out for it to be landscaped”. All respondents indicated that II was either in an early stage or was now starting to gain traction in Ghana. In various studies by Nicholls (2010) and Lairikko (2017), the very young nature of the II industry was equally mentioned. The fact that it was novel and
without a precedent in the same form as currently understood was also established in these researches. This research finding is thus confirming the position that II is growing at different stages across the world and at each stage, it is still in a stage of development / evolution.

As indicated, even though the concept was new, one of the respondents indicated that more locally owned and founded, and also funded companies would need to be raised in Ghana to push the II agenda forward. Being a ‘foreign concept’ as the field may be, there is a greater aptitude for II in Ghana when the locals and HNWI get an understanding of it, to push it to full maturity. This corroborated the established reports per the literature that funding is currently all from external sources (J. P. Morgan, & The GIIN, 2013; Harji & Jackson, 2012). More would need to be done to get local funding channelled into the field of investing for impact.

It was only in the second quarter of 2019 that the National Pension Regulatory Authority (NPRA) rolled out new investor-friendly guidelines aimed at encouraging long-term investments. And with that, II actors have looked on as a positive for the II sector since II is mainly long term. Until the new guidelines were issued, pension funds were limited on funds they could allocate to alternative investment (investments that are not prescribed by law such as money market instruments) and can be invested in long term risky assets. Under the new guidelines, among other things, a limit of 15 percent of assets under management (AUM) can be placed in alternative investments (bonds, II tools and other long term investments). This is important to note because it is was not possible for existing financiers to invest in II because the laws did not allow that to happen. This ties in with the finding by Ormiston et al. (2015) under the challenge of permissibility.
Currently, the Venture Capital Trust Fund (VCTF) is leading the discussion on building the right ecosystem for II in Ghana. To this end, they (together with government support and support of the GIIN) have gone ahead to form the IIG, a body that will seek to coordinate the activities of all II actors currently operating in Ghana and also harness the power of government and its agencies to drive the II agenda. The IIG is a member of the global steering committee (GSC) on II and is expected to lead the way in getting people and institutions to participate in II in Ghana.

On the implementation of the II agenda in Ghana, it was found out from all respondents that the country is adopting II as understood and envisaged by the founders of the II movement. Though they indicated that some modification to meet the unique needs of the country would be in order, currently, II is implemented with no changes and modifications for Ghana. This they believe is because if the agenda of II is implemented with intentionality as originally thought out, the country would benefit greatly. The need to tailor II to national culture did not feature in any reviewed literature and thus more would need to be done to ascertain if tweaking concepts to individual cultures helped a new field of industry to thrive. Lesson may be learnt from other industries that have tried and succeeded or failed with this.

4.2.2 Expected Financial and Impact Returns Trade-Off

As is the case all over the world, the arguments for and against II and the concept of trade off for or with financial return is also present in Ghana. All the respondents indicated that for an emerging or developing country as Ghana, there has been many cases of jobs created or a social menace being solved with some financial product or service. However, these ‘impacts’ attributed to the traditional financing products or services cannot be classed as II since there was no intentionality to achieve the ‘impact’ from the very start of the product or service.
design. The ‘impact’ achieved can be said to have been achieved as a consequence of the socio economic status of the country. As one respondent put it; ‘you cannot open a new business or give money to a business in Ghana (in our current state of development) without creating a job or solving a social issue. But that is not II investing because for you to classify an investment as II, the anticipated or targeted social good or impact must have been targeted from the very inception of the financial product or service design or lending process. Thus intentionality must be present and targeted for measurement from inception’.

This therefore make the concept of trade-off between financial and impact returns a bit of a challenge. To most respondents, there is no discernible trade-off between financial and impact returns. To them, the private sector, who leads and push II must not be confused with philanthropists. These private investors are first seeking financial return for their investments but the idea of making an impact is to push the development agenda and not to create an NGO concept of throwing monies after projects. There was only one respondent who indicated that for II to be viable in Ghana there will be an inevitable trade-off between financial and impact returns. He explained that investors seeking to invest with the intention of impact must sacrifice some financial returns (margins on return) to enable the impact to be made, especially with the peculiar challenges of Ghana and at its level of development. He asserted that to find viable impact businesses that would pay normal financial return was a challenge at the current state of Ghana’s development. The confusion on the returns between financial and impact may have been expected. This is because according to the research by Harji and Jackson (2012) and J. P. Morgan, & The GIIN (2013), there is still some confusion as to whether II is done or achieve by sacrificing one (financial or impact) return for the other.
It was however noted that, when the researcher pushed the interviewees on the concept of sacrificing some returns to amplify impact, all respondents indicated that it was a step that would be reached when investors are given some incentive to give up financial return for impact. But at this early stage of II, especially in Ghana and with all the risks of investing, they all indicated that investors would invest for impact when there is financial return on offer. This, they contend would be different if a specialist fund is raised where investors accept to take a lower financial return for impact returns. This position seem to tie in especially with philanthropies that seek out investment as a means to stay sustainable (J. P. Morgan, & The GIIN, 2013)

**Table 4.1 - Trade-off between impact returns and financial returns**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number of frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is no trade-off between returns</td>
<td>8</td>
</tr>
<tr>
<td>There is a trade-off between returns</td>
<td>1</td>
</tr>
<tr>
<td>The best balance depends on the investor</td>
<td>2</td>
</tr>
</tbody>
</table>

### 4.2.3 What Returns are to be Expected from Impact Investment

This question and others around what returns can be expected from II solicited the most varied of views. It could partially be because there is no clarity about what constitutes impact, measurement standard for impact as well as confusion with financial and impact return. But when the question was narrowed down to impact returns, most respondent quoted jobs and woman empowerment as the most vital impact returns to be expected, at least in the context of Ghana. One respondent indicated a mitigation of social vices, such as environmental pollution, as a necessary impact return that can be expected from any II in Ghana.

It is imperative to note that most respondents, on jobs and job creation, indicated that II is not only concerned with creating jobs, but with creating *sustainable* jobs. As one respondent stated,
what impact would have been made if a construction financing created three thousand (3000) jobs for two (2) years but then after lead to the lay-off of everyone whiles another investment lead to the creation of one hundred (100) jobs but in a company that operates into the foreseeable future.

The issue of impact measurement is a challenge globally and it could not be different in Ghana. For most respondents, what may be an impact to entity ‘A’ maybe less so to entity ‘B’ especially because the intentions of impact would be different from the inception of the investment. For one respondent, if the investment created one hundred (100) jobs but that was not an intended consequence of the investment, then an investment that targeted the creation of five (5) jobs from the beginning has made more impact and is considered to be II. Thus for any form of returns, all respondents agreed that sustainability of returns (both impact and financial returns) was vital for any investment vehicle to continue to invest.

For respondents therefore, sustainability is a key factor for any return that can be made or harnessed from all or any II. While sustainability could be said to be important to even traditional financing, it can be said to be more important in II since without it, impact cannot be sustained and thus improve the lot of the society. The issue of sustainability was stated as the main differences between II and philanthropy, and why according to respondents, philanthropy failed to achieve sustainable development or impact.

Researcher did not find any literature to compare this outcome to. It was important that this is mentioned because the issue of II and its measurability is still under discussion. It may actually end up being different than it is currently envisaged hence it is important that the position of the players in the Ghanaian market are expressed. Since no standard is accepted, various
positions may be pushed and supported by various actors before a set of international standards are established.

### 4.3 Challenges to Impact Investment in Ghana

The research set out to find out among other things, the challenges that the emergence of II faced in Ghana. This section would discuss the results from the interview about the challenges to II in Ghana.

On the question of challenges to II in Ghana, respondents were asked to give their opinion on the challenges that face the emergence of II in Ghana. They were also asked to enumerate some challenges facing those in positions to eliminate and thus facilitate the growth of II in Ghana.

#### Table 4.2 - Challenges to II

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education of the public</td>
<td>11</td>
</tr>
<tr>
<td>The appropriate investors and investment funding</td>
<td>10</td>
</tr>
<tr>
<td>Absent or low level of investor ready businesses</td>
<td>9</td>
</tr>
<tr>
<td>There are no rules and policy guidelines</td>
<td>9</td>
</tr>
<tr>
<td>Mind-set that non-traditional sources of financing is free money</td>
<td>8</td>
</tr>
<tr>
<td>Lack of existing literature and case studies</td>
<td>7</td>
</tr>
<tr>
<td>Capacity of the relevant actors to implement II</td>
<td>6</td>
</tr>
<tr>
<td>Size of funding appropriate for businesses into II</td>
<td>6</td>
</tr>
<tr>
<td>Lack of local funding to drive II</td>
<td>4</td>
</tr>
<tr>
<td>How to measure and project non-financial return</td>
<td>4</td>
</tr>
<tr>
<td>Lack of understanding on how to project non-financial returns</td>
<td>3</td>
</tr>
<tr>
<td>Lack of innovations in II by different actors</td>
<td>3</td>
</tr>
<tr>
<td>A new field of industry so there are vague lines to growth paths</td>
<td>2</td>
</tr>
</tbody>
</table>

The most significant challenge identified by the all respondents was education. While the word was not used in its primary dictionary sense, it was explained to mean that for II to truly emerge or take off, the population must be enlightened to what II stands for and its differences to the traditional finance products as well as the differences to philanthropy. The need to
educate was more profound, according to respondents because the country has had a history of NGOs / NPOs trying to solve some societal problems. This has built in the mind of most people that anytime some funding is given and another aim, aside financial return, is mentioned, then that money must be for free and not to be paid back.

Also the issue of grants from donors and philanthropic organisations has also set the mind of the average Ghanaian to see any finance or investment that is not from a traditional source of financing as ‘not-to-be paid back money’. Even though this challenge is unique and could not be found in existing literature, the changing position of the UK government for example may hints at a similar problem. The Social Impact Investment Taskforce (2014) indicated the move by governments to contract services providers and not provide grants which would not be paid back. The realisation that more needs to be done for every financing to social enterprise may have informed the shift as the demand for payback on social investment is still evolving. Whiles the UK and other European markets may be developed, the changing position confirms the finding stated by the respondents as a key challenge in Ghana.

The second issues most respondents mentioned as a challenge to II in Ghana was the absence of appropriate investors and investment funding. Investors who would allocate money to institutions engaged in II are vital if II is to fully emerge. According to the respondents, even though some funding / financing are coming into the country, there is a limit to the specialist funding that are dedicated to II. Thus for most respondents, the supply of appropriate funding that allows for intentionality in investing for impact are limited. This is to say, the supply of funding appropriate for II is not adequate to explore all the possible impact avenues that exist in Ghana. Currently, all funding for II has been from private persons or institutions and these have been mainly foreign owned or domiciled. Thus, because II is about intentionality, if the
investor does not know the problem and / or instruct the investing institution to tackle that issue / problem with the financing, then it is possible that particular issue / problem may not be addressed. One respondent stated thus: ‘until the local HNWI and local institutions like the Pension Funds in Ghana sees the benefit of investing for impact, we may not raise enough money to push the II agenda. The supply side challenge was also found as a challenge in the reports and works by (Harji & Jackson, 2012; J. P. Morgan, & The GIIN, 2013; Nicholls, 2010; Lairikko, 2017). Whiles improvement in the supply side is noted, it is still not enough to help II achieve its enormous potential as a catalyst for societal development.

All respondents indicated that although II is a private sector driven initiative, another major challenge is the absence of relevant laws and policies that incentivise private sector to invest into II. They pointed to the case of the recent change in pension funds guidelines as announced by the NPRA. To the respondents, these changes have improved the funding that can be available for II. Also, most respondents indicated that some tax or incentive packages can be granted to companies operating in the II ecosystem so as to enable those institutions reduce rate for financial return whiles driving more impact for societal good. This, they believed would motivate more people into the II space because government alone cannot drive economic and societal development. Also that there are not enough funds available to the government to drive developmental agenda locally. As one respondent put it; “if philanthropy was a panacea to Ghana’s developmental agenda, then Ghana would have developed a long time ago. NGOs / NPOs has been a feature of Ghana since independence but that has not made the impact it was expected to make” he stated (Harji & Jackson, 2012).

Another challenge raised by respondents was the issue of capacity of industry actors due to the newness of the II field. Being a developing field, the capacity of those charged with
implementing II in Ghana is key. The investors must have investment bankers and professionals proficient with the concept of II to carry it out properly. More so, the investees need to be conscious of the concept of II and be investor ready. The newness means that risk of II was high and thus calls for those with the right capacity and training to fully implement for maximum efficiency is necessary. The need for increased capacity from financial professionals is vital because currently, there are vague and not too clearly defined II processes and therefore various components of the II space must be properly aligned to ensure that risk and potential are reduced and maximised respectively. As one respondents put it, capacity is needed to drive II because currently ‘we do not have the vehicles, the managers to carry out the concept properly and those in the field have low capacity’. It is vital that the industry get well versed lawyers, accountants and investment bankers to implement II. This point is worth mentioning because when respondents were asked if they started off as II investment players, almost all of them accepted that their current work or jobs thrusted them into the II field. To build capacity therefore, one respondent stated that there will be the need to have more thought leadership events, training on II, researches on II and case studies for II. Also, she stated that, there was the need to recognise those who are doing well with II so as to serve as an impetus for others to improve or get on the II train. The need to have the right skill set and training was also highlighted in the report by the J. P. Morgan, & The GIIN, (2013); Ormiston et al. (2015).

To most respondents, the absence of investor ready businesses to take advantage of II opportunities is another challenge. Whilst the major challenge is the supply side of II as mentioned above, the respondents all indicated the issue of ready-to-invest in businesses was in short supply as investors seek for investment opportunities. Because the demand is more than just the twin focus of risk and return, businesses that focus on more than just that would be needed if II is to be relevant. Whilst the supply side seek impact, the demand side of the
equation must also seek to make impact. To this end, the investee must be conscious of the need to project the others non-financial returns of their business whiles also being ready to have it measured. As indicated earlier, the concept of intentionality is the key underpinning of the II space, thus if the impact is to be noted, it must be measured and in a clear manner. Investees must allow more scrutiny of their business performance and behaviour on all ESG parameters. To the respondents, who all are active in the II and have funds for investment, there is a common mantra by businesses and business people to the effect that their main challenge is that they do not have access to finance. Whiles this was rejected as not true, the respondents rather posited that whiles there are enough finance to invest, there are not investor ready businesses for investment, even in the traditional investment process let alone the II process. Whiles this finding cannot be said to be at variance with the established literature which suggested that demand side is increasing (Social Impact Investment Taskforce, 2014), it is imperative that we note that II started not too long ago in Ghana and this may account for the fact that demand is yet to increase at an increasing rate. This may be because little is known about II in the country hence unlike the developed world where social enterprises are emerging with social good as a mission, that realisation is yet to dawn on the promoters of business in Ghana.

Another challenge raised by the respondents was the issues of commonality. As has been noted and commented on in the investment space in Ghana, ‘when one person starts a new business line, everyone jumped on and undertook that same business; such as the space-to-space business, mobile money, to mention but a few’. To the respondents, if investors started II for jobs, another groups could target women empowerment, others could target environmental impact, etc. as one respondent put it, there should be different II actors concentrating on different aspects of the society to ensure that various aspect of societal challenges are tackled.
New actors of the II space should not follow the already tried and proven impact target, but should find other space to target. This, to them would ensure uniform impact targeting instead of everyone doing the same thing the Ghanaian way. Some funds must target agricultural impact, others environmental impact, others climate impact, whiles others target social impact. This appears another unique challenge with II in Ghana. No literature mentioned this or any similar challenge but it was mentioned by many of the respondents as an issue in Ghana. It will be imperative for all potential II actors and existing actors to recognise this when new asset classes or new products are being developed to harness the varied opportunities available to these investors.

According to a study by Global Impact Investing Network (2017), a French impact investor offered the following challenge: “It is very important that impact investors engage in all sectors of activity in order to fight against poverty, create jobs, promote agriculture, and improve access to essential goods and services, health, education, housing, water, electricity […] It is possible to create investment models that create both financial value and measurable positive impacts on local populations”.

A final challenge noted as impeding the emergence of II in Ghana was the fact that most of the II actors are getting into the II space by chance. Thus the change is slow and gradual hence has not accelerated the II movement as quickly as the microfinance industry did. Whiles the later had companies starting and targeting microfinance and its auxiliary activities, II is more gradually being taken up by traditional financial institutions, hence the change of organisational culture and behaviour to focus on II is not as swift, hence the slow nature of adoption in Ghana. This finding was not also unexpected since only one newly formed company was present with II as its main agenda. All other players in the field evolved to II by virtue of changing company
focus or direction as well as demand from investors, who have been found to be mainly foreign (J. P. Morgan, & The GIIN, 2013; Harji & Jackson, 2012). This thus makes the literature stance that there may be the need for properly skilled labour force true (Social Impact Investment Taskforce, 2014).

It was worth noting that none of the respondents thought measurement of II impact was an issue at this stage of its development cycle (Ormiston et al., 2015).

4.3.1 Impact Washing

Even though this lexicon is yet to be widely used in the II world, it is fast developing as it did with green washing when SRI emerged. Greenwashing is the practice of making an unsubstantiated or misleading claim about the environmental benefits of a product, service, and technology or company practice. Greenwashing can make a company appear to be more environmentally friendly than it really is. Using the same concept, Impact Washing is seen to be the practice of making a misleading claim about the impact a company or financial product has made. This is to make a company or product appear more impact oriented than it actually is.

This term and the need to guard against this term was mentioned by one respondent. It was indicated that this would soon be the class of cases that mention impact as their focus yet had no intention to achieve impact but the perceive impact was only a consequence of the investment. Akin to green washing, some actors, recognising the value and opportunities of II are touting impact credentials whiles they have no such credentials. It is easy for impact washing to be celebrated in Ghana according to the respondent, because with all the socioeconomic challenges faced by the country and its people, there is the real risk that some
investors / people, without intention and measurement of impact, claim impact credentials. While this term or its meaning was not part of the research agenda, it was mentioned by one of the leading respondents interviewed. As indicated, this term is being mentioned in practice by leading thought leaders but this is yet to feature in published work or literature. This concept may take a while to catch on or become widely used in the literatures.

4.4 The Key Actors of Impact Investment

According to the Social Impact Investment Taskforce (2014), Impact investment, like any market, is a combination of demand (for capital to finance impact-driven organisations), supply (of impact capital) and intermediaries (helping to connect supply and demand). Thus to per the report, the main components of II would be; (a) Impact-seeking purchasers – these provide the sources of revenue that underpin investment in impact-driven organisations; (b) Impact-driven organisations – all types of organisations which have a long-term social mission, set outcome objectives and measure their achievement, whether they be social sector organisations or impact-driven businesses; (c) Forms of finance – which are needed to address a range of different investment requirements; (d) Channels of impact capital – to connect investors to impact-driven organisations in situations where the sources of impact capital do not invest directly in impact-driven organisations; (e) Sources of impact capital – to provide the investment flows needed. This aligned with what the research found.

As indicated by respondents in this study, actors in the II field can be grouped into five. It is vital to note that these actors have the ability to drive II as well as to remove obstacles and accelerate II growth in Ghana, with the government key in ensuring that all the other four actors were incentivised to act on their expected mandates. These key actors are:
• The supply side – the investors and those who are holding or have access to the monies for investment. The need to make financial returns and also to make impact is now the mainstream of finance since society has woken up to the reality that financial returns alone are not enough. Thus investors have the right opportunity to make returns and yet meet a social need.

• The demand side – investee companies and opportunities for II are made up of social entrepreneurs, those running businesses and the businesses themselves. With the emergence of II, investees also have the right opportunity to raise finance to fulfil a business dream whiles also contributing to societal good and drive societal change.

• Intermediaries – who are everybody else trying to link the supply and the demand sides of the II equation such as fund managers, some banks and some investment banking facilitators. These actors are also needed since they have the ability to engender change in the way finance is used and made. Whiles actors are important, linking the supply and demand is also important since without it, there will be no meeting of needs for II on a large scale. It is vital that the industry get well versed lawyers, accountants and investment bankers to implement II as it should be done. Another important intermediary mentioned were the business accelerators and incubation hubs. To respondents, these actors would help change mind-set of entrepreneurs who seek financing.

• Research – institutions and individuals who study the trend and make public the gaps and characteristics of II and thus opportunities there in. These actors are needed and have the best chance to write on the emerging field to help with vital decision making by the supply, demand, intermediaries and government. If the actors of the II space are not properly informed, there is the risk of taking half-baked decisions and thus affect the overall effectiveness of the new field.
• The government – in-charge of providing policy directions to give investors’ confidence about the general investment space and the hope of fair resolutions to conflicts and business disputes should they arise.

To the respondent, to get the II space / ecosystem to work and be efficient, there will be the need for each of these key actors to be doing what they need to do. The number one challenge of II as indicated early is more across these five actors of II and thus to accelerate II, there is the need to accelerate education to these five key actors.

4.5 Eliminating Challenges to Impact Investment in Ghana.

As indicated above, respondents thought that education on II is the biggest challenge to the emergence of II in Ghana. Thus, when the people in the space start making the right noises and providing the right information and education, then the obstacle to II would be eliminated. Respondents were however not unanimous on who holds the key to this education drive. Whiles most thought the government should lead the agenda, others considered that because this is a private sector led industry, the work for education should be funded and pushed by investors. This can be achieved through intermediaries and more research and publication on II in Ghana and what the nuances are to traditional financing as has been the case with Ghana; a banking based economy. IIG was mentioned as key to this education drive and a lot of hope is held out for the activities of this newly formed body.

Another factor that respondents believed would eliminate some barriers to II would be the celebration of II success stories and the effect on development by research institutions and individuals. This would, to some respondents, remove the self-imposed barriers by some investors not wanting to risk failure. Whiles being an early mover into the II would be a virtue for all, those that fail would be seen as failures in the true sense of the word, not to mention the
investments that would be lost. Thus if people heard and read more successful case studies, they will be more willing to take a plunge and make II thrive. Castellas, Ormiston, and Findlay (2018) found that as more success of II was celebrated, more institutional investors were encouraged to venture into the field and become active with new investment products developed for the market.

Others thought the government should start recognising the place of II in the development agenda and grant tax reliefs and breaks to those actors identified as investing for impact.

4.6 Opportunities of Impact Investment in Ghana

As indicated before, many steps have been taken by the world in search of the best means to meet societal needs and do societal good. The field of II is so prime and set to become that main tool for this such that Yvonne Bakkum, MD of FMO is quoted to have said that “moral capitalism is the only capitalism that we can sustain”.

<table>
<thead>
<tr>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>The scale of socioeconomic challenges</td>
</tr>
<tr>
<td>The Sustainable Development Goals</td>
</tr>
<tr>
<td>Government linking the national budget to the SDGs</td>
</tr>
<tr>
<td>Lack of adequate finance for government to address social challenges</td>
</tr>
<tr>
<td>The growing awareness that the private sector needs to contribute more</td>
</tr>
<tr>
<td>Dwindling donor support for national development</td>
</tr>
<tr>
<td>The need to find new ways of funding national development</td>
</tr>
</tbody>
</table>

The need to intentionally drive societal good and still make returns in financial terms is so paramount to II but with an emerging economy like Ghana, what or where lies the opportunities for II in Ghana. When respondents were asked to mention where the opportunities for the emergence of II in Ghana laid, all respondents mentioned the SDGs. According to the UN, the
SDGs are the blueprint to achieve a better and more sustainable future for all. They are to address the challenges the world face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. As one respondent put it, “with the emergence of the SDGs, we do not have a choice but to accelerate II” (Harji & Jackson, 2012).

After the euphoria and its equal depression that met the realisation that the world could not meet the MDGs, the UN declared the SDGs as the new target for the world to help drive development to the very poor and underprivileged. According to the respondents, the mere fact that government cannot, by itself and on itself, achieve the SDG targets, serve as the real opportunity for II in Ghana. Actors and players in the II space can take advantage of the need to meet the SDGs and the clear inadequacy of the government to drive II in Ghana. To the respondents, every intention to achieve impact with any investment should lead to the fulfilment of an SDG as listed by the UN (Wong, 2012).

An important change in the market that must be mentioned would be the fact that the national budget drawn by the Ministry of Finance is now SDG focused. This means that government is targeting development indicators a prescribed by the UN under the SDG. With that the government is working towards making the environment more business friendly for investors, and this affords the II actors the best chance to accelerate the importance and relevance of II in Ghana. This opens up space for II actors to push this agenda because according to the United Nations Conference on Trade and Development (UNCTAD) (2014);

“At current levels of investment in SDG-relevant sectors, developing countries alone face an annual gap of $2.5 trillion. In developing countries, especially in LDCs and other vulnerable economies, public finances are central to investment in SDGs.
However, they cannot meet all SDG-implied resource demands. The role of private sector investment will be indispensable.”

Respondents indicated that with the country still classed as an underdeveloped nation, with socioeconomic challenges, opportunities to drive impact for change is immeasurable and thus the proper application of II would be a good catalyst for development. As more social, economic and environmental challenges are identified, mentioned and measured, there is an opportunity for II since it is clear to all that government cannot do it all by itself. The daily social uproar against bad roads, undeveloped neighbourhoods, low job employment and the apparent inability of government to be able to tackle these, coupled with what is termed as donor fatigue and dwindling support from traditional development partners, society is looking for new ways to drive development as the millennials pushed up into influential position in society, so does the push for alternative development sources (Social Impact Investment Taskforce, 2014).

When asked about how they saw the II landscape developing in Ghana, every single one of the respondents was of the opinion that II could only get bigger and more mainstream. There was the latent worry about applying or using II wrongly in Ghana. With the right capacity and with institutions such as IIG leading the way, there is the belief that II would be done right and the full benefits would be seen in the country. To one respondent, even though the SDG is the aim for government, the level of fulfilment when the measure of it is done, would show the level of II in Ghana at the time of measurement.

The fact that investors would also gain measureable return on investment in impact sectors was seen as also an opportunity for II in Ghana. If financial returns was dwarfed by impact returns,
then private sector would be less inclined to participate. But with a commensurate, and even arguably better returns when impact is targeted, then the II landscape can only get better and improve (Lanka, 2015).

4.7 Case Study of an Impact Investment Made in Ghana

The case study is on a local downstream oil company (fuel service station) that started with a dream by a former military officer of the UK army. As a citizen of Ghana, he retired honourably and returned to Ghana to pursue a business interest. The businessman was the manager of a shell-owned service station in a peri-urban part of Ghana. This did not fulfill his dream of owning his own station. He thus located a place for his station but then could not raise financing from any of the traditional institution due to the perceived risk of venturing into ownership, the work that needed to be done on the site to make it suitable for the business, the cost of financing the new location and the tenor for the funding. While these can be classified as a normal bankable deal, the risks were perceived to be high and thus did not attract any banking institution.

The II Company however recognised that beside the financial return, there was the possibility of creating jobs, increasing access of local populace to quality shell fuel and service thus improving lifestyle among others. The company thus aside the risks, saw the impact a deal of that nature would make. Thus the funding agency found the downstream oil sector as impactful for consideration since it was a key sector for national development. Managers of the II Company stated that granted they could make that level of impact, then the right mitigating factors would yield a good return for their business.

The financing was to increase margin of entrepreneur from 30% to 70% as owner of the
station. Aside the above, the investment was expected to yield an Internal Rate of Return (IRR) of 33.02% as well as a Money Multiple of 2.0 over the five years period of the investment. Further to this, the investment was expected to create direct employment for 10 to 16 people within the first year of operation. The investment was made at an interest rate of about 25.5% and the service station developed was taken as collateral, in addition to a house located in Wa (Upper West Region). The Wa located collateral was another reason the banks or traditional financial institutions did not want to consider the deal as the collateral could not be classed as in an easily ‘foreclose-able’ location. At the time of investment (May 2011), the exchange rate between the GHS and the USD was $1.0000:GHS1.6000.

The debt financing granted for the business was GHS837 600 (GHS600 000 for construction, GHS237 600 for working capital) in addition to borrower contribution of GHS87 500. In addition to the financing, the investor fund took up share capital of GHS10 000 (10%) of the company to be resold at par, upon maturity of loan. The financing was made with a 12months moratorium to cover construction period, as well as all charges (processing fees) were delayed to allow maximum investment of cash into the construction by the entrepreneur.

The investor had an intention to invest the funding for a required return but also to create jobs of a certain number per GHS1 invested. Even though II was almost non-existent in Ghana at the time, the investor was pushing the agenda of investing for impact and not just financial return. From the ratios and percentages below, the investor did not sacrifice any financial return but sought to achieve non-financial return (in this case job creation) in addition.

During the tenor of the financing, there was the need to restructure the facility as repayment fell behind for some months. That notwithstanding, the financing was successfully exited by
the investee with the following matrixes at the time of exit.

**Table 4.4 - Statistic data on case study**

<table>
<thead>
<tr>
<th>Details</th>
<th>Target ratios and returns</th>
<th>Actual ratios and returns</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested amount</td>
<td>GHS 837,600</td>
<td>GHS 835,972.01</td>
<td>Full disbursement was not done due to collateral registration cost</td>
</tr>
<tr>
<td>Interest rate</td>
<td>25.5%</td>
<td>25.50% (reduced to 24.00%)</td>
<td>Rates were reduced to reflect changes in the market.</td>
</tr>
<tr>
<td>IRR</td>
<td>33.02%</td>
<td>30.46%</td>
<td>Lower that beginning interest rate affected the IRR at maturity</td>
</tr>
<tr>
<td>MM</td>
<td>2.00</td>
<td>1.82</td>
<td>Lower than expected MM due to reduction of the interest rate during the loan tenor. But this loss was duly compensated by the more than double jobs that were created and sustained.</td>
</tr>
<tr>
<td>Loan tenor</td>
<td>5yrs (included 12 months moratorium)</td>
<td>5yrs, 6 months</td>
<td>Need to restructure due to some operational challenges</td>
</tr>
<tr>
<td>Investment date</td>
<td>01/06/2011 to 31/05/2016</td>
<td>16/06/2011 to 30/11/2016</td>
<td>-ditto-</td>
</tr>
<tr>
<td>Jobs to be created</td>
<td>10 – 16</td>
<td>32 (including 6 females)</td>
<td>More jobs were created than anticipated as business was able to add auxiliary services to fuel sale.</td>
</tr>
<tr>
<td>Jobs sustained</td>
<td>20</td>
<td>52</td>
<td>Total number of current jobs of the entrepreneur at the last count in 2016.</td>
</tr>
</tbody>
</table>
Finding investments that have gone through the full investment cycle was a challenge as the field did not have many stories to share.

4.8 Comparing Outcome of Case Study with Literature

While as stated, measurability is one area of II that is still yet to be fully standardised, some lessons can be picked from the case study.

For starters, the concept of II was and is new and this confirms the literature on the state of II (Bugg-levine & Goldstein, 2009; Lanka, 2015; and Lairikko, 2017). This is further confirmed by the feedback from respondents from practice in Ghana. The challenges of II can be deduced from the case as the investor had to look past the business risk. Finding the right business that would make an impact was a challenge also highlighted by the investor. To them, a business that can promise impact and return is crucial but also hard to find (Evans, 2013; Social Impact Investment Taskforce, 2014). The investor indicated that but for the impact returns which were attractive, they may not have invested since the financial return alone was not enough considering the risks associated with the investment. The fact that the investment tenor was longer than targeted raises the risk associated with investing for impact. From the investee, three other traditional financial institutions (including the banking institutions where it had its accounts) refused to invest considering the risks to be too high. The non-financial institution that made the financing however was enticed, not only by the financial return, but also the impact it was going to create (Mogapi et al., 2019; Social Impact Investment Taskforce, 2014; Harji & Jackson, 2012) and this was highlighted in several of its post investment marketing tools to raise more investor friendly money for investment.

Another issue that the case highlights is the fact that even though the investor made some
impact return, it equally did make a good market return in financial terms. The case shows that, like most respondents indicated, II can be achieved with little trade-off between financial and non-financial return (Global Impact Investing Network, 2018b; Lairikko, 2017; Mogapi et al., 2019). While the impact expected (being jobs in this case) was achieved, investor also made good financial return on its investment. The one-year treasury note was 22.25% as at end of November 2016 (GT Bank Treasury Department, 2016). While data on average base rate of the banking industry at the time of deal maturity is hard to come by, the T-bill rate suggests little trade off in returns. This is further confirmed by the MM as well as the IRR figures.

This case suggests that as literature indicated and as respondents alluded to, there are numerous opportunity for businesses to take advantage of II (Mudaliar et al., 2016). With 2019 declared as the Year of Return for African Diaspora (Tetteh, 2018), examples of the studied case can be shown to the diaspora to entice them into coming down and starting new businesses in Ghana. This would be packaged as their contribution to achieving the SDGs and also helping their motherland. These anticipated investments, businesses and arrivals are some opportunities II actors can take to increase the supply side of funding. With these people already enlightened on the concept to II, it may be an easier chance to enhance education of II and change the mind-set. It can be argued that this business met the impact target because it was a business financed from scratch. But the investor had to see that as a part of the outcome (intentionality) for the financing to make sense to them and thus enable them invest to realise that potential.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter of the study highlights the key findings and conclusions that can be drawn from the study. The researcher set out to explore the rise of II in Ghana, who the key actors were, the opportunities that existed to these actors as well as the challenges.

5.2 Summary

While the evidence suggests that opportunities for II abound in Ghana, there are very profound challenges to its growth and effectiveness. Chief being education of all actors of the II space as enumerated above. While education would help, there was also the noted issue of capacity. The third main challenge that need solving for II to become mainstream is getting the appropriate supply side of the II space to ensure that the right tools are being deployed to solve the identified challenge(s). As with any new field and especially in an emerging market, the role of government to facilitate with the right kind of policy to create the enabling environment for II was also identified.

While II is emerging with practice leading the way (academia is merely catching up), the dearth of literature on the Ghanaian II ecosystem is a challenge that would need to be consciously addressed by all actors. This will help inform decisions and avoid the obvious errors made in the implementation of the microfinance concept.

While many challenges were enumerated by the respondents, so were the unanimous projection of the fact that opportunities for II in Ghana abound. The SDGs seem to be the main
opportunity driver for II in Ghana. And the fact the government was leading the SDG agenda with the national budget serves as the major impetus for II to take off. This has led to the need to rethink development finance and how the SDGs could be met in practical terms. Other opportunities mentioned were the mass unemployment in Ghana, the menace of the plastic waste scourge, as well as the general underdevelopment in the country’s socioeconomic status. This, the respondents believed could be achieved using II as a catalyst for change.

On trade-off between impact return and financial return, the unanimous view was that there was no trade-off between returns. This was also backed up by the data from the case study. Five key actors were also found to be vital to the growth of II in Ghana.

5.3 Conclusion

II is very different from traditional financing in more ways than one. A change in mind-set and how financing success is measured and accounted for is needed. An entirely new understanding has to be formed to the effect that financial return and other identified non-financial returns can be attained without sacrificing one for the other. The Ghanaian way of doing things where concepts and programmes are imported whole, with little modification to account for the exigencies of culture, norms and values is another factor to be considered: if any lessons are to be learnt from the failures or challenges to the microfinance industry.

If the above would be done however, more capacity would need to be built both at policy direction level and investee level. A new breed of lawyers, investment bankers, accountants, entrepreneurs, policy makers and research bodies would need to be found or trained to ensure that this field is properly administered and governed as it was intended by those that first
propounded the concept of II. This has led to the absence of II ready businesses and thus hampered the emergence of II in Ghana.

The need for II actors to be equipped with the needed capacity, the need for visionary thought leaders, and the need for early adopters (investors, investees, intermediaries) to set the right precedence is important. Also the need for research with case studies cannot be discounted if the concept is to be properly adopted to unleash the latent potential of II as a force for good and accelerate socioeconomic development. Thus the formation of the IIG is a good step for the industry.

5.4 **Recommendations**

While jobs is too narrow a means to measure performance, industry actors would need to quickly agree on some basic performance measures, if the goodwill II clearly enjoys as an emerging force is not be lost to ambiguity and lack of direction. One thing that the country can agree on would be job creation as a start whiles other matrixes can be added as the field developed. To this end, there can be an agreement on what each Ghana Cedi invested should create and for what period. Waiting for GIIN, IRIS and IRIS+ are good and globally recognised, but for an emerging field as in Ghana, this would be the opportune time to tailor this concept with a Ghana approach and characteristics.

General agreement was to the effect that even though opportunities abound, and key actors have a role in driving the II industry, the state of the II ecosystem and the proper education of the investing actors would determine the growth of the industry.
5.5 Limitations and Suggested Future Research

The research successfully gathered relevant information about the II field in Ghana but this was done with some limitations. Due to the newness of the field of study, existing literature and materials were limited. Also the research adopted snowballing sampling method and this meant that some actors may not have been identified and spoken to. Each respondent is a practitioner and currently employed in the II industry.

Even though it is normal to have a small sample size for qualitative research, no generalisation can be made until the industry grows a bit more and thus with increased number of participants.

Some suggested research topic that came up during the research was the concept of output verses outcome. While it may sound good to know that some people have been employed (output), more research may need to be conducted to determine if the employment is taking people out of poverty and affecting the larger society (outcome). If a woman entrepreneur is financed, would the financing be just for that woman or the anticipated effect on larger society is achieved. This would be an interesting research area.

Another research topic can be the means by which the identified challenges can be overcome. How II can be adopted to meet the peculiarities of Ghana would be a good research area as well. Finally, the concept of impact measurement and the matrix for standardisation would be another important suggested research area for the future. As a new field of study, more research would be needed to measure and quantify ‘impact’ since it would be the basis for the investment.
REFERENCES


Dembinski, P. H., Bonvin, J., & Monnet, F. (2003). The Ethical Foundations of Responsible


APPENDIX – INTERVIEW GUIDE

Background information
1. Can you please tell me about your organisation and your position in a few words?
2. How are you and your organisation involved in impact investing?
3. Did you start out working in impact investing? If not, how did you get into that the impact investment space?
4. How do you understand impact investment and what does impact investment mean to and your organisation?

Impact investing landscape
5. How do you see the emergence of impact investing in Ghana?
6. In your view, what is the development phase of impact investing in Ghana?
7. What kind of returns can be expected from impact investments made?
8. In your opinion, is there an inevitable trade-off between financial return and impact return?

Challenges and opportunities
9. What do you think are the biggest challenges to the emergence / growth of impact investing in Ghana?
10. What do you think are the key opportunities and drivers of impact investing in Ghana?
11. What actors would you say are in key position in removing obstacles and accelerating growth of impact investment in Ghana?
12. How could these actors promote impact investing?
13. How do you see impact investing landscape developing in Ghana?