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New bottle or new label? Distinguishing impact investing from responsible and ethical investing

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Abstract

A common topic of debate in academic scholarship on impact, ethical, and responsible investing is definitional clarity around the motivations and applications of each form of investment strategy. We ask, how does the subfield of impact investing differentiate itself from more established ethical and responsible investing – and do these differences necessitate yet another field of study? Adopting a combination of bibliometric and content analyses, we identify four distinct features of impact investing – positive impact targeting, novelty of governance structures, long time horizons, and the importance of philanthropy.

KEYWORDS

bibliometrics, content analysis, ethical investing, impact investing, responsible investing

JEL CLASSIFICATION

G23, M14

1 | INTRODUCTION

> You can choose to look the other way, but never again can you say that you never knew
>
> – William Wilberforce

The scale of negative environmental and social externalities associated with financial markets has generated significant interest in rethinking the role of finance in society (Ryszawska, 2018). In William Wilberforce's time, the great moral cause in the United Kingdom was the abolition of slavery; today, the grand challenges are global and include grinding poverty, homelessness, and global climate change. Attempts to reconcile the intended financial returns from investments with their social impact span decades, if not centuries, under the labels of ethical investing (Irvine, 1987), responsible investing (Rosen et al., 1991), sustainable investing (Woods &

Urwin, 2010), and environmental, social, and governance (ESG) investing (Daugaard, 2020), among others. Perhaps the nascent field of impact investing (Harji & Jackson, 2012) is simply another entry in this long list.

There remains a long-standing 'conceptual fuzziness' in the field of social finance research when attempting to delineate seemingly interrelated investment strategies (Eccles & Viviers, 2011); due in part to the evolution of topics over time (Eccles & Viviers, 2011), the aggregation of terminology (Caplan et al., 2013), and lack of uniformity of standards (Höchstädter & Scheck, 2015). Researchers continue to use these terms interchangeably (Agrawal & Hockerts, 2019; Islam, 2021), which adds confusion to how these terms differ and where each asset class is best applied. Consequently, there is little definitional clarity both within and between these asset classes.

Given these different approaches in the literature, we ask, how has impact investing distinguished itself from the more established fields of ethical and responsible investing? Are the motivations and processes behind impact investing sufficiently distinct to necessitate yet another field of research? Does impact investing need a different theoretical approach? And if so, what direction should impact investing research go?

We argue that language matters in defining distinct fields – and that if impact investing is a distinct field, then understanding its boundaries is critical for developing and applying theories to explain impact phenomena. Without drawing these clear distinctions, it becomes difficult to properly assess the role impact investing plays within both the global financial system and in making progress towards meeting our grand societal challenges as well as the sustainable development goals (SDGs). A more distinctive field of impact investing research will provide a platform that enables the development of technical, theoretical, and critical research that will deepen our understanding of both investment practice and sustainable development.

Building on recent reviews of alternative investment strategies (Daugaard, 2020; Islam, 2021; Kumar et al., 2022), our quantitative method categorises 1829 publications distinctly on impact, ethical, and responsible investing based on their metadata and content. In contrast to existing reviews, however, we do not attempt to define the literature; rather, we compare the fields of research, identify distinguishing characteristics, and propose theoretical approaches to capitalise on these differences.

To achieve this, we first present a bibliometric overview of research progress and influential players in the field, including top authors, institutions, and journals. We then identify the most salient papers in the field using citation counts, co-citation analysis, and reference publication year spectroscopy. We complement the bibliometric analysis with a quantitative content analysis of abstracts and keywords in the sample to delineate axiomatic characteristics through a combination of inductive word commonality, term frequency-inverse document frequency analyses, and deductive word frequency analyses.

The results show a significant overlap in the usage of the terms impact investing, ethical investing, and responsible investing in the academic literature. Consistent with the literature, we find that research topics are often shared, and the boundaries between them are not clearly defined (Cojoianu et al., 2022; Kumar et al., 2022). Therefore, we contend that impact investing has not sufficiently established itself in the literature as a distinct asset class. However, four distinct areas appear to be particularly unique to impact investing and, moving forward, can be used to outline a distinct impact investing research agenda. These distinctive features are: an emphasis on *positive impact targeting*, *novel governance structures*, *longer time horizons*, and the *importance of philanthropy*. We suggest that for impact investing to gain relevance compared to its well-established counterparts, academics and practitioners alike must focus future efforts on these avenues of research and practice.

We conclude by asserting that impact investing researchers must adopt a distinctive theoretical lens and research agenda to the field of study. While responsible and ethical investing are grounded in finance theories, such as modern portfolio theory (Lukomnik & Hawley, 2021; Markowitz, 1952) and capital asset pricing (Carhart, 1997; Fama & French, 2004), impact

investing can gain from social theories, such as the theory of change (Jackson, 2013), the concept of social return on investment (Millar & Hall, 2013), social cost-benefits (Harberger, 1984), and empowerment (Weber & Ahmad, 2014). We propose that these distinctions address some of the most common misgivings of social finance.

2 | LITERATURE

The term impact investment was first coined by the Rockefeller Foundation in 2007 when leaders in finance, philanthropy and development gathered to explore ways of harnessing impact (Harji & Jackson, 2012). However, the spirit behind impact investing dates back decades, if not hundreds of years. Eighteenth-century attitudes on slavery, the cooperative communities founded by Robert Owen, and the 1928 US Pioneer Fund are all examples that point to the long history of purpose-driven investing (Reeder & Colantonio, 2013). Impact investing has experienced a surge in interest over the last decade as episodes like the 2007–2008 global financial crisis and rising income inequality highlight the need for a more inclusive (or alternative) form of capitalism (Höchstädter & Scheck, 2015). This trend continued into the COVID-19 pandemic as well (Folger-Laronde et al., 2020; Omura et al., 2020; Zeidan, 2020).

Despite the rising popularity of impact investing, debate remains about what exactly it entails. The debate tends to focus on specific factors, such as how impact is defined and measured, the level of financial return involved, the geographic location of beneficiaries, and investor profiles. There is still no consensus on how responsible, ethical, and impact investing differ. Even trailblazing reviews of impact investing continue to conflate impact, responsible, ethical investing, and social finance under one umbrella (Islam, 2021).

There is some consensus within the self-identified impact investment community (such as the Global Impact Investment Network) that impact investing does differentiate itself by *intentionally* seeking to generate and measure both financial return and positive social and environmental impact (Clarkin & Cangioni, 2016; Hockerts et al., 2022). However, these definitions are largely self-referential, as they are used by those in the impact investment community to determine what is 'in' but not what makes impact investing distinct from other types of investment.

While impact investing has entered the mainstream lexicon, academic research on the field has lagged behind. Broadly, academic research defines impact investing as a form of investing that aims to create societal impact with varying financial returns (Bugg-Levine & Emerson, 2011; Weber, 2011; Weber & Feltmate, 2016). Other authors describe impact investing as financial investments that produce social or environmental benefits (Brest & Born, 2013), as a way of financing social entrepreneurs (Cohen & Sahalman, 2013), or as investments intended to create positive social impact beyond financial return (Jackson, 2013). The reviews to date have contributed to improving the conceptual clarity of impact investing and identifying areas for future research.

Daggers and Nicholls (2016) suggest that one notable area for future research is clarifying the distinctiveness of social impact investment, with key research questions including clearer boundaries of social impact investment. Höchstädter and Scheck's (2015) review also concludes that there is more homogeneity in the definition of impact investment than they had originally expected, but that distinction between responsible investment and impact investment requires further clarification.

Thus, a critical definitional issue among scholars is how impact investing relates to the concept and practice of responsible and ethical investing. Some view impact investing as a form of responsible investing, that goes further in terms of generating and measuring non-financial returns (Reeder & Colantonio, 2013; Shulman & George, 2012), whereas others see impact investing and responsible investing as distinct approaches (Geobey & Weber, 2013; Höchstädter & Scheck, 2015; Spiess-Knafl & Scheck, 2017; Weber & Feltmate, 2016).

Some researchers argue in favour of grouping subfields by similar motivations or methods. Caplan et al. (2013) classify impact investing and ESG investing under the larger body of responsible investing, while Giese et al. (2019) suggest that values-based investing and impact investing fit under the umbrella of ESG investing. Daugaard (2020) similarly coalesce topics of ethical, responsible, sustainable, impact, and environmental investing as forms of ESG investing, and Islam (2021) combines topics of social, philanthropic, responsible, and ethical investing under the umbrella of impact investing.

The differences between impact investing and responsible investing cut across several lines, but each source has a unique take on what those lines are. For instance, responsible investing is sometimes described as being limited to public investing with the impact being achieved indirectly, while impact investing is about investing directly in private companies to achieve desired social impacts (Spiess-Knafl & Scheck, 2017, p. 7). Nicholls and Pharoah (2008), further define impact investing as 'patient capital', driven by long-term investment decisions – better aligning the interests between investors and investees, addressing the funding gap for social enterprises, and enabling them to scale up their activities. Moreover, responsible investors strive to achieve close to market-rate returns while impact investors are satisfied with lower returns (Barber et al., 2021). One of the most widely cited distinctions rests on the idea that responsible investing seeks to minimise harm, while impact investing proactively aims to generate positive outcomes (Clarkin & Cangioni, 2016). However, Höchstädter and Scheck (2015) argue that positive screening is also a part of responsible investment strategies, calling into question how this alone distinguishes responsible investing from impact investing. Regardless of the perspective, the literature lacks consensus on how responsible investing and impact investing differ or how they relate to ethical investing.

This study aims to bring more clarity to how the academic literature addresses these investment approaches, to more accurately delineate the boundaries between ethical, responsible, and impact investing. The study adds to this foundational scholarship by drawing uniquely from the academic literature to add more nuance and precision to how impact investment relates to ethical and responsible investing. By doing so, we address the research gap caused by the inconsistent use of impact investing and similar terms in the current academic discourse.

3 | METHOD AND DATA

We adopt a mixed approach to our bibliometric and content analysis (Hsieh & Shannon, 2005), combining inductive, deductive, and comparative elements to garner insights into how impact literature has evolved over time and in relation to ethical and responsible investing. By comparing the three corpora independently, we uniquely contribute to the systematic reviews in this space.

Bibliometrics – the use of statistical methods to analyse publications and their impact – have a deeply established history as a process that seeks to quantifiably study research outputs (Pritchard, 1969). Though nascent in management scholarship (Linnenluecke et al., 2020; Zupic & Čater, 2015), the method has begun to gain prominence as a means to systematically examine the latent characteristics of large swaths of literature (Alshater et al., 2021; Dordi & Palaschuk, 2022; Linnenluecke et al., 2016; Linnenluecke & Griffiths, 2013). Applications of bibliometric methods for comparative analyses are even less examined (Marrone & Linnenluecke, 2020) and recent reviews of alternative investment strategies (Beisenbina et al., 2022; Daugaard, 2020; Islam, 2021; Kumar et al., 2022) do not delineate between these terms. The complementary content analysis examines the latent axiomatic characteristics embedded in unstructured text data like abstracts and keywords (Feldman & Dagan, 1995; Feldman & Sanger, 2006). The method processes trends and patterns across swaths of textual

data using statistical analysis (Miner et al., 2012) to describe the structure of scientific literature in an objective and rigorous manner (Kao & Poteet, 2007).

In contrast to a traditional systematic review, bibliometrics and content analyses describe the structure of scientific literature, using quantitative analysis to study publication patterns based on the article's metadata (Nakagawa et al., 2019). Metadata analysis can be descriptive, such as how many articles have been published or who are the top authors, journals, institutions, and keywords. Alternatively, it can be evaluative, examining how select authors, articles, journals, or institutions have influenced subsequent research by others. Bibliometrics are thus better suited to document and visualise the evolution of a field of study and, consequently, the trends and opportunities for future research. As such, this method has benefited greatly from advances in big data, visualisation, text mining, and network analysis. Advancements in computing capabilities and the development of software tools (Aria & Cuccurullo, 2017; McLevey & McIlroy-Young, 2017; van Eck & Waltman, 2010) have facilitated faster, more comprehensive analyses on increasingly larger datasets. In this study, analysis was conducted using the open-source R software and several notable packages, including Bibliometrix (Aria & Cuccurullo, 2017), Tidytext (Silge & Robinson, 2016), and ggplot2 (Wickham, 2009).

In identifying our final sample, we apply the 'Preferred Reporting Items for Systematic Reviews and Meta-Analyses' (PRISMA) method (Moher et al., 2009). Our process is as follows: metadata of publications were retrieved from both the Web of Science and Scopus databases via a systematic search of academic literature relating to ethical investing, impact investing, and responsible investing. The query searched through all fields (titles, abstracts, keywords) and was restricted to peer-reviewed journal publications, the English language, and articles published or in press before November 2022. Table 1 below presents a summary of the inclusionary and exclusionary screening applied.

Based on our initial queries, ("ethic* invest*") resulted in 417 publications, ("impact* invest*") resulted in 1056 publications, and ("respons* invest*") resulted in 2523 publications. Collectively, 3996 publications were exported from Web of Science and Scopus. Duplicate results between Web of Science and Scopus were subsequently removed, resulting in 3162 publications.

Finally, three independent examiners reviewed the content of each abstract for relevance. Articles where at least two of the three examiners deemed the content out of scope are excluded. Common causes of exclusionary screening included relevance, use of terms, and categorisation. First, articles outside of the broad study of business, society, and environment (such as in medicine or engineering), which often referred to terms like impact investigations, are excluded. Relatedly, articles that indirectly mentioned ethical, impact, or responsible investing in their abstracts, but were not the key themes of the article are also excluded for irrelevance.

TABLE 1 Search query and sample.

Query	Impact ("impact* invest*")		Ethical ("ethical* invest*")		Responsible ("respons* invest*")		
Database	**WOS**	**Scopus**	**WOS**	**Scopus**	**WOS**	**Scopus**	**Total**
Initial query	650	406	276	141	1667	856	3996
Exclude duplicates	725		355		2082		3162
Exclusionary screening	311		224		1294		1829

Note: This table presents the search query used to identify the sample. Publication metadata was collected from the Web of Science (WOS) and Scopus. The search criteria were scoped to include peer-reviewed journal articles, published in English, before November 2022. Duplicates between WOS and Scopus were subsequently excluded. Exclusionary screening was applied if the content of publications was deemed irrelevant, did not explicitly reference the query terms, or referenced multiple query terms and was more applicable to another corpus.

Second, the use of terms, such as reference to 'how financing impacts investments' are excluded. Other instances of exclusion included sentence structure, whereby one sentence ends with impact and the next sentence begins with investment. Third, due to the shared boundaries between ethical, impact, and responsible investing, articles frequently referred to more than one of these terms in their titles and abstracts. As one example, the abstract by Cupriak et al. (2020) begins with 'Socially responsible investing (SRI) or sustainable, responsible, and impact investing is growing fast'. In such cases, the examiners categorised the article based on its primary context.

The screening process resulted in a final sample of 1829 observations, of which 224, 311, and 1294 articles related to ethical, impact, and responsible investing, respectively. Metadata, including authorship, journal, and abstract, among others, were exported as a Bibtex file.

In addition to the impact investing, responsible investing, and ethical investing terms, a few additional search terms were used but ultimately eliminated from our data set. Sustainable investing and mission-related investing were subject to search as well; however, both of these terms produced few results, which were either false positives or were included in another corpus because the terms were used interchangeably. We also searched using values investing, which faced similar data limitations in addition to the challenge of 'value investing' also covering an old and popular set of investment strategies used in mainstream financial analysis. Finally, we excluded ESG investing due to the 'catch-all' nature of the term. Queries on ESG investing resulted in an outsized sample relative to the other terms analysed, and significant overlap with the responsible investing corpus. A detailed examination by Daugaard (2020) on ESG investing also addresses this space in much more detail, so we deemed that term out of scope. Consequently, these additional terms were eliminated from our data set and analysis.

We note some additional limitations to this method of data collection. Several notable publications such as Bugg-Levine and Emerson's (2011) seminal book on impact investment are not included in these scoping criteria. Additionally, the restricted search queries do not capture adjacent but relevant fields of study, like that of social investment, blended value, and social impact bonds.

4 | RESULTS

The results begin with a short examination of the metadata to frame the bodies of literature. These results may have notable reference value for emerging scholars in the space of ethical, responsible, or impact investing.

4.1 | Bibliometrics

The topics of impact, ethical, and responsible investing have undergone a consistent level of growth in publication numbers over time (Figure 1). The number of peer-reviewed research articles increased from 32 in 2000 to 1829 by the end of 2022, attesting to the enormous interest the field has garnered in recent years. We split the three topics for a more granular analysis. Literature on responsible investing and ethical investing has deep roots in our sample (Purcell, 1979; Rosen et al., 1991). However, responsible investing ($n = 1294$) has since burgeoned as a prominent topic in academic discourse. Compared to responsible and ethical investing, discourse on impact investing is relatively nascent but rapidly growing ($n = 311$), having surpassed scholarship on ethical investing ($n = 224$). Since 2015, impact investing literature has undergone the most rapid growth averaging 68.8% per year, followed by responsible investing at 18.2% and ethical investing at 10.3%.

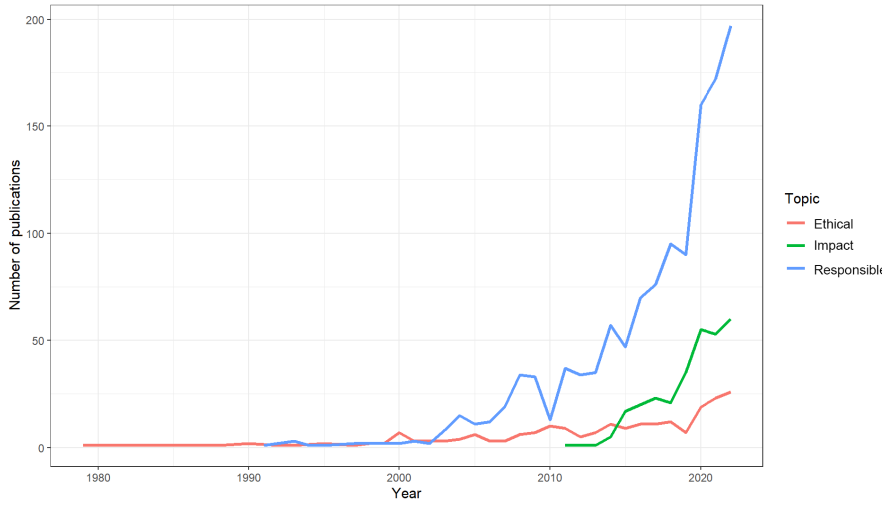

FIGURE 1 Publications per year by topic. The evolution of ethical, impact, and responsible investing literature within the sample is plotted over time. The number of publications per year is mapped on the *y*-axis. The years, spanning from 1979 to 2022, are plotted on the *x*-axis.

Regionally, the most prolific publishers are from the United States (263 publications); however, cross-country partnerships are on the rise. The average number of countries per publication increased from 1 to 2.4 over the period of analysis, indicating more frequent international cooperation. It is noteworthy that the top publishing countries do not include developing countries. China ranks 9th with 76 publications, followed by South Africa and India in 10th and 11th respectively. This remains a gap across the literature.

By author, we find that many authors publish on these topics, but few are dominant. Of the 3098 unique authors across the sample, 2205 (71.2%) authors contributed to only one paper.

Of the top authors (22 with eight or more publications in the sample), only five authors (Viviers, Van Dijk, Apostolakis, McCallum, and Hoepner) write on impact investing. All five also publish extensively on responsible investing. Figure 2 presents the number of publications by topic for each top author. This infers that impact investing scholars also frequently conduct research on responsible or ethical investing.

There is, similarly, a high degree of concentration among the top journals for impact, ethical, and responsible investing. The *Journal of Business Ethics* is by far the most influential point of reference in this dataset, amounting to over 194 publications. This is followed by the *Journal of Sustainable Finance and Investment* and *Sustainability*. This suggests that authors are generally publishing in similar journals, however, some notable differences arise. First, finance and management journals such as *Finance Research Letters*, *Business, Strategy, and the Environment*, and the *Journal of Banking and Finance* publish primarily on responsible investing. Second, ethical investing publications appear in several notable emerging market and faith-based journals like the *Journal of Islamic Accounting and Business Research*, *Emerging Markets Review*, and the *International Journal of Islamic and Middle Eastern Finance and Management*. Finally, impact investing research appears in journals like *VOLUNTAS*: *The International Journal of Voluntary and Nonprofit Organizations*, *the Foundation Review*: *A journal of philanthropy*.

Thus far, our bibliometric analysis has examined the growth in the fields over time, regional variations, top authors, and top journals. We conclude this subsection by examining the most influential papers in the field, using three distinct methods.

We begin by analysing top manuscripts by citation count. The top articles by topic are presented in Table 2. It is no surprise that much of the highly cited literature are often syntheses,

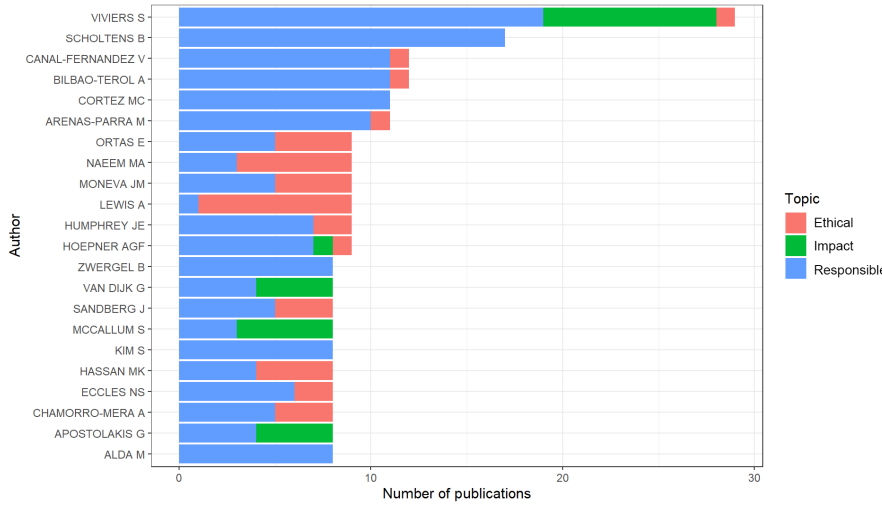

FIGURE 2 Top authors (by number of publications) by topic. Top authors are plotted by their total number of articles within the sample. The authors' contributions to ethical, impact, and responsible investing literature are delineated. Author names are mapped on the *y*-axis, and the number of publications is plotted on the *x*-axis.

frameworks, or methodological contributions (Ebrahim & Rangan, 2014; Höchstädter & Scheck, 2015; Renneboog et al., 2008); however, some notable trends emerge. Two of the top five articles in impact investing literature (Bocken, 2015; McGoey, 2014) engage with topics of venture capital and philanthropy, respectively. Ethical investing engages with the discourse around Islamic finance (Hayat & Kraeussl, 2011). Finally, several of the top articles in ethical and responsible investing focus on fund and firm performance (Bauer et al., 2005; Edmans, 2011; Heinkel et al., 2001; Mackey et al., 2007).

Furthermore, examining what articles the publications in our sample cite can give us a sense of the literature beyond the associated sample. Table 3 presents the top-cited references for each topic. First, there is a notable overlap between the top publications and top-cited references between ethical and responsible investing (Bauer et al., 2005; Carhart, 1997; Renneboog et al., 2008), suggesting a relatively siloed research focus with a shared evolution. The cited works are also indicative of a strong focus on the performance of responsible and ethical funds. However, the top-cited references on impact investing refer to a broader body of research, from Nicholls et al.'s (2015) book on social finance to related articles on social investing (Nicholls, 2010) and social impact bonds (Warner, 2013). This asserts that the literary base of impact investing is indeed differentiated from ethical and responsible investing; these distinguishing characteristics will be further developed throughout our content analysis.

Finally, a standard reference publication year spectroscopy (RPYS; Marx et al., 2014) can better examine the genesis and evolution of publications in the field by identifying foundational years (and their respective publications) beyond our sample. The RPYS examines abnormal deviations from a 5-year rolling median of cited references to identify notable years that have made a significant contribution to the body of literature. 1997 was one such seminal year for all three topics. Several influential publications from that year include Carhart (1997) and Waddock and Graves (1997). Other notable publications from influential years across all three topics include Markowitz (1952), Statman (2000) and Orlitzky et al. (2003). 2008 was comparably among the most influential years for ethical and responsible investing, tied to (among others), Renneboog et al. (2008) and Galema et al. (2008). Finally, 2012 and 2013 were the most seminal years for impact investing, tied in part to notable publications by Slager et al. (2012), Hirschberger et al. (2013) and Pérez-Gladish et al. (2013).

TABLE 2 Top publications by citation, by topic.

Topic	Title	Total citations
Impact	Ebrahim, A. & Rangan, V.K. (2014) What impact? A framework for measuring the scale and scope of social performance. *California Management Review*, 56(3), 118–141	176
Impact	Bocken, N.M. (2015) Sustainable venture capital–catalyst for sustainable start-up success? *Journal of Cleaner Production*, 108, 647–658	133
Impact	Höchstädter, A.K. & Scheck, B. (2015) What's in a name: an analysis of impact investing understandings by academics and practitioners. *Journal of Business Ethics*, 132(2), 449–475	131
Impact	McGoey, L. (2014) The philanthropic state: market–state hybrids in the philanthrocapitalist turn. *Third World Quarterly*, 35(1), 109–125	86
Impact	Barber, B.M., Morse, A. & Yasuda, A. (2021) Impact investing. *Journal of Financial Economics*, 139(1), 162–185	67
Ethical	Bauer, R., Koedijk, K. & Otten, R. (2005) International evidence on ethical mutual fund performance and investment style. *Journal of Banking & Finance*, 29(7), 1751–1767	465
Ethical	Heinkel, R., Kraus, A. & Zechner, J. (2001) The effect of green investment on corporate behaviour. *Journal of Financial and Quantitative Analysis*, 36(4), 431–449	385
Ethical	Wu, M.W. & Shen, C.H. (2013) Corporate social responsibility in the banking industry: motives and financial performance. *Journal of Banking & Finance*, 37(9), 3529–3547	308
Ethical	Schueth, S. (2003) Socially responsible investing in the United States. *Jornal of Business Ethics*, 189, 190	181
Ethical	Hayat, R. & Kraeussl, R. (2011) Risk and return characteristics of Islamic equity funds. *Emerging Markets Review*, 12(2), 189–203	158
Responsible	Goss, A. & Roberts, G.S. (2011) The impact of corporate social responsibility on the cost of bank loans. *Journal of Banking & Finance*, 35(7), 1794–1810	655
Responsible	Renneboog, L., Ter Horst, J. & Zhang, C. (2008) Socially responsible investments: institutional aspects, performance, and investor behaviour. *Journal of Banking & Finance*, 32(9), 1723–1742	647
Responsible	Edmans, A. (2011) Does the stock market fully value intangibles? Employee satisfaction and equity prices. *Journal of Financial Economics*, 101(3), 621–640	645
Responsible	Chatterji, A.K., Levine, D.I. & Toffel, M.W. (2009) How well do social ratings actually measure corporate social responsibility? *Journal of Economics & Management Strategy*, 18(1), 125–169	577
Responsible	Mackey, A., Mackey, T.B. & Barney, J.B. (2007) Corporate social responsibility and firm performance: investor preferences and corporate strategies. *Academy of Management Review*, 32(3), 817–835	529

Note: This table presents the top five publications by topic within the sample, based on their total citations. Total citations are collected from metadata from the Web of Science or Scopus and may not be indicative of citation counts on other aggregators like Google Scholar.

4.2 | Inductive content analysis

Our results on research progress and influence show that literature on impact, ethical, and responsible investing is relatively well-established among researchers, journals, and regions. Impact investing, though nascent, appears to differentiate itself by journals and influential publications; however, we still lack a coherent understanding as to whether the literature appropriately delineates axiomatic characteristics between the three topics.

TABLE 3 Top cited references, by topic.

Topic	Title	Total citations
Impact	Höchstädter, A.K. & Scheck, B. (2015) What's in a name: an analysis of impact investing understandings by academics and practitioners. *Journal of Business Ethics*, 132(2), 449–475	41
Impact	Nicholls, A., Paton, R. & Emerson, J. (Eds.) (2015) *Social finance*. Oxford University Press	21
Impact	Ormiston, J., Charlton, K., Donald, M.S. & Seymour, R.G. (2015) Overcoming the challenges of impact investing: insights from leading investors. *Journal of Social Entrepreneurship*, 6(3), 352–378	20
Impact	Nicholls, A. (2010) The institutionalization of social investment: the interplay of investment logics and investor rationalities. *Journal of Social Entrepreneurship*, 1(1), 70–100	19
Impact	Warner, M. E. (2013) Private finance for public goods: social impact bonds. *Journal of Economic Policy Reform*, 16(4), 303–319	19
Ethical	Renneboog, L., Ter Horst, J. & Zhang, C. (2008) Socially responsible investments: institutional aspects, performance, and investor behaviour. *Journal of Banking & Finance*, 32(9), 1723–1742	33
Ethical	Bauer, R., Koedijk, K. & Otten, R. (2005) International evidence on ethical mutual fund performance and investment style. *Journal of Banking & Finance*, 29(7), 1751–1767	30
Ethical	Statman, M. (2000) Socially responsible mutual funds (corrected). *Financial Analysts Journal*, 56(3), 30–39	26
Ethical	Markowitz, H. (1952) Portfolio selection. *Journal of Finance*, 7(1), 77–91	25
Ethical	Carhart, M.M. (1997) On persistence in mutual fund performance. *The Journal of Finance*, 52(1), 57–82	23
Responsible	Renneboog, L., Ter Horst, J. & Zhang, C. (2008) Socially responsible investments: institutional aspects, performance, and investor behaviour. *Journal of Banking & Finance*, 32(9), 1723–1742	209
Responsible	Bauer, R., Koedijk, K. & Otten, R. (2005) International evidence on ethical mutual fund performance and investment style. *Journal of Banking & Finance*, *29*(7), 1751–1767	165
Responsible	Carhart, M.M. (1997) On persistence in mutual fund performance. *The Journal of Finance*, 52(1), 57–82	134
Responsible	Sparkes, R. & Cowton, C.J. (2004) The maturing of socially responsible investment: a review of the developing link with corporate social responsibility. *Journal of Business Ethics*, 52(1), 45–57	120
Responsible	Renneboog, L., Ter Horst, J. & Zhang, C. (2008) The price of ethics and stakeholder governance: the performance of socially responsible mutual funds. *Journal of Corporate Finance*, 14(3), 302–322	119

Note: This table presents the top five publications that articles within our sample cite. Consequently, this presents works that may be seminal to the evolution of the field, but may fall outside of the confines of our scoping criteria. Total citations are evaluated by the number of articles within our sample that cite the select works.

Using unstructured data from the keywords and abstracts of publications, we contextualise information about relevant topics and their connections, induce insights to reveal relationships among constructs, and theorise on the emergence and functioning of latent topics, which would have otherwise been restricted with strictly quantitative data. Excluding terms related to impact, ethical, and responsible investing and lemmatising words for common stems, the commonly used words across topics are quite similar.

We begin here by noting that the three terms, impact, ethical, and responsible investing, are often used interchangeably in source abstracts. 65 (30.1%) ethical investing articles reference

responsible investing, while just 23 (8.4%) of impact investing articles reference ethical investing and 37 (13.5%) impact investing articles reference responsible investing respectively. This indicates a level of commonality between the three topics. Ethical and responsible investing are often used interchangeably, whereas impact investing references responsible and ethical investing at times. We also note that despite some differences between impact investing, ethical investing, and responsible investing, they also share many similarities. Using Pearson's product–moment correlation test, we find that the words used in the abstracts of impact and responsible investing literature are highly correlated (cor = 0.769, $p < 0.01$). We also find a high degree of correlation between impact and ethical investing literature (cor = 0.734, $p < 0.01$). Thus, we assert that the literature on impact investing is like that of responsible investing and ethical investing.

Recognising that the literature shares a common language, we next ask, what differentiates them? Breaking the corpus down by topic, we plot the normalised frequency of each keyword relative to the number of publications in each corpus (Figure 3). Performance is the most common keyword in the sample, appearing in 21.4% of responsible investing literature, 12.5% of ethical investing literature, and 10.7% of impact investing literature. Financial performance and risk are also among the most common across all three keywords. Where impact investing differs, however, is in its use of words like governance, management, innovation, ownership, and entrepreneurship, which are significantly more prominent in impact investing literature than that of ethical or responsible investing. This strongly suggests that innovative governance structures are a uniquely distinctive feature of impact investing.

We next conduct a term frequency-inverse document frequency (TF-IDF), presented in Figure 4, which is a statistical scoring measure to evaluate how important and relevant a word is to a corpus of documents. The TF-IDF measures the number of times a word appears in the collection (the term frequency) and discounts the number of times that same word appears in other collections (the inverse-document frequency). Simply, the TF-IDF can identify how unique a word like governance is to the impact investing literature. According to the TF-IDF, ethical and responsible investing share a preference for performance-related keywords (such as index, pricing, outperformance, and benchmarks), while impact investing emphasises social considerations like philanthropy and social impact bonds. The TF-IDF also shows reference to

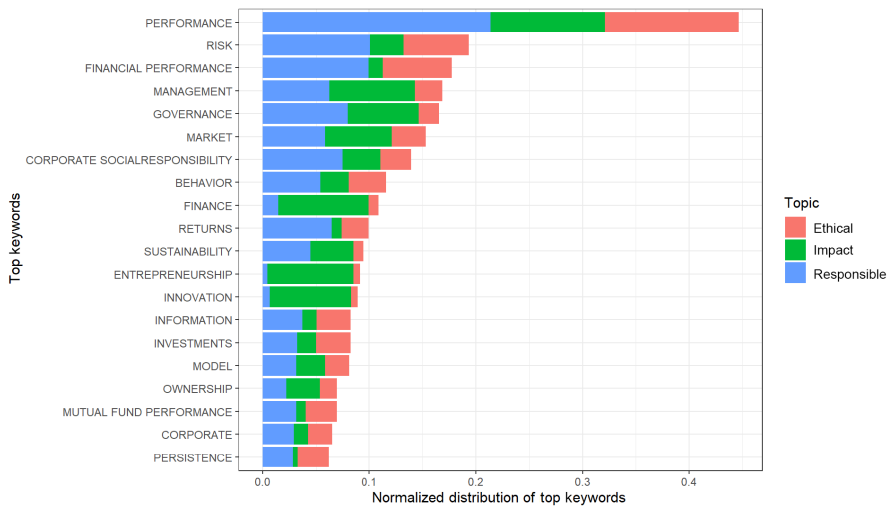

FIGURE 3 Top keywords by topic. The top 20 author-associated keywords are combined and ranked by frequency. The frequency by which the words appear in ethical, impact, and responsible investing literature are delineated by the legend. Keywords are mapped on the *y*-axis. The distribution is normalised for comparability between topics. The normalised distribution of top keywords (that is, the number of publications that include the keyword divided by the number of publications in each sub-sample) is plotted on the *x*-axis.

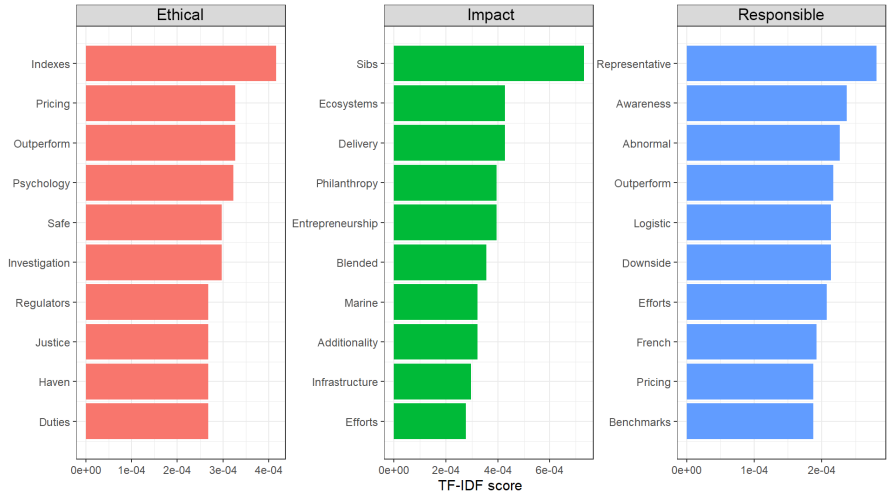

FIGURE 4 Term frequency-inverse document frequency. The term frequency-inverse document frequency measure identifies words that are unique to each topic. The score is calculated by dividing the frequency of a word in one sub-sample by the frequency of the same word in the other samples.

'blended' approaches to investing and reference to 'additionality'. Unique to impact investing, a blended approach refers to the emphasis on whether investments meet their collective societal (or philanthropic) goals even if those investments generate below-market financial returns (Aggarwala & Frasch, 2017). Relatedly, the focus on additionality speaks to the importance of social or environmental outcomes beyond traditional investment returns (Brest & Born, 2013; Hockerts et al., 2022). These results, in combination with the focus of impact investing publications in philanthropy journals, support our second distinguishing characteristic, that philanthropic investing with blended returns is a distinctive feature of impact investing.

4.3 | Deductive content analysis

So far, our content analysis has taken an inductive approach to identify latent characteristics unique to impact investing from abstracts and keywords. We conclude the results with a deductive analysis, which examines how frequently select keywords appear in each corpus. Specifically, we examine the frequencies by which positive screening criteria, negative screening criteria, and the sustainable development goals appear in the literature. These criteria provide context to what each corpus prioritises in their investment approaches. We use the Global Impact Investing Network's definition of positive screening criteria investments that have a positive and measurable impact 'in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education' (Global Impact Investing Network, n.d.). Our choice of negative screening criteria replicates the selection by Trinks and Scholtens (2015), which includes controversial activities such as abortion and contraceptives, adult entertainment (gambling and pornography), alcohol, tobacco, weaponry, and controversial energy (nuclear and fossil fuels). Additionally, the sustainable development goals are included as a proxy for grand societal challenges, which will require substantial capital investments (Dordi & Palaschuk, 2022). We finally look to see whether these asset classes differ by time horizon, as a means of examining whether impact investing literature emphasises long-term 'patient capital' (Carroux et al., 2022; Clarkin & Cangioni, 2016) compared to ethical and responsible investing.

The results are normalised for comparability by dividing the frequency by the number of publications in each sub-sample, and the results of each are presented in Figure 5. To test whether the frequency of screening items varies by asset class, a chi-square test of non-random association is applied. For instances where the contingency table has a smaller sample size (for example, there are no instances of impact investing publications in our sample that reference abortion or contraceptives), the Fisher exact test is used instead. In instances where there is a statistically significant relation between the categorical variables, Pearson residuals are applied to identify the deviation of the expected and observed values for each category.

Positive screening criteria (Figure 5) are delineated according to the Global Impact Investing Network. Conservation, trade, and health appear to be the most prominent positive screening criteria examined by impact investing scholars, but all positive screening items are common in impact investing literature. Responsible investing literature also frequently examines trade and conservation, though proportionally less frequently than impact investing. The chi-square test shows that there is a statistically significant difference ($p = 0.002$) between the frequency of positive screening criteria and asset class. Pearson residuals indicate that impact investing

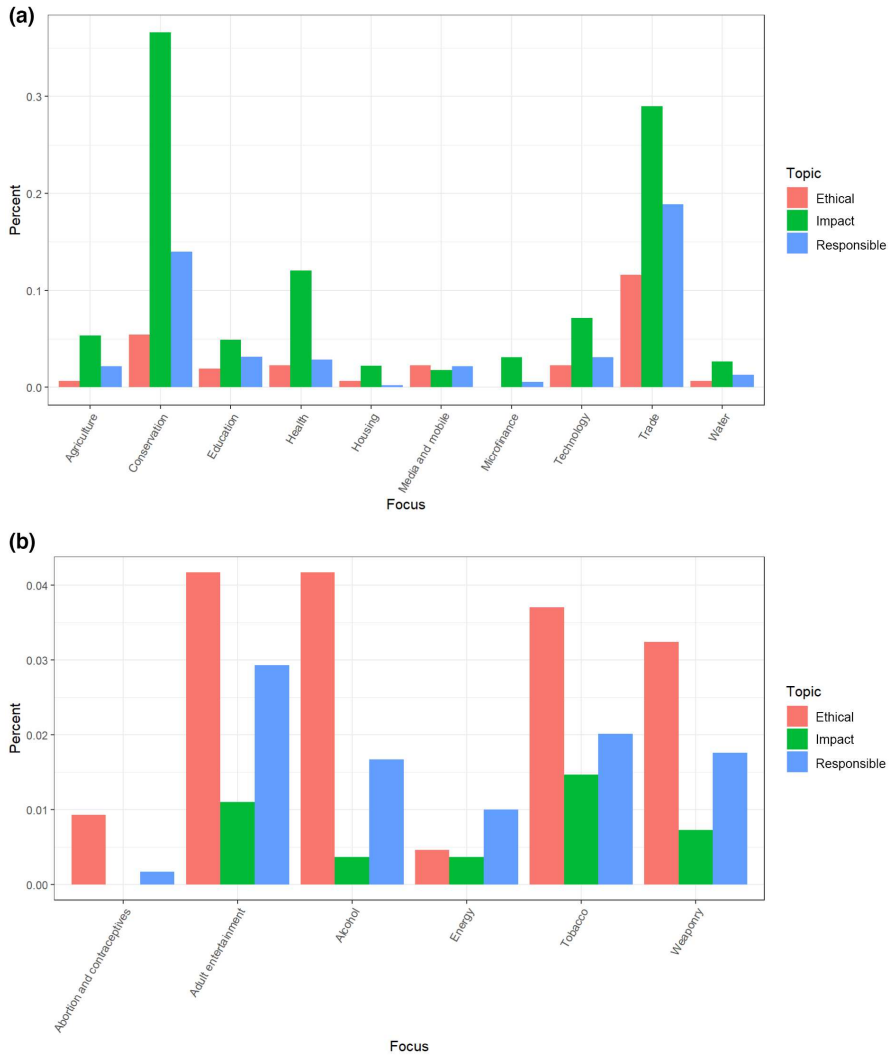

FIGURE 5 (Continued)

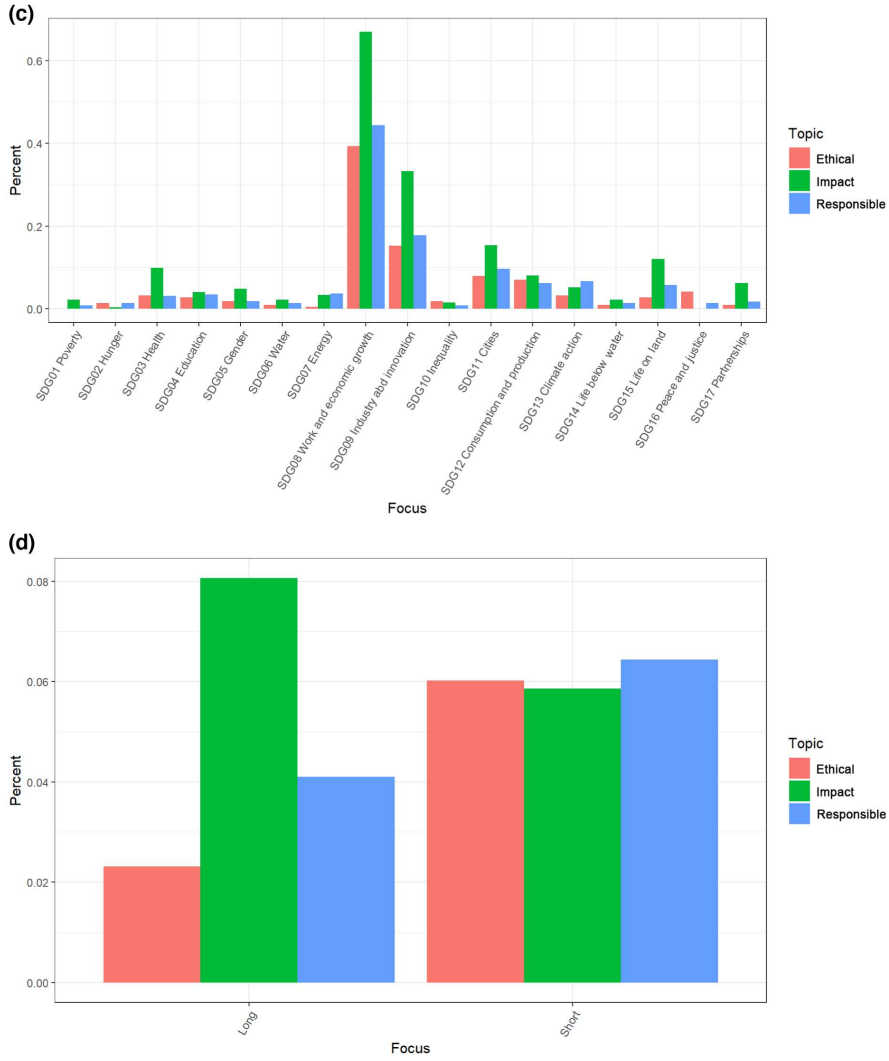

FIGURE 5 (a) Investment focus: Positive screening criteria. Abstracts are deductively examined for select words associated with positive screening criteria. The frequency by which the words appear in ethical, impact, and responsible investing literature are delineated by the legend. The criteria are presented on the *x*-axis. The percent frequency (that is, the proportional frequency of articles that included a select term) is presented on the *y*-axis. (b) Investment focus: Negative screening criteria. Abstracts are deductively examined for select words associated with negative screening criteria. The frequency by which the words appear in ethical, impact, and responsible investing literature are delineated by the legend. The criteria are presented on the *x*-axis. The percent frequency (that is, the proportional frequency of articles that included a select term) is presented on the *y*-axis. (c) Investment focus: Sustainable development goals criteria. Abstracts are deductively examined for select words associated with the sustainable development goals. The frequency by which the words appear in ethical, impact, and responsible investing literature are delineated by the legend. The criteria are presented on the *x*-axis. The percent frequency (that is, the proportional frequency of articles that included a select term) is presented on the *y*-axis. (d) Investment focus: Long-termism. Abstracts are deductively examined for select words associated with the patient capital, long-termism, and short-termism. The frequency by which the words appear in ethical, impact, and responsible investing literature are delineated by the legend. The criteria are presented on the *x*-axis. The percent frequency (that is, the proportional frequency of articles that included a select term) is presented on the *y*-axis.

literature discusses conservation, health, housing, and microfinance significantly more often, but media and mobile and trade significantly less often than other asset classes.

In contrast, negative screening criteria (Figure 5b), such as sin stocks, are more prevalent in ethical and responsible investing literature. Items related to adult entertainment, alcohol, tobacco, and weaponry are most prevalent in ethical investing literature while items related to controversial sources of energy (nuclear and fossil fuels) appear somewhat more in responsible investing literature. However, the Fisher exact test shows no statistically significant difference ($p = 0.766$) in the frequency of negative screening criteria between asset classes. These findings support research by Cojoianu et al. (2022) that impact investors are more likely to invest in sectors with positive social impact and Carroux et al. (2022) that impact investors do not perceive exclusionary screening has high impact-generating potential.

Third, impact investing literature does appear to engage with the sustainable development goals (Figure 5c). Topics around SDG 8 (decent work and economic growth) and SDG 9 (industry and innovation) are common topics across all three classes. However, 12 of the 17 SDGs (including poverty, health, education, water, and energy, among others) appear slightly more often in impact investing literature than in responsible or ethical investing literature. A Fisher exact test confirms a statistically significant relation between the sustainable development goals and asset class ($p < 0.001$). According to Pearson residuals, impact investing literature discusses SDG 3 (health) and SDG 17 (partnerships) more often, but SDG 13 (climate action) and SDG 16 (peace and justice) less often than ethical and responsible investing literature.

Lastly, impact investing does appear to take a longer-term horizon in investment decisions than ethical and responsible investing, as references to long-term and patient capital appear more frequently in impact investing literature (Figure 5d). The chi-square test shows a slight difference ($p = 0.051$) in the frequency of references to long-term patient capital by asset class. Pearson residuals indicate that impact investing literature is significantly more likely to discuss long-termism but less likely to reference short-termism relative to other asset classes.

Collectively, the deductive analysis secures our final delineation that impact investing places greater emphasis on positive targeting driven by longer-term aspirations of environmental or societal impact.

5 | DISCUSSION AND CONCLUSION

Though scholarship on impact investing continues to share similarities with the more established fields of ethical and responsible investing, the contours of a distinct identity appear to be emerging. These distinctive features are an emphasis on *positive impact targeting*, *novel governance structures, longer term horizons*, and the *importance of philanthropy*. The results suggest that the structures of capital allocation depend less so on traditional financial theories and are more in line with societal and environmental well-being. Consequently, impact investing may be better suited to address the grand societal challenges we face today. To do so, however, the field must capitalise on what differentiates it. We propose in this discussion that the field would benefit from a bespoke theoretical framing and research agenda.

Our results indicate that impact investing cannot rely exclusively on traditional financial theories like modern portfolio theory and capital pricing models. Theories that focus on transaction-level analysis will be ill-suited to delve into the complexities of impact investment interventions and to tackle grand challenges. From a theoretical perspective, the results suggest that theories and concepts addressing impact, governance, and philanthropy should rather be examined. Theoretical approaches like the theory of change (Jackson, 2013; Louche et al., 2019), social, environmental, and sustainability impact assessment (Bond & Pope, 2012; Nooteboom, 2007; Rickson et al., 1990; Vanclay, 2006) may better explain whether, how, and where impact investing can achieve these impacts.

Delving into each distinction, the emphasis on positive impact targeting is the first defining feature of the impact investing class. While the distinction between negative screening and positive targeting may seem minor, operationalising positive targeting is a substantively different approach. Conceptually a negative screen can be accomplished using standard financial portfolio construction tools and applying the screens as constraints to a relatively simple maximisation problem targeting risk-adjusted financial returns. Positive targeting, by contrast, would involve setting a social impact in some combination with financial returns as the target for maximisation. Not only does this necessitate complex ethical decisions about what impacts to target and the interplay between social and financial returns, but it also requires access to a range of skills needed to bring an understanding of the targeted social returns for investors. New approaches to business model development, including foundational work in blended returns (Emerson, 2003) and shared returns (Porter & Kramer, 2011), capture part of this from the investment strategy side. Closely tied to this are conversations about social impact measurement and different models of evaluating impact as key operational issues for impact investors.

Following positive impact targeting and the operational challenges it presents, impact investing researchers have been exploring novel governance arrangements. Firstly, impact investing necessitates developing models that go beyond standard financial investment tools and therefore requires new institutional arrangements to manage these processes. Examples include the often-cited social impact bond model and similar pay-for-performance structures, which are a central part of many impact investing conversations in both academic and practitioner communities, and unusual governance models at the firm level, such as various social enterprise firms. Secondly, novel governance extends beyond the level of the individual enterprise or investment and into attempts to understand more complex social and economic ecosystems. This involves social innovations, the development of connections in complex systems, and the role of convening various types that further enter the impact investing space. Finally, theories addressing governance structures might come from the partnership literature as impact investing often combines investment with philanthropy as well as different types of organisations, such as NGOs, foundations, and investors. The literature on cross-sector partnerships addressing societal issues (Clarke & Fuller, 2010; Selsky & Parker, 2005; Shumate et al., 2018) might be useful to analyse governance structures in impact investing, and research on impact investing governance might broaden the theory in this field. New institutional economics literature building on transaction cost economics (Williamson, 1989) and the governance of the commons (Ostrom, 1990) would also be useful in analysing the variety of interests that collaborators from different sectors have in impact investment. Transaction cost economics examines how different governance structures affect the efficiency and effectiveness of transactions, while the governance of the commons studies how collective action and self-organisation can overcome the challenges of managing common-pool resources. Such theories can help impact investors deal with transactions with high complexity and uncertainty that need trust and cooperation by designing and implementing contracts that align incentives and expectations and by reducing the costs and risks associated with measuring impact. Given the still exploratory nature of impact investment research, methods that identify the post hoc features of successful novel governance approaches rather than simply superimposing existing analytical frameworks upon them will shed much-needed light on the core issue of what a 'successful' impact investment actually looks like.

A third aspect of impact investing research is the contrast with the short-termism and profit-maximisation that often characterise ethical and responsible investing (Brest & Born, 2013; Sandberg et al., 2009). In contrast, literature on impact investing emphasises long-term 'patient capital' that aligns with the social and environmental goals of the investees (Nicholls & Pharoah, 2008). However, some challenges and trade-offs are involved in pursuing long-term

impact, such as measuring and reporting outcomes, balancing financial and non-financial returns, and managing stakeholder expectations (Bugg-Levine & Emerson, 2011; Nicholls et al., 2015). Therefore, future research could explore how impact investors can effectively navigate these issues and ensure the long-term sustainability and scalability of their investments.

Finally, the prominent role of philanthropy in impact investing research reflects the prominent role this sector plays in impact investing. Foundations such as the Rockefeller Foundation, Bill and Melinda Gates Foundation, and Omidyar Network have been spearheading the American development of impact investing. Moreover, philanthropic endowments' use of mission-related investments were the precursors to the current wave of impact investment. The move towards more aggressive risk-taking by venture philanthropists has whetted the appetite for impact investing at some foundations, and research in both academia and industry reflects this interest. However, the prominence of philanthropy may also be a signal that impact investing continues to be a marginal field in the overall investment space compared to both responsible and ethical investing. If impact investing continues to grow as both a sector and a topic of academic study, it would likely attract a wider variety of investors and may reduce the primary role philanthropy plays in this space. The theory of nonprofit finance (Spiess-Knafl & Aschari-Lincoln, 2015) can address the philanthropic aspect of impact investing by explaining why nonprofits might have wider financing options than for-profit investors or why alternative governance structures such as nonprofits may have added governance burdens when accessing finance (Hansmann, 2000). Furthermore, the theory emphasises the difference between responsible and impact investing with regard to financing options. Another useful approach is the theory of impact philanthropy (Duncan, 2004), which explains the motivations and goals of impact philanthropists and can be extended to address impact investment. Delving into core literature on theories of philanthropy and the nonprofit sector (Salamon & Sokolowski, 2016), can reveal the core challenges of and opportunities in nonprofit and philanthropic sector work rather than taking an angle on impact investment which often treats it as 'traditional investment plus impact'.

Moreover, the centrality of philanthropy strongly implies that critical analyses of philanthropy should also be brought more centrally into critical analyses of impact investing. As philanthropy scholars question whether philanthropy can address the root causes of social problems, rather than alleviating their symptoms or reproducing the status quo, impact investing scholars can adopt a more critical lens to analyse how impact investors exercise power and influence over the social and environmental issues they seek to address. Moreover, impact investing scholars can also challenge the assumptions and narratives that underpin the impact investing discourse and practice, such as the notion of 'doing well by doing good' or the idea of 'solving' social problems through market-based solutions. Such perspectives can enrich the impact investing literature by examining the power dynamics and inequalities that underlie both forms of social finance. The recent popular book *Winners take all: the elite charade of changing the world* (Giridharadas, 2019) provides a solid summary of many critical angles on philanthropy in the era of impact investing.

Based on these findings, the question remains whether impact investing research needs a different theoretical approach than responsible investing. As mentioned, the distinguishing features of impact are positive impact, novel governance structures, long-termism, and the importance of philanthropy. This differs from responsible investing, which mainly relies on modern portfolio theory and capital pricing models for research (Lukomnik & Hawley, 2021). From a theoretical perspective, the results suggest that theories and concepts addressing impact, governance, and philanthropy should be applied. Theoretical approaches addressing impact are the theory of change (Jackson, 2013; Louche et al., 2019), social, environmental and sustainability impact assessment (Bond & Pope, 2012; Nooteboom, 2007; Rickson et al., 1990; Vanclay, 2006). These might be able to explain whether and how impact investing can achieve societal impacts.

As impact investment establishes its legitimacy as a stand-alone asset class, bespoke theoretical approaches will allow for greater nuance and distinction on the topic. The delineation of impact investing from socially responsible and ethical investing, based on their organisational structure, capabilities, and governance, is essential for establishing the legitimacy of impact investing as a stand-alone field of research and practice. This delineation is central to the advancement of impact investing as distinct from established fields.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon request.

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