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Abstract Proceedings

Agenda

Paper No.: 1002

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strictly double-blind peer-reviewed

Title

Social Banks and Social Finance: Where do we stand and where should we go?

Abstract

Products and services of social banks focus exclusively on creating and sustaining social value through financial products and services. They finance sectors such as microfinance, social housing, renewable energy, and education in order to create a positive social return on investment. This paper suggests that social banks are financially sustainable in addition to create a positive societal impact. In absolute figures, however, social banking is still small. The total assets of the members of biggest social banking association, the Global Alliance for Social Banking, are around $100 million. Given this small market share, the sustainability effect of these banks is less caused by their direct impact, but rather by being a model for a new successful way of banking that focuses on the sustainability case rather than on profit maximization. Similar to other sectors, social banks could play the role of sustainability innovators that lay the ground for social finance products and services to be integrated in conventional banking. Nevertheless social banks will have to follow the path of sustainable growth and to widen their client base to generate more impact in the future.

Paper No.:
1003

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Title
Disambiguating the Concept of Social Banking

Abstract
The concept of social and sustainable finance is often confused with other similar notions, such as narrow or ethical banking. Using theoretical elements (such as principles drawn from business ethics and sustainable development) and down-to-earth practice (such as the structure of the balance sheet), this paper tries to delimit more clearly the contours social banking with regard to other financial institutions.

Paper No.:
1004

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Title

Cooperatives – Saviours or Gravediggers of Capitalism? The ambivalent case of the John Lewis Partnership Cooperatives

Abstract

The structures of ownership and governance John Lewis, a major UK employee-owned retailer, may be invoked by those who wish to recuperate capitalism and by those who seek to replace it. From a perspective of `critical performativity', John Lewis is of special interest as it is celebrated as a successful organization and heralded as an alternative to more typical forms of capitalist enterprise. By examining the cooperative elements of the John Lewis structures of ownership and governance, we illuminate a number of issues faced in realizing the principles ascribed to employee-owned cooperatives - notably, with regard to `democratic member control', `member economic participation' and `autonomy and independence'.

Paper No.: 1005

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Title
The need for an Alternative to Shareholder Value Creation?

Abstract
This article aims to highlight the need for a radical break with the methodological individualism that dominates the fields of economics and management, and especially finance. It advocates the need to try to understand the issues, and the methods that are required to coordinate economic action in order to meet social needs.
This paper questions methodological individualism and the dominant role played by shareholders. Is it possible to promote social welfare simply by considering it as a result of shareholders value maximization point of view? If not, this implies not only understanding fully the challenges that we face but also being innovative regarding the way in which we coordinate the actions that are necessary to meet those challenges head on, and maybe promote another character as a substitute of shareholder.

Paper No.: 1006

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Title

Corporate Social Responsibility, Firm Value, and the Role of Country-Level Institutions

Abstract

This paper provides cross-country evidence on the relation between corporate social responsibility (CSR) and firm value, and on the role of country-level institutions in shaping this relation. We posit that the strategic value of CSR is greater in countries with weak market institutions because firms can adopt CSR activities to fill institutional voids. Using a large sample of 14,044 firm-year observations representing 2,606 unique firms from 54 countries over the period 2002-2010 and controlling for firm-level unobservable heterogeneity, we find that CSR is more positively related to firm value in countries with weak market institutions. Our findings are robust to using the system GMM estimation approach to account for various sources of endogeneity. Taken together, our findings provide new insights on the mechanism through which CSR affects firm value.

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Title
Environmental and Social Disclosures: Link with Corporate Financial Performance

Abstract
Environmental and social disclosures entail costs, yet increasingly, large listed firms are making higher and better quality disclosures. In this paper we examine the link between a firm's environmental and social disclosures and its profitability and market value. We find that past profitability drives current social disclosures. However, consistent with the existing evidence, we do not find any relation between environmental disclosures and profitability. Further, while prior literature has largely focused on environmental disclosures, we find that it is the social disclosures that matter to investors. We find that firms that make higher social disclosures have higher market values. Further analysis reveals that this link is driven by higher expected growth rates in the cash flows of such companies. Overall our findings are consistent with the resource based view of the firm and the voluntary disclosure theory, suggesting that firms with greater economic resources make more extensive disclosures which yield net positive economic benefits.

Abstract Proceedings

Paper No.: 1015

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Title

Regional Impact Investing for Institutional Investors: The Bay Area Impact Investing Initiative

Abstract

Regional impact investing by institutional investors represents an enormous opportunity to use capital markets to address community-based challenges. The largest pools of assets, such as pension plans, endowments and foundations have the ability to scale remedies to these challenges. Impact investing is a strategy that intentionally seeks a positive social or environmental impact while earning financial returns. This study is directed to institutional investors, who have responsibility for the largest pools of assets and who may have a common place-based mission. This research models a series of regional investments that offer a positive social benefit as well as risk and returns expectations that comply with institutional, fiduciary standards.

Paper No.: 1019

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Title

A Diagnostic Study of Cost Overruns in Dam Construction: Are Dams Worth a Project?

Abstract

Investment decisions based on overly optimistic cost projections when viewed from an ex-post perspective, often turn out to be bad decisions where the present value of the net benefits realized by the projects are negative. Despite the efforts at understanding the problems of cost projections and the rationality behind the cost escalation of hydro dams, the controversies surrounding dam development remains an unresolved issue in energy policy debate. This study compares the ex-ante with the ex-post real and nominal completion cost of 58 dams that were financed by the World Bank from 1976 to 2005. In addition, the study provides some evidence on the benefit side of these dams to determine the magnitude of the economic rate of return of the individual projects and the overall portfolio. The real economic rate of return for the entire portfolio is estimated to be approximately 14 percent. The comparable ex-ante EIRR is 20 percent.

Paper No.: **1021**

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Title

Capital Structure of Social Purpose Companies - A Panel Data Analysis

Abstract

This paper examines the determinants of borrowing decisions of social enterprises. Following the streams of research dealing with for-profit firms and non-profit organisations, we propose a panel data analysis of 2,228 Belgian social purpose companies over the period of 2004-2013. Our results suggest that both financial theories of for-profit firms and non-profit organisations are relevant for social enterprises. Therefore, we suggest that the capital structure of social enterprises mixes the features of both kinds of enterprise.

Paper No.: 1022

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Title

Costs and Economies of Scale at Not-for-Profit Organizations – Theory and Applications

Abstract

Finances of not-for-profit organizations (NPOs) are currently becoming a key issue for the sustainability of these institutions. In addition to the needs of being sustainable with respect to the renewal of stakeholders, volunteers, and managers and the need to restructure the network of institutional partnerships, NPOs need to be financially sustainable.

However, the sustainability of a not-for-profit organization's finances is not restricted to recording a positive budget balance at the end of the year. This sustainability demands much more. Some of these demands relate to good management of indebtedness (usually assumed because of infrastructural and functional expansion projects), to the best accommodation of the fiscal cycle and to the main topic of our contribution – a deep understanding of the strengths and weaknesses of the functioning of each not-for-profit organization, namely regarding the study of the economies of scale that each department within each organization allows.

Our contribution will use particular cases to illustrate how researchers can develop an analysis of the economies of scale in the context of not-for-profit organizations. For this purpose, we are going to focus on a Portuguese and Spanish historical charitable organization. We are going to revisit the estimation of the Cobb-Douglas functions for panel data, and we are also going to explore different empirical models. Specifically, we are going to consider fixed and random effects as well as dynamic panel data techniques.

We will show how our analysis can identify heterogeneity in the efficiency performance of the various departments. This analysis will also let us study the diversity of economies (or diseconomies) of scale characterizing each department by considering the estimated relation between the costs and the number of people/users served by each department of the not-for-profit organization.

Paper No.: 1023

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Title

The Sustainability Delta, ESG and Firm Valuation

Abstract

In this paper we present the Sustainability Delta model as an improvement over existing Environmental, Social and Governance (ESG) methodologies used in firm valuation. Starting from the question how banks should integrate sustainability criteria into their valuation methods, we find that ESG methodologies currently do not consider the potential to generate higher future revenues due to sustainable innovations and also lack the consideration of different scenarios such as higher standards in legislation or consumer demand. To address these shortcomings the Sustainability Delta model is developed. Simulation results on the sugar manufacturing industry in Brazil demonstrate by using the Sustainability Delta we estimate an improved firm value of 1.24%. The Sustainability Delta would allow for a more accurate valuation of firms as well as for the more effective allocation of capital for investors, which should bring market pressure to improve sustainability practices.

Paper No.: 1026

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Title

Social investment and fiduciary responsibilities

Abstract

In a narrow sense, social investment means creating social change by investing in enterprises and initiatives that are considered to be beneficial from the perspective of social justice and equality. In a broad sense, social investment means taking social, ethical and environmental impacts, as well as a financial return, into account. These different concepts of social investment form a continuum in which one end is about promoting the desired social transformation without necessarily seeking financial return, while the other end pays more attention to economic outcomes. Thus, social investment incorporates both economic and ethical considerations, two different aspects that are not easily reconcilable for two main reasons. First, the regulation and evaluation of human activities are the main functions of ethics, whereas in the market economy regulation is sometimes considered to be an enemy of free trade. Second, ethics as an imperative is autonomous, meaning that ethical norms and principles are not based on any other norms or principles. It follows that the fiduciary responsibilities to investors and the ethical norms that concern all people potentially conflict. Universal moral duties should be put before fiduciary responsibilities in such situations, because universal moral duties are unconditionally binding and therefore the most important ones. Thus, general moral obligations set limits within which investors and businesses that aim at maximizing profit can act in a way that is morally acceptable. Consequently, investors are, and should consider themselves to be, moral agents and not non-moral ones or ‘doormats’ for impersonal market forces.

Paper No.: 1027

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Title

Examination of the Relationship between Venture Capital and Economic Growth in Emerging Markets

Abstract

It is true that venture capital drives job creation and economic growth as well as innovation. It is expected that high growth economies create higher entrepreneurial activity in the countries. This could be true for the most developed markets but is it also valid for the emerging markets? Emerging markets were created due to the failure of state-led economic development and the need for capital investment. It has been observed by many experts in the area that emerging markets countries have been trying to undertake domestic reforms to support sustainable economic growth. It is expected that if the economy grows quickly, then there may be more attractive opportunities for entrepreneurs to start new companies, thereby, increasing the demand for VCs. However, venture capital sectors as well as management style of venture capitalists differ across countries. There are also factors which affect venture capital in emerging markets such as depth of capital markets, initial public offerings, labor market rigidities, private pension funds, macroeconomic factors, financial reporting standards, and government funded programs. Therefore, the literature is divided into groups based on the factors that affect venture capital in emerging markets, and the survey organized accordingly to examine behavior of venture capitalists in emerging markets. As a conclusion, based on the findings, this research is concluded by determining how behavior of venture capitalists helps economic growth in emerging markets.

Paper No.: 1028

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Title

The Choice Architecture of Sustainable and Responsible Investment

Abstract

This paper develops a conceptual framework to analyse the Why and the How of sustainable and responsible investment (SRI). It applies insights from behavioural economics and nudge theory to activate SRI demand. SRI is the obvious approach to express and promote ethical values through the choice of financial instruments. International authorities have identified SRI as a potential lever to corporate social responsibility and sustainable development. However, to make the transmission mechanism work, an increased SRI demand of investors is required. The analysis of the choice architecture of SRI suggests that low demand is a case of behavioural market failure. This type of market failure can be addressed by a specific nudge which combines two desirable effects: First, it helps investors better perceive favourable choices and put their investment behaviour in line with their personal value propositions. Second, it contributes to integrating ethics into financial practices. Behaviourally informed regulation can dismantle barriers to SRI without compromising investors' freedom of choice. The conceptual framework sets the stage for the empirical testing of a concrete regulatory intervention. Being both ethically sound and attractive from a cost-benefit point of view, it may be a feasible alternative for policy-makers.

Paper No.: 1029

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Title

Making money at the expense of the poor? An investigation of individuals' preferences to donate vs. impact invest

Abstract

In the arena of social investing new investment approaches have emerged, which focus on a double bottom line and have adopted approaches from the venture capital industry towards funding social enterprises. Due to their long-term commitment as well as extensive non-financial support, these investors enter into a close relationship with the social enterprises funded. In addition, investors also claim certain oversight rights. This highlights the importance of a personal and professional fit of investors and investees. Scholars that study the relationship of social investors and social enterprises all focus on the perspective of social investors and how they are selecting their investment targets, although due diligence is a two-way street. Our aim is to take the perspective of social enterprises by analyzing criteria used in order to evaluate investors. Based on an experiment with 44 European social entrepreneurs, we assess their perception of five criteria for evaluating investor attractiveness: business advisory, network access, information rights, control rights, and reputation of the investor. Our analysis of 1056 decisions reveals that the investor's reputation is the single most important criterion and that the positive effect of support provided through business advisory and network access strongly outweighs the negative effect of oversight via information rights and control rights. When splitting our sample we observe that experience severely influences the judgment: Novice entrepreneurs perceive supportive aspects as most important, while experienced entrepreneurs do not seem to perceive these as value adding and attach the highest importance towards reputation.

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Title

Social Investing – What matters from the perspective of social enterprises?

Abstract

By combining social with financial return expectations, Social enterprises (SEs) and Social venture capital (SVC) investors operate at the interstices of the for-profit sector and the non-profit sector and therefore represent an important and novel area of study.

Although financing instruments and structures constitute one of the most popular topics in the literature on social entrepreneurship very little is known about the relationship between SEs and their investors. In addition, previous studies only cover the relationship from the perspective of investors, neglecting the view of SEs. Our paper aims to address this research gap by tapping into the black box of how social entrepreneurs evaluate the central non-financial features of SVC investors. By taking SEs and SVC investors as our study subjects, we position our research in between the for-profit and non-profit sectors. This aspect supports the proposition that the relationship between SVC investors and SEs may be different from other contractual relationships and thus highlights the relevance of our study.

Paper No.: 1032

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Title
Exploring institutional field emergence: Insights from social investment

Abstract
In the England the amount of money handled by social investment intermediaries is forecast to increase from £165 million in 2010 to more than £1 billion by 2016. In this paper we explore the processes involved in creating this new field of activity. Using a grounded qualitative methodology we analyse key texts produced between 2002 and 2014 to identify how a new institutional field comes into being. From our analysis we isolate four principal processes of differentiation, integration, mimesis and innovation which together determine the boundaries, actors and practices of the new field. We introduce the concept of ethical institutional entrepreneurship to describe how a new field guided by an explicit social mission is created.

Paper No.: 1037

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Title

The over- informed ignorant public: Can crowd wisdom disrupt the traditional investment market and accounts for the funding gap of social Innovation?

Abstract

The focus on financial innovation to develop, sustain, and scale effective enterprises is increasing in response to the growing social needs. Yet, public investments are not being channeled towards the social enterprise domain.

The finance sector continues to be target of public attacks. However the majority of finance professionals have not shifted their priorities, activities and focus on projects and investments that beneficial to the community. Governmental regulatory is struggling with an aggressive lobby and slow implementation. Public investment, mainly households and small business, and the potential link between the two, is a potential source for social innovation and policy change.

Change in a non-unionized public sentiment regarding its investments, will lead to change in a traditional finance conduct and in social innovation scale. The ambiguity regarding finance motivation of individuals and households, which represents a huge number of potentially small investors, is often translated as a limited investor attention. Examining this sentiment might induce social innovation and finance sector transformation.

Exploring the value of increasing social impact and transparency on finance decision making among the most abused consumers of the finance sector - households and small business - is needed. Lack of awareness and lack of credibility, two main obstacles of guiding the finance sector into the social realm, are also relevant to understand public interests. Raising the public attention to the new options of social investment and analyzing the way people interpret their finance investment, can empower the financial sector to evolve and re-engage with society.

Paper No.: 1038

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Title
The Contradiction of the Time Value of Money and Sustainability

Abstract
The time value of money principle states that money today is worth more than money in the future if no interest is paid as compensation. This principle is not consistent with inter-generational equity or sustainability. Indeed, we show in this paper that the time value of money principle combined with commonly used capital budgeting techniques tend to reject potentially sustainable projects that only break even in the long run and accept unsustainable projects that break even in the short term but imply significant negative externalities in the long term. We further argue that the separation of ownership and management leads to a lack of commitment among equity holders and aggravates the bias towards short-term and potentially unsustainable projects.

Paper No.: **1040**

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Title

Explaining Failures of Microfinance Institutions

Abstract

We empirically study the determinants of failures of microfinance institutions based on the CAMELS rating components and microfinance-specific measures by applying probit regression techniques. Our findings confirm the capital adequacy (C), the asset quality (A), the management capability (M), the earnings (E), and the sensitivity to market risk (S) as explaining factors of failures of microfinance institutions. Regarding microfinance-specific effects, there is a positive influence of the percentage of female borrowers on the likelihood of failure. Moreover, we find evidence that regulation, the presence of donations, and the rapid growth of an MFI affect the probability of failure.

Abstract Proceedings

Paper No.: 1043

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Title

Science and the Stock Market: Investors' Recognition of Unburnable Carbon

Abstract

This paper documents the stock market's reaction to a 2009 paper in the Nature journal of science, which concluded that only a fraction of the world's existing oil, gas, and coal reserves could be emitted if global warming by 2050 were not to exceed 2oC above pre-industrial levels. This Nature article is now one of the most cited environmental science studies in recent years. Our analysis indicates that this publication prompted an average stock price drop of 1.5% to 2% for our sample of the 63 largest U.S. oil and gas firms. Later, in 2012–2013, the press "discovered" this article, writing hundreds of stories on the grim consequences of unburnable carbon for fossil fuel companies. We show only a small negative reaction to these later stories, mostly in the two weeks following their publication. This limited market response contrasts with the predictions of some analysts and commentators of a substantial decline in the shareholder value of fossil fuel firms from a carbon bubble. Our paper discusses possible reasons for this discrepancy.

Paper No.: 1045

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Title
Impact Investing

Abstract
The paper describes basic principles, case studies and financial figures of the impact investing industry. Impact investing follows the blended value principle, claiming that social finance products and services can and should achieve both financial and social returns and the principle of sustainable financial return, guaranteeing the financial viability of social finance institutions. Though impact investing is currently a small industry, innovative approaches and becoming a new asset class will help the industry to grow. Impact investors focus on poverty alleviation, job creation and mitigation of unemployment, health care, environmental issues, educations, and affordable housing. Products and services they deploy are private and public debt, private equity, cash, commodities and real estate. Many impact investors manage assets higher than $250 million, but there are also smaller players with assets under $50 million. These figures demonstrate that impact investing is still taking place on a relatively small scale.

Paper No.: **1047**

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Title

Moral Economy Meets Social Enterprise: Community-Based Green Energy Project in Rural Burundi

Abstract

The aim of this study is to investigate the ways in which the agrarian communities in rural Burundi accommodate the newly emergent development model of a social enterprise. We conduct an explorative study of nine village groups (child protection committees) that have been equipped with green - energy generators in order to become self-sustainable economic structures. Using a mixed-method approach, we examine the group members' perspectives and behaviors in response to the market-based model of a social enterprise. The paper builds on the existing research on participatory projects' impact on agrarian economies: the bottom of the pyramid and community-driven development theories. Our results highlight the potential of the social enterprise model to boost the sustainability prospects of the interventions, but question its capacity to achieve transformational change.

Paper No.: **1048**

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Title

A Fifth - Generation Model for Sustainable Institutional Investments – A Bridge to Far Away?

Abstract

If institutional investors are to maintain their impact and power, it can no longer be based on incomplete information from listed companies on how they create value. It will rest on superior knowledge and insight gathered from qualitative research models into the workings of the companies in which they invest, and this is only as strong as the quality of the information institutions use to make investment decisions on behalf of clients. Institutional investors need to move beyond first and second-generation interpretations of Social Responsible Investment (SRI) which is based on negative filters, and also beyond third and fourth generations (based on positive and integrated filters), which are more sophisticated but still limited and towards a fifth-generation model which systematically incorporates critical intangibles, such as human capital analysis not only into the Environmental, Social and Governance (ESG) investment process, but more importantly into the investment process more broadly.

Paper No.: **1049**

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Title
Socially Responsibility in Islamic Finance

Abstract
Over the past few decades, the provision and use of Islamic financial products and services has grown dramatically around the world. However, while there is now a wider understanding of many of the objectives for these products and services from the perspective of Shariah (Islamic law), less is known about the inherent social objectives of Islamic finance, many of which it shares with the social responsibility movement more broadly. This paper provides a comprehensive review of the literature on social responsibility in Islamic finance and Islamic financial institutions. It outlines the religious background that supports the essence of social justice in Islamic finance and discusses the various risks faced by Islamic finance-based institutions and investors, and how these risks promote them to incorporate social responsibility in their behaviour. Finally, the paper discusses the increasing pressures for these institutions to engage in socially responsible activities and the extent that these are incorporated into existing mainstream social responsibility frameworks.

Paper No.:
1053

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Title
Corporate Environmental Liabilities and Capital Structure

Abstract
We investigate the capital structure implications of corporate environmental liabilities, which are measured using the amount of firms' toxic production-related waste. We document that firms with higher environmental liabilities maintain lower financial leverage ratios, suggesting that environmental liabilities work as a substitute for financial liabilities. The substitution effect is more pronounced for larger firms, firms covered by more analysts, firms that have higher sales to principal customers, and firms with community concerns. Further analysis shows that less environmentally responsible firms have a lower fraction of bank debt in total debt, all else equal, consistent with the notion that banks are more environmentally sensitive than other lenders.

Paper No.: 1054

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Title
Corporate Environmental Risk and the Customer-Supplier Relationship

Abstract
We provide empirical evidence on the adverse effects of supplier firms' environmental risk exposures on their relationships with principal customers. We document that supplier firms with high environmental risk are less likely to have principal customers. Moreover, from the principal customers' perspective, a higher level of environmental risk lowers a supplier firm's probability of being selected relative to its industry peers by its potential customer. Conditional on an ongoing relationship with principal customers, supplier firms with high environmental risk have lower sales to principal customers and shorter relationship durations. These results are more pronounced when customers' environmental risk is lower. Collectively, our findings suggest that improving the trading relationship with principal customers is an important channel through which firms can benefit from being environmentally responsible.

Paper No.: 1055

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Title
Understanding Cooperative Finance as a New Common?

Abstract
The current economic and environmental crises urge for a shift toward more sustainable ways of producing and consuming. The emerging economics of common good is promising in order to preserve common natural goods that are vital for humanity, such as air or water, but also goods created by humans from collective action, a new generation of commons has to be defined and recognized.

The recent financial crisis has stressed the urgency of strengthening the financial sector. Although some suffer from strong isomorphism, financial cooperatives tend to play a positive role in the banking sector, focusing more on retail banking, taking lower risks and increasing systemic stability. They are one of the earliest and most widespread forms of alternative financial institutions across the world. In December 2013, financial cooperatives served around 208 million members in 103 countries (WOCCU, 2014).

This paper focuses on cooperative finance and argues that financial cooperatives can be considered as human-made common goods. Recognizing them as such helps to design innovative mechanisms, rules or legislation to protect them against destruction or isomorphism. This paper’s outcomes are twofold: first, based on the case of financial cooperatives, it shows that the common nature of human-made goods can be rooted in their common-property regime. It actually argues that common-property regime can create common goods. Second, this paper highlights that considering financial cooperatives as common goods enables development and justifies adequate mechanisms in order to preserve their nature.

Paper No.: **1059**

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Title

On the social representations of intergenerational equity

Abstract

Social Representations describe the genesis of collective ideas and allow predictions about future behavior of social masses during economic upheaval. The social representations of intergenerational equity were retrieved from 110 speeches, interviews and conversations with leaders at a European future conference during the late summer of 2011. Social representations on intergenerational equity comprised of unsustainable pension systems in the light of aging, shrinking Western populations, overindebtedness in the wake of governmental deficit spending and ecologic decline related to climate change and unsustainable consumption. Stakeholder views of intergenerational equity included environmentalism on public officials' and international organizations' agendas. Politicians connected intergenerational justice to human rights. The 2008/09 World Financial Crisis stressed focus on overindebtedness and uncertainty. Nationalism and protectionism was growing in the European finance and corporate worlds. Promoting solidarity, ethicality and social responsibility but also innovations and future investment implement intergenerational equity Long-term solutions hold institutional regulation and foresighted taxation but also open debates informing global leaders of complex intertemporal frictions.

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Title

Socially Responsible Investment (SRI) as emergent risk prevention and means to imbue trust in the post-2008/2009 World Financial Crisis economy

Abstract

Globalization and socio-economic changes heralded attention to Financial Social Responsibility. In the aftermath of the 2008/09 World Financial downturn, the interest in understanding social responsibility in the interplay of financial markets and the real economy reached unprecedented momentum. Financial Social Responsibility bridges the finance and society through Socially Responsible Investing (SRI) of screenings, shareholder advocacy, community investing, and social venture capital. SRI perpetuated in the eye of the 2008/09 World Financial Crisis. Innovatively scrutinizing financial social responsibility as an en vogue topic of interest helps portraying SRI as a panacea to avoid emergent risks – risks that emerge in complex interactive systems by collective outcomes of individual decision making fallibility over time. Future research may capture SRI as a real-world relevant means to averting emergent risks within a globalized economy and bestow market actors with trust in the post 2008/09 World Financial Crisis global economy.

Paper No.: **1066**

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strictly double-blind peer-reviewed

Title
Social Impact Bond: new finance or new procurement?

Abstract
Over the last years, the Social Impact Bond (SIB) model has emerged as a new and innovative way for financing social programs. This paper aims to understand under what circumstances the use of Social Impact Bonds (SIB) may be considered a feasible means in financing social services. Therefore, the analysis has considered two aspects, which may affect the design and implementation of a Social Impact Bond: the specific needs of a policy maker in organizing the provision of social services and the social problem the services intend to tackle.

After having (a) identified the motivations, which coexist in triggering the creation of a SIB and (b) several dimensions, which characterize the SIB design, the paper, provides a review of the cases in which the SIB model has been already applied, exploring the specific configuration employed.

Then, the study investigates the relationship between (c) how a SIB has been designed and the motivations that have triggered its development; (d) how a SIB has been designed and the social issue the SIB tries to solve. Lastly, from the prevalence of a particular outline in a social sector, it may be possible to infer if it is a common driver, which has led to consider the use of a new instrument in delivering the services to solve this particular social issue.

Paper No.: 1068

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Title

Accounting and Reporting: The Spread of Social Sustainability into the Financial Markets

Abstract

This paper is an empirical study exploring how the global concept of social sustainability spreads into financial markets by sustainability accounting and reporting initiatives. We understand sustainability accounting and reporting initiatives as information infrastructure-providers for sustainability investors to enhance the comparability of different investment products and thereby reduce their complexity. Both types of initiatives not only provide standards for sustainability information about regarding specific companies, but also spread the concept of sustainability in line with their goals and missions. In the present study, we collected empirical data about three different sustainability accounting and reporting initiatives and analyzed these data using computer-assisted qualitative content analysis. On the one hand, we determined who were engaged in the development process of the instruments, which actors were addressed by the disclosed information, and what social sustainability aspects are used by these initiatives; on the other hand, we analyzed how these aspects were operationalized. Based on our empirical data, we argue that these sustainability accounting and reporting initiatives translate social sustainability into different but narrow concepts of social sustainability. We conclude that sustainability accounting and reporting initiatives are not neutral information provider and mediators in a diffusion process but rather actively translating actors.

Paper No.: 1069

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Title
Measuring social business: A review of current approaches

Abstract
Despite the enthusiasm raised by its origin, social business initiatives face some barriers to growth that we could resume into four key problems: lack of accountability, lack of the managerial capabilities, access to funding and need to improve the legal environment (EC, 2011, 2014). Different authors highlight that these problems are at least partly related to the lack of consistent indicators and metrics recognized and standardized (e.g., Harding, 2004; Bull, 2007; Marks 2008; Ebrahim & Rangan, 2010; Bengo et al., 2014). Indicators and metrics play a crucial role in supporting communication and interaction with key stakeholders (Nicholls, 2009), which is even more critical in a context of multi-stakeholder governance, therefore, to understand which indicators and metrics are more suitable in the context of SB, the informative needs of different stakeholders in the SB ecosystem should be taken into consideration. Researchers and practitioners propose a range of different approaches, each promoting different types of indicators and metrics (Kaplan, 2001; Somers, 2005; McLoughlin et al. 2009; Ebrahim and Rangan ,2010; GSVC, 2012; Bengo et al., 2014). However, standard indicators and metrics are still missing and it is not clear how available approaches respond to the different information needs and interest of different actors. To address this research gap, this paper aims to perform a review of different indicators and metrics available measure social business, discussing the strengths and the weaknesses of different approaches in connection to their ability to respond to objectives and information needs of different stakeholder.

Abstract Proceedings

Paper No.: 1070

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Title
Problematizing sustainable pension funds within a sustainable pension system.

Abstract
The notion of sustainability has recently been used to frame debates over pension systems reforms and pension funds. Although the term gains a lot of attention, there is no consensus on its meaning, applications and its relation with the links between pension funds and the pension system. The recent financial crisis and its aftershocks highlight the complexities and challenges behind the idea of sustainability, along with the need to take more seriously the impact of pension fund governance on the sustainability of the pension system. This paper discusses the difficulties of achieving socio-economic sustainability by pension fund investments, and argues for the importance of analysing pension fund governance – along with its effects on pensioners and beyond – with the aim of understanding the concept of sustainability itself. In particular, the meaning of the latter is examined through three important stages: conceptual, analytical and empirical.

Paper No.: 1071

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Title

The Capital Good Fund: Microfinance in the United States

Abstract

The Capital Good Fund (CGF) is a non-profit microfinance institution that provides microloans, one-on-one financial coaching, and free tax preparation to very and extremely-low income individuals in Rhode Island, United States. CGF's mission is to provide equitable financial services that create pathways out of poverty. This case analyzes the evolution of CGF's business model since inception in 2009 and presents a plan for the expansion and rapid growth of its loan portfolio over the next ten years. CGF's current business model, based on small uncollateralized loans and individualized financial coaching, is labor-intensive and costly. In addition, as is the case for the rest of the non-profit microfinance industry in the United States, CGF's dependence on funds from donors and government grants makes it difficult to rapidly scale operations and reach financial self-sufficiency through earned interest income. The proposed business model involves investing heavily in technology to launch a lending and financial coaching platform that will allow the automation of processes, rapid loan portfolio growth, and improved customer experience. The proposed plan requires an initial investment outlay of 10 million dollars that will be raised directly from public investors through a Direct Public Offer (DPO). The case discusses DPOs as a financing alternative for small for-profit and nonprofit organizations in the United States to raise funds directly from the public without using an underwriter as intermediary. The study concludes discussing the constraints that CGF faces in raising the funds in the form of debt capital and proposes alternative financing structures for the DPO.

Paper No.:
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Title
Developing SMEs: Lessons Learned from a Multilateral Development Bank

Abstract
This paper summarises lessons learned for targeted assistance to small and medium enterprises (SME) by the African Development Bank, drawing on the information collected from its "Evaluation Results Database". Featured lessons were based on the analysis of 23 documents of 7 different typologies, featuring over 22 countries and 15 sectors, across a significant amount of themes, and drawn from all project cycle stages, covering two decades (1993 to 2013). The process used to produce the lessons comprised three main stages: collecting the project/program information, verifying applicability, and storage in a database. A post-facto approach has been used, requiring a thorough examination of relevant documentation of projects/programs after they were concluded. Applicability of the lessons was subsequently validated by external experts, thus conforming to the OECD-DAC criteria for definitions and thematic classifications. Using a constructivist analysis, we were able to differentiate lessons for 3 broad categories, stakeholders, perspective and axis. Stakeholders are grouped into 3 different sub-sets, project/program teams (operations), national policy-makers and local actors (country level) and the development community, along three main axis, demand, supply and its interaction. Further, lessons revealed they could be classified into demand and supply-driven interventions. This enabled to create a more comprehensive picture of the drivers and its interactions behind countries and the development community's interventions.

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Title

Financing Social Enterprises and the Demand for Social Investment

Abstract

There is a growing interest in the provision of loan finance for social enterprises and other purpose organisations. While the supply of investment for social enterprise may be expanding, there remain questions over the nature of the demand for loan finance for social enterprises. To explore these issues the following research questions are explored: What are the types of investment being sought? Who are the organisations seeking finance? And how successful are social enterprises in accessing finance? Much existing analysis of the social investment sector in the UK has focused on the nature of the supply with less attention to which types of organisations want and can afford debt finance. The importance of mainstream banks to social enterprise development has not been recognised before. There are further unanswered questions on the roles of commercial banks with regard to social enterprise and the extent to which social investment is there to fill a market left by banks, or to take a market share from commercial lenders.

Paper No.: 1079

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Title

UK pension sustainability and fund manager governance: Agent duties to the principal

Abstract

The subject and the object of sustainable investing has typically been the application of non-financial (environmental, social and governance: ESG) criteria to asset selection in institutional investor portfolio creation (Capelle-Blancard & Mojon 2011). This paper argues through focusing on asset selection a crucial target for ESG screening has been missed. Fund managers in the finance industry carry out ESG screening of underlying assets at the mandate of their UK pension clients, to ensure that non-financial risks are mitigated for in the corporate governance protection of these asset owners. Yet, fund managers are a community of heterogeneous ownership structures, from small partnerships to some of the largest listed organisations globally. The fiduciary obligations of pension trusts are clearly to their beneficiary members. The fiduciary obligations of fund managers with external shareholders are to the corporate governance protection of these shareholders. The contribution of this paper is to present empirical research with results supporting the hypothesis that there is a relationship between fund manager governance structures and the assets per member of their pension clients. Consistent fund manager outperformance of the benchmark is the analysis of financial performance alone. Desirable ESG characteristics in fund managers may include justifiable fees for net performance, transparency and a fiduciary flavoured relationship towards the pension client. This link between the corporate governance of fund managers and their net performance may be important to the pension trust's fund management selection framework.

Paper No.: 1085

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Title

Preferences regarding positive and negative screening criteria for socially responsible investments - A survey among German retail investors

Abstract

Over the past three decades many surveys have been conducted to advance the understanding of the demographic characteristics, motivation and morals of private sustainable investors. In this paper, we present the results of a representative survey among 1,014 private German retail investors. Thereby we mainly analyze the differences between three groups: sustainable investors (SR), conventional investors that are either generally interested (INT) or those that are not interested (CONV) to invest in sustainable investments. We focus on analyzing their preferences towards investment strategies and positive/negative screening criteria for sustainable investments.

Findings: Sustainable investors tend to be better educated, wealthier as well as younger and more likely to be parents than their 'interested' or conventional counterparts. Among SR investors the negative screening investment strategy is more popular than the best-in-class approach. The opposite is true for the other two investor groups. Among all investor groups a majority assess ethical aspects to be more relevant than ecological ones. Hierarchical cluster analyses suggest that the focus could be placed on either ethical or ecological screening criteria when designing a sustainable investment, whereupon the clusters of respondents condemning ethical violations / preferring positive ethical screens are in sum larger than the ecological ones.

Paper No.: 1089

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Title
Social Impact Investing: a Model and a Research Agenda

Abstract
Social impact finance is a promising concept for addressing pressing social issues by applying a holistic approach to value creation that combines financial return and social impact. Social impact investments could represent an enormous market opportunity. Currently, there is an estimated $1 trillion to $14 trillion market for impact investing when global infrastructure investments are included. Recent studies have noted that there is not a clear understanding of the meaning of social impact investing among academics and practitioners. Addressing this void in impact investing research, this chapter aims to explore the stance of existing academic studies on impact investing in order to clarify the concept and to identify focal points and trends, as well as inconsistencies and research gaps. This chapter contains a bibliometric analysis of the literature on the topic published in peer-reviewed scientific journals and a content analysis using a map of keywords that permits classification of articles according to the covered issues. More specifically, this work aims to do the following: (i) graphically map the intellectual structure and the evolution of impact investing research and related fields, subfields and relationships; (ii) debate current findings and identify the links between causes, effects, stakeholders and key qualitative-quantitative variables involved in the impact investing studies; and (iii) design a set of themes meriting further investigation from researchers in future studies.

Paper No.: 1090

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Title

Making Friends with Windmills: Building Territorial Capital

Abstract

This paper explores the role of community engagement in building sustainable territorial capital and territory-based governance. To illustrate the research principles involved we use the development of a community collective that started in 2006 as well as of a wind-turbine project set up in 2009 in a Nottinghamshire village . Among the obstacles to such a project is the variety of purposes of the participants. Dealing with them required initiating sustainable interactions. It is shown how such interactions may become the spark for the improvement of individual and collective life. This raises the question how such improvement can be supported systematically. Answers prove to differ from those of traditional research questions with their focus on patterns among similar exemplars. Community engagement and the growth of territorial capital start from what people do and how they deal with each other. By crafting suitable forms of interaction, a sustainable support system surfaced. It proved possible to enhance individual activities without having to define a collective preference or allow individual dominance.

Paper No.: 1091

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Title
A Global Case for Impact Investing in the Creative Industries

Abstract
One of the most profound trends in the social sector today is the emergence of a new class of entrepreneur – the creative social entrepreneur. Creative entrepreneurs generate market demand for their goods and services while also contributing to the dynamic shift in cultural sustainability, social justice and economic development around the world (Aageson, 2008). Social entrepreneurs operating within the creative economy are frequently overlooked by institutions practicing and promoting impact investing - a fairly new investment approach that seeks to generate social and environmental impact alongside a financial return (Brest & Born, 2014).

This research presents a qualitative study of three intermediary businesses that have successfully demonstrated the viability of strategic investment within the creative sector. The study consists of a literature review, qualitative design, case study, discussion and conclusion in an attempt to fill gaps in the literature for few have previously explored the intersection of the creative industries and impact investing. Hopefully this study will shift the common understanding of how value is created in the creative sector and inspire ecosystem players to embrace cultural capital.

Following the worst global economic recession in living memory, the creative industries sector has emerged as a powerful engine for economic growth and social, environmental and cultural sustainability. With growing concern over the staggering amounts of funding now being directed toward social impact initiatives globally and the effectiveness of those investments, perhaps the time has come for gatekeepers to consider adding the creative industries to the short list of investment worthy target sectors.

Paper No.: **1092**

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Title

The Social Entrepreneur as Trailblazer: A Role for the Social Enterprise in a Market Economy

Abstract

This paper offers an alternative to the normative rationale for social entrepreneurship. We draw from the nonprofit economics literature to develop a simple theoretical model of a social entrepreneur as a profit-deviating firm. We then demonstrate how profit deviation lowers the effective cost of the firm, allowing it to recognize opportunities and enter markets previously considered unsuitable by the neoclassical entrepreneur. In doing so, the social entrepreneur generates knowledge spillovers by providing valuable ex-post entry information regarding the expected costs of a venture. In this sense, the social entrepreneur provides a public good to latent neoclassical entrepreneurs, who then may enter markets previously considered unprofitable. We illustrate the range of market conditions that are relevant for the social entrepreneur and offer a simple case study illustration of the model.

Paper No.: 1093

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Title
Applying Theoretical Frameworks from Firm Growth Literature to Social Enterprise Growth Research

Abstract
Social enterprise growth literature is work in progress. Various academics have suggested that applying theoretical and conceptual frameworks from entrepreneurship research would be helpful to advance theory-building and guiding the research field forward. The purpose of this study is to identify and apply such frameworks in order to understand and interpret findings from social enterprise growth research. Analyzing comparative studies of commercial and social enterprises reveals two elements that characterize social enterprises and render their growth as a process of its own kind: the nature and development process of opportunities and the various roles that multiple stakeholder groups play. Growth of social enterprise can be framed as an entrepreneurial process of growth opportunity development. Nature of opportunities is distinctive and sets a course to the process. Expanding social impact calls for different strategies and models than mere increasing financial gains. Social enterprises tend to use hybrid growth models built on collaborative networks, which often entails business model innovations and a capability to disseminate them to existing and potential partners. The expected social outcomes guide the whole process, and therefore, the social impact is both an outcome of growth and a measure of its success. To conclude, entrepreneurships theories provide useful tools for investigating social enterprise growth, but do not capture all the relevant elements.

Paper No.: 1094

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Title

Do Green Investments Trick or Treat? A Quarter Century of Evidence from European Mutual Funds Performance

Abstract

We conduct the first comparative analysis of the financial performance of European green, black (fossil energy and natural resource) and conventional mutual funds. Based on a unique dataset of 175 green, 259 black and 976 conventional mutual funds, the investigation contrasts the financial performance of the three dissimilar investment orientations over the 1991-2014 period. Over the full sample period, green mutual funds significantly underperform relative to conventional funds, while no significant risk-adjusted performance differences between green and black mutual funds could be established during the same period. Environmentally friendly investment vehicles display a significant exposure to small cap and growth stocks, while black funds are more exposed to value stocks. Remarkably, the green funds' risk-adjusted return profile progressively improves over time until no difference in the performance of the green and the conventional classes could be discerned. Further evidence suggests that the green funds are beginning to significantly outperform their black peers, especially over the 2012-2014 investment window.

Paper No.:
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Title

Credit Risk and Ecosystem Services: A Review of Small-Scale Emission Certified Agroforestry

Abstract

The levels of agricultural credit and subsequent investment in rural areas are positively correlated to several factors, among them environmental resource management such as climate smart agriculture. Conversely, the substantial depletion or degradation of environmental resources in developing countries is likely to be a result of limited access to formal credit. This credit constraint is due to information asymmetry, arising both from the financial intermediaries' inability to appraise smallholder agriculture and the lack of adequate collateral on the part of the smallholder. Sustainability envisioning agricultural programs and emission mitigation mechanisms were created to promote environmental conservation and protect smallholders' livelihoods. An example of such a sustainable practice is certified small-scale agroforestry with payment for ecosystem services (PES) implemented in parts of rural sub-Saharan Africa to achieve climate smart agriculture and the climate change mitigation objectives. Interestingly, neither the impact of certified small-scale agroforestry on smallholders' information symmetry nor the benefits of PES as a collateral substitute in the rural credit market have so far received in-depth attention. Climate finance and mitigation schemes capable of dealing with a smallholder farmer's risk profile could encourage private sector involvement in the value chain of a market- based agroforestry emission mechanism. The information gathering potential of certified small-scale agroforestry may overcome any prevailing information asymmetry, while the PES presents a new type of eligible collateral for formal financial intermediaries.

Paper No.: 1101

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Title

Measuring to Improve vs. Measuring to Prove: Understanding Evaluation and Performance Measurement in Social Enterprise

Abstract

There is growing interest in the phenomenon of social enterprise around the world, and one of the key topics of discussion is the issue of measuring the social value created by these organizations. However, there is limited academic research on the evaluation and performance measurement practices of social enterprises. Given their dual priorities, what motivates social enterprises to measure their impact? Are the antecedents primarily external (such as reporting to funders, attracting new funders, or establishing legitimacy amongst peers), or internal (as reflected in the background and motivations of the social entrepreneur)?

This research aims to contribute to a theoretically grounded understanding of the factors that influence these enterprises to measure their social performance, and their choice of measurement approach, with implications for theory and practice. Using the lens of organizational theory, I construct a framework based on the theoretical and empirical literature on evaluation and performance measurement in the nonprofit and for-profit sectors. Then, using a novel dataset of 1204 early stage social enterprises, I test six hypotheses related to these organizational theories with a logistic regression model. I will present early results and discuss implications of these findings.

Paper No.: 1102

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Title
Who pays for Scale? A Theoretical Economic Analysis of Impact Investing

Abstract
One of the principal arguments in favor of impact investing is that it allows investors to better achieve social impact at scale. However, questions remain about how this impact is achieved, and whether and when it is appropriate for foundations to mix mission and profits. In this paper, I develop a model based on economic theory to look at the effects of moving from grant funding to debt financing. I begin by considering a foundation that is deciding whether to fund a single hypothetical organization with grants or loans. Using this hypothetical case, I conduct an equilibrium analysis, whereby I assess the welfare costs and benefits of switching to impact investing, in order to derive conditions under which the change is more likely to yield net social benefits. I show the incidence of these effects, and then find that the degree to which the recipient organization is credit constrained, and the (in)elasticity of consumer demand for the good being delivered are key determinants of the effects of switching from a grant to a loan. After the primary analysis, I discuss the long-term subsidies that are required in the context of externalities, and affordability constraints. I then discuss the limitations of this model, and highlight questions for future research that would fill out the picture of the effects of impact investing.

Paper No.: 1103

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Title

Role of Regulators in the Implementation of ESG in Financial Institutions of Emerging Markets

Abstract

Sustainable finance is enhancing the interest of banks in Environmental and Social Governance (ESG) practices globally. This development has necessitated the need for banks to take internal Environmental and Social (E&S) considerations more seriously, with regard to their business decisions and relationships with clients. Though this started as voluntary corporate efforts, and it has gained traction in leading economies evolving into collaboration and frameworks that have helped set industry standards, codes and legislation with relative success. This success has not been replicated in developing and emerging markets due to several factors. Conversely, over the last few years African, Asian and Latin American financial institutions are beginning to show growing interests in the development and embedding of E&S considerations and governance into their internal system and lending processes. One remarkable deviation here is the involvement of regulators in the design and implementation of sustainability policies, which are now being developed as legislation to drive the E&S process in banks, contrary to the usual voluntary practices. This paper seeks answers to this development and the role of regulators in the integration of Environmental and Social System (ESMS) in the financial sector of these economies. It also takes a look at the key drivers of this new development. It concludes by looking at what future lies ahead for this practice and if there are lessons for the development of sustainable finance in other parts of the world as this approach evolves.

Paper No.:
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Title
The perfect Hedge: Sin Stocks as effective investment for Nonprofit Organizations?

Abstract
Nonprofit organizations (NPO) as mission-oriented organizations could profit from in-vesting in stocks diametrically opposed to their mission, as they serve as a perfect hedge. Earning more income from oil or tobacco companies when there is a greater need for eco-logical interventions or cancer research might help effectively fighting the cause. We show the flaw in this logic as in its optimal state, this strategy is at most a financial zero-sum game. However, as NPO strive at creating net value by aiming at a most effective mission-accomplishment, socially responsible and impact investments may offer a better way of doing so. We present NPO as an ideal type of a socially responsible and impact investor and give the corresponding economic reasoning. For mission-driven organizations only the combination of financial and mission-based goals allows for an effective, goal-oriented financial decision-making. The full application of this logic is what is broadly understood under the term of mission investing (MI). Based on a theoretic introduction, we present a formalized way of analyzing multidimensional trade-offs in the case of NPO being mission-driven investors. This formalization will supply NPO with a tool that enables them to capture their investments' financial and mission-based impact and therefore the full benefit of responsible and impact-driven investments.

Paper No.: **1105**

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Title

Financing Considerations of Social Enterprises

Abstract

The last years have seen an increase in the use of financial instruments aimed at creating social value. The amount of socially responsible investments has reached billions of dollars. Governments on every continent are facilitating the creation of social investment markets aimed at the financing of companies with the main mission of creating social value.

Social enterprises are often at the core of this phenomenon. They combine economic and social goals which Zahra, Gedajlovic, Neubaum, & Shulman (2009) define together as total wealth generation. Their financing structure is often not well known. While there is theory of finance for venture capital, private equity, family firms, SMEs or listed companies, social enterprises still lack this general theoretical framework.

This paper aims to contribute to the theory building of this new field of social finance by discussing the current knowledge, particularities of the sector and proposing new models to understand the financing of social enterprises. Particularities include the missing pecking order as there is no clear preference among the financing instruments. Equity capital might be preferred to interest-bearing debt capital, while interest-free loans might be preferred to equity capital. Moreover, the divergent return expectations of the capital providers can lead to problems again.

A theory should take into account agency conflicts, preference orders and contract restrictions which are abundant in the financing sector for social enterprises. The paper will work on hypotheses connecting the revenue streams to the capital structure as well as the social entrepreneur’s willingness to give up control.

Paper No.:
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Title
Philanthropic Foundations in Belgium: Issues for Governance in the Public Interest

Abstract
Based on sixteen exploratory interviews with Belgian philanthropic foundations, we investigate the governance mechanisms that these organizations set up in order to achieve their public interest mission. Our paper describes the Belgian foundations' governance practices and the governance challenges these foundations are confronted with. We then discuss three critical governance issues raised by the foundation sector in Belgium, and we identify three tensions that Belgian foundations need to solve to become legitimate in the achievement of their social missions.

Paper No.: 1114

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Title

Sustainability, Finance and Accounting: From the today's Fisherian-(Falsified) Hicksian perspective to a traditional accounting approach

Abstract

We firstly analyse the relations between accounting and finance from the Fisherian revolution, in particular through the concept of capital and income. Then, from this study, we argue that the model of the modern finance and financialised accounting, that we call the Fisherian – (falsified) Hicksian model, is fundamentally inapt to implement a sustainable world. We also claim that, in order to tackle sustainability issues in a genuine way, these disciplines must adapt in a drastic way their concepts, by accepting to use some notions and instruments elaborated by traditional accountants, in particular the systematic depreciation, and to extend them to the preservation of human and natural capitals. Finally, on this basis, we define a new concept of free cash-flows which allows a re-conceptualisation of the financial model for the sake of sustainability and we discuss some of its consequences.

Abstract Proceedings

Paper No.:
1115

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Title

Complex Markets vs. Complex Customer Needs: How Investment Advisors' Narratives Enable or Constrain Sustainable Investing

Abstract

Organization theorists have not analyzed investments advisors, although advisors play a key role in a finance-centered economy by making access to capital easier—or more difficult—for companies, sectors, or countries. We address this gap with a qualitative analysis of the narratives that investment advisors use to understand their role in the context of sustainable investing. Based on 22 interviews, we find two narratives: investment advisors at firms that lag in sustainable investing describe financial markets as highly complex, and their customers as simplistic, with sustainable investing a nuisance that they reject to deal with. In contrast, advisors at leading firms use a narrative that highlights customer needs as complex, and sustainable investing as the solution for problems of overly complicated financial markets. We thus document a complexity shift in investment advisors' narratives from complex financial markets to complex customer needs. These findings suggest that all types of investment firms, including those focused on sustainable investments, depend on "complexity" to sell financial services and products. We also contribute to research on sustainable investing by outlining how investment advisors' narratives either constrain or enable sustainable investing within investment firms, which has important implications for the mainstreaming of sustainable investing.

Paper No.: **1116**

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Title

Bumper Book Bus: Overcoming Mission Drift in Social Etrepreneurship

Abstract

Social entrepreneurship is the phenomenon of growing interest all over the world. In spite of the fact that there is no unified definition of social entrepreneurship yet, most authors agree that social entrepreneurship is the hybrid form of activity which transcends the boundaries between typical for-profit and not-for-profit sector incorporating features and characteristics of both. We argue that being a hybrid and resource constrained organizations, social entrepreneurial organizations are prone to mission drift.
The purpose of the paper is to define pressures that cause mission drift in social entrepreneurial organizations and to develop a better understanding of steps and decisions which social entrepreneurs can take in order to prevent it. The paper is based on the analysis of the case study of Russian social entrepreneurial organization children’s book club on wheels “Bumper Book Bus” which travels around the country and helps children to fall in love with reading. Through the case study research the concept of mission drift in social entrepreneurial organizations will be discovered. The analysis is based on application of resource dependency and institutional theories.

Paper No.: 1118

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Title

The importance of sustainability and transparency labels in investment decisions between conventional and sustainable mutual funds

Abstract

This study focuses on the following research questions: Do private investors have positive (stated) preferences towards transparency and sustainability labels? And: Do investors who feel badly informed about sustainable investments (SI) or mistrust SI funds are more likely to invest in mutual funds if these are awarded with sustainability or transparency labels or do they try to avoid SI funds in general? In order to empirically examine these questions this study uses a unique dataset from a representative survey among financial decisions makers in German households. The survey comprised a questionnaire part as well as a discrete choice experiment (DCE). The DCE comprises eight successive hypothetical investment situations for each respondent in which they had to select one out of four mutual funds. By using conditional logit models we combine data from the DCE and the questionnaire and empirically analyze whether factors such as respondents' perceptions of transparency, the level of their information, and investment knowledge with respect to SI influence the stated preferences of the respondents referring to sustainability or transparency labels . Results of the descriptive and econometric analyses reveal that particularly low self-assessed knowledge levels, lack of trust in the published information of SI providers and insufficient political promotion are reasons that prevent private investors from investing in SI in the future. Further, we find positive stated preferences for sustainability or transparency labels when considering the total sample, although these labels do not seem to overcome mistrust or lacks of information of all investor groups.

Abstract Proceedings

Paper No.: 1119

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Title
Carbon Disclosure, Emission Levels, and the Cost of Debt

Abstract
In this paper, we investigate the effect of voluntary CO2 emissions disclosure on the cost of debt of publicly listed firms. Using a unique and comprehensive database on carbon emissions from CDP (formerly 'The Carbon Disclosure Project'), we study whether firms which choose to voluntarily disclose their CO2 emissions enjoy more favorable lending conditions – in the form of lower spreads on their bank loans – than their non-disclosing counterparts. Our empirical results reveal a significant and negative relation between voluntarily disclosing CO2 emission levels and the cost of bank loans. Furthermore, we find that higher industry- and firm-size-adjusted CO2 emissions have a positive and significant effect on loan spreads. This effect is driven by those loans which have been arranged by norms-constrained lenders. To be more specific, if norms-constrained lenders are amongst the lead arrangers for loans to high polluting firms, those firms pay significantly higher loan spreads suggesting a "reputational risk premium" charged by norms-constrained lenders.

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Title

Let it flow: How leadership and smart investments can tackle corporate water risks

Abstract

Access to water resources is becoming a major strategic issue for many firms. The strategy literature has not reflected this, because the standard economic view is that the only rational strategy for common goods such as water resources is exploitation. This study reveals that corporations employ a range of strategies to address water scarcity, which often take the form of collaborative approaches and extend beyond the traditional boundaries of the firm. In an exploratory fashion this study takes stock of current institutional entrepreneurship undertaken by transnational firms in response to water risk. In addition, the possibility of corporations engaging and facilitating impact investments in water management is explored.

Abstract Proceedings

Paper No.: **1123**

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Title
Investing in Legitimacy: A Performance Analysis of Public Value Stock Portfolios

Abstract
This paper investigates the influence of corporate legitimacy on financial performance. For the first time, the assessment of corporate legitimacy is built on the foundations of the public value theory in this context and draws back to perceptions of value creation for society. This approach contests the contemporary understanding of corporate value creation which is predominantly expressed in financial-economic figures and, therefore, one-dimensional. Thus, the determination of the public value metric follows a four-dimensional measurement approach for an organization's value creation: 1) Its performance in its core business, 2) its moral obligations, 3) its contribution to social cohesion, and 4) negative and positive experiences that are associated with its operations. The empirical part presents a performance analysis of high and low public value stock portfolios for the year 2014. The results indicate that high public value portfolios outperform low public value portfolios and that corporate legitimacy is positively correlated with stock returns. The analysis sheds new light on the debate of value creation for society. It moves beyond environmental, social, and governance (ESG) report scans and surveys by analyzing the dimensions of value creation perceptions by the public.

Paper No.: 1124

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Title

The formation of the UK social investment market: Opening a research agenda

Abstract

How do markets form? Economic sociology has shown that we need to look at the role of networks, power, and culture to understand processes of market creation. Social investment is a context ripe for this kind of analysis, yet academic research has not paid much attention to this space yet. In this article we leverage the characteristics of the social investment market in the UK, where there is still much variation and ferment of activity, instead of stability and clear rules of the game, to develop a research agenda that can help us make sense of the development of the sector and also contribute to sociological theories of market formation. We focus on six research directions: the current experimentation, ambiguity and contestation, the shift in discourse and field-level logics, the policy regimes that result from active government intervention, the role of intermediary organizations, the strategies available for system-building organizations, and the rise of interstitial communities as locus of activity.

Paper No.: 1125

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Title

Family Value: Evaluating How the Household Converts New Income from Investee Businesses into Social Gains

Abstract

Over the past half-decade, important insights and tools on social impact measurement have been generated by the impact investing industry. These have centred primarily on two levels: that of investee firms and of the individuals who own, work for or buy the products and services of those firms, which may be for-profit, non-profit, or hybrid. This logic stream is depicted in the impact value chain, a theory of change for impact investing that is attracting attention in the field. However, as useful as this model is proving to be, it is missing an important component: the household. Households convert, or fail to convert, new revenue from employment or ownership in investee businesses into concrete social gains in, among other things, housing, health, nutrition and education. The impact investing field must better understand and document the nature and results of this conversion process, and integrate the household into the impact value chain deployed for social impact measurement. Further, in studying this process, one important dimension in particular should be interrogated: the gender dynamics and consequences of household decisions on the utilization of incremental income. Looking ahead, a technology-enhanced, mixed-methods approach to evaluating the household conversion process should yield useful insights for the impact investing industry.

Paper No.: 1126

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Title

Financing SMEs and the green economy: The role of banking diversity

Abstract

The paper explores the relationship between banking diversity and the cost and availability of external capital for SMEs. SMEs play an important role in the green economy, contributing to the innovation and commercialization of green services and products, as well as resource and energy efficiency improvements. External financing for SMEs is a key challenge. The research presented in this paper suggests that, beyond macroeconomic parameters such as the general economic condition and structural indicators of SMEs, banking diversity plays an important role in improving the cost and availability of capital for SMEs. Banking diversity is captured through the different ownership structure of banks. Banking diversity ensures the access to more long-term lending and a greater stability of financing during financial shocks. The results suggest that banking diversity by ownership by itself does not ensure these results, as banks with different ownership structures may still pursue the same business model. Moreover, an improper balance between local lending practices and the centralization of replicable services may inhibit the efficient intermediation of capital. The results suggest that greater emphasis should be placed on banking diversity in the context of mobilizing capital for the SMEs in general and the green economy in particular.

Paper No.: 1127

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Title
Social innovation, effectuation and influencing state provision of social services

Abstract
The purpose of this paper is to explore how the entrepreneurial theory of effectuation can help provide a more sophisticated framework of how social innovation influences state provision of social services. More traditional approaches of how social innovations go to scale within the social entrepreneurship literature often have naive assumptions about how state systems are influenced or assume that the private sector needs to establish parallel services to state care. This paper analyses successful efforts to influence state provision by recognised social entrepreneurs and highlights that these efforts are more adaptive, often the product of teams of people rather than heroic individuals and require a detailed understanding of the ways in which the various social service systems operate. A picture emerges from the analysis of teams of individuals working collectively in a range of partnerships, adapting their approaches, bootstrapping available resources and exploiting opportunities as they present themselves. This approach is contrasted with more linear models of social innovation, which focus on the development of an idea and then the scaling of this idea over time. It is argued that the effectuation theory of entrepreneurship provides an important lens for studying the activities of social entrepreneurs and better captures the adaptive, collaborative essence of these processes than traditional approaches to scaling. The paper recommends also that this theory can help social innovators think about more suitable approaches to managing, planning and evaluating these efforts to influence complex, adaptive systems.

Paper No.: 1130

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Title

How do Social Impact Bonds affect the development of a Social and Sustainable Finance Ecosystem? The case of using SIBs to tackle long-term homelessness in Dublin

Abstract

Social Impact Bonds; Social and Sustainable Finance Ecosystem; Homelessness

Social Finance is one response to the challenges of government deficits, widening gaps between rich and poor and the perceived incapacity of existing societal institutions to respond adequately to these challenges. Philanthropists, governments and citizens are looking for ways to allocate scarce resources for maximum social benefit. In this paper, we examine the role and contribution of social impact bonds (SIB) to make a significant contribution to the social finance ecosystem. It is recognised that performance objectives and outcomes measures as critical components of public service systems. We see this in Ireland in our research into the Irish housing 'system'. Nonetheless, there are extensive practical and academic challenges of Social Impact analysis / reporting, not least of which is the need for credible measures of social return for emerging social finance market. In this paper, we explore the introduction of Social Impact Bonds into the Irish social finance market. To date, only one – a bond raised to support 136 families out of long-term homelessness – has emerged. However, it appears to be an ideal application – raising finance to deal with aspects of a 'wicked problem' that conventional funding streams have failed to fund. We explore how design of social impact bonds, social impact sought and verification of impact achievement may contribute to the effectiveness of social finance in addressing society's most pressing challenges.

Paper No.: 1131

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Title

Values as a motive for sustainable investing: Towards a conceptual framework and research agenda

Abstract

While sustainable investing (SI) experienced considerable growth and received increased academic interest in recent years, investors' underlying motives for SI are not well understood. In this context, investors' values can be viewed as a particularly interesting and crucial object of inquiry. As guiding principles, values provide the basis for human behavior and have been found to play a central role in ethical and sustainability-related decision-making. Values are therefore widely regarded as key for promoting sustainable development. However, values research suffers from loose terminology and values are frequently confused with distinct socio-psychological concepts. Against this background, the present paper provides a systematic review of the literature to illuminate whether, or to what extent, investors' values act as a motive for SI. This paper contributes to academic literature by giving a critical overview on the measurement of values in SI research. Furthermore, a conceptual framework regarding the role of values in SI is derived. From this framework and the academic voids identified, a research agenda is developed. Practitioners might also benefit from the review as a deeper understanding of the underlying motives for SI could promote market growth and support effective human resource matching in the investment industry.

Paper No.: 1133

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Title

Benefit Corporations and "Other Constituencies" Entity Options for Social Entrepreneurs

Abstract

The Benefit Corporation is one of various corporate forms that U.S. states are making available to socially-minded entrepreneurs and intrapreneurs, along with low-profit limited liability corporations and flexible purpose corporations. Collectively these are known as "other constituency statutes". Traditional fiduciary obligations require corporate leaders to focus primarily upon the goals of shareholders, to the exclusion of almost all else. This has long been based upon Dodge v. Ford, the 1919 Michigan Supreme Court decision stating that a "business corporation is organized and carried on primarily for the profit of the stockholders." Directors and officers can be personally liable for violation of this obligation, and D&O insurance will not cover willful such acts; a manager faces at minimum termination of employment. The Ford doctrine has given boards pause in taking any action detrimental to shareholder interests. Enter the Benefit Corporation, through which corporate leaders are not merely allowed but rather required to consider the effects of their company decision-making not just on the shareholders but also their employees, the local community, society in general, the environment, the corporate entity itself and other specifically-identified public benefit purposes. As social entrepreneurship becomes an increasingly relevant aspect of business law, it is important to understand the opportunities and limitations in the nascent field of "other constituency statutes" in general and Benefit Corporations in particular.

Paper No.: **1137**

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Title

Venture Capital 2.0: How the Integration of People, Planet, and Profit Could Lead to Sustainable Returns

Abstract

This paper argues that the lack of investors' trust in the stability of economic development could be one of the main reasons for the current global stagnation. It contends that investing is driven by emotional intelligence that depends upon the levels of consciousness of participating agents. The research performed on 136 global investors is then presented and tested the hypothesis that more trust in the future could be achieved through vertical development. The paper asserts, furthermore, that more trust in investing could be cultivated through the integration of appropriate measurements for people, planet, and profit on the investment side. The Theta Model is then introduced as an evolution-based, de-risking tool based on Ken Wilber's Integral Theory. The paper concludes by sharing some lessons learned from positive and negative investment examples and how all stakeholders could benefit from such integral sustainability measurements in the future.

Paper No.: 1034

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Title
Can Impact Investing truly take off? The South African Case

Abstract
This paper argues that while the international movement towards the standardisation of impact investing practices has reached South Africa, context specific factors such as, among others, the social, racial and political legacy of apartheid present a particular challenge to impact investing and impact investors. We use a qualitative empirical approach based on 23 interviews with organisations involved in the South African impact investing industry to investigate how impact investing in South Africa is influenced by global efforts to build the field and to what extent context specific factors are shaping the way in which it is currently evolving. The paper contributes both to the international body of knowledge on impact investing as a global phenomenon and the literature that explores the theoretical and empirical interplay of global convergence and local divergence mechanisms in the related field of responsible and sustainable investing. Furthermore, the findings advance the debate on the development and future of impact investing in South Africa, and provide some insight into the dynamics likely to shape the industry moving forward.

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Title

The Value Contribution of Sustainability Reporting - an empirical Evidence for Real Estate Companies

Abstract

Sustainability has evolved to one of the major challenges for society and business world. This changing perception over the past two decades resulted in increased requirements for corporate sustainability. In order to meet stakeholders' informational desires the documentation of the corporate contribution to sustainability becomes an important aspect of companies' stakeholder communication. Especially the real estate industry bears high responsibility since this branch is assumed to be one of the major triggers of the anthropogenic climate change and resource exploitation making sustainable corporate management and the communication thereof inevitable. The Global Reporting Initiative (GRI) as the leading authority in sustainability reporting published a globally recognized common framework in order to ensure the comparability and standardization of corporate sustainability reporting. This paper analyses for the first time whether sustainability reporting has an influence on the stock prices of real estate companies. Using the methodology of event study, the research for a global sample (Europe, USA and Australia) shows a clear positive impact. Thus, sustainability and the communication thereof have an impact on corporate valuation, making efforts to promote corporate sustainability not stamped as altruism. In fact, sustainability is of decision relevance for shareholder and investors and therefore a success factor for companies. The results of this study provide the empirical evidence for listed real estate companies.

Paper No.: 9998

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Title

Is there Justice in Impact? Exploring the Interplay Between Wealth Creation, Impact Investing and Social Justice

Abstract

Impact investing is the pursuit of financial returns with the intentional generation of positive social and environmental impacts. As the field of impact investing has grown, an increasing number of voices have called for justice and equity to become a more clearly enunciated outcome. These voices ask, if impact investing is what we do and blended value is what we create, what then is the potential for advancing a more just and equitable society through investment practice? What is impact investing 'good for' if not to discipline business with the ethics of care?

The purpose of business is to ensure collective human flourishing, not to maximize shareholder value. We know this to be historically true, but we are mired in confusion over laws versus norms when it comes to the role that corporations and financial institutions presently play in society.

How do we use the current quest for more effective monitoring and measurement from both the investor and the enterprise side of value creation to unlock more serious discussions about regarding the nature of justice and the potential of "equity to advance equity"? We argue in this paper that impact investing, as a financial tool designed to maximize the social impact of capital, cannot be divorced from the idea of justice. There are, of course, important implications that come from an understanding of impact as justice, and related ideas of equity and democracy. We will outline these implications as well as make some suggestions for further research and policy action.

Paper No.: 9999

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Title
The Future of Social Enterprise, the Future of Impact

Abstract
Regardless of the words used – social entrepreneurship, social enterprise, impact investing, venture philanthropy, conscious capitalism, philanthropy – the impact space is undergoing radical transformation. With massive injections of funding and other resources into the space, will 2025 or even 2030, witness substantive gains against the world's most intransigent social challenges? Through 60+ face-to-face consultations with Impact's thinkers, leaders and doers - from the Americas to the Middle East to Europe, Asia and Australasia – this research captures rich, nuanced understandings of the potential futures of the impact space. Rigorous investigation into the emerging global and regional trends reveals a complexity of views of the 2025 impact landscape – the optimistic, the pessimistic and the in-between. In envisaging the most positive futures for 2025, a world in which substantive progress is being made against the most intransigent of global social challenges, social influencers of 2015 articulated many cultural, policy and program recommendations to bring about positive futures. Optimistic changemakers see a world in 2025 in which impact is so embedded in our collective and individual psyche's that it is not even a topic of discussion, let alone siloed into categories of business and social enterprise. In 2025, impact considerations are mainstream, natural parts of all economic, political and social activity. The positive future of 2025 is characterised by a prevalence of systems thinking, where most of us understand that 'impact' can be positive and negative and that one small change in part of the ecosystem can reverberate throughout the entire ecosystem.