대한경영정보학회
「경영과 정보연구」 제39권 제2호 2020년 6월
http://dx.doi.org/10.29214/damis.2020.39.2.010

Impact Investment into Social Enterprises and Applicability to Korea†

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〈요 약〉

Recently, impact investment has attracted attention all over the world. This is intended to effectively solve problems by combining private capital and various financial techniques with social and environmental needs, as it is recognized that it is difficult to solve social and environmental problems. Impact investment means a mixture of financial, social, and environmental aspects. This refers to an investment focused on such a blended value, through which it simultaneously achieves financial and social values such as return on investment. The purpose of this study is to study whether impact investment, which has become a new issue, is actually applicable in Korea. This study first considers the concept and method of impact investment, and a prior study on social enterprises and impact investment that pursue social values. In particular, after analyzing in detail the social performance-related bonds (SIB) and operational cases, we intend to explore the possible applicability of impact investment to Korea.

The results and implications of this study are, first, changes in the government's attitude toward impact finance. The government should entrust innovative public works to market-proven service providers to enhance the professionalism and efficiency of public service projects. Second, the legal system must innovate. Impact investment should provide an institutional foundation to pursue social problem solving simultaneously, not maximizing financial performance. Third, when investing in public works in the private sector, impact investment must clearly demand social performance and clarify the evaluation accordingly. The project execution process should create an impact environment that is more free and active.

Key Words: Impact Investment, Social Enterprise, SIB, Applicability, Korea

논문접수일: 2020년 06월 22일 수정일: 2020년 06월 27일 게재확정일: 2020년 06월 28일

† This work was supported by the Ministry of Education of the Republic of Korea and the National Research Foundation of Korea (NRF-2017S1A5B8059718).

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Ⅰ. Introduction

Recently, impact investment has attracted attention all over the world. Under the premise that it is difficult to solve social and environmental problems, it aims to effectively solve the problem by combining private capital, social innovation and financial techniques with social and financial needs (O'Donohoe et al., 2010). Impact investment means a mixture of financial, social, and environmental aspects. This refers to an investment focused on such a blended value, through which it simultaneously achieves financial and social values such as return on investment (Guézennec & Malochet, 2013). On the other hand, impact investors are evaluating and investing in performance based on blended values in various fields that social enterprises are performing, such as microfinance, appropriate technology, fair trade, health, civil culture and arts and basic education projects. These impact investments provide prospective social enterprises with the capital to drive sustainable development (Ashoka Foundation, 2010; Bolton & Savell, 2010).

Impact investment is gradually beginning to drive growth and expansion of these companies by investing in socially innovative companies or projects that seek mixed value. Previously, concepts such as sustainability investment, socially responsible investment, ethical investment, or development finance existed as the base of impact investment. Impact investment is deviating from the conventional passive meaning of minimizing the negative impact on the society and the environment, and the narrow meaning of investing in the environment or international development. Impact investment now refers to a wide range of active investments in social enterprises on a variety of topics (Donohoe et al., 2010: Reeder & Colantonio, 2013). On the other hand, impact investments are expanding globally across a wide range of fields, including healthcare, education, crime prevention, infant and toddler services, care for the elderly, vaccine development, and housing settlement. According to UN data, the size of major funds or investments considering environmental issues, social issues, and governance issues amounted to about 45 trillion dollars as of the end of 2012 (Levine & Emerson, 2013).

In the case of the UK market, in 2014, a law to reduce taxes on social investment was enacted, and Impact Investment was established as the primary means of Social Impact Bonds (SIB)(Park & Lee, 2018). In Korea, social economy is actively being sought through impact investment. In Korea, social performance, that is, impact evaluation, is mentioned as the most urgent factor to be established to promote impact investment (Dear et al., 2016).

The purpose of this study is to explore the practical applicability of impact investment in Korea. This study first considers the concept and method of impact investment, and then studies social enterprises and impact investment by using the preceding studies. In particular, it is intended to analyze in detail the case of operating SIB. Furthermore, this study seeks to find a way to apply impact investment based on existing research. Lastly, Finally, this study aims to present the implications and necessity of impact investment according to the research results.

Ⅱ. Theoretical background

1. Definition and characteristics of impact investment

1.1 Definition of Impact Investment

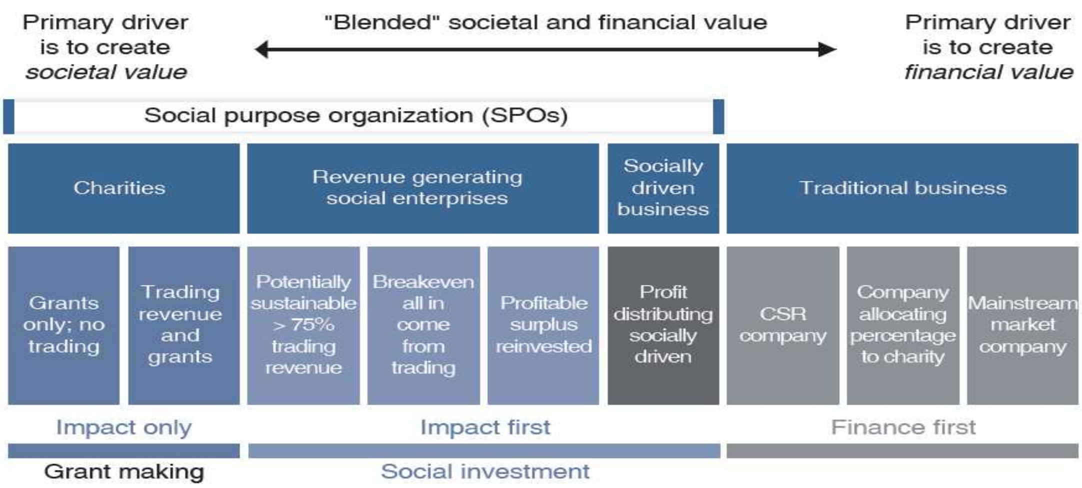
According to previous studies, the definition of impact investment is very diverse. In general, impact investment is a social investment that creates a positive effect beyond financial returns, or an investment that seeks to realize a mixture of financial, social and environmental values (Donohoe et al., 2010). This definition denied the divided world with existing revenue-generating investments and philanthropy. It can also be seen as based on a mixed belief that the good and social values of the public can be developed through the principles of capital and business (Emerson & Bugg-Levine, 2011).

To date, almost all investments are mandated to pursue purely financial profits. The social sector (such as non-profit organizations and international development organizations) has remained a charity of government subsidies and well-intentioned readers. However, the impact investment starts from the recognition that it is insufficient to solve social problems through the existing flow of funds in this way. This also coincides with the flow that started from the internal and external reflections that capitalism should change more humanly, such as the rise of ethical consumption culture.

Impact investment utilizes the principles of capitalism, namely capital power, market transparency, and competitiveness. This investment is based on the belief that it can be used to solve social problems. This means that it can be used to solve the social and environmental problems faced through market efficiency without sacrificing capital (Chang et al., 2015a). Meanwhile, impact investment is not the first type of investment to consider the social impact of investment. This has been clearly emphasized since the 2008 global financial crisis. The term social investment, or socially responsible investment, was first introduced through the Social Investment Task Force, led by the British Ministry of Finance (JP Morgan and the GIIN, 2015).

Table 1 compares the structural differences between traditional and impact investments. The main difference between traditional investment and impact investment is the investment target. Traditional investment aims to maximize corporate value (shareholder value). On the other hand, impact investment seeks financial profit, but social performance, a non-financial factor, is also considered in the investment target. Therefore, even in the process of making an investment decision, impact investment does not make a decision using only the traditional investment decision method (OECD, 2014).

<Table 1> Comparison of structural differences between traditional investment and impact investment



Source: OECD, 2014

The international community expects impact investment to play a role in alleviating economic burdens and at the same time create various 'impacts'. This impact investment is clearly distinguished from socially responsible investment. Socially responsible investment is designed to minimize negative impacts, but impact investment aims to create positive social and environmental impacts (O'Donohoe et al., 2010; CGD & Social Finance, 2013). The existing socially responsible investment was a very passive type of investment, which was excluded from the investment, or otherwise, to excellent companies. However, the impact investment is to create a profit by investing in a business that has a positive impact on society, rather than a passive investment. Based on this, impact investment is attracting attention from various institutions and investors in that it is an active investment method to solve social problems (Sparkes & Cowton, 2004).

1.2 Characteristics of impact investment

It is that existing charities and donations cannot solve the world's urgent problems such as poverty and environmental problems. This perception is related to the context in which impact investment is rapidly emerging, and it also makes time for impact investment timely (Levine & Emerson, 2013). Charities and socially responsible investment have played a role in specific areas for social value and sustainability. Now, it is necessary to invest in the defense sector in order to realize the mixed value (Guézennec & Malochet, 2013).

<Table 2> The Responsible Investment and Philanthropy Services framework

Philanthropy Services	**Impact Investments**	Sustainable Investments
Client Objectives Investor priority is social/environmental support and change through charitable donation.	Client Objectives Main goal is social/environmental change, confined wirh moderate financial return	Client Objectives Main goal is maximized risk-adjusted financial return via sustainability trends.
Solution -Philanthropy Advisory (e.g. asset optimization) -Trust and Foundations -Venture philanthropy, Social entrepreneurship	Solution -Microfinance -Investment in social enterprises (e.g. health care, education, agriculture) -Values-based investment (e.g. Sharia compliant)	Solution -Investment products that demonstrate an evident ESG screening process for underlying securities -Sustainability thematic products as defined by the Megatrends Sustainability theme
Charity (Social Return) ⟵	⟶	Profit(financial return)

Source: Ruttmann, R. (2012), New ways to invest for social and environmental impact, in Credit Suisse (2012), Investing for Impact: How social entrepreneurship is redefining a meaning of return, January 2012, p.6.

Compared to socially responsible investment (SRI) and donations, existing general financial investments are only pursuing financial profits (Yang & Song, 2018). While Social Responsible Investment (SRI) is characterized as an investment that minimizes the negative aspects of social significance, Impact Investment actively pursues both social value and financial interests (Commonfund Institute, 2013).

From the perspective of the nature of impact investment, impact investment is introducing capital and business principles into solving social problems in earnest. This is an important part of the new trend of capitalism, and at the same time, it is looking for new solutions to solve the problems of the social sector (Chang et al., 2015b). Considered from the perspective of impact investment, impact investment is an open opportunity for mainstream investors rather than participating in one sector such as existing NGOs, countries, or charities. This requires strictness and complexity that is comparable to the existing investment area (Clark et al., 2015).

2. Method of impact investment

2.1 Sector and size of impact investment

The scope of impact investment can be broadly divided into two groups. One is an area belonging to the Bottom of the Pyramid. The scope of impact investment in this area is to invest in social enterprises or funds that provide basic goods and services for people with less than $ 3,000 annual income in underdeveloped countries. The other is the marginalized, often referred to as the 'Missing Middle', even in developed countries. The impact investments included in this are investments in companies or funds of a social nature that are given fairer opportunities and accessibility (Emerson & Bugg-Levine, 2011).

The investment sector of the 'Bottom of the Pyramid' is concerned with all projects to structurally address the problems of the world's poor. Examples include micro-finance, residential business for low-income families, farmland clearing and agriculture-related businesses, low-cost essential energy technologies (solar lamps, portable water purifiers, etc.), primary education and cultural services, and medical-related businesses (Donohoe et al., 2010).

Of these, Microfinance was attempted by Dr. Muhammad Yunus, which started in the 1980s and created a worldwide boom in the 2000s. However, there has been an additional problem in India, such as the inability to pay back microfinance loans. The field of impact investment is also investing in community development and various social and cultural projects for the 'Missing Middle'. Triodos Investment Management' is primarily an ethical investment company and is a subsidiary of the Netherlands' Triodos bank, one of the world's leading pioneers in impact investment. The investment areas of 'Triodos Investment Management' mainly include Energy and Climate, Emerging Markets, Sustainable Real Estate and Arts and Culture. In addition, an independent fund called 'Triodos Culture Fund' is operated for cultural arts funding in all areas of Europe. It is one of the best cultural funds in the Netherlands (Guézennec & Malochet, 2013).

2.2 Method and subject of impact investment

First, when looking at the method of impact investment, the most representative methods of impact investment are various forms based on loans and equity. Among them, impact investment is not only a form of traditional investment products, but rather a model that drives the growth of early social enterprises and invests in business models. Impact investment shares more of its characteristics with venture capital and private equity. Hybrid capital, which takes a hybrid structure of loans and stocks, has the advantage of forming liquidity for each fund and forming the most effective investment and governance structure (O'Donohoe et al., 2010).

Second, there are development financial institutions such as International Finance Corporation (IFC) as the main agents of impact investment. Development financial institutions have been playing a leading role in impact investment by converting from existing international development projects to investments with loans.

As a major private institution, there are organizations that have been implementing existing international development and philanthropic projects, such as the Omidyar Network in the United States and private organizations from leading family foundations. For example, these foundations with tremendous capital, such as the Rockefeller Foundation and the Bill & Melinda Gates Foundation, have contributed significantly from donations and fundraising by NGOs as early investors in impact investment (Reeder & Colantonio, 2013).

Third, existing mainstream investors are actively interested in impact investment, and are doing it all along. For example, private asset management companies such as JPMorgan and Citigroup and large financial groups and Capricorn Investment Group are adding impact investment products by adding traditional investment products to their portfolios. Fourth, global companies, such as General Mills and Starbucks, are diversifying their distribution channels and creating a stream to cooperate with impact investments. In particular, as a global dairy product company, Danone is working with the pioneer of the microfinance award-winning Gramin Group, which has been awarded the Nobel Prize, and Grameen Danone, which addresses the nutritional problems of children around the world. Fifth, the size of individual investors varies. In particular, they are working closely with social entrepreneurs at the start-up stage to provide initial funding to play a key role in the company's core growth (O'Donohoe et al., 2010).

These various investors are investing in various social enterprises, programs and projects according to their characteristics. Among the family foundations, the Rockefeller Foundation is strategically linked to excellent impact investment companies such as Acumen Fund. In the case of global companies, Impact Investment is expanding its social value business by exploring the creation of new demand for the "lower layer of pyramids," which they have not been able to pioneer because of their high cost system and high risk (Levine & Emerson, 2013).

2.3 Investment Characteristics of Impact Investment

Looking at the investment characteristics of impact investment, investment risk is generally considered to correspond to venture capital or high interest rate loans. In the case of investment risks in developing countries, exchange rate risks and national risks are also accompanied. However, unlike these types of assets, the evaluation of the social effect of impact investment or the part of the investor's reputation risk is actually a big expense for an investor. It is also hard to assume that these parts are accurately measured until the role of a third party or institution is required (Guézennec & Malochet, 2013).

The impact of impact investors are largely classified as 1) so-called 'impact-first' investors who pursue social and environmental values even at the expense of financial values, and 2) 'financial-first' investors who realize unified values evenly without sacrificing financial values. In consideration of the characteristics of the opportunities and asset types for the new market, the expected return of the initial impact investment reflecting the investment risk can be compared with that of the existing investment product. This is largely more attractive than existing investment products in underdeveloped countries, both in the case of lending on loans. In addition, investments in developed countries were found to be below both of the existing benchmarks (Shanmugalingam et al., 2011).

3. Social enterprise and impact investment

3.1 The connection between social enterprise and impact investment

Social enterprise is defined as a solution to the social problems of market all-round capitalism, pursuing economic and social values, and trying to save the marginalized vulnerable groups and the destroyed environment. Impact investment means that private and government offices can assist with investment and financial support through various channels so that these social enterprises can succeed (Chang et al., 2015a; Cheon et al., 2018).

Therefore, social enterprises are most closely related to impact investment. Solving social and environmental problems is no longer a non-profit organization or a government-specific business that operates with subsidies. Social entrepreneurs are using business thinking and business practices to create mixed values that are not biased toward either social or economic value. While many social enterprises need donations and subsidies to scale, other social enterprises are gradually adopting business models that can return financial returns to investors (Cho et al., 2014).

These social entrepreneurs are realizing mixed values through new ideas and approaches. In the end, social entrepreneurs and impact investors are getting new opportunities from the convergence of the impact investment industry and the social enterprise movement. Social enterprise investment focuses on creating mixed values. These investments embody the potential and challenges of impact investments through capital input for the business (Chang et al., 2015a).

Korea emphasizes the importance of impact investment to overcome government subsidies. Most domestic social enterprises focus on job creation. Social enterprises are doing business that is an extension of the public work projects that the government has been carrying out, but his profitability is not good. The fact is that social enterprises rely heavily on government subsidies. This can be said to be due to the large number of start-ups that depended on government support (Cho & Shin, 2014).

Impact investments are investments that take into account the peculiarities of social enterprises. Such an impact investment can be said to be an investment method that can reduce the dependence of social enterprises on government, increase their own investment value, and lead healthy growth. When a structure that enables widespread private investment in social enterprises is made through impact investment, social enterprises can be an alternative to sustainable development in the Korean economy, which has entered a low-growth era (Guézennec & Malochet, 2013). Korea′s impact investment tends to be centered on social enterprises. The government is encouraging the growth of certified social enterprises by increasing the number of social enterprises through social enterprise investment unions (Chang et al., 2015b).

3.2 Social Impact Bond (SIB)

3.2.1 Concept

For the Social Impact Bond (SIB), the government first commits to the achievement of public business performance targets with private specialists. When the social performance goal is achieved, Social Impact Bond (SIB) refers to a bond contract in which claims for payment occur in proportion to the budget reduction effect of the business. The introduction of the SIB system addresses the failure of capitalist market through the financing function of capital markets and efficient resource allocation mechanisms. The purpose of this institutional introduction is to prevent the prevention or spread of social problems by early intervention in the domestic socially vulnerable field, and further to establish a virtuous cycle of social innovation (Ministry of the Interior and Safety. 2017).

This can be expected to reduce the burden on taxpayers and reduce social costs in that the risk of public service business failure is transferred to investors in the private sector. It can also be a new vehicle for useful policies to achieve public sector innovation and smart government. SIB investment can be viewed as an impact investment for early intervention in the socially vulnerable sector. Impact investment is an investment that pursues both the financial performance of return on investment and the social performance of solving social problems (Chang et al., 2015b).

As an impact investment, SIB investment seeks a blended value that includes both financial and social values. SIB is a partnership that seeks social performance rather than a partial bond relationship between bond issuers and investors. Therefore, it is desirable to recognize the SIB as a whole contract that forms a social impact partnership rather than a partial understanding of the bond relationship between the bond issuer and the investor. In the future, when the SIB is legislated, it may be more legally correct to refer to the social performance-linked "securities" rather than to directly translate the social impact bond and call it a "bond" to social performance-linked (Dear et al., 2016).

SIB is suitable for performance-oriented public services and is difficult to apply to duty-oriented public services such as defense and police. Therefore, SIB does not guarantee the expansion of welfare without symptoms in all public service sectors, but the return on investment is linked to measurable social performance. SIB is meaningful in that it achieves social innovation through the capital market mechanism by linking social performance with financial performance (Ministry of the Interior and Safety, 2017).

3.2.2 How to use social finance

The problems of economic development and social polarization are intensifying. Therefore, various actors in various social and economic fields, including social enterprises, are trying to solve various social problems with their innovative thinking. The government is promoting the expansion of financial support in the social welfare sector to build a social safety net. However, due to the limitations of financing, the government has a limit to the level of financial support necessary for social and economic organizations (Mendell & Nogalese, 2009).

There is a limit to the government's financial scale to solve regional problems. Through various social and financial techniques, private resources are introduced into the local problem solving and social economic sectors and seeking solutions (J.P.Morgan, 2014). Since the financial crisis in 2008, because of the negative perception of traditional finance, the reduced opportunity cost of social finance due to low interest rates, and the government's lack of welfare budget due to polarization and aging, social finance has emerged as an object of high interest worldwide. Accordingly, social finance pursues both financial and economic benefits and social and environmental values simultaneously. This financing began as an alternative financing to overcome market limitations such as the financial crisis and government limitations such as the lack of national budget (Dear et al., 2016). Social finance is evolving into various types, but the financing techniques that have a standardized framework to date include micro-finance, impact investment, social impact bonds (SIB), development impact bonds (DIB), and crowd funding (JP Morgan and the GIIN, 2015).

a. Micro finance

Micro finance provides financial services to the poor, including unsecured microloans, deposits, insurance and money transfers. It was first born in the 1970s at the Grameen Bank in Bangladesh. The number of microfinance customers worldwide, which was 13 million in 1997, is estimated to have grown to about 200 million in 2016, 20 years later. The United Nations has adopted Micro Credit as an important tool for the first goal of the Millennium Development Goals, to combat absolute poverty and hunger (J.P.Morgan, 2014).

b. Impact Investing

The term 'impact investment' was the first financial technique used at the Rockefeller Foundation meeting held in Lake Como in Balgio, Italy in 2007. The Rockefeller Foundation defines impact investment as' intentional investment for measurable and positive social and environmental outcomes. Impact investment has a fusion of charity and investment. These investments mainly focus on the social and environmental sectors in which the existing public sector and non-profit charities have been active. Regardless of whether a company is listed or not, Impact Investment focuses on a new business model that creates social and environmental impact (Donohoe et al., 2010).

c. SIB (social impact bonds)

SIB is a financial technique in which a public investment is carried out by private investment, and the government executes a budget according to the agreed standards only when the performance goal is achieved. It uses the term 'bond', but unlike ordinary bonds, it is a kind of 'contract' that involves loss risk and profit. When SIB is applied to international development cooperation projects, a separate term, Development Impact Bond is used. (Ministry of the Interior and Safety, 2017)

d. Crowd funding

Crowd funding is a compound word of crowd or crowd, and funding, which means supply of funds. In other words, crowdfunding can be said to be all activities that the public provides. However, crowdfunding in the modern sense is more focused on the act of supplying or raising funds in the virtual space of the Internet (Mollick, 2014). Crowd funding is a financial technique that explains the need for financing through a social network platform and finances small amounts from unspecified crowds. Therefore, this is a financial technique that is differentiated from existing financial institutions or the form of financing funds from a small number of wealthy people (Shim, 2016).

3.2.3 Investment targets and prospects for resource utilization

The area of impact investment depends on the stage of economic development in each country. The African or underdeveloped model is primarily aimed at addressing poverty eradication, malaria, AIDS treatment, and solving preschool child problems. It is mainly focused on the eight issues that the United Nations declared in the Millennium Development Goals. On the other hand, the target areas of impact investment in developed and developing countries are concentrated on the problems of outdated regional development, public education normalization, renewable energy development as a countermeasure against climate change, and environmental issues (JP Morgan and the GIIN. 2014).

In the case of impact investment projects to increase the income and wealth of the poor, there are, for example, the following: job creation, energy access, financial services access, education access, income and productivity increase, agricultural productivity Incremental type, production capacity increase, regional development. In addition, examples of impact projects to improve the basic welfare of the socially disadvantaged include conflict resolution, prevention and alleviation of special diseases, water quality improvement, housing supply, food safety, charity fund expansion, health improvement, equality and delegation (Guézennec & Malochet, 2017).

3.3 Social Performance Linked Bonds (SIB) Management Case

3.3.1 UK Big Society Bank Case

Among developed countries, the UK is most aggressively improving the institutional environment in order to solve social problems in a market-friendly way by revitalizing impact investment. Specifically, for projects where the impact investment market can involve large-scale investment risks in association with charitable funds and public funds, the UK is developing a model of 'Charity, Public-Private Partnership (CPPP)' that categorizes and promotes these investment risks. The UK is also solving social problems through this (Chang, 2015a).

As a prime example, the UK launched the 'Big Society Bank' in August 2011, through which the UK acts directly as an underwriter for market investment risk, sometimes as a guarantor or co-investor. Also, through this, the UK intends to play the role of market making (JP Morgan and the GIIN. 2015).

'Big Society Bank' was launched under the name 'Big Society Capital Group'. The 'Big Society Bank' created bonds by combining initial funding of 600 million pounds, unclaimed assets of 400 million pounds, and the annual Big Lottery Fund. The main purpose of 'Big Society Bank' has the following main businesses. First, open public services more actively to facilitate social venture investment, second, expand incentives for public projects through tax support, third, create the right investment business environment, and fourth, improve the local business environment Support venture investment, fifth, increase social investment through the establishment of a quality market infrastructure, and sixth, community development through impact financial support (Chang, 2015b).

3.3.2 Peterborough SIB

The purpose of the Peterborough SIB is to lower the recidivism rate of short-term prisoners under 12 months old. The Peterborough SIB Rehabilitation Program provides six years of social rehabilitation services to 3,000 short-term inmates imprisoned in Peterborough. If the inmate's recidivism rate for the Peterborough program is lowered by more than 10% for each cohort (7.5% of the total cohort), this is a program that pays investors a minimum interest rate of 7.5% to a maximum of 13% in proportion to the reduction in recidivism. Peterborough SIB is meaningful as the first pilot program in the public service provision policy according to PBR (Payment by Result) (Chang, 2015b).

The 'Peterborough SIB' provided a good opportunity for private investors to test the PBR model, which provides funding and risks social work. This is an early intervention policy to prevent inmates' recidivism. Through 'Peterborough SIB', stakeholders develop realistic and appropriate performance metrics. And the performance payment model is implemented through consensus. The performance of 'Peterborough SIB' can serve as a track record for expanding the investor base of the same type. This is different from the existing PBR model, that is, the government does not participate in the selection of private businesses, but it is an example of private autonomy. Inmates (reinmates) social return services such as Peterborough SIB existed before. However, it is significant that 'Peterborough SIB' provided an opportunity to clearly measure the performance of these services(J.P.Morgan, 2014; Chang, 2015b).

4. Applicability of Impact Investment to Korea

4.1 Analysis of the impact investment environment of social enterprises

In late 2006, the Social Enterprise Promotion Act was enacted and the certification system was adopted. Accordingly, social enterprises began to be activated in earnest. In other words, social enterprises that are certified or pre-certified in accordance with the Fostering Act receive labor and business expenses and management support benefits within a limited area (Chang, 2015a).

The systematic support of the government has a significant contribution to the growth of social enterprises in terms of internal stability and external credit. Conversely, however, social enterprises have to create social jobs in order to be certified first, and have to embrace customers who lack purchasing power, so it is becoming increasingly difficult to structurally gain market competitiveness. On the other hand, even if a social enterprise is certified in Korea, it does not guarantee a certain corporate personality. Rather, this is different from the pursuit of a mixed value of certification standards and impact investment in the current law, which can be certified as a social enterprise even if you have a legal entity of a non-profit private organization. In terms of impact investors, this is far more important than whether government-supported risks in certain areas of labor and project costs are reduced, rather than whether they can compete in the market with a strong business model (Chang et al., 2015b).

Therefore, despite many advantages, it can be said that whether social enterprises are certified or not has a direct relationship in impact investment. However, certain factors, such as administrative time spent on certification, cost and job creation for vulnerable groups, and provision of beneficiary services, can be judged to be an adverse factor limiting the competitiveness of business models for investors (Cho & Shin, 2014).

4.2 Seeking impact investment types in Korea

The impact investment that seeks mixed value among Korean investment capital can be largely divided into four categories. The first is related to the existing Socially Responsible Investment (SRI). The second is related to microcredit loans (microfinance) for low-credit investors. The third is angel investment in venture companies and SMEs, and the fourth is the method of crowdfunding (or social funding), which is a recent issue.

4.2.1 SRI (Socially Responsible Investment)

When making investment decisions in the long term, SRI considers not only financial indicators, but also factors affecting corporate sustainability, such as environment, society, and governance. Korea's Socially Responsible Investment Group (SRIG) was established in 1997 on the necessity and realization of a new economic system after experiencing the economic crisis. In December 2003, the group released the Socially Responsible Investment Money Market Fund (SRI-MMF), the first SRI fund in Korea by Citizen Alliance for Corporate Responsibility and CJ Cheil Investment Securities. Among the funds released in Korea, socially responsible investment funds that fall into the category of socially responsible investment include corporate governance funds, eco funds, and companies that are responsible for socially responsible management. However, research on SRI funds has not been actively conducted in Korea. In addition, despite studies claiming that SRI funds have higher investment performance than general funds, it has not yet been able to acquire sufficient fund operation period and number of samples. Some issues have been raised that some of the stocks incorporated by the Socially Responsible Investment Fund do not match their purpose (Kim, 2012).

Socially responsible investment (SRI) is closely related to corporate social responsibility. Under the capitalist system, which evolves from shareholder capitalism to stakeholderism, socially responsible investment is an expression of a mature willingness to invest in a responsible and ethical company. Impact investment also shares a large part with the social consciousness' problem consciousness. However, impact investment requires more active discovery of socially-innovated companies according to the nature and motivation of impact investors. Therefore, Impact Investment is more closely related to Social Venture Capital or social innovation entrepreneurs in that it intends to be a driving force for growth of social innovation enterprises (Levine & Emerson, 2013).

4.2.2 Microfinance and microcredit

Small loans (for example, microfinance) for low-credit individuals experienced rapid quantitative growth through active government intervention as the dormant deposit law passed in 2009. The Korean government has established the Microfinance Central Foundation. With the funding of Dormant money and donation money, six major companies (Samsung, Hyundai Motor, LG, SK, POSCO, Lotte) and five major banks (Kookmin, Woori, Shinhan, Hana, and Enterprise) established the Microfinance Foundation to conduct microfinance business directly. The loan targets of the Microfinance Central Foundation are self-employed and prospective entrepreneurs belonging to the low-income and low-credit classes, while limiting the personal credit rating to 7 or less according to Article 2 of the National Basic Living Security Act (Kim, 2016).

It is very positive that the government is proactively committed to the microfinance business, and that large corporations and financial institutions are uniting and pursuing this unity. It is also encouraging to realize multifaceted and comprehensive alternative financing, such as microfinance, microinsurance, and the protection of merchants in traditional markets (Kim, 2016).

Early microcredit private institutions, which grew spontaneously in the private sector, had been funding them from the government. However, after the launch of the government-focused microfinance foundation, all of the funds were concentrated on the microfinance foundation, which caused private institutions to have considerable difficulties in securing financial resources. In addition, the Microfinance Foundation is implementing an interest ceiling (Dieckmann, 2007). Korea has yet to develop a culture of donation compared to developed countries such as the United States and the United Kingdom, and the interest ceiling has a lower interest rate than the market rate. In this environment, securing private financial independence is a major issue for private microcredit institutions without a specific monetization model (Kim, 2016).

4.2.3 Angel Investment

Angel Investment is providing the necessary funds to companies in the start-up or early stages of business as an investment, and conducting management consulting to increase the value of the company. And later, angel investment refers to individual investors who recover their investment profits in a certain way, and the funds they use are called 'angel funds'.

Angel Investment is different from “Venture Capital,” which formed a fund with other people's capital because it invests directly in individual capital. This means that the return on risk taking is as high as that and pursues high risk and high returns. It is also referred to as a patient capital because the period of holding stocks is longer than that of venture capital (Maxwell, 2009).

However, Korea's angel investment is quite insufficient. Angel investment, which increased rapidly during the venture boom in the early 2000s, contracted rapidly as the venture bubble fell and the KOSDAQ market fell into recession. Since then, despite the government's various policies, angel investment has not yet recovered. However, since youth startups recently emerged as an important national government task in the world, angel investment is also active in Korea. The Small and Medium Business Administration judges that the Angel Matching Fund, which is supplied through the Angel Investment Support Center, is getting its own response. Therefore, the Small and Medium Business Administration is envisioning a strategy to expand the angel matching fund to each region and university in the future (Yun & Hwang, 2014).

In the case of Korea, the lack of a systematic support system to promote the discovery, management and activities of professional angels to support the angel investment market is a priority to be solved. It is also necessary to increase the professionalism of angel investment in the future. Professional angel clubs should be actively supported and nurtured to promote knowledge and information exchange between angels, deal-sourcing, and joint investment. Currently, in Korea, finding the most important investment targets in Angel's activities depends on various start-up competitions. Since this operation method is concentrated on ideas, it is difficult to understand whether the angel is commercialized. Also, there is a problem that it stops as an event. The activation of angel investment is that it is closely related to the development of impact investment (Maxwell, 2009).

Despite these problems, the advantage of angel investment is that it has the characteristic of 'persistent capital' that pursues 'high-risk, high-return', which is invested in the early stages of startup. In addition, angel investment means that a certain portion of the angel club is investing in green industries or companies with social value (Gonzales, 2007).

4.2.4 P2P funding and crowdfunding

In recent years, crowdfunding or peer-to-peer funding has attracted much attention. The awareness of the social movement, spread of the common people's financial movement, and generalization of online transactions are growing. Peer-to-peer funding refers to consumer-oriented financial transactions, which is a reverse auction method in the concept of an open market based on these social networks. In other words, this is an internet banking structure in which loan requesters and investment demanders can meet and trade in one-to-many y (Kim & Leem, 2018).

Crowd funding is created by sponsoring small amounts of individual investments based on online and social networks, creating synergy as a means of public participation and public relations. However, there are structural problems in Korea's P2P and crowdfunding operations. Money auctions and pop funding are registered as a loan business because there are no legitimate legal status for P2P financial companies under current law. On the other hand, the United States defines the contents of 'P2P finance' in the Financial Reform Act that was passed in June 2010. The 'P2P Finance' is managed by the 'Consumer Financial Protection Agency', which was previously managed by the Securities and Exchange Commission. Likewise, in Korea, it is necessary to provide them with an angel investor or a legitimate legal position to ensure that they are working more smoothly (Mollick, 2014).

Ⅲ. Conclusion

Social venture. Social enterprises and village enterprises are growing rapidly every year thanks to active government support. However, most socially-innovated companies that are not based on entrepreneurship are not easy to achieve as a sustainable business in the name of poor quality services and job creation. For impact investors, the criteria may not be whether social enterprises are certified, but whether they create mixed values. In the case of impact investment, being able to invest in social and environmental values, not just financial values, is a new area and challenge for investors (Chang, 2015a).

Impact investment is one of the areas where investors' best interests can be best utilized and shared with investors. When impact investment is revitalized, perceptions of companies that create mixed value can be diversified. Impact investment seeks various funding structures through creative governance of private or private and public institutions, and invests in the effectiveness of business models. Therefore, impact investment can be the driving force to maximize and grow the potential of innovators within the organization (JP Morgan and the GIIN, 2015).

The purpose of this study is to examine the concept of impact investment, microfinance, social performance-linked bonds (SIB), and foreign cases, and further analyze the practical applicability in Korea. In Korea, the impact investment is small, but interest in it is growing. Therefore, the Impact Finance Promotion Committee was launched as a private organization to spread Impact Finance.

This is a voluntary activity in the private sector, so the expectations are greater. As an impact investment, SIB investment seeks a blended value that includes both financial and social values. SIB is more of a social impact partnership, rather than a piecemeal bond relationship between bond issuers and investors. The growth of angel investment in venture companies, social enterprises, and small and medium-sized enterprises (SMEs) can be considered to be based on innovative policies such as the aggressive 1: 1 matching fund from the Small and Medium Business Administration. The cooperative structure of creative private and public institutions will greatly contribute to fostering impact investment (Chang, 2015b).

The implications of this study are as follows. First, the social finance problem is a core problem in the process of national economy and social development, and now it is necessary to introduce impact finance to revitalize the economic society. Financing in the form of financial investment is needed to take risks, experiment, and act freely. However, it is not easy to find such investors. Therefore, it is necessary to have an impact financing with endurance capital that pursues the public interest while taking appropriate risks, but rewards according to performance (J.P.Morgan, 2014).

Second, in order to foster impact investment, the government should provide venture and SME departments with various support measures equivalent to angel investment and motivation to attract them. However, depending on the field of each socially-innovated company, each company's survival strategy may vary. Therefore, one cannot expect that financial, social, and environmental values will all be optimized uniformly. Social entrepreneurs should strive to have the most effective and sustainable business models and expertise in the field. In addition, impact investors should actively discover and play a role in driving growth (Emerson & Bugg-Levine, 2011).

Lastly, when funds that reflect the tendencies of various investors and socially-innovated companies discovered in line with it grow, impact investment can play a major role in simultaneously driving social and financial innovation. Also, by supplying business funds to businesses through citizens' finance, impact investment should be established in a way that ensures stability for both companies, citizens, and financial institutions. (Clark et al., 2015).

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요 약

사회적기업의 임팩트투자와 한국 적용가능성 연구†

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최근에 임팩트투자가 전 세계에서 주목을 받고 있다. 이는 사회·환경적 문제 해결이 어렵다는 인식함에 따라 민간 자본과 다양한 금융기법을 사회·환경적 니즈와 결합하여 문제를 효과적으로 해결하려 하는 데에 있다. 임팩트투자란 본래 재무적·사회적·환경적 측면이 혼합되어 있다는 믿음 하에서, 이러한 혼합가치(blended value)에 초점을 맞춘 투자를 말하며, 이를 통해 투자수익률 등의 재무적 가치와 사회적 가치를 동시에 달성하는 것을 말한다. 본 연구는 새로운 임팩트투자의 개념과 방법, 그리고 사회적 가치를 추구하는 사회적기업과 임팩트 투자에 대한 선행연구를 고찰한다. 특히, 사회성과연계채권(SIB)과 운영 사례에 대한 구체적으로 분석한 후, 임팩트투자의 한국 적용가능성 방안을 모색하고자 한다. 본 연구결과 및 시사점은 먼저, 임팩트금융에 대한 정부 태도의 변화이다. 정부는 혁신적 공공사업을 시장에서 검증받은 서비스 제공업자에 맡겨 공공 서비스사업의 전문성과 효율성을 제고 해야 한다. 둘째, 법적 제도가 혁신해야 한다. 임팩트투자는 재무적 성과의 극대화가 아니라 사회적 문제 해결을 동시에 추구하도록 제도적 기반을 마련해야 한다. 셋째, 임팩트투자는 민간에 공공사업을 위탁할 때, 사회적 성과를 분명하게 요구하고, 그리고 이에 따른 평가를 명확히 해야 하며, 나아가서 사업수행 과정은 더 자유롭고 활동할 수 있도록 임팩트 환경을 조성해야 한다.

핵심주제어: 사회적기업, 임팩드 투자, SIB, 적용가능성, 한국

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† 본 연구는 2017년 대한민국 교육부와 한국연구재단의 지원에 의해 수행되었음(NRF-2017S1A5B8059718).
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