

Defining Impact Investing

Definition of impact investment

Impact investment is a for-profit enterprise that:

- Serves underserved beneficiaries who are producers, consumers, suppliers, employees or users ; Underserved beneficiaries could also be enterprises as defined by the MSME Act 2006; Underserved beneficiaries should comprise super-majority (two-third or more) of the beneficiary base
- Is willing to carry out third party reporting/assessment in conjunction with investors¹
- Follows all compliance and regulatory norms as prescribed by the authorities
- Demonstrates high standards of corporate governance and consumer protection

Definition of impact investing at an investor level

An impact investor is defined by:

- Super-majority (two-thirds or above) of total invested capital is in impact investments
- Public commitment to and reporting of impact assessment and measurement
- Super-majority (two-thirds or above) of capital deployed via the Venture approach to investing

Definition of Underserved Beneficiaries

Underserved beneficiaries have to satisfy the income- based definition

- Income-based definition: Beneficiaries with annual household incomes less than ₹ 3 Lakh*; these are vulnerable due to lack of access to basic needs
- Marginalized Beneficiaries: Individuals with physical disabilities

The geography and sector-based definitions of underserved beneficiaries provide a secondary dimension but is not a necessary criterion

- Geography-based definition: Beneficiaries in under developed geographies (districts) as defined by bouquet of development indicators
- Sector-based definition: Beneficiaries in priority or impact sectors as defined by the Government of India