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# Measuring Impact Investing Returns

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At the heart of impact investing is a dual aim: to generate social or environmental benefit and a financial return. While that premise may sound clear enough, measuring impact investing returns is a complex undertaking. But it is critical for the industry's continued growth.

## Understanding Impact Investing Returns

When evaluating opportunities, impact investors consider two types of returns:

- **Financial returns** are a traditional measure of investment performance, tracking the monetary earnings that a given investment makes over time. Measuring financial returns for impact investments is important not only to current impact investors, but also to would-be participants who are hesitant to sacrifice returns.
- **Nonfinancial or impact returns** are a measure of the tangible social or environmental outcome created by that investment. With no universally accepted standards in place, measuring nonfinancial returns can be difficult and has led some to raise concerns about "impact washing."

One complicating factor is that impact investors may have different returns expectations, risk tolerances, and time horizons. The right investments for someone who merely wants to hit market-rate returns and believes that meaningful change can take decades could differ significantly from the right investments for someone looking to outperform the market and see an immediate impact.

There are also impact investments that, while profitable, do not perform at the same level as peer investments. Investors willing to accept below-market or concessionary returns have even more investment options which may resemble philanthropic investments more than they do impact investments. Importantly, the options within the impact investing spectrum vary from options that generate competitive returns to options that have concessionary returns.

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## Measuring Impact Investing Returns

Accurately measuring financial and nonfinancial returns is key to building continued interest in the industry. Some research suggests that impact investments can compete financially, but it can be challenging to capture a holistic view of impact investing returns on both the financial and impact sides. One issue is that much of the information available is self-reported, making data sets sparse and potentially upward-biased. Last year, two-thirds of impact investors told the Global Impact Investing Network (GIIN) that they sought risk-adjusted, market-rate returns, and more than three-quarters said that performance was in line with their expectations. More than 8 in 10 said that the impact of their investments was also in line with their expectations.

Though the financial industry has standardized practices for measuring financial returns, defining what qualifies as an “impact investment” is still an area of debate. So is measuring impact. Some asset managers have developed proprietary impact measurement frameworks. For example, the Rise Fund’s impact multiple of money uses in-depth research to calculate the social return of every dollar invested in a business.

The Investment Integration Project takes a different approach, analyzing how to consider each investment and target appropriate goals. The Sustainability Accounting Standards Board also helps investors measure the financial relevance of environmental, social, and governance (ESG) factors within different sectors and industries.



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For now, attempts to standardize a unified approach to measuring the actual impact of impact investments remains nascent. This makes it even more important for investors and fund managers to set relevant metrics from the outset and maintain accountability toward them.

*Want to learn more about impact investing returns?*

*Read:*

- [What Is Impact Measurement?](#)
- [Why Impact Measurement Is Key to the Industry's Future](#)

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