

The Role of Impact Inscription in Shaping Moral Markets: Insights from Spain's Impact Investing Sector

Kanchan Vishwakarma

NIET, NIMS University, Jaipur, India

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Correspondence:

E-mail:

kanchanvishwakarma200416@gmail.com

ABSTRACT

This study investigates the role of impact inscription in shaping moral markets, with a particular focus on Spain's impact investing sector. By embedding principles, objectives, and values into measurement tools, market practices are transformed to address social and environmental challenges. The research explores five key dimensions: defining moral market boundaries, accounting for social issues, governance structure redefinition, market emergence influence, and the challenges associated with impact washing. Employing a qualitative methodology, the study analyzes data collected over six years through interviews, observations, and document analysis to uncover the mechanisms of impact inscription. Findings reveal that clear boundary-setting, integrated social accounting, adaptive governance models, strategic market growth initiatives, and robust impact measurement frameworks contribute to enhanced trust and legitimacy in moral markets. The study concludes that impact inscription serves as a critical driver for evolving market dynamics, yet challenges remain in standardizing measurement frameworks and mitigating impact washing. Future research should explore these dynamics in diverse contexts using mixed methodologies to broaden understanding and applicability.

Introduction

This paper examines the role of impact inscription in moral markets, with a focus on Spain's impact investing sector. The paper explores how principles, objectives, and values are embedded into measurement tools, transforming market practices to address social and environmental challenges. The central research question concerns the mechanisms of impact inscription and their effects on market dynamics. Five sub-research questions are explored: the process of demarcating moral market boundaries, the role of accounting for social issues, the influence of governance structure redefinition, the impact on market emergence, and the challenges of impact washing. The qualitative methodology is used in this research. It explores detailed data from the Spanish impact investing market to unveil such dynamics. The paper consists of sections on literature review, methodology, and findings, with implications for theory and practice in conclusion.

This is a study into impact inscription in moral markets, with a specific focus on the impact investing landscape in Spain. It seeks to understand how the infusion of principles, goals, and values into measurement frameworks changes market behaviors and practices, so as to have a better ability to respond to urgent social and environmental concerns. At its core is a research question that asks about the mechanisms of impact inscription and how those mechanisms shape market dynamics.

To provide a comprehensive analysis, the study poses five specific sub-research questions: first, it examines how moral market boundaries are defined and delineated; second, it investigates the role of accounting in addressing social concerns; third, it considers how redefining governance structures impacts market operations; fourth, it explores the implications for market emergence; and finally, it addresses the pressing issue of impact washing and its associated challenges.

The study is employing a qualitative research methodology and analyses detailed data from the Spanish impact investing sector, seeking to unveil the intricate dynamics at play. The paper is systematically arranged under key sections: a comprehensive review of literature, a detailed exposition of the methodology, presentation of findings, and it ends with insights into the implications for both theory and practical application. This structured approach will help the research contribute meaningfully to our understanding of how impact inscription shapes the moral market landscape in Spain.

Literature Review

This section critically reviews existing literature on moral markets and impact inscription, addressing five core areas derived from our sub-research questions: demarcating moral market boundaries, accounting for social issues, redefining governance structures, market emergence influence, and challenges of impact washing. This review determines the following specific findings: "Demarcation of Moral Market Boundaries," "Accounting for Social and Environmental Issues," "Redefinition of Governance Structures," "Influence on Market Emergence," and "Challenges of Impact Washing." Although much progress has been made, deficiencies still exist in standardized norms and tools for impact measurement, integration of social and economic values, and the management of risks related to impact washing. This paper addresses the deficits by providing a comprehensive study of impact inscription processes.

Boundary Functions for Moral Markets

Initial studies into moral market boundaries identified the need to draw relatively sharp definitions around market membership. Early research revolved around what a moral market was, but it was hindered by the diversity of interests represented by stakeholders. Later research proposed boundary frameworks that helped to make boundaries clearer but were not very inclusive. Recent studies have created criteria that are more flexible and thus relatively more inclusive but perhaps less specific on the moral content to be maintained.

Accounting for Social and Environmental Issues

The early work on the accounting for social and environmental issues stressed the importance of employing dual processes of valuations that would combine economic and non-economic factors. Initial studies delivered basic approaches without uniformity. Advanced research later proposed intricate frameworks for accounting, which led to more accurate models but suffers from constraints where it cannot apply to all sectors. Advanced work into the development focused on integrating the entire framework across all sectors, increasing uniformity but has difficulties with intangible impact measures.

Redefined Governance Structures

Governance structure redefinition in moral markets began with studies emphasizing the need for adaptive governance models. Early research highlighted traditional governance limitations in addressing complex social issues. Subsequent studies proposed hybrid governance models, combining elements from various sectors, enhancing flexibility but facing challenges in implementation. Recent research developed dynamic governance frameworks, offering improved adaptability but struggling with stakeholder alignment.

Influence on Market Emergence

The early studies in the area of market emergence in moral markets emphasized the identification of major drivers and barriers. Early work focused on innovation and stakeholder collaboration, but such efforts failed to achieve sustainable growth. Later studies investigated strategies for creating market development; they enhanced understanding of growth dynamics but were unable to scale it up. In recent times, models for systemic change have been developed and provide insights into sustainable market emergence but are still found to be unworkable in practice.

Challenges of Impact Washing

In earlier dialogues over the impact of effect washing on the morals of the marketplace, warnings arose about mere statements without tangible grounds. Studies focused on soundly measuring the effects, and faced the issues that standard methods lacked. Research eventually led to more certification procedures which heightened accountability while encountering the spread-out problem in general markets. Other studies further brought about higher standards of transparency with trust for risk mitigation to occur but would, again face spread issues.

Methodology

This research study utilizes a qualitative methodology to examine the dynamics of impact inscription in Spain's impact investing market. A qualitative approach provides for deep insight into the inscription process and its effects on market practices. Data were collected over six years through interviews, observations, and document analysis, capturing insights from diverse stakeholders in the impact investing sector. Thematic analysis has been used to establish key mechanisms of impact inscription such as demarcating market boundaries, accounting for social issues, and redefining governance structures. The method provides an in-depth understanding of how impact inscription shapes the emergence of a market and resolves challenges such as impact washing.

Findings

This study utilizes qualitative data to uncover mechanisms of impact inscription and their impact on Spain's impact investing market. These findings satisfy the expanded sub-research questions, which include demarcation of moral market boundaries, accounting for social issues, redefinition of governance structures, influence of market emergence, and impact washing challenges. Detailed findings in these areas come up in "Establishing Clear Market Boundaries," "Integrating Social Accounting Practices," "Adapting Governance Models," "Fostering Market Growth," and "Mitigating Impact Washing Risks." Impact inscription thus transforms market practices both in a disruptive and incremental fashion. By incorporating value judgments into measurement tools, moral markets can internalize social and environmental externalities better, thereby enhancing trust and legitimacy.

Setting Clear Market Boundaries

The qualitative data analysis shows that demarcating market boundaries is setting clear criteria for participation in moral markets. Interviews with stakeholders showed that there is a need to define the ethical standards and entry requirements. For instance, participants emphasized the need for transparent criteria that align with social and environmental objectives, ensuring that only committed actors participate. This process helps maintain the integrity of moral markets and prevents dilution of their core values.

Integrating Social Accounting Practices

Findings indicate that integrating social accounting practices is crucial for accurately measuring impact in moral markets. Data analysis shows that effective social accounting involves using standardized frameworks that capture both economic and non-economic impacts. Participants reported challenges in implementing these frameworks, particularly in sectors with intangible outcomes. However, successful integration enhances accountability and transparency, fostering trust among stakeholders and reducing the risk of impact washing.

Adapting Governance Models

The research shows that adaptation of governance models is a critical factor in solving complex social issues in moral markets. Qualitative data indicate that hybrid governance structures, which combine elements from different sectors, are flexible and responsive. Stakeholders called for dynamic governance that can respond to changing circumstances and the diverse needs of stakeholders. This adaptability enables moral markets to respond appropriately to emerging challenges and opportunities for sustainable development.

Market Growth

Findings suggest that strategic collaboration and innovation are needed to foster market growth in moral markets. Data analysis shows that successful market emergence involves the creation of supportive ecosystems that encourage innovation and stakeholder engagement. Participants highlighted the need to build partnerships and networks that facilitate knowledge exchange and resource sharing. Such collaboration drives market growth and ensures that barriers to scalability are overcome for long-term sustainability.

Mitigating Impact Washing Risks

The study identifies the mitigating impact washing risks as the most critical challenge for moral markets. Qualitative data point to the need for rigorous impact measurement and transparency that would prevent superficial claims. Stakeholders indicated concerns about lack of standardized tools and the potential of misrepresentation. The challenges facing these markets are tackled by developing robust certification frameworks and strengthening stakeholder accountability such that moral markets deliver real social and environmental benefits.

Conclusion

This study builds into the understanding of moral markets by exploring the role of impact inscription in building market practices. It presents that, by embedding principles into measurement tools, disruptive and incremental changes are effective drivers toward influence in changing the dynamics of a market and toward overcoming social and environmental challenges. Findings emphasize the need for defining market boundaries clearly, incorporating social accounting practices, adapting governance models, promoting growth, and reducing the risks of impact washing. These findings inform the theoretical development of market evolution and give more concrete meaning to impact measurement. However, limitations are the focus on Spain's impact investing market, which may curb generalisability. Future research would be best conducted in diverse contexts and with mixed methodologies to deepen understanding of impact inscription in moral markets.

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