Impact-Driven Startups Are a Gold-Mine for Investors

Investors across the globe are finding ways to unleash the power of their capital by trying out different industries and business models.

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Most investment-seeking entrepreneurs believe that projecting massive profits is the best way to impress investors. Many entrepreneurs also think that investors will immediately sign a check if they come up with a groundbreaking idea, far from the mainstream offering. While all this may be true, it hardly represents the majority. I spend 50% of my workdays with startup investors of all kinds, and I've seen several different reasons that motivate investors to invest in startups. A lesser-known fact among entrepreneurs is that impact-focused startups are catching the eyes of investors these days.

Many investors are looking at impact investing to explore the potential of their capital for good. Impact investments are made to generate positive, sustainable social or environmental impact along with returns. The 2020 Annual Investor Survey conducted by GIIN estimates the market size of impact investments at $715 billion.

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Are you an impact-preneur?

Startup entrepreneurs who are committed to solving a large-scale social or environmental problem are impact-preneurs. They build sustainable business models that serve a social or environmental purpose while simultaneously being profitable. The critical insight here is to cater to a large and underprivileged audience. The underprivileged section of society may seemingly lack money, but it is a pool of opportunity for long-term players.

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Identifying an impact-spawning industry

The easiest way to identify an industry that can create a massive impact is to look at the 17 Sustainable Development Goals of the United Nations. Some of the popular sectors that have led to significant impact worldwide include microfinance, education, healthcare and renewable energy. However, it would not be entirely appropriate to associate impact with a specific industry or sector. If your product can solve a social problem on a large scale, you have an impact-driven startup.

Scalability is every investor's favorite term. However, scalability with a social cause is the icing on top of the cake. So, if you don't belong to an industry known to generate substantial social impact, repurpose your product's capabilities to address a mass-scale problem.

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These challenging times have compelled many entrepreneurs to reflect upon the vision of their startup. Some have come to realize that it is not enough to enter a market that can pay for the product. Instead, you need to be relevant in a market, even when money becomes irrelevant. The performance measurement of impact-driven startups is the hallmark of impact investing. Unsurprisingly, the performance is measured in terms of the impact made in the target region versus the profit generated. This approach of measuring opens new avenues for innovating and eradicating social or environmental issues holistically.

There has never been a better time to delve into the impact side of startup businesses. The world needs entrepreneurship now more than ever. Those who are committed to a social cause will inadvertently be the superheroes of tomorrow. Social entrepreneurs are becoming the pillars on which the emerging stability of the economies will rest. And that’s what investors are betting on.

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