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SOCIAL CORPORATE INVESTMENTS: THE ESSENCE AND TOOLS OF IMPLEMENTATION IN UKRAINE

Abstract. The article deals with the social investment, its meaning, goals, tools, sources and importance. The view of investment is changing due to the deepening implementation of the principles of sustainable development. Investments are seen as a tool for solving social problems, increasing human capital, mitigating environmental threats. The social orientation of investments is significantly increasing, the priority of which is the creation of positive social impact and social well-being. Based on analysis of domestic and foreign literature the author's explanation of this phenomena is given. Corporate social investment is identified as one of the forms of corporate social responsibility, which involves the implementation of targeted projects and programs, that are focused on the interests of major stakeholders. Social investment can be described as an instrument that is not opposed to the company's business interests but complements and expands the company's ability to influence the community and reduce possible risks from business activities.

The article proposes a classification of investment motives and instruments depending on the statutory goals of the company. Emphasis is placed on the convergence of the activities of non-profit organizations and commercial business structures in the implementation of projects with the social component. A comparative description of the concepts of social investment, corporate social responsibility, and impact investment is given. The modern conditions for the introduction of social investments in Ukraine and the world are described. In particular, it was found that in countries with a well-developed stock market, socially responsible investments are understood primarily as investments in financial instruments that are made in the stock market. The Covid-19 pandemic has caused global changes in the investment landscape. Many countries have had to spend their already limited budgets on fighting the effects of the pandemic, rather than on achieving the goals of sustainable development. Ukraine, with its underdeveloped stock market, needs to adapt the experience of Community Development Financial Institutions and Beta Corporations. An important condition for intensifying social investment both in Ukraine and in the world is the involvement of educational institutions in this process. The education of agents of change, who understand the goals of sustainable development, analyse corporate social responsibility, will in the future form responsible citizens, investors, a conscious society.

Key words: impact investment, corporate social responsibility, social investment, community development tools.

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СОЦІАЛЬНІ КОРПОРАТИВНІ ІНВЕСТИЦІЇ: СУТНІСТЬ ТА ІНСТРУМЕНТИ ВПРОВАДЖЕННЯ В УКРАЇНІ

Анотація. У статті йдеться про соціальні інвестиції, їх значення, цілі, інструменти, джерела та значення. Погляд на інвестиції змінюється через поглиблення впровадження принципів сталого розвитку. Інвестиції розглядаються як інструмент вирішення соціальних проблем, збільшення людського капіталу, пом'якшення екологічних загроз. Значно зростає соціальна спрямованість інвестицій, пріоритетом яких є створення позитивного соціального впливу та соціального благополуччя. На основі аналізу вітчизняної та зарубіжної літератури дається авторське пояснення цього феномену. Корпоративні соціальні інвестиції визначені як одна з форм корпоративної соціальної відповідальності, яка передбачає реалізацію цільових проектів і програм, орієнтованих на інтереси основних зацікавлених сторін. Соціальні інвестиції можна охарактеризувати як інструмент, який не протистоїть бізнес-інтересам компанії, а доповнює та розширює можливості компанії впливати на спільноту та зменшувати можливі ризики від підприємницької діяльності.

В статті запропоновано класифікацію мотивів та інструментів інвестування залежно від статутних цілей компанії. Наголошено на зближенні діяльності неприбуткових організацій та комерційних бізнес-структур у реалізації проектів з соціальною складовою. Проведено порівняльну характеристику понять соціальні інвестиції, соціальна відповідальність бізнесу та імпаکت-інвестиції. Охарактеризовано сучасні умови впровадження соціальних інвестицій в Україні та світі. Зокрема, виявлено, що в країнах із добре розвиненим фондовим ринком під соціально відповідальними інвестиціями розуміють насамперед інвестиції у фінансові інструменти, які здійснюються на фондовому ринку. Пандемія Covid-19 спричинила глобальні зміни в інвестиційному ландшафті. Багатьом країнам довелося витратити свої і без того обмежені бюджети на боротьбу з наслідками пандемії, а не на досягнення цілей сталого розвитку. Україні, з її нерозвиненим фондовим ринком, варто адаптувати досвід створення фінансових установ розвитку громад та бета-корпорацій. Важливою умовою активізації соціальних інвестицій як в Україні, так і в світі є залучення до цього процесу навчальних закладів. Виховання агентів змін, які розуміють цілі сталого розвитку, аналізують корпоративну соціальну відповідальність, у майбутньому сформує відповідальних громадян, інвесторів, свідоме суспільство.

Ключові слова: імпакт-інвестиції, корпоративна соціальна відповідальність, соціальні інвестиції, інструменти розвитку громад.

Relevance of the topic. In recent decades, the view of investment is changing due to the deepening implementation of the principles of sustainable development in the activities of companies and the concept of corporate social responsibility (CSR). From the company's point of view, investments are seen not only as a prerequisite for the expansion, development and increase of capital, but also as a tool for solving social problems, increasing human capital, mitigating environmental threats. The social orientation of investments is significantly increasing, the priority of which is the creation of positive social impact and social well-being. Obtaining a high financial result is desirable but not mandatory.

Formulation of the problem. The investors go beyond maximizing the economic return and look for a compromise in achieving financial and non-financial goals in the process of choosing an investment object. The investment process should not only be a means of increasing capital, but also a tool for solving social and environmental problems. The article is aimed to answer the questions: what types of investments can a modern corporation make and what tools can be used to achieve not only economic but also social effects in Ukraine?

Analysis of recent research and publications. In foreign literature, the term "social investment" mostly refers to the activities of community business [1]. Social investment involves a strategic policy of companies, focused on long-term activities in the communities, where they are represented, such activity brings mutual benefits to all participants in the process. Typically, social investments include partner socially-oriented projects of business, local government and non-profit organizations. In Ukrainian conditions, the term "social investment" can be applied to any long-term socially significant activities of companies. This is not only the financing of social projects, but also the implementation of programs aimed at involving their own employees, partners, or clients in solving social problems. Social investment, unlike charity, is a business. The transformation of philanthropy into social investment is a sign of the progressive activity of the companies in the XXI century.

There is no ambiguity in the economic literature on the nature and types of social investment. Some authors understand social investment as material, technological, managerial or other resources, as well as financial resources of companies, which are directed by management to implement social programs. The programs are based on the interests of key internal and external stakeholders and are designed in the assumption, that strategically the company will obtain a certain social and economic effect.

Social investing is underlined as a way to implement corporate social responsibility through targeted programs, that meet the needs of major groups of stakeholders - consumers, staff, local communities [2]. Social investment is a voluntary contribution of business to the development of society through charitable assistance, sponsorship or patronage, interaction with local authorities, the creation of corporate partnership programs [3]. A key characteristic of social investment is the fact, that the beneficial effect of it extends to both society and the company. In the case, when the investor is a separate company, it is appropriate to talk about corporate social investment.

Presenting main material. In our opinion, corporate social investment is one of the forms of corporate social responsibility, which involves the implementation of targeted projects and programs, that are focused on the interests of major stakeholders (consumers, staff, local communities). It also involves the investor indirectly, which receives long-term competitive benefits by improving reputation. The focus of corporate social investment is on stakeholders, while the charity of companies extends primarily to those who need help. Therefore, social investments do not include individual charitable donations made by the company.

Social investment vs philanthropy. The main forms of social investment at the corporate level are social innovations, social programs and projects. Unlike sponsorship and philanthropy, which are one-off and spontaneous, social investment is an element of the CSR strategy, and therefore regular and planned in the campaign budget in advance. Some researchers understand corporate charity as part of social investment and integrated marketing communications [4]. It is necessary to distinguish between charity (which is the company's response to the needs of

individuals or social groups) and social investment (which provides a rational approach before their implementation, the calculation of costs and expected benefits).

Enterprises that implement social investments operate on the principle: "measurable social benefits + income". Thus, social investment is not opposed to the company's business interests but complements and expands the company's ability to influence the community and reduce possible risks from business activities.

The whole range of investments, depending on the priority of the values of the organization, can be divided into three groups (Table 1).

Table 1

Classification of the investment tools of the enterprises*

Feature	Non-profit charity	Social enterprise	Commercial enterprise
Motives	Purely philanthropic	Mixed motives	Appeal to one's own interests
Methods	Determined by the mission	Balance of social mission and profit	Market orientation
Objectives	Creating social value	Creating socio economic value	Creating economic value
Investment tools	Grants, Responsible Investments, Mission-Related Investments	Commercial Income Break-even point Excess profit is reinvested	CSR, corporate philanthropy Income and profit are the main goal

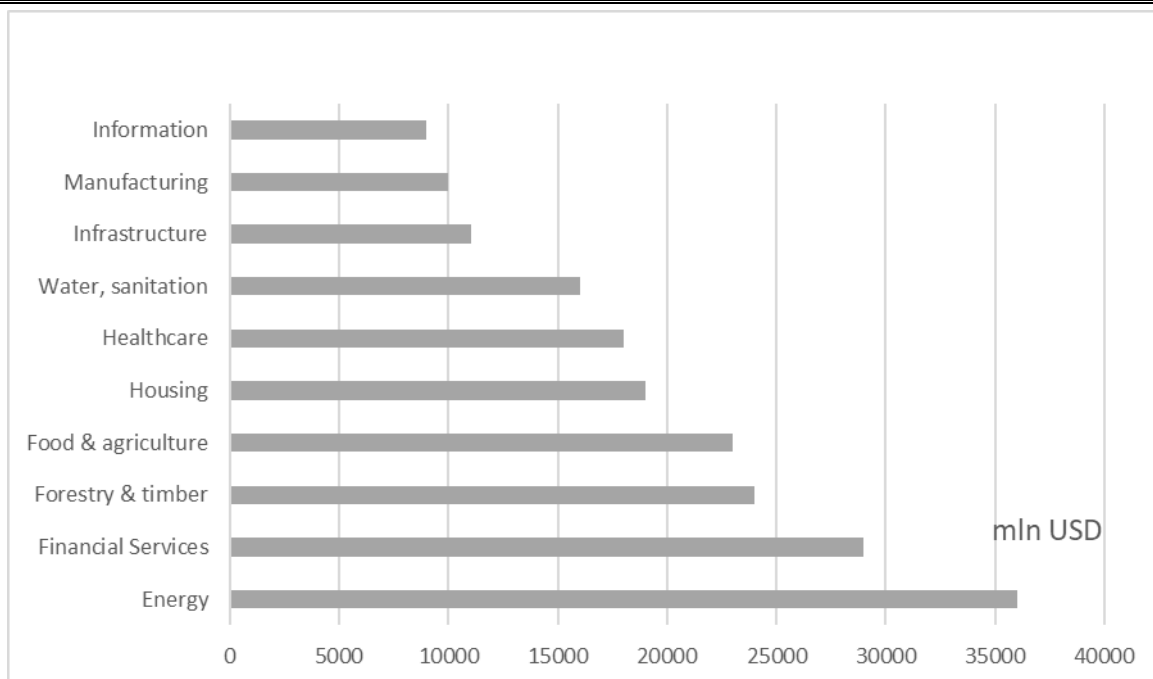
**Developed by the authors*

The left part describes non-profit charities and organizations, which are focused on the social impact of their activities. They can exist in the conditions of irregular donations, volunteers work, etc. During the phase of grow, such organizations are forced to seek long-term funding and join the business sphere to systematically solve social problems. The right position of the Table belongs to the business, that focuses on financial results. Although in modern conditions, even commercial enterprises are involved in solving environmental or social problems to some extent (implementing CSR activities), which is increasingly valued by consumers and contractors. Thus, in its pure form, these two opposite models do not exist, they shift to the middle of the Table, where they "mix" and complement each other. Such companies have a mission and social goals, they work in a business format, make a profit and do not depend on grants and donations. Another option is self-sufficiency, when the company earns, but remains "at zero", although it does not attract "free" money. When the company makes a profit, but it is fully refinanced in the expansion and development of the business, – it is the third option.

Corporate social investments can have internal and external direction, but in any case, they cause a positive social effect, as well as contribute to the formation of a positive image of the company (Fig. 1).

Thus, social investment of enterprises has two levels of direction: internal investment (investment in staff development, improving their quality of life; investment in enterprise development that will have a social effect on the population), external investment - development of local communities, implementation of educational projects and community initiatives, environmental protection.

ESG-investment and Impact investment as modern types of social investment. In a narrow sense, corporate social investment is the company's cost of implementing the CSR concept. At the same time, the concept of "social investment" is not equivalent to CSR. On the one hand, the agent of social investment can be not only business, but also the state (public investment in the social sphere), institutional social investment. On the other hand, CSR includes a wide range of practices in addition to investing.



Internal:

Improving the quality of human capital (training and staff development programs, employee health, creating safe and comfortable working conditions, providing targeted assistance to individuals).
Resource conservation and investment in environmental safety of production

External:

Solving current social problems of a social group, community or society as a whole (infrastructure development of local communities, etc.).
Environmental protection

Figure 1. The volume of social investment of enterprises in various industries in 2019 [5]

Socially responsible investments are a broader concept compared to social investments. One of the principles of responsible investing is to check the company for compliance with ESG principles. Socially responsible investment is an investment decision made by an investor considering the social, moral, ethical and environmental consequences of investing. It is also called ESG-investment (environmental, social, governance sustainability). There are six of these principles, they are set out in the document entitled "Principles of Responsible Investment"[6].

In countries with a well-developed stock market, socially responsible investments are understood primarily as investments in financial instruments that are made in the stock market. Financial intermediaries (professional asset managers) emphasise on ESG-criteria when investing in such assets. Socially responsible investing is an important tool for achieving and supporting sustainable development.

A type of social investment is an impact investment, or investment with a positive impact. The phrase "impact investment" or investment of influence (social contribution) was first used in 2007 at the Rockefeller Foundation. Impact investment is a type of investment made "in a company, organization or fund in order to create measurable public or environmental benefits and financial returns" according to the Global Impact Investing Network [5].

Ordinary business works according to the classic formula:

maximum capitalization + cost minimization = success.

In the impact investment projects there is a slightly different formula:

public benefit + profitable activity = success.

The Global Impact Investing Network (GIIN) has identified four criteria to classify an investment as an impact one:

1. *setting goals* (it is necessary to prescribe social goals in the business plan);
2. *return on investment* (an indicator that reflects a long payback period of impact investment);
3. *range of return* (1%, 5%, 20%);
4. *measurement* (assessment of social impact).

GIIN has developed a system for evaluating the effectiveness of such a business (Impact Reporting and Investment Standards, IRIS), which takes into account both the profitability and usefulness to the world of the investment. Now, it is a grooving market - in 2020 it reached \$715 billion in assets under management [7].

The share of impact investments in securities listed on stock markets is growing, while the traditional instruments of such investments were initially loans and equity (Fig. 2). Impact investment is halfway between the traditional business motive (to earn) and philanthropy. Impact investments involve investing in projects, that seek to achieve positive change in society or the environment through business tools. The goal of impact investors is to show that investments can achieve positive (social or environmental) impacts and financial returns (or at least return on capital).

Impact investments are described (and differ from other types of investment) by three main principles:

1. Expectations of financial profitability: the impact investor expects to receive financial return on invested capital, below the dominant market rate, at the market rate or even higher.
2. Intention to address social or environmental challenges (impact or aspirations): in addition to financial profitability, the investor seeks to achieve a positive impact on society and the environment.
3. Commitment to measure and report on projected social and environmental impacts: Investor impact is evaluated to measure performance using standardized indicators.

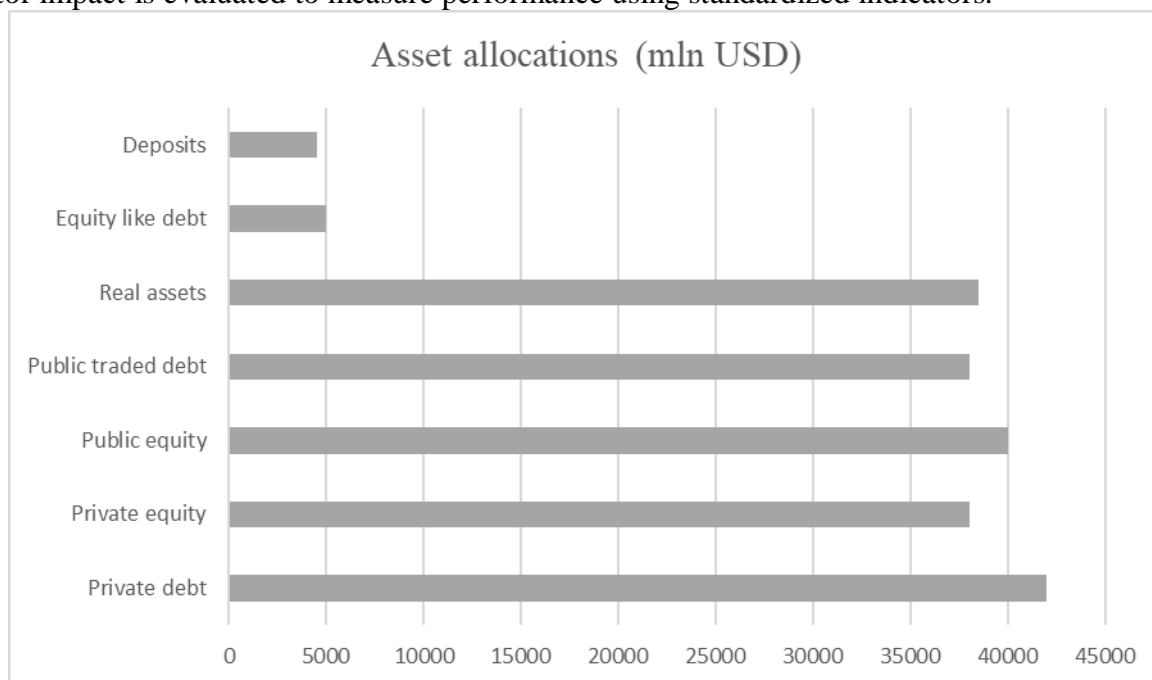


Figure 2. The structure of impact investment in 2019 [5]

Impact investors often, but not necessarily, invest in innovative businesses and enterprises in the following sectors: sustainable agriculture, affordable housing, health care, energy, clean technologies, and financial services for the poor.

Institutional forms of social investment in Ukraine. It may seem that the key to social investment should be a developed financial market and its component - the national stock market. In the domestic realities, the process of formation and development, unfortunately, has

been significantly delayed. However, in our opinion, there are already effective social investment tools that have been tested in the world and can be used in Ukraine. These are the Community Development Financial Institutions [8].

In the United States, such institutions appeared in 1994, now their number is more than a thousand, CDFI enjoy tax benefits, and the bonds they issue are guaranteed by the government. In the mission and peculiarities of activity, these institutions are similar to credit unions, the members of which are formed on a territorial basis - from the inhabitants of a village or town. Particular attention is paid to depressed areas. At the state level, deposits in such financial institutions are encouraged - citizens feel that their money works for the benefit of the community. Importantly, in the beginning of their existence, such institutions depend on state support, but quickly gain popularity among private investors and attract significant funds for community development.

The Covid-19 pandemic has caused global changes in the investment landscape. Many countries have had to spend their already limited budgets on fighting the effects of the pandemic, rather than on achieving the goals of sustainable development. However, new trends have emerged. In particular, the remoteness of the territory from the urban centre (the metropolis) is now levelled due to the availability of the Internet and improved logistics. This will allow not to slow down, but rather to expand investment projects related to affordability, green energy, and the circular economy.

We can find examples of successful social investment in Ukrainian conditions. Agricultural Company Kernel is a social investor and leader: it supports local communities in the regions of the Company's presence in education, medicine, and sports; its` projects are being implemented to improve the infrastructure of settlements in different regions; its` social investments are held by the Charitable Foundation "Together with Kernel"[9].

There are some hybrid business models such as public benefit and B-corporations that became popular nowadays. These organizations may be seen as a bridge from social entrepreneurship to ordinary business, which offers a specific, market-conscious, and scalable solution. Such companies aim at increasing their profits and, at the same time, apply social and sustainable models to improve their impact on the social sphere and the environment [10]. Hybrid companies could be very effective in social investment.

An important condition for intensifying social investment both in Ukraine and in the world is the involvement of educational institutions in this process. After all, today the education of agents of change, who understand the goals of sustainable development, analyse corporate social responsibility, will in the future form responsible citizens, investors, a conscious society.

Conclusions. Changes in investment targets observed in recent decades can be described as a change in the investment paradigm. Today, investment is not only a means of increasing capital, but also a tool for solving social and environmental problems. This is in line with both the concepts of sustainable development and CSR, the relevance of which is undeniable.

In the context of expanding the investment spectrum, corporate social investments and impact investments are becoming more widespread. Socially responsible investing seeks to maximize financial results and social benefits. With the help of social investments, the problems of social groups, local communities, society as a whole can be solved. In this case, the investor receives a financial benefit.

The article separates the concept of social investment from charity and non-profit activities and outlines their systematic and planned nature. The peculiarities of impact investment and ESG-investment, as well as the expansion of instruments and volumes of such investments in the world are shown. It is proposed to disseminate world practice and encourage the creation of economic entities focused on the social effect at the state level. Ukraine, with its underdeveloped stock market, needs to adapt the experience of Community Development Financial Institutions and Beta- Corporations.

The role of education in promoting social investment and achieving sustainable development goals is emphasized. The education of agents of change, who understand the goals

of sustainable development, analyse corporate social responsibility, will in the future form responsible citizens, investors, a conscious society.

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