

# THE HONG KONG POLYTECHNIC UNIVERSITY DEPARTMENT OF MANAGEMENT AND MARKETING

## Departmental Research Seminar



### Impact Investing and the Fostering of Business Ventures' Financial Performance and Social Impact in Disadvantaged Urban Areas By

**Dr Caroline Flammer**  
**Boston University**

**Date : 8 Dec 2021 (WED)**

**Time : 9 am – 10:30 am**

**Venue : Online via Zoom**

#### **Abstract**

We examine whether impact investing is more effective in fostering business venture success and social impact when investments are directed toward ventures located in disadvantaged urban areas (that is, areas with high crime, unemployment, and poverty) compared to similar investments directed toward ventures located outside these areas. We explore this question in the context of loans made to business ventures in French “banlieues” vs. “non-banlieues.” We find that loans issued to banlieue ventures yield greater improvements in financial performance, as well as greater social impact in terms of the creation of local employment opportunities, quality jobs, and jobs for minorities. These results suggest that impact investors are able to contract with ventures of greater unrealized potential in banlieues, as banlieue ventures tend to be left out of the traditional loan market. This is confirmed in a controlled lab experiment in which participants—business professionals who are asked to act as loan officers—are randomly assigned to identical business ventures that only differ in their geographic location. We find that participants are indeed less likely to grant loans to banlieue ventures compared to non-banlieue ventures, despite the ventures being identical.

**Dr Caroline Flammer** is a Visiting Professor of International and Public Affairs at Columbia University, and an Associate Professor and Dean’s Research Scholar at Boston University. She is an expert in sustainable investing and the recipient of numerous prestigious awards. Her research examines how, and under which conditions, firms can enhance their competitiveness and long-term profitability while strengthening—instead of undermining—the very system in which they operate and hereby play a critical role in addressing climate change, inequality, global health, and other grand challenges related to society and the natural environment. The Web of Science ranked her among the top-100 Highly Cited Researchers in the economics and business profession in terms of impact over the past 10 years. Among other roles, she serves as the Chair of the Academic Advisory Committee of the United Nations’ Principles for Responsible Investment (PRI), the largest network of responsible investors to date. Moreover, she serves as Associate Editor for both *Management Science* and the *Strategic Management Journal*. At Boston University, she serves as the Academic Director of the Social Impact MBA program and the university-wide Minor in Sustainable Energy.

**All interested are welcome.**



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