

Endogenous clusters of social impact firms: a complex network approach

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Abstract

With increasing interest around social impact investments (SII), there is a pressing need to properly define the universe of social impact targets. This paper aims to identify communities of social impact firms (SIFs) ranked in terms of their compliance with the OECD criteria of SII in order to uncover valuable insights into the potential of SII in the public markets. The model assumes that SIFs represent the nodes of a weighted complete network, whose weights capture the similarities of the individual firms in terms of social impact compliance score. We also explore the communities of such network using an endogeneity criterion whose ground is a weighted clustering coefficient-based ranking of the firms. The empirical validation uses a novel hand-collected dataset. The clustering results highlight that economic sector and country of origin do not act as a differentiator factor; however, size seems to matter as firms more compliant with the SIF criteria tend to be smaller.

Keywords: social impact finance; networks; clustering coefficient

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