Determinants of impact investing for tourism development in emerging destinations of sub-Saharan Africa

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ABSTRACT
Impact investing is making important and positive contributions to the socio-economic development of groups at the bottom-of-the-pyramid. Independent literature streams reveal how in resource scarce contexts of sub-Saharan Africa, businesses are increasingly tapping into this emerging opportunity which is extending loans and other forms of capital. However, to date, there is very limited understanding of this domain from a hospitality and tourism perspective. By synthesizing across these literature streams, we explore the opportunities, constrains and nature of impact investing, and theorize its key determinants in resource scarce contexts. To elaborate our theorization, we content analyse published accounts i.e. industry reports and academic literature to argue for the need for more impact investing in hospitality and tourism, a sector that has traditionally suffered from under-financing and limited politico-economic recognition. The study lays a foundation for future research on impact investing in hospitality and tourism and yield important policy and managerial implications.

Keywords: Impact investing, bottom-of-the-pyramid development, small tourism firms, STF value chain, hospitality and tourism

1. Introduction

This study critically analyses and explores how hospitality and tourism (H&T) enterprises in sub-Saharan Africa (SSA) can leverage funds from impact investing (i-investing or II) by examining the nature of II and its potential contribution to the development and growth of small and medium tourism firms (STFs)[1]. By "providing a wide range of tourism and hospitality services" (Zhao et al., 2011:1573), STFs include transport, food and beverage (F&B), accommodation providers and ancillary services (Bosworth & Farrell, 2011: 1479) and play a very important role in promoting tourism entrepreneurship in developing countries. However, the lack of capital (finance and non-financial support), limited management skills and capabilities and good governance mechanisms seriously hinder their ability to actively contribute to local social and economic development (see e.g. Kimbu & Ngoasong, 2013;

[1] Small tourism firms in this article is used to denote all firms which are directly or indirectly operating in or are involved with the provision of goods and services to the hospitality and tourism industry. These will include small hotels, inns, leisure, F&B, caterers, tour, transport, health and security service operators/providers.

Ngoasong & Kimbu, 2019; Kimbu et al., 2019; Tichaawa & Kimbu, 2019). This is where II could play an important role.

Impact investing is defined as 'socially responsible investing that produces triple bottom line results' (Stanford Social Innovation Review (SSIR), 2014). It is an investment opportunity (Hope Consulting, 2010) and/or an investment approach (WEF, 2013) made by investors into companies, organizations, and funds with clear intentions to create measurable financial, social and environmental impacts alongside a financial return for the investors, regardless of stage of maturity of the beneficiary enterprises (see e.g. Mogapi et al., 2019; Agrawal & Hockerts, 2019; Tekula & Anderson, 2019; Roundy, 2019; Choda & Taladia, 2018; Urban & George, 2018; Castellas & Ormiston, 2018; Findlay & Moran, 2019). They are ergo 'investments intended to create positive impact beyond financial return' (O'Donohoe et al., 2010: 5; Lehner et al., 2018; Roundy et al., 2017). II is therefore not only about seeking to avoid investing in companies that do harm, but it crucially involves "actively placing capital in enterprises [mostly in developing low income countries] that generate social and/or environmental goods, services, or ancillary benefits [e.g. creating jobs, improving healthcare, infrastructural development], with a range of expected returns… to the investor" (The Parthenon Group & Bridges Ventures, 2010: 3). II has witnessed steady growth within the last two decades because of a growing number of investors expressing a desire to "do good while doing well." These are known as impact investors as they seek to "…integrate social, ethical and/or corporate governance concerns in the investment process" (Sandberg et al., 2009: 521). Impact investors (i-investors) thus create "opportunities for financial investments that produce significant social or environmental benefits" to all parties concerned, that would otherwise not occur but for their investment in a social enterprise (Brest & Born, 2013a).

Bugg-Levine & Goldstein, (2011) and Koh et al. (2012) note that the creation of inclusive businesses targeting bottom-of-the-pyramid (BoP) entrepreneurs and markets with a focus on marginalised groups, in addition to the importance of improving access to essential goods and services for the poor primarily in emerging markets, is a key feature of II (Dolan, 2013). This is a view point supported by large impact investors (e.g. Global Impact Investing Network (GIIN); Rockefeller Foundation) and multi-lateral development finance institutions (e.g. the World Bank), all of whom are very supportive of the growing II movement, and presently produce most of its literature. With about $10.6 billion in impact investments made in 2013 alone, and growing rapidly, the GIIN estimates from its survey data that there is now $228 billion in impact investing assets which is roughly double that of 2017 (Dallamann, 2018), II proponents are optimistic that it can be a real panacea for poverty alleviation, environmental protection, social and economic development in SSA, Asia and Latin America as noted by WEF (2014). Within the next decade, SSA is the region where these impact investors are planning to increase their allocations the most (Saldinger, 2014), and mainly in enterprises that actively seek positive social and environmental benefits in addition to profit.

However, in spite of its increasing recognition and acceptance, coupled with the growth of research and literature dealing with II in sectors such as microfinance (Bauchet et al., 2011; CGAP, 2013; Rozas et al., 2014), agriculture (GIIN, 2011; 2012, 2016), housing and education (CDC, 2014; DFID, 2014), as well as renewable energies and sustainable manufacturing (Staub-Bisang, 2012) in Africa, Asia and Latin America within the last two decades, there is a dearth of research dealing II in other sectors such as H&T. This is notwithstanding the fact that H&T is nowadays widely accepted and recognized as one of the world's fastest growing economic sectors contributing about 10% to global GDP, and a key driver for poverty alleviation, socio-economic progress and development in many emerging SSA destinations (Kimbu & Ngoasong, 2013; World Travel & Tourism Council [WTTC]2019). Given such importance, it is ergo imperative to undertake research geared towards understanding and unpacking the potential of impact investing in the H&T industry especially in SSA countries, focusing on small tourism firms which make up the bulk of businesses operating in this sector and at the bottom-of-the-pyramid.

Our main objective is therefore to articulate the determinants of II and the multiple ways in which II can stimulate and contribute to tourism development in SSA via support to small and medium tourism firms. By unpacking this multiplicity, we develop stylized facts and predictive propositions pertaining to the role of II in SSA, focusing on value chains, goals, intentionality nature and potential benefits of II for STFs. Thus, we contribute a H&T perspective to the management literature debating how II can support non-traditional sectors such as STFs in emerging economies to deal with capital and organisational constrains, by using their capabilities and resources to advance the creation/growth of inclusive STFs and entrepreneurs among BoP and marginalised communities spurring inclusive growth and socio-economic development (Bugg-Levine & Goldstein, 2011). Our findings deepen recent debates about the effectiveness of II as a tool for inclusion especially considering its current focus on traditional sectors such as agriculture, finance, health care and education whilst ignoring non-traditional sectors as H&T.

We begin by reviewing three literature streams, the role of STF in the tourism value chain, the key characteristics of II, the nature of impact, the investors and their investments, and the benefits of II. The review enables us to demonstrate that a better understanding of II landscape is necessary by STFs in SSA if they are to succeed in attracting impact funds. Next, we synthesize across the literature streams to develop a theoretical framework depicting the determinants of II on the STF value chain. We conclude with a discussion of the implications of our framework for impact investors and beneficiaries of impact funds in H&T, along with an agenda for future research.

2. Background literature

2.1 *Small tourism firms in the tourism value chain*

Value chains in tourism reflect the fact that tourism is a networked and complex industry which is information intensive, highly amendable to digital delivery, and targeted towards customers who are typically not locals. This makes tourism to have multiple entries into the value chains which is unlike what may exist in other industries where the linear model of production is often the norm. Recent advances in ICTs have placed the consumer at the centre of the chain enabling rapid communication with end users and customers anywhere along the value chain (Park et al., 2015). This provides a good opportunity for tourism SMEs/STFs, with their small size and flexibility, to play important roles in enhancing customer satisfaction, individualized treatment and capital generation, which can be done through sourcing for impact funds.

A World Economic Forum (WEF) report (2013) suggests that mainstream private investors (e.g. asset owners and asset managers) offer the biggest opportunity to scale-up the II sector as they complement philanthropic approaches to solving the most pressing social problems through funding and technical assistance 'to improve society' at the BoP. This approach, it is believed, drives investor commitment and competitive advantage for i-investors in return. According to Koh et al. (2012) and Freireich & Fulton (2009: 15), a market-based approach imposes major constraints to the creation of inclusive businesses due to incompatibility with the challenging reality on the ground in developing countries such as the lack of efficient intermediation, enabling infrastructure, and sufficient absorptive capacity for capital. The situation is even worse in non-traditional sectors such as H&T (Kimbu & Ngoasong, 2016; Ngoasong & Kimbu, 2016). Koh et al. (2012) further note that 'more, not less, philanthropy' applied in 'new ways' is needed to complement market-based impact capital in dealing with the extreme challenges facing ‘inclusive business pioneers’. Even though there is agreement that both market-based and philanthropy approaches are here to stay, there is need to find ‘new ways’ to make them complement each other to better achieve the goal of creating inclusive businesses in Africa in both traditional and non-traditional sectors.

From a supply side perspective, every II organization has a business model. A business model in this context depicts how a specific II initiative is conceptualized to deliver pre-stated objectives as well as capture any value created through its implementation (evaluations) (The Rockefeller Foundation, 2012). There are also II business models developed as analytical frameworks to describe different types of II business models. For example, the WEF (2013a) report defines an II business model in terms of risks (high, medium, and low), availability of capital and scope for scaling-up impacts at the firm level. Another model proposed by Omidyar Network (Bannick & Goldman, 2012) goes beyond the level of an individual firm (firm-level effects) to include different types of capital aimed at scaling-up whole industry sectors (sector-level effects). The notion of inclusive businesses thus requires an emphasis on both firm-level and sector-level.

From a demand side perspective, even though many impact enterprises in developing countries have their own business models, built-in mechanisms to measure and monitor progress, sustain success in achieving stated objectives are often lacking. Their impacts are therefore not often quantifiable in the long-term. This is especially serious in H&T (in SSA) where the majority of businesses are micro, small and medium businesses with the owners having limited relevant expertise and management skills (Kimbu et al., 2019). Various studies (e.g. Dalberg, 2011 & 2012; Dolan, 2013; Fletcher, 2011) suggest that consciously seeking to create a direct scalable social impact through their business models can enable impact enterprises in Africa to better serve as engines of wealth creation and economic growth and to better support general micro, small and medium size enterprise (MSME) activity. This makes impact enterprises different from ordinary businesses in that their business models seek to tackle social issues at scale through local content (e.g. supply/distribution chains and employment of marginalised groups), provide access to the ‘much needed goods and services to low-income groups in a financially sustainable and scalable way’, and sustainable management of natural resources (Dalberg, 2012: 3). The above-mentioned studies also call for more research to better understand those challenges facing impact enterprises in a country. Other similar reports on Africa (e.g. Huppé & Silva, 2013; GIIN, 2011; Dalberg, 2011) also suggest the need for more empirical research to identify and help promote the case for supporting impact enterprises in dealing with both supply-side and demand-side challenges which is what this study aims to do using the case of STFs in SSA destinations such as Cameroon.

> Proposition 1: Contextualizing impact investing in H&T requires an in depth understanding of the tourism value chain i.e. both the supply side requirements and the demand side conditions, which are characterised by different contextual factors likely to enable the uptake or not of II initiatives that will generate expected impacts.

2.2 *Characteristics of impact investing*

One strand of literature examines the core characteristics of II evidencing two main characteristics i.e. subjectivity of goals and intentionality, while another strand of literature focuses on the nature of the impact and its benefits while another focuses yet on the nature of investors and their investments. These are all critically discussed and analysed hereafter. These aspects of II provide a critical background to the review that informed our definition of impact investing in resource scarce contexts. For this we searched a combination of three key words/phrases 'II', 'II in tourism and/or hospitality', 'resource scarce context' and 'II in Africa' in four databases, namely ScienceDirect, Sage Journals, Taylor & Francis Online and Emerald Insights (e.g. Jin et al., 2017). Further searches were carried out in the Google Scholar and the university library databases of the two authors. We undertook a critical review of the literature to isolate those articles that included a mention of the above words/phrases. Table 1 presents a summary of the key literature on II. While the Table illuminates II as an emerging research theme, three key observations could be made. Firstly we determined that over the last few years, the scope of the research has mainly been conducted in the resourceful Global North context. Secondly, in terms of Africa very limited empirical research has been done on II, with most of the literature dominated by commissioned reports by the GIIN and the United Nations Development Program (UNDP). Thirdly, and most significantly, there is no focus on the H&T sector in general and in Africa in particular despite its significance as previously highlighted in this paper. These factors ergo justify the need to steamroll the debates and research on impact investing in H&T.

Table 1. Some key literature on impact investing

Study Author/s	**Research context**	**Method**	**Findings in relation to impact investing**
Mogapi et al. (2019:397)	Examined how impact investors manage tensions between financial returns and social impact	Qualitative	Two opposing views expressed as to whether the tensions between financial return and social impact results in trad-offs

Agrawal & Hockerts (2019:1)	Examined practitioner interest and lack of knowledge production in II	Qualitative	Reveals unique longitudinal perspective on how II is evolving from pre-paradigm stage to the stage of proper scientific inquiry
Tekula & Anderson (2019:142)	Explores the roles and purpose market rationales for the involvement of the public, private and nonprofit facilitators in II	Qualitative	II ecosystem is populated by a multitude of actors playing facilitating roles and brokering in the market place
Roundy (2019:1)	Leveraging insights from entrepreneurial ecosystem studies to understand the dynamics of communities that encourage and support II	Qualitative	Theorised that vibrant II ecosystem have three system-level attributes, diversity, cohesion and coordination
Lehner et al. (2018:1)	Considered legitimacy to be an appropriate way to understand how actors in the II market influence discourse to overcome inherent liability of newness	Documentary analysis	Actors use diverse legitimization strategies based on their relative positioning in the II market
Castellas & Ormiston (2018:87)	II and sustainable Development Goals (SDGs)	Analysed performance data of IIs globally and map impact data to the 17SDGs	II are engaging with language consistent with the SDGs a possible field-level frame to guide strategy and measurement
Findlay & Moran (2018: 1)	Examined academic and practitioner literature on II for evidence of purpose-washing and retrofitting of funds by investors	Qualitative	Proposes a refined definition of II based on three exclusive criteria: intentionality, measurement and transparency
Choda & Teladia (2018: 1)	Presents themes emerging from presentations and conversations within the innovation strand of II	Qualitative	Evaluation profession has much to offer in terms of overcoming challenges inherent on social impact measurement
Urban & George (2018)	Measures relating to II in South Africa	Quantitative	Twin factor of social impact and sustainability that influence growth
Roundy et al. (2017)	Answered 4 questions central to understanding the II, linked to (1)characteristics (2)differences (3) motivations (4) criteria for evaluation	Qualitative	Impact investors are unique and differ from socially responsible investing and from philanthropist. They have varied motivations
Jackson & Harji (2017)	Examines the risk management and decision-making processes in rural households, and understand their implications for the evaluation of II	Qualitative	II—an approach to allocating capital to deliver a blended financial and social return
GIIN (2016)	Analysed the landscape for impact investing in Southern Africa	Qualitative	Investors have many opportunities to support entrepreneurs who will generate both financial and social/environmental returns
Ormiston et al. (2015)	Challenges of II from the perspective of leading investors	Qualitative	Four main themes are identified as challenges: (1) focus on financial-first investments (2) the importance of using due diligence processes (3) opportunity to align mission and values (4) value of network and collaboration
*UNDP (2015)	Survey on trends, constraints and opportunities for II in Africa	Qualitative	II in Africa is yet to realise its potential due to an under-developed support sector ecosystem

*GIIN (2012)	developed a capital structure and impact governance mechanisms that satisfy social and financial goals	Case study approach	demonstrates how diverse stakeholders worked together to create an investment that accommodates each of their financial and social objectives
*GIIN (2011:2)	documents the decisions and activities of four investors and Mtanga Farms' management as they balanced diverse appetites for financial and social returns	Case study approach	The potential for realizing social returns was a driving factor in the investors' decisions to pursue the investment opportunity

***Reports on II focusing on Africa**

2.2.1 *Subjectivity of goals and intentionality*

The goals and objectives of impact investors are often quite vast and varied as the range of those often encountered in traditional philanthropy, and sometimes compete and contradicting with those of other investors (Brest & Born, 2013a). Depending on the investors, these goals often range for example from promoting community development and empowerment of women and other under-privileged groups in urban and rural areas, through micro and small business enterprise development and microfinance provision, to vocational education and training opportunities, and energy efficiency projects to low cost health initiatives which produce positive social value (Dalberg, 2012). The choice of objectives and projects to invest in are subjective and from a moral/philosophical point of view, some tend to produce negative social value. Consequently, some goals/projects might be considered as more valuable and having more positive impact than others depending on the perspective of the individuals (Friedman, 2013). However, 'whether an activity has impact in achieving a specified goal is essentially a technical, value-neutral question' (Brest & Born, 2013a).

Relatedly, unlike 'socially neutral' investors who are indifferent to the social consequences of their investments and make investment decisions based solely on expected financial returns (Brest & Born, 2013b), impact investors are by nature socially motivated individuals/organizations or groups of individuals/organizations whose main intentions is to achieve social and/or environmental goals through their investments while at the same time making a profit or without losing the seed capital (Brest & Borne, 2014; Fletcher, 2011). These goals vary in content and context and are often spatio-temporarily determined. They range for example from providing specific tailored solutions to particular problems faced by groups of individuals/communities in developing countries to solving general problems dealing with humanity irrespective of location (Brest & Harvey, 2008).

However, because each investor's motivation(s) and goal(s) is likely going to be different from that of the other investors, each investor's goals will likely be considered as being socially neutral by the other investors in respect to their own investments as they might not share the same intentions/goals. Consequently, all investors at one stage or another could be considered as being socially and environmentally neutral. That notwithstanding, there is a growing body of research (e.g. Scholtens, 2014; Brest & Born, 2013a; Koh et al., 2012; Freireich & Fulton, 2009) which identifies and analyses some of the key defining characteristics and value of 'socially conscious' investors and investments, emphasize bottom-up development, and supports BoP market building initiatives/investments as having long term economic, social and environmental impacts in contrast to 'socially neutral' investments which aim to maximize financial returns to the investors.

> Proposition 2: Impact investors are socially conscious investors who emphasize bottom-up development and support BoP market building initiatives/investments that have long term economic, social and environmental impacts.

2.2.2 *The nature of impact and benefits of impact investing*

Another strand of the literature focuses on the nature of the impact and its benefits. Understanding what would have happened if a particular investment or activity had not occurred requires an examination of the following three key elements (parameters) which are central in appraising the nature of impact investments. These are: '(1) the impact of the enterprise itself, (2) investors' contribution to the enterprise's impact, and (3) the contribution of nonmonetary activities to the enterprise's impact' (Brest & Born, 2013a) on its stakeholders both within and out of the firm from a financial, social and environmental perspective. Worthy of note is the fact that proof of *additionality*[2] must be evident before an investment or non-monetary activity can be deemed as having any impact. With regards to *enterprise impact,* Brest & Born (2013b) note that i-investors' impacts together with those of other stakeholders/actors fundamentally depends on the impact of the enterprises they support. There are several ways in which an enterprise's impact can be felt/manifested but it is most visible and felt from a product and operational perspective. *Product impacts* refer to the impacts generated from the *goods or services* manufactured and provided by an enterprise (e.g.

[2] Additionality is an enterprise's ability to increase the quantity or quality of its social outcomes beyond what would otherwise have occurred if there was no additional investment.

ecofriendly holiday packages, constructing environmentally friendly hotels, fuel efficient airplanes). *Operational impacts* on the other hand are the impacts of the enterprise's management practices on what 'are often described as environmental, social, and governance (ESG)' of corporate social responsibility (CSR) factors. According to Olsen & Galamidi (2008) these are the enterprise's impacts on its employees' social, economic and environmental security, and other aspects of the community's well-being within which an enterprise operates. It also covers the environmental effects of an enterprise's supply chain and its operations.

It is worth noting that collaboration between enterprises if pursued often leads to an increase or multiplication of product (scaling up) or operational impacts resulting in the industry benefitting from *collective impacts* which results from the commitment of businesses to work together with other important actors such as not-for-profit and non-governmental organizations, foundations, and government agencies, to tackle specific social problems within the community (such as prostitution, child labour, drug abuse, low wages and long working hours) in some tourist destinations (Kania & Kramer, 2011). *Sector impact* relates to an enterprise's impact on the markets and sectors in which it operates beyond its particular mission. This is only evident and likely in enterprises which have product and operational impacts. A hospitality/restaurant business which, for example, decides to introduce the use of only locally sourced and environmentally friendly fair-trade products in its hotels/restaurants may develop and set quality standards in its value chain as well as train its suppliers and partners on their compliance and application leading to increased technical, organizational and personal value. If commercially successful, the spillover effects for other similar businesses in the region will be positive as it would attract other eager entrants and foster the development of new businesses.

One of the main benefits of II to an enterprise is *additionality*. Additionality occurs when an investment increases the quantity or quality of the enterprise's social output beyond what would otherwise have occurred. It is worth noting that additionality is a key factor necessary for an investment to have an impact. These impacts are manifested in capital benefits for the beneficiary enterprise through: *Price* (i.e. below market investments), *Pledge* (on loan guarantees), *Position* (through subordinated debt or equity positions) *Patience* (guaranteeing longer terms before exiting), *Purpose* (enabling flexibility in adapting capital investments to the enterprise's needs), and *Perspicacity* (through foresight in discerning opportunities that ordinary investors don't see) (Schwartz, cited in Brest & Born, 2013a).

Proposition 3: The capital benefits from impact investing enables enterprises to achieve market returns, scale up and experiment while pursuing their social objectives.

2.2.3 *The Nature of investors and their investments*

Impact investors may be qualified as *socially motivated -concessionary or non-concessionary* investors interested in identifying and capitalizing on opportunities that bring benefits to them and to society. They are often referred to as ‘financial first’ and ‘impact first’ investors, whose business orientation is geared towards achieving the ‘double bottom line’ respectively (Freireich & Fulton, 2009; WEF, 2013; Ormiston et al., 2015). To achieve expected social benefits and have real impact, ***concessionary investors*** are prepared to and do make sacrifices to achieve their social goals, especially in the form of free expert advice, and/or financial support often in the form of charitable donations or grants when setting up or expanding the enterprise. There is often little expectation of any form of financial returns or remuneration at the very beginning or in the short term as these are sacrificed by the investors in return for social benefits (Johnson & Lee, 2013; GIIN, 2013). By supporting nascent enterprises for example, through making available the necessary (start-up or expansion) financial and human capital, and expert technological and marketing skills/knowhow which these enterprises would otherwise not be able to access, as is often the case with many small tourism firms (e.g. Ngoasong & Kimbu, 2016), a concessionary investor’s investments impact is felt almost from the very onset. Although this involves higher risk for the i-investor and/or lower returns on investments (ROI) (WEF, 2013), the impacts to society are far greater especially when dealing with BoP populations to which a good proportion of STFs owners/managers in SSA belong.

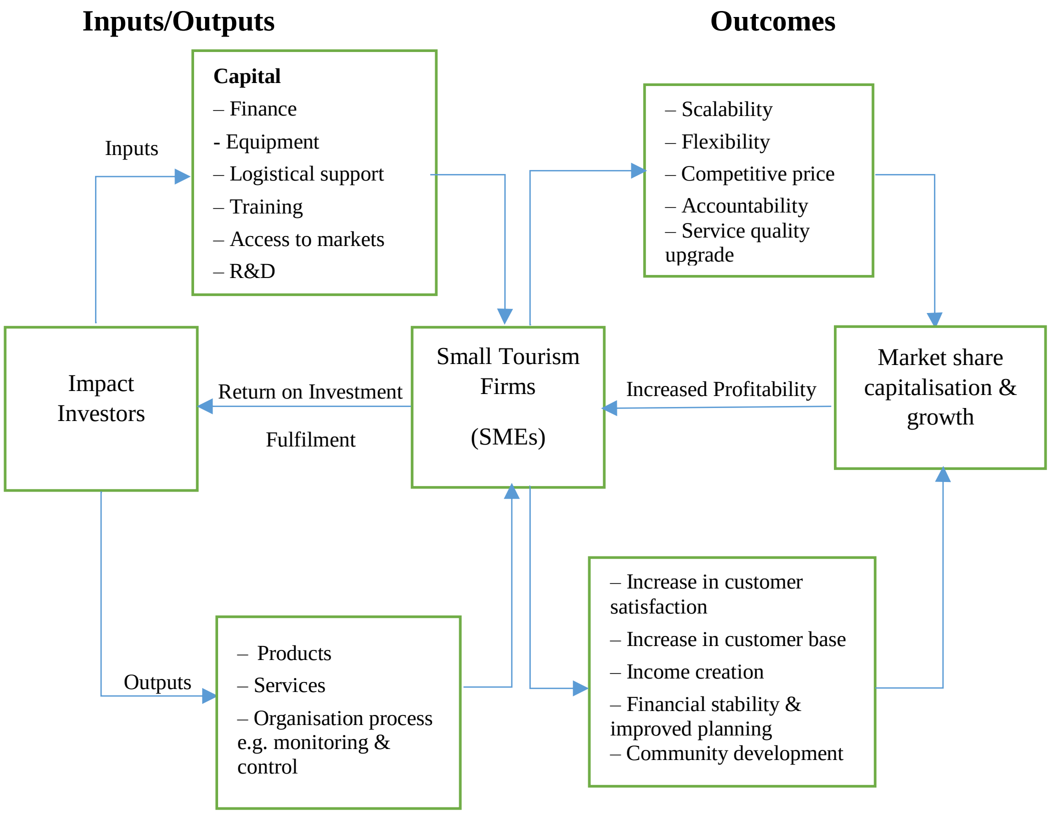
The unwillingness to make any financial sacrifice to achieve social goals is a key trait of *non-concessionary investors***.** Their impact is mostly felt in niche and/or under-appreciated markets (e.g. social and environmentally friendly and nature tourism ventures) where access to information is difficult (Johnson & Lee, 2013). Consequently, only they or their intermediaries have access to intelligence and/or special expertise on the ground enabling them to have a competitive edge over other potential investors/competitors. Their actions on these niche markets thus have positive impacts on the communities, while at the same time enabling the investors to make profits from their investments. They are willing and ready to take risks and bear extra costs while investing in these niche (hospitality and tourism) markets and businesses in emerging destinations of developing countries which ordinary investors would likely be unwilling to undertake (Brest & Born, 2013b).

Proposition 4: To achieve expected financial and social benefits and have real impact, impact investors should be prepared to make financial and non-financial sacrifices to achieve their social goals, when setting up or expanding the (H&T) enterprise.

3. Determinants of impact investing for tourism development: a theoretical framework

Our synthesis across the literature streams is scaffolded on the theoretical framework defined in Figure 1, which integrates narrowly-defined frameworks in existing studies relating to the determinants of impact investing, the nature of the impact and its expected outputs and outcomes, namely resource acquisition and investments in businesses with the goal of creating measurable social change and returns on the investments of the investors. Thus, we refine existing frameworks in three critical ways i.e. inputs, outputs and outcomes. Making a clear distinction between inputs, outputs and outcomes is very important in discussing and assessing the impact of II in (H&T) enterprises.

Figure 1: Understanding the determinants of II for tourism development



Source: Authors conceptualisation drawing on Dolan (2013), Fletcher (2011), Dalberg (2011, 2012), Brest & Borne (2014)

A keen contextual understanding of the tourism value chain by i-investors (Proposition 1) will enable targeted capital investments i.e. *inputs* (e.g. finance and equipment, service delivery and management training, and logistical support) into, for example, women-owned small and medium hotels, food and beverage businesses, and/or targeted training and employment opportunities to marginalised groups such as women and youth employed in tourism, ergo impacting on the quality of products and services (*outputs*) delivered by tourism SMEs. Tourism SMEs will be able to scale production, enhance service and product quality, and strengthen accountability, ultimately leading to an increased customer base and satisfaction, financial stability via increased return on investment for the firm and the investors (Proposition 3), and ultimately improving the targeted community's wellbeing and overall societal development (*outcomes)*. These three factors should be of prime importance to any potential H&T i-investor and II beneficiary.

Before (considering) investing in a tourism enterprise, it is imperative that the i-investor fully considers the extent to which the intended capital *inputs* and *outputs* will generate expected *outcomes* (from a product or operational perspective). The extent (scale) to which this output will contribute to the intended *outcome* (e.g. personal and community development, women empowerment through tourism entrepreneurship, training/employment of minorities) (Dalberg, 2012; WEF, 2013) and/or if it would still have occurred anyway without i-investments in the new output should also be considered (Proposition 2). Additionally, thought should also be given to how this will be documented. This approach when effectively undertaken would lead to socially responsible impact investing in H&T as it will generate "…exceptional social impact and a financial return… in enterprises that benefit the poor…" through the adoption of clear standards and documentary evidence (McCreless & Trelstad, 2012: 22), an issue which extant research has highlighted as lacking in many STFs operating in Africa (e.g. Ngoasong & Kimbu, 2019; Ngoasong & Kimbu 2016; Kimbu & Ngoasong, 2016).

However, measuring/evaluating impact investment performance is expensive and not always easy as it requires measuring both financial and social returns. This is often difficult as it requires serious resource commitment (Proposition 4) from the i-investors, and good quality data which is often difficult to come by in emerging tourism destinations of Africa and the global south (Johnson & Lee, 2013; Kimbu, 2011). Consequently, II measurement is typically funded by private foundations and international development institutions such as the World

Bank and the International Monetary Fund (IMF) who prefer to fund, monitor and evaluate i-investments in mainstream industries using standardized metrics such as the Impact Reporting and Investment Standards (IRIS) and the Global Impact Investment Rating System (GIIRS). These two tools (which are continuously being refined) have been specially developed for assessing and rating an enterprise’s social or environmental performance and have gained traction amongst major impact investors and industry stakeholders (The Rockefeller Foundation, 2012). However, their main weakness lies in their inability to measure the social value of the actions of impact investors. This is because financial and operational measures lie at the heart of the IRIS framework, while GIIRS ratings are survey-based covering five categories: leadership, employees, environment, and community (operations oriented), and products and services (output oriented). This limits their ability to measure non-quantifiable variables (Johnson & Lee, 2013; The Rockefeller Foundation, 2012). Measuring the social value of II could be even more challenging for H&T businesses which in Africa are often family owned and managed, with no clearly defined boundaries between business capital and personal finance, and most of the start-up and expansion capital together, with labour being provided by family and kin (Ngoasong & Kimbu, 2016).

4. Discussion and Conclusion

In this paper, we explain the role of small tourism firms in the tourism value chain, the main characteristics of impact investing and develop propositions which impact investors would have re-align with when dealing with businesses in H&T. Ngoasong & Kimbu (2016: 431) posit that “development-led tourism entrepreneurship is a process where small private firms and local communities are encouraged and supported to use tourism to promote local development and vice versa”. Impact investors pursue a similar empowerment logic, providing loans, technical capacity and development opportunities that facilitate the creation and scaling-up of businesses that contribute to inclusive BoP development while making a return on their investment (Agrawal & Hockerts, 2019; Tekula & Anderson, 2019). Propositions 1 and 2 suggests the need for an in depth understanding of the tourism value chain and its contextual specificities in SSA by impact investors, as the success or not of their goal of emphasizing BoP development by supporting BoP market building initiatives/investments that have long term economic, social and environmental impacts is dependent upon this. For example unlike duration-specific IMF/World Bank-funded state-run initiatives geared towards tourism development in the 1980s and 1990s, most of which didn't succeed (Kimbu & Ngoasong, 2013; Kwaramba et al., 2012), i-investors can capitalize on the recent prioritization of tourism development in many African countries (manifested via the loosening of travel/visa restrictions, business and tourism friendly policy initiatives and other infrastructural developments) to support inclusion and local development through tourism in SSA countries by providing much needed funding, business training, and marketing support needed by small tourism firms (STFs) to be competitive, socially and environmentally sustainable (Kimbu et al., 2019). Impact investors can also be crucial in complementing the limited state funding and tourism development initiatives, as well as STFs inability to secure credit from commercial banks which has been identified as seriously impacting the growth STFs (Ngoasong & Kimbu, 2016). For this to be possible, II organizations would have to reduce their loan thresholds which are most often higher than the amounts required by many STFs to start or grow their businesses (Ngoasong et al., 2015). Alternatively, they could consider developing tailored packages for H&T businesses taking into consideration the specificities of the sector.

Our propositions 3 and 4 suggest that II enables enterprises to achieve market returns, scale up and experiment while pursuing their social and environmental objectives but to achieve this they should be prepared to make financial and non-financial sacrifices especially within the context of tourism. This combination of a development and banking logic (Battilana & Dorado, 2010: 1419) can enable II organizations to provide direct and indirect support to development oriented STFs at the BoP. Direct support as Ngoasong & Kimbu (2016: 431) indicate may "include funding for creating [and/or scaling-up] STFs that in turn serve the tourism industry value chain", while indirect support can be in the form of much needed skills, capacity and capability development of the entrepreneurs. This has been observed to represent a serious drawback to the success of many STFs in Africa, but which if well planned and developed would lead to business expansion, improvement in service quality customer/visitor satisfaction and BoP development.

Every investment is an 'impact investment' (be it economic/financial, environmental and/or social) either intentionally or unintentionally. Just as in ordinary life and business where targets and goal setting are important determinants that enable the measurement and assessment of success, intentionality (of the investor) in II is very important because it enables the measurement of results, as well as an assessment of the impacts of an investment in relation to the particular goal the investment set out to achieve. This paper provides an important starting point to initiate the discussions about the place of impact investing in hospitality and tourism, a discussion which up till present has been largely inexistent. However, our framework depicting the role and impact of impact investing in STFs is not without limitations having been derived from content analyzing extant II and tourism literature. We however hope to have provided a foundation upon which empirical studies can be developed to extend our understanding and expand research on II in H&T. Future empirical research can expand our understanding and applicability of the framework by testing it in a real-life context in an emerging SSA country. Research can also explore how STFs that have received impact funds grapple with the challenge of delivering social, environmental and financial returns.

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