

UDC 330.322.01

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## THE ROLE OF PRIVATE CAPITAL AND THE TOOLS FOR ITS PARTICIPATION IN THE DEVELOPMENT OF IMPACT INVESTING

*The article examines the role of private capital and its instruments in the development of impact investing as an approach aimed at achieving measurable social and environmental outcomes alongside financial returns. Based on international practice and market data, key drivers and constraints of scaling impact investments are identified. The analysis covers private equity, venture capital, sustainable debt instruments and blended finance mechanisms, highlighting their different levels of managerial influence, risk and scalability. Particular attention is paid to the role of family offices as providers of patient and catalytic capital. The study emphasizes the importance of transparency, standardized impact measurement and credible reporting in reducing impact washing risks and enhancing investor confidence in impact-oriented projects.*

**Keywords:** private equity, impact investing, venture capital, direct investment, sustainable bonds, blended finance, ESG.

**Problem statement and its relevance for scientific and practical tasks.** Impact investing, understood as the allocation of capital with the aim of obtaining measurable social and environmental results along with financial returns, has transformed from a niche concept into a globally recognized investment approach [1, 2, 11]. At the same time, the global economy faces a persistent shortage of financing for sustainable development. According to the United Nations, achieving the Sustainable Development Goals (SDGs) requires an additional 3–5 trillion US dollars annually by 2030 [9]. State budgets and traditional philanthropy remain insufficient to overcome this shortage, which makes the mobilization of private capital a critically important practical task for governments, international institutions and financial markets [12]. Despite rapid growth, impact investing still accounts for a limited share of global financial assets. Total impact investing assets under management exceeded \$1.57 trillion in 2024 [1], while private markets in general exceeded \$13 trillion and global capital markets exceeded \$100 trillion [5]. This discrepancy indicates the underutilization of private capital in financing high-impact initiatives. From an academic perspective, a key challenge is to understand how different private capital instruments contribute to impact creation while maintaining competitive risk-adjusted returns. From a practical perspective, identifying effective instruments is important for developing regulatory frameworks and investment strategies that facilitate the flow of capital to impact-oriented projects [2, 6].

**Review of recent research and publications.** Impact investing research today is largely based on analytical

reports produced by global investment networks, financial institutions, and consulting firms. The Global Impact Investment Network (GIIN) provides the most comprehensive market data, estimating impact investing assets at \$1.571 trillion with a compound annual growth rate of approximately 21% since 2019 [1, 2]. Survey data suggests that 94% of impact investors meet or exceed both financial and impact expectations, which refutes the assumption that impact investing involves a systematic trade-off between returns [2]. Institutional research further supports the integration of sustainable and impact-oriented capital. Morgan Stanley reports that sustainable investment funds will reach \$3.92 trillion in assets under management by mid-2025 and outperform traditional funds during the first half of 2025 [3]. Consulting firms highlight similar trends: BCG notes that climate-focused private equity has remained resilient despite macroeconomic strengthening, with climate-related private equity deals reaching \$73 billion in 2024 [4]. Convergence highlights the growing role of blended finance, reporting \$15.5 billion mobilized through climate-focused blended structures in 2024, alongside growing participation from institutional investors [6]. However, research gaps remain. The works of foreign scholars, in particular Laurent Y. [5], as well as the reports of the Global Impact Investing Network prepared by Amit Buri [1, 2], the Morgan Stanley Institute for Sustainable Investing, authored by Jessica Olsford [3], the Boston Consulting Group, carried out by Alexander Baik, Bjorn Struever, Wolfgang Derner, Brad Henderson, Max Manning, Leopold Kammerer, Patricia Buffioni and Benedict Montgomery [4], contain a limited comparative



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analysis of the impact efficiency of such instruments as private equity, venture capital, sustainable bonds and blended finance mechanisms [14]. Furthermore, the lack of standardized impact measurement systems continues to complicate the comparability of results and raises concerns about impact washing (including greenwashing) [2, 3, 12]. These gaps require further research into the structure, incentives, and effectiveness of private equity instruments in impact investing.

**Purpose and objectives of the article.** The purpose of this article is to explore the role of private equity and its key instruments in scaling impact investing within the global financial system. The objectives are to identify the main private equity instruments used in impact investing, assess current market trends shaping their implementation, assess effectiveness and limitations, and identify areas for improving capital mobilization and impact measurement.

**Key findings of the study.** Private equity and venture capital are key vehicles for scaling impact through equity ownership, governance influence, and long-term value creation [11]. Climate technology, clean energy, financial inclusion, and healthcare innovation have emerged as leading sectors for impact-focused venture capital, with global investments in climate technology estimated to reach \$40.5 billion in 2025 [10]. Private equity firms are increasingly integrating impact objectives into investment strategies, benefiting from operational control and extended investment horizons that allow financial performance to be aligned with measurable impact outcomes [4, 5]. Family offices and high-net-worth individuals play a complementary role by providing patient and flexible capital [12]. Approximately 36% of family offices worldwide report active participation in sustainable or impact investing, often through direct investments, co-investments or dedicated impact funds [7]. Their willingness to adopt innovative structures and accept longer periods of return supports early and high-risk impact initiatives that subsequently attract institutional capital. Public market instruments also facilitate scaling impact by mobilizing large pools of capital. ESG-aligned funds and management strategies integrate sustainability considerations into equity and debt markets. By mid-2025, sustainable fund assets had reached nearly \$4 trillion and demonstrated competitive financial performance [3]. At the same time, green, social and sustainability bonds have expanded rapidly, with annual issuance exceeding US\$1 trillion by 2024, channeling debt capital into climate change mitigation, infrastructure and social development projects [8]. Blended finance mechanisms and co-investment structures with development finance institutions are

lowering risk barriers in emerging and advanced markets. By combining concessional and commercial capital, these structures enable private investment in areas with high development impact but weaker stand-alone risk and return profiles. Evidence suggests that blended finance can mobilize several dollars of private capital for every dollar of public or philanthropic funding, enhancing its catalytic role in impact investing [6]. The generalization of the analysis results shows that the effectiveness of private equity instruments in impact investing is determined by a combination of three key parameters: the level of managerial influence of the investor, the investment horizon and the possibility of formal measurement of the impact results. Instruments with a high level of control over the investment object, in particular venture capital and direct investments, provide a deeper and more measurable social and environmental effect, while public market instruments are characterized by a higher potential for scaling, but more limited opportunities for direct managerial influence. The comparative characteristics of the main private equity instruments in the context of the type of influence, level of risk, investment horizon and scaling potential are summarized in Table 1, which allows us to systematize the research results and identify differences between individual classes of instruments.

According to Table 1, venture capital and private equity instruments play a key role in the stages of forming and deepening impact, while ESG-oriented funds and sustainable debt instruments ensure its further scaling. At the same time, it was found that a significant limitation of the development of impact investing remains the lack of unified approaches to assessing and comparing impact results between different private equity instruments. Despite the spread of ESG reporting standards, the problem of comparability of indicators and the risks of impact laundering reduce investor confidence and restrain the inflow of capital into certain market segments. The results obtained confirm that the most effective in terms of achieving impact investment goals are combined financing models that combine private equity instruments with different levels of risk and scaling. It is this configuration that allows ensuring both the depth of social and environmental impact and its spread to wider segments of the economy, which is of fundamental importance for the implementation of the Sustainable Development Goals.

**Conclusions and directions for further research.** The results of the study confirm that private equity has become a central driver of impact investing, supported by a diverse set of instruments across both private and public markets. Direct equity and venture capital provide governance-focused impact, family offices provide early-stage

**Table 1 – Private equity instruments in impact investing and their characteristics**

| Instrument        | Type of Impact                    | Risk Level  | Investment Horizon | Scalability Potential |
|-------------------|-----------------------------------|-------------|--------------------|-----------------------|
| Venture Capital   | Social, Environmental             | High        | Long-term          | High                  |
| Private Equity    | Social, Environmental, Governance | Medium      | Long-term          | Medium–High           |
| Family Offices    | Catalytic                         | Medium–High | Ultra long-term    | Medium                |
| ESG Funds         | Systemic                          | Low–Medium  | Medium-term        | High                  |
| Sustainable Bonds | Environmental, Social             | Low         | Medium-term        | High                  |
| Blended Finance   | Catalytic                         | Reduced     | Long-term          | Very high             |

*Source: summarized and systematized by the authors in tabular form based on [1–10]*

catalytic capital, ESG-compliant funds and sustainable bonds provide scalability, and blended finance expands access in high-risk environments. However, challenges remain, particularly around standardization of impact measurement, regulatory fragmentation, and reputational risks associated with greenwashing [13]. Future research should focus on longitudinal analysis of the effectiveness

of different instruments, harmonization of impact reporting standards, comparative assessment of additionality, and interactions between regulation and private equity allocation. Addressing these issues is essential to scaling impact investing from its current trillions to the levels needed to achieve the global sustainable development goals.

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## РОЛЬ ПРИВАТНОГО КАПІТАЛУ ТА ІНСТРУМЕНТАРІЙ ЙОГО УЧАСТІ У РОЗВИТКУ ІМПАКТ-ІНВЕСТУВАННЯ

У статті досліджено роль приватного капіталу та інструментарій його участі у розвитку імпаکت-інвестування як інвестиційного підходу, спрямованого на поєднання досягнення вимірюваних соціальних і екологічних результатів із забезпеченням фінансової віддачі. Обґрунтовано, що в умовах зростаючого дефіциту фінансування сталого розвитку та обмеженості можливостей державних бюджетів і традиційної філантропії саме приватний капітал стає ключовим чинником мобілізації довгострокових інвестицій у проекти з високою суспільною значущістю. Імпаکت-інвестування розглядається як інструмент подолання розриву між потребами у фінансуванні Цілей сталого розвитку та реальними обсягами доступних ресурсів, що зумовлює його зростаючу роль у сучасній глобальній фінансовій системі. На основі узагальнення міжнародної практики та сучасних ринкових даних проаналізовано основні інструменти участі приватного капіталу в імпакт-інвестуванні, зокрема венчурний капітал, прямі інвестиції, сталі боргові інструменти та механізми змішаного фінансування. Показано, що венчурний капітал і прямі інвестиції забезпечують глибший рівень управлінського впливу інвестора та можливість інтеграції цілей соціального й екологічного впливу в корпоративне управління та операційну діяльність компанії. Водночас публічні ринкові інструменти, зокрема ESG-орієнтовані фонди та сталі облігації, відіграють важливу роль у масштабуванні імпакт-ефекту за рахунок залучення значних обсягів капіталу та ширшої участі інституційних інвесторів. Окрему увагу приділено ролі сімейних офісів та приватних інвесторів з високим рівнем добробуту як джерела «терплячого» та каталізуючого капіталу, здатного підтримувати імпакт-орієнтовані проекти на ранніх і ризикових стадіях розвитку. Їхня гнучкість у виборі інвестиційних стратегій та довгострокові горизонти інвестування створюють передумови для формування інноваційних моделей фінансування, які згодом можуть залучати інституційний капітал. Виявлено ключові бар'єри подальшого розвитку імпакт-інвестування, серед яких фрагментарність регуляторного середовища, відсутність уніфікованих підходів до вимірювання та порівняння результатів впливу, а також зростання репутаційних ризиків, пов'язаних з імпакт-вошингом. Обґрунтовано, що підвищення прозорості, порівнюваності та верифікованості результатів впливу є необхідною умовою зростання довіри з боку інвесторів і стейкхолдерів та розширення участі приватного капіталу в імпакт-інвестуванні. Зроблено висновок, що найбільш ефективними з точки зору досягнення як фінансових, так і суспільно значущих цілей є комбіновані моделі фінансування, які поєднують інструменти приватного капіталу з різним рівнем ризику, управлінського впливу та потенціалу масштабування. Отримані результати мають теоретичне й практичне значення для формування інвестиційних стратегій, удосконалення регуляторної політики та розвитку практики управління імпакт-орієнтованими активами.

**Ключові слова:** приватний капітал, імпакт-інвестування, венчурний капітал, прямі інвестиції, сталі облігації, змішане фінансування, ESG.

**JEL classification:** E62, F21, H54

Дата надходження статті: 28.01.2026

Дата прийняття статті: 20.02.2026

Дата публікації статті: 03.03.2026