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Impact Risk in Impact Investing: A Systematic Review of Impact Risk Drivers and Governance Responses and an Integrative Framework

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ABSTRACT

This study systematically reviews impact risk in impact investing to identify its dimensions, drivers, governance responses, and interrelationships. Drawing on a qualitative thematic analysis of 56 articles published between 2011 and 2025, the review integrates previously fragmented research on impact-related risks. We define impact risk as risks arising from the pursuit, governance, measurement, and public claims about impact that threaten the realization, credibility, or social license of impact-oriented investments. The findings identify five interrelated dimensions: positive impact risk, negative impact risk, impact evidence risk, impact accountability risk, and impact legitimacy risk. For each dimension, the review synthesizes its principal drivers and governance responses. The findings further show that these risks form an interdependent system characterized by risk amplification, risk conversion, and risk mutual reinforcement. The study contributes a five-dimensional classification of impact risk and an integrative framework explaining how these risks interact, providing a foundation for examining impact risk as an interdependent governance problem.

1 | Introduction

Impact investing has emerged as a prominent approach to mobilizing private capital to address social and environmental challenges while generating financial returns (Islam and Akroyd 2024; Schlütter et al. 2024). Over the past two decades, the field has expanded in scale, scope, and institutional diversity, encompassing dedicated impact funds, development finance institutions, foundations, banks, and mainstream asset managers (Hockerts et al. 2022; Islam and Scott 2022). This expansion has been accompanied by growing scholarly attention to the definition and boundaries of impact investing, impact measurement and attribution, investment decision-making, governance arrangements, and the credibility of impact claims (Islam 2022a, 2023; Roor and Maas 2024; Schlütter et al. 2024). Recent research also questions whether impact investments consistently fulfill their social and environmental promises and highlights

the possibility of impact shortfalls, unintended harms, impact washing, and legal or reputational exposure (Andreoli et al. 2025; Casasnovas et al. 2025; Islam and Rahman 2023; Kaufmann and Botha 2025). Understanding impact-related risk is, therefore, increasingly important to the effectiveness, credibility, and continued development of impact investing.

Despite this growing body of research, knowledge about impact-related risks remains conceptually fragmented. Some studies examine the risk that intended social or environmental outcomes are not realized (Islam 2023; Kaufmann and Botha 2025), whereas others focus on unintended harms and adverse effects (Berndt and Wirth 2018; Prontera and Quitzow 2025; Thompson 2023). Further studies address measurement and verification problems, contested impact claims, legal exposure, or threats to credibility and legitimacy (Andreoli et al. 2025; Casasnovas et al. 2025; Findlay and

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Moran 2019; Islam and Akroyd 2024; Islam and Habib 2024). These streams have largely developed in parallel, drawing on different theoretical perspectives, empirical settings, and conceptualizations of risk. Although existing studies provide valuable insights into particular forms and mechanisms of impact-related risk, they do not systematically integrate these risks within a common analytical framework or explain how they interact and evolve over time.

Addressing this gap is important because treating impact risks separately may obscure how weaknesses in one area intensify or generate risk in another. An integrated perspective is therefore needed to understand not only the different forms of impact risk but also their drivers, governance responses, and interrelationships. Accordingly, the objective of this study is to systematically synthesize the impact investing literature to identify the principal dimensions of impact risk, explain their underlying drivers and governance responses, and develop an integrative framework showing how these risks interact.

The review identifies five analytically distinct but interrelated dimensions of impact risk. As will be discussed later, *positive impact risk* concerns the possibility that intended social or environmental benefits are not realized. *Negative impact risk* concerns unintended harm generated by an impact-oriented intervention. *Impact evidence risk* arises when impact claims cannot be credibly measured, attributed, compared, or verified. *Impact accountability risk* concerns exposure to formal legal, regulatory, or contractual challenge arising from impact-related claims or practices. Finally, *impact legitimacy risk* concerns the erosion of trust, credibility, or social acceptance among relevant stakeholders. For each dimension, the review identifies the principal drivers and governance responses discussed in the literature.

Building on this synthesis, we develop an integrative framework that explains the relationships among the five dimensions of impact risk. The framework identifies three systemic dynamics: *risk amplification*, whereby one risk increases the likelihood, severity, or persistence of another; *risk conversion*, whereby a problem originating in one risk dimension develops into another form of risk; and *risk mutual reinforcement*, whereby different risks intensify one another through reciprocal feedback loops. Together, these dynamics explain how distinct forms of impact risk become interconnected and evolve as part of a broader risk system.

The main contributions of this paper are as follows. First, it systematically integrates previously fragmented research on impact-related risk within a common analytical framework. Second, it develops a five-dimensional taxonomy of impact risk and synthesizes the principal drivers and governance responses associated with each dimension. Third, it advances an integrative framework that moves beyond classification to explain how impact risks interact through amplification, conversion, and mutual reinforcement. Fourth, it identifies conceptual and empirical gaps in the existing literature and develops a research agenda for examining impact risk as an interdependent governance problem. Collectively, these contributions provide a foundation for understanding how impact risks are produced, connected, and governed in impact investing settings.

The remainder of the paper is organized as follows. Section 2 explains the review method. Section 3 presents the descriptive findings, and Section 4 reports the thematic findings. Section 5 develops the integrative framework of impact risk. Section 6 outlines future research directions, and Section 7 concludes.

2 | Review Method

2.1 | Data Collection and Cleaning

This study adopts a systematic literature review design, following established protocols used in prior reviews in related areas (Islam 2022a; Roor and Maas 2024; Schlütter et al. 2024). The review proceeded in four stages: (i) specifying a transparent search string and database strategy, (ii) applying explicit inclusion and exclusion criteria, (iii) conducting multistage screening to ensure topical relevance, and (iv) using complementary procedures to enhance coverage. Figure 1 summarizes the overall process.

The initial search was conducted in Scopus, one of the largest multidisciplinary databases of peer-reviewed journal articles. The search targeted article titles, abstracts, and keywords using the following search string: “risk*” AND “impact invest*” OR “social finance.” No publication-year restriction was imposed because the review aimed to capture the development of research on impact-related risk in impact investing from its earliest relevant publications. The resulting corpus covers 2011–2025: 2011 is the publication year of the earliest article meeting the inclusion criteria, and 2025 is the final year covered because the search was conducted in October 2025. The Scopus search identified 200 peer-reviewed English-language articles across business, management, and accounting; economics, econometrics, and finance; social sciences; and environmental science. To improve coverage and reduce database bias, the same search was conducted in ScienceDirect, yielding a further 170 articles.

Following common practice in systematic review research (Islam 2022a; Schlütter et al. 2024), the dataset was then manually cleaned. In particular, we applied the following exclusion criteria: (i) duplicate articles appearing across the two databases were removed, (ii) articles that mentioned risk issues only tangentially were excluded, and (iii) articles focusing primarily on traditional financial risk or portfolio return optimization, without substantive engagement with nonfinancial risk in impact investing, were excluded. After these criteria were applied, 26 articles remained.

To enhance coverage, we then conducted backward snowballing by examining the reference lists of the included articles. This process identified 30 additional articles. These articles were not captured by the database search because risk-related terminology did not necessarily appear in their titles, abstracts, or keywords, although their full texts substantively addressed impact-related risks. The same inclusion and exclusion criteria were applied to these articles. The final corpus, therefore, comprised 56 articles: 26 identified through the database search and 30 through backward snowballing.

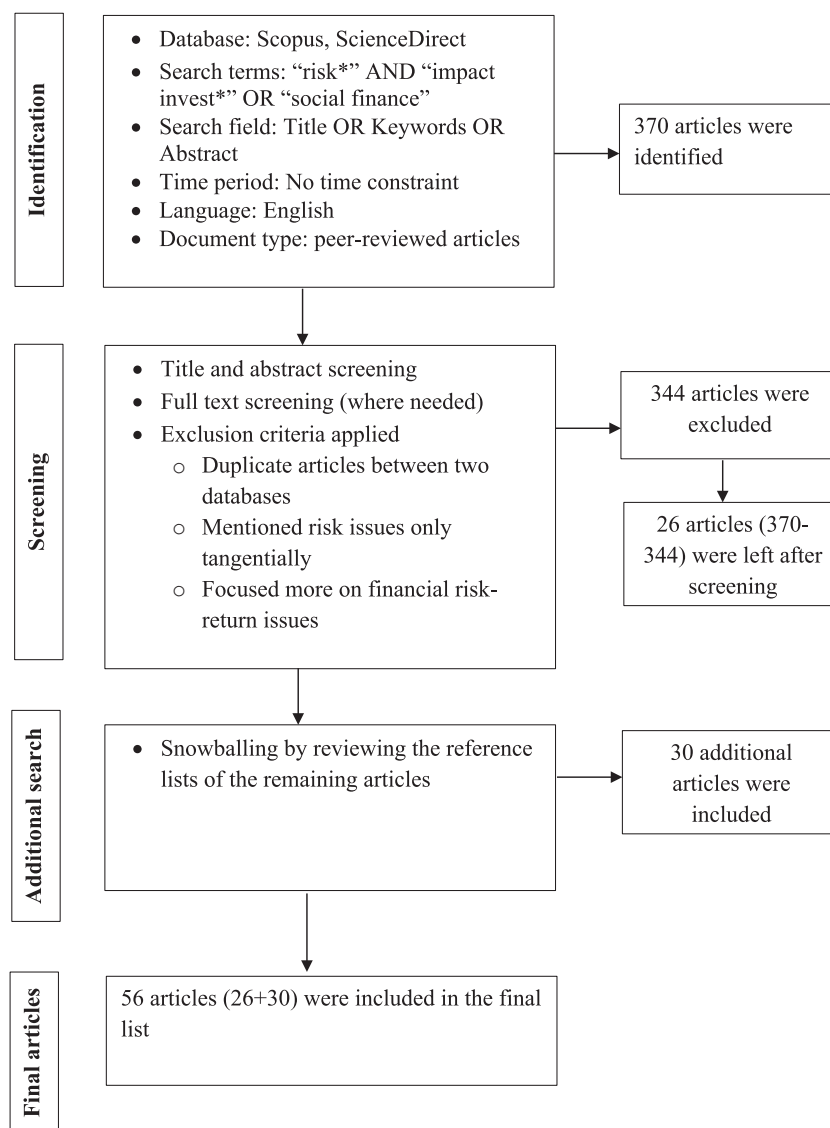


FIGURE 1 | Data collection and cleaning flow chart.

2.2 | Data Analysis

Consistent with established approaches to systematic literature reviews that seek to develop an integrative understanding of a focal phenomenon (Islam 2022a; Saebi et al. 2019; Schlütter et al. 2024), we employed a qualitative thematic analysis. This approach was appropriate because the reviewed articles differed in their theoretical perspectives, research methods, empirical contexts, and treatment of impact-related risks. Four questions guided the review: (i) How is impact risk defined and conceptualized in the literature? (ii) What major types of impact risk are discussed? (iii) What are the principal drivers of these risks? and (iv) What governance responses are proposed or observed?

The analytical process involved three stages. First, we recorded the descriptive characteristics of each article, including its publication year, outlet, research method, and theoretical framework (Roor and Maas 2024; Schlütter et al. 2024).

Second, we read the articles closely and coded relevant findings and arguments (Islam 2022a; Schlütter et al. 2024) concerning the nature of impact risk, its underlying drivers, and the governance responses used or proposed to address it. The coding process was iterative: Related codes were compared across articles, refined, and grouped into broader categories. This process resulted in five overarching dimensions of impact risk: positive impact risk, negative impact risk, impact evidence risk, impact accountability risk, and impact legitimacy risk. The articles and their principal characteristics and themes are reported in Appendix A.

Third, we compared the five dimensions to identify relationships among them (Islam 2022b; Saebi et al. 2019). This integrative analysis showed that impact risks do not operate independently but interact through three recurring dynamics: risk amplification, risk conversion, and risk mutual reinforcement. Moving iteratively between the individual articles, the emerging categories, and the broader literature enabled us to develop

a concept-centered synthesis rather than an article-by-article summary (Islam 2022b; Saebi et al. 2019).

3 | Descriptive Findings

3.1 | Publication Outlets

The studies included in this review are distributed across 36 publication outlets, indicating that scholarship on impact risk remains widely dispersed rather than concentrated within a single journal domain. Although a small number of outlets, most notably *Stanford Social Innovation Review* and *Journal of Business Ethics*, have published multiple articles (Table 1), most outlets have contributed only one article. This distribution reflects the cross-disciplinary character of the field. For example, impact-related risks have been examined from the perspectives of business ethics and institutional logics (Andersen and Tekula 2022; Moran and Ward-Christie 2022), finance and investment decision-making (Flammer et al. 2025), accounting and management control (Islam 2023; Pullen et al. 2025), social entrepreneurship and social policy (Edmiston and Nicholls 2018; Ormiston et al. 2015), and critical studies of financialization and environmental governance (Berndt and Wirth 2018; Harvie and Ogman 2019). Thus, knowledge about impact risk is developing across diverse scholarly communities, but it has not yet consolidated into a coherent research domain.

3.2 | Publication Trends Over Time

The temporal distribution of the 56 articles shows that research on this topic is relatively recent and has grown noticeably over time. Only a small number of studies appeared between 2011 and 2016, but publication activity increased from 2017 onward (Table 2). The highest number of articles was published in 2024, and the generally higher publication levels in recent years

indicate growing scholarly interest in the topic. Overall, this trend suggests that impact-risk research remains an emerging but expanding area of inquiry.

3.3 | Research Methods Employed

The methodological profile of the reviewed literature shows a clear dominance of qualitative research. Of the 56 articles, 33 employ qualitative approaches, and 14 are conceptual, whereas only six use quantitative methods and three adopt mixed-method designs (Table 3). Qualitative studies have generated context-rich insights into issues such as impact measurement, governance, financialization, and contractual complexity (Berndt and Wirth 2018; Islam 2023; Moran and Ward-Christie 2022), whereas conceptual studies have helped identify emerging risks and propose governance responses across different impact-investing contexts (Bannick et al. 2017; Evans 2013). By comparison, quantitative and mixed-method studies remain limited, although they have begun to examine investor behavior, impact-risk trade-offs, and impact underperformance

TABLE 1 | Outlets publishing more than one article.

Publication outlets	Number of articles
Stanford Social Innovation Review	8
Journal of Business Ethics	5
Journal of Social Entrepreneurship	3
VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations	3
Accounting & Finance	2
Environment and Planning A: Economy and Space	2
Geoforum	2
Journal of Sustainable Finance & Investment	2
Management Decision	2

TABLE 2 | Number of articles by year.

Year	Number of articles
2011	1
2012	1
2013	2
2014	1
2015	2
2016	3
2017	5
2018	6
2019	5
2020	5
2021	5
2022	4
2023	4
2024	7
2025	5
Total	56

TABLE 3 | Research methods employed.

Methods	Number of articles
Qualitative	33
Quantitative	6
Mixed	3
Conceptual	14
Total	56

(Flammer et al. 2025; Kaufmann and Botha 2025; Schrötgens and Boenigk 2017). This pattern indicates that the field remains primarily interpretive and exploratory. Although such research has been valuable in identifying nuanced forms and mechanisms of impact risk, further quantitative and mixed-method research could test the prevalence, antecedents, consequences, and interrelationships of these risks across larger samples and different institutional contexts.

3.4 | Theories Used

The review reveals limited theoretical engagement, with 38 of the 56 articles lacking a clearly articulated theoretical framework. Among the theory-informed studies, institutional theory is used most frequently, followed by political economy and a management control perspective (Table 4). Institutional theory is primarily used to explain how competing financial and social logics shape investment decisions, organizational practices, and legitimacy concerns in impact investing (Castellas et al. 2018; Cetindamar and Ozkazanc-Pan 2017; Moran and Ward-Christie 2022). Political economy perspectives highlight financialization, power asymmetries, and the distribution of risks and benefits among stakeholders (Berndt and Wirth 2018; Harvie and Ogman 2019), whereas a management control perspective explains how measurement, monitoring, and governance mechanisms are used to manage impact-related risks (Islam 2023; Islam and Akroyd 2024; Islam and Habib 2024).

Other theories are used less frequently and address more specific issues. Contract theory examines incentive misalignment and opportunism in multiactor arrangements (Evans 2013; Pandey et al. 2018), whereas governmentality, resilience, and efficient frontier theories illuminate outcome-based measurement, adaptation under complexity, and financial risk–return–impact trade-offs, respectively (Flammer et al. 2025; Geobey et al. 2012; Pullen et al. 2025). Overall, these perspectives provide valuable but largely domain-specific explanations. Their limited and uneven application suggests that the theoretical foundations of impact-risk research remain underdeveloped, particularly in explaining how different forms of impact risk interact and evolve over time.

TABLE 4 | Theories employed.

Theories	Number of articles
Contract theory	2
Efficient frontier theory	1
Governmentality theory	1
Institutional theory	6
Management control perspective	3
Political economy	4
Resilience theory	1
No clear theory	38
Total	56

4 | Thematic Findings

This section presents the thematic findings of the review, organized around five analytically distinct but interdependent dimensions of impact risk in impact investing.

4.1 | Positive Impact Risk

Positive impact risk—also referred to as impact shortfall risk—denotes the probability that an impact investment fails to achieve its intended positive social and/or environmental outcomes, even when the investment is financially viable (Islam 2023). In contrast to conventional financial risk, which concerns return volatility or capital loss, positive impact risk concerns the effectiveness of impact-oriented interventions and the extent to which resources are converted into meaningful and sustained outcomes.

4.1.1 | Drivers of Positive Impact Risk

We identify four major drivers of positive impact risk in impact investing.

First, system complexity and context dependence represent a fundamental source of positive impact risk. Impact investments often intervene in complex socioecological systems characterized by nonlinear causal relationships, interdependent outcomes, and feedback effects (Geobey et al. 2012). Changes in environmental conditions, political priorities, market structures, or beneficiary needs can weaken initially plausible impact strategies (Thompson 2023). Even when an intervention is implemented as intended, evolving conditions may render its original assumptions less valid and disrupt the pathway from activities to intended outcomes (Adhikari and Chalkasra 2023; Kaufmann and Botha 2025). Positive impact risk therefore arises partly because the relationship between an intervention and its intended outcomes is context-dependent and may change over time.

Second, weak impact calculability and fragile intervention models increase the likelihood of positive impact risk. Weak impact calculability occurs when investors lack the information and analytical tools needed to estimate, compare, and price the likelihood of achieving intended outcomes (Phillips and Johnson 2021). This problem is particularly pronounced in areas such as biodiversity conservation and early-stage social innovation, where historical performance data are limited, outcomes may take considerable time to materialize, and standardized measures and credible benchmarks remain underdeveloped (Flammer et al. 2025). Intervention models are also fragile when the causal assumptions connecting invested capital, organizational activities, and eventual outcomes have not been sufficiently tested (Adhikari and Chalkasra 2023). Under these conditions, investors and intermediaries may rely on proxies, narratives, and optimistic expectations to make uncertain interventions appear investable and scalable (Christiansen 2021). These devices can facilitate investment under uncertainty, but they may also obscure weaknesses in an intervention's causal logic or delivery capacity. Consequently, capital may be

committed, or interventions scaled before their ability to generate sustained impact has been established, thus increasing the likelihood of subsequent impact shortfalls.

Third, evidence frictions and information asymmetries impede the assessment and correction of impact risk throughout the investment lifecycle. Weak baselines, contested counterfactuals, and costly or complex measurement systems limit investors' ability to assess whether proposed impact pathways are credible and whether implementation is producing the intended outcomes (Castellas et al. 2018). Before investment, these limitations can contribute to selection and design errors by directing capital toward interventions whose causal logic is less robust than assumed (Berndt and Wirth 2018). After investment, they can delay the detection of underperformance and constrain timely corrective action. Attribution difficulties can also create perceived impact shortfalls when positive outcomes occur but cannot be credibly linked to the investment (Thompson 2023).

Fourth, organizational capability constraints at the investee level increase the likelihood of implementation failure. Limited managerial capacity, weak governance, and immature operational systems can restrict investees' ability to execute, scale, and adapt their interventions effectively (Hazenberget al. 2015). These constraints weaken the conversion of capital, knowledge, and other inputs into sustained outputs and outcomes (Dichter et al. 2013). They also limit organizations' capacity to monitor performance, learn from emerging evidence, and correct implementation problems in a timely manner (Phillips and Johnson 2021). Consequently, even interventions with plausible causal models may fail to achieve the intended depth, scale, or durability of impact.

4.1.2 | Governance Responses to Positive Impact Risk

We identify three dominant governance responses to positive impact risk.

First, impact thesis discipline and causal plausibility testing help investors identify weak intervention models before committing capital. Investors articulate the intended outcomes, assess the alignment between the business model and impact objectives, and consider whether the proposed impact is plausible in the relevant context (Islam 2023; Ormiston et al. 2015). This includes stress-testing the theory of change by critically examining the assumptions and causal links connecting investment activities to intended outcomes, particularly under changing implementation or contextual conditions (Reisman and Sherman 2025). Establishing appropriate indicators, baselines, data responsibilities, and monitoring arrangements then enables investors to test these assumptions and identify emerging impact shortfalls (Islam and Habib 2024; Reisman and Sherman 2025). Together, these practices reduce exposure to speculative intervention models and support timely adaptation.

Second, capability building and investment-readiness support address the positive impact risk arising from weaknesses in investee organizations. Investors and intermediaries can strengthen investees' governance, management systems,

financial sustainability, and impact-measurement capabilities (Islam 2023). Such support improves their capacity to implement and scale interventions, monitor performance, and respond to emerging problems (Glänzel and Scheuerle 2016). Investment-readiness assessments can also identify capability gaps before investment, allowing investors to determine whether these weaknesses can be addressed through financial or nonfinancial support (Hazenberget al. 2015). These mechanisms help align the investee's organizational capabilities with the requirements of the proposed impact strategy and reduce avoidable implementation failures (Islam and Akroyd 2024).

Third, impact-centered contracting and post-investment stewardship operate as complementary governance mechanisms. Impact-centered contracts specify impact objectives, reporting and monitoring requirements, and mission-protection provisions, thereby reducing ambiguity and limiting mission drift that could contribute to impact shortfalls (Evans 2013; Islam 2023). However, because complex social and environmental outcomes cannot be fully specified or enforced contractually, formal controls are complemented by stewardship practices such as board participation, structured dialogue, site engagement, and adaptive monitoring (Islam 2023; Pandey et al. 2018). Combined with learning-oriented evaluation, these practices enable investors and investees to review emerging evidence, revise implementation strategies, and take corrective action when performance departs from expectations (Pullen et al. 2025; Reisman and Sherman 2025).

4.2 | Negative Impact Risk

Negative impact risk—also referred to as unintended harm risk—denotes the probability that an impact investment generates adverse social and/or environmental consequences, whether through direct effects (e.g., harmful service delivery practices) or indirect effects (e.g., exclusion, displacement, or ecological degradation), even when pursued under an explicit impact mandate (Islam 2023). In contrast to positive impact risk, which concerns the failure to realize intended benefits, negative impact risk foregrounds the possibility that impact investing itself can produce harm through the very mechanisms designed to generate social or environmental value.

4.2.1 | Drivers of Negative Impact Risk

We identify four major drivers of negative impact risk in impact investing.

First, metric fixation and evaluative reductionism are central mechanisms that generate harm. When success is defined by narrow, contractible indicators such as reconviction rates, "days of care averted," or hectares conserved, organizations rationally optimize for the metric rather than for underlying welfare or ecological objectives (Cho et al. 2021; Neyland 2018). This dynamic incentivizes goal displacement, encourages ethically problematic trade-offs, and can reduce service quality for beneficiaries whose needs are harder to measure (Berndt and Wirth 2018; León et al. 2020). The risk is amplified where evaluation regimes privilege methodological rigor and comparability

over contextual relevance, pushing implementers toward what is easiest to measure rather than what is most needed, thereby disproportionately disadvantaging high-need or hard-to-serve groups (Williams 2024).

Second, multiparty agency and diffuse accountability systematically increase the likelihood that harm remains hidden or unresolved. Impact investments often operate through complex arrangements involving investors, intermediaries, service providers, evaluators, and public commissioners, particularly in social impact bonds and blended finance structures (Moran and Ward-Christie 2022; Pandey et al. 2018). Under such conditions of incomplete contracting and information asymmetry, incentives to engage in selective reporting, strategic case selection, or pressure on evaluators are heightened (Evans 2013). At the same time, responsibility for adverse outcomes becomes fragmented across actors, making it difficult to assign blame, trigger remediation, or sustain corrective action when harms emerge (Cohen et al. 2021; Edmiston and Nicholls 2018).

Third, the financialization of social problems constitutes a deeper structural driver of harm. By reframing vulnerable populations, ecosystems, or public policy objectives as investable propositions and income streams, impact investing can privilege financial rationalities—such as pricing “social risk,” discounting long-term benefits, or prioritizing contractible outcomes—over public-service rationalities grounded in rights, equity, and care (Harvie and Ogman 2019; Neyland 2018). In blended impact investment contexts, this logic is often reinforced through risk redistribution: Guarantees and concessional capital can shift downside risks to public actors, donors, or communities rather than eliminating them, creating distributive harms even when headline impact targets are met (Guter-Sandu 2021; Riot 2020; Sklair and Gilbert 2022).

Fourth, spillovers and rebound effects in complex systems generate unintended harm beyond the immediate project boundary. Interventions in socioecological systems frequently produce indirect effects that are difficult to anticipate *ex ante* (Thompson 2023). For example, land-use investments intended to conserve ecosystems may displace deforestation pressures elsewhere, or rely on assumptions—such as land-sparing—that do not hold in practice (Begemann et al. 2023). Similarly, climate adaptation and infrastructure transitions can shift burdens across regions or social groups, producing distributive harms even when projects are framed as collectively beneficial (Adhikari and Chalkasra 2023; Popovic et al. 2024).

4.2.2 | Governance Responses to Negative Impact Risk

We identify three dominant governance responses aimed at preventing or mitigating negative impact risk.

First, harm screens and safeguard minima establish nonnegotiable “do no harm” baselines. Investors and intermediaries deploy exclusion criteria, rights-based safeguards, and minimum social and environmental standards to filter out transactions where harms are predictable or unmanageable (Islam 2023; Rode

et al. 2019). In contexts characterized by weak institutions or enforcement gaps, such safeguards are often complemented by stricter partner selection and enhanced contextual requirements to prevent foreseeable adverse outcomes (Mersland et al. 2020).

Second, adverse-impact pathway analysis and beneficiary-centered risk assessment strengthen harm anticipation and detection. Rather than focusing solely on intended outcomes, governance frameworks increasingly require explicit analysis of who might be harmed, how harm could occur, and under what incentive structures. Mapping pathways such as exclusion of difficult cases or service rationing under performance pressure enables investors to anticipate perverse effects embedded in contract design (Edmiston and Nicholls 2018; Neyland 2018). A beneficiary-centered orientation treats harms as ethically salient even when contractual outcomes are achieved, which is particularly important in welfare, health, and rights-sensitive contexts (Gruyter et al. 2020).

Third, participatory governance and grievance mechanisms surface harms that standard metrics are unlikely to capture. Because unintended harms are often invisible in routine reporting systems, participatory mechanisms—such as stakeholder engagement forums, oversight committees, and structured feedback channels—create spaces where affected groups can voice concerns (Casasnovas et al. 2025). Complementing participation, grievance and complaints mechanisms provide formal avenues for reporting and remediation, reducing both the incidence and persistence of harm while clarifying accountability when adverse effects occur (Islam 2023).

4.3 | Impact Evidence Risk

Impact evidence risk refers to the probability that claims about an impact investment's social and/or environmental performance cannot be credibly substantiated because outcomes cannot be reliably measured, attributed, compared, or verified (Berndt and Wirth 2018; Thompson 2023). Such difficulties can render impact claims contestable, fragile, or vulnerable to strategic manipulation, particularly when impact constructs are ambiguous, causal attribution is uncertain, or measurement practices are shaped by competing organizational interests (Casasnovas et al. 2025; Neyland 2018). Although closely related to positive and negative impact risks, impact evidence risk is analytically distinct because it concerns the integrity of the evidence infrastructure through which impact is made knowable and defensible, rather than the realized outcomes themselves.

4.3.1 | Drivers of Impact Evidence Risk

We identify four interrelated drivers of impact evidence risk in impact investing.

First, ambiguous impact constructs and contested boundaries constitute a foundational source of evidence risk. Actors often disagree on how to define outcomes, time horizons, additionality, and counterfactuals, resulting in divergent views over what constitutes valid or sufficient evidence (Hockerts et al. 2022; Phillips and Johnson 2021). Boundary choices—such as

whether to focus on direct or indirect effects, intended beneficiaries or broader stakeholders, short-term outputs or long-term outcomes—are inherently value-laden and vary across contexts and investor types (Andersen and Tekula 2022). As a result, evidence frameworks frequently reflect negotiated compromises rather than shared conceptual standards, increasing the likelihood that impact claims are challenged as incomplete, biased, or mis-specified.

Second, attribution friction and proxy reliance undermine the credibility of impact claims. Because outcome data are costly and difficult to collect, impact performance is often operationalized using proxies—such as activities delivered, beneficiaries reached, or hectares protected—that are weakly connected to underlying welfare or ecological change (Thompson 2023). The problem is compounded by weak baselines, absent counterfactuals, and complex causal environments where effects are difficult to isolate, creating persistent uncertainty over whether observed changes are attributable to the investment rather than to contextual trends or parallel interventions (Berndt and Wirth 2018; Schrötgens and Boenigk 2017). In outcome-based instruments such as social impact bonds, these attribution challenges intensify: Narrow indicators and rigid evaluation protocols can produce false negatives, encourage gaming, and trigger disputes over methodological fairness, thereby increasing the contestability of evidence (Williams 2024).

Third, capacity and cost constraints generate evidentiary risk by making evidence quality contingent on organizational resources rather than on impact reality. Many social enterprises and non-profits lack the staff, systems, and data infrastructures required for rigorous measurement and verification, resulting in inconsistent indicators, low-quality reporting, or ritualized compliance (Hazenberget al. 2015; Phillips and Johnson 2021). Where investors demand sophisticated evidence without financing the associated capability-building, impact measurement becomes an unfunded mandate, increasing reliance on superficial proxies and undermining the credibility of reported claims (Casasnovas et al. 2025). In such contexts, meaningful outcomes may occur without being evidentially defensible, whereas weaker interventions may appear robust due to better resourcing.

Fourth, complex transactions and strategic contestation amplify impact evidence risk. In blended finance and multiparty arrangements involving investors, donors, governments, intermediaries, service providers, and evaluators, measurement is embedded within politicized governance structures characterized by information asymmetry and divergent incentives (Cohen et al. 2021; Pandey et al. 2018). Where evaluation results affect payouts, reputational standing, or future funding, actors have incentives to frame evidence favorably, contest methodologies, or pressure validators (Neyland 2018). Consequently, even technically sound evidence can be perceived as biased or compromised, weakening confidence in impact claims and increasing the likelihood of dispute.

4.3.2 | Governance Responses to Impact Evidence Risk

We identify three dominant governance responses aimed at mitigating impact evidence risk.

First, a fit-for-purpose measurement design, combined with claim discipline, is used to align evidentiary ambition with feasibility. Rather than defaulting to maximalist regimes, investors increasingly tailor measurement approaches to intervention complexity and data constraints, reducing reliance on weak proxies and aspirational claims (Geobey et al. 2012). Claim discipline complements this approach by explicitly distinguishing outputs, outcomes, and additionality in reporting, ensuring that what is communicated reflects the strength and limits of available evidence (Casasnovas et al. 2025).

Second, evidence architecture design strengthens causal plausibility and attribution. Investors reduce evidence risk by specifying theories of change, baseline strategies, and data chains that clarify who collects what data, using which controls, and at what frequency (Islam 2023). Clear causal logic improves the interpretability of observed changes and reduces disputes over whether results constitute “real” impact (Berndt and Wirth 2018). In high-uncertainty domains, fact-finding pilots and learning-oriented proof-of-concept funding operate as governance devices that convert ambiguity into learnable risk before scaling (Flammer et al. 2025; Reisman and Sherman 2025).

Third, measurement capability building and resourcing treat evidence as governance infrastructure rather than an administrative add-on. Investments in systems, staff training, tooling, and measurement governance routines improve data quality and consistency over time, making outcome measurement more feasible and reducing dependence on ritualized compliance (Bannick et al. 2017; Phillips and Johnson 2021). Across the literature, a consistent implication is that the impact evidence risk cannot be managed through standards and disclosure alone; it requires sustained resourcing of evidence production if impact claims are to remain credible and defensible.

4.4 | Impact Accountability Risk

Impact accountability risk refers to the probability that impact investors, funds, or investees face formal legal, regulatory, or contractual challenge because their impact-related claims or practices are alleged to be misleading, inadequately substantiated, or inconsistent with applicable obligations (Andreoli et al. 2025; Brest 2016). It may arise from disputes over the accuracy of impact claims, failures to meet disclosure or governance requirements, contested evaluation and payment arrangements, or uncertainty regarding fiduciary and legal duties in impact-oriented investing (Andersen and Tekula 2022; Pandey et al. 2018).

4.4.1 | Drivers of Impact Accountability Risk

We identify four interrelated drivers that make impact accountability risk particularly salient in impact investing.

First, claim ambiguity and legal contestability constitute a foundational driver. The indeterminacy of “impact” and related concepts (e.g., sustainability, ESG, and responsible) blurs the boundary between legitimate aspirational statements and

potentially misleading representations (Andreoli et al. 2025). When organizations emphasize alignment with broad social goals or impact intent without specifying attributable outcomes or evidentiary limits, stakeholders and regulators can plausibly question the veracity of such claims—especially as expectations around precision and substantiation continue to rise (Begemann et al. 2023). Ambiguous claim language thus creates interpretive latitude that allows reputational critique to be escalated into a formal legal challenge.

Second, governance and agency failures heighten accountability exposure. Unclear accountability structures, weak oversight, and misaligned incentives increase the likelihood that stakeholders contest whether impact commitments have been honored (Andersen and Tekula 2022). Agency problems are particularly acute where financial and impact objectives diverge: Pressures to protect returns may encourage selective disclosure, symbolic compliance, or mission drift, which stakeholders may interpret as deception or bad faith when outcomes disappoint (Cetindamar and Ozkazanc-Pan 2017; Evans 2013). In this sense, governance fragility generates accountability risk by weakening internal controls that would otherwise prevent overclaiming and by obscuring responsibility when impact performance falls short.

Third, contractual complexity and strategic opportunism in multiparty settings amplify litigation risk. Impact investments—especially social impact bonds and blended finance structures—often rely on bespoke contracts involving governments, investors, service providers, intermediaries, and evaluators (Pandey et al. 2018). Such complexity expands the surface area for disagreement: Parties may contest evaluation methods, dispute performance results, or challenge payment triggers as circumstances evolve (Moran and Ward-Christie 2022). Where outcome verification determines financial flows or reputational standing, methodological disagreements become economically consequential, converting technical disputes about impact evidence into enforceable legal conflicts (Lowe et al. 2019; Palandijan and Hughes 2014).

Fourth, vehicle-specific compliance constraints create distinct accountability risks in impact investing. In specialized legal vehicles—such as program-related investments or concessional blended structures—transactions must satisfy explicit statutory criteria, including primary charitable purpose or limits on profit motive (Brest 2016; Zenios and Denend 2011). Where documentation is insufficient, or impact rationales are weakly articulated, investments may be challenged as noncompliant even if outcomes are socially beneficial. In these settings, compliance is inseparable from substantiation: Actors must be able to document why risk-sharing or concessionality is justified, or risk legitimacy concerns escalating into formal compliance challenges (Bank 2016).

4.4.2 | Governance Responses to Impact Accountability Risk

We identify four dominant governance responses aimed at mitigating impact accountability risk.

First, compliance mapping, combined with governance diagnostics, reduces exposure to procedural failures. Organizations seek to identify relevant disclosure obligations, regulatory expectations, and vehicle-specific constraints and pair this with diagnostics of internal governance—such as board oversight, decision rights, and accountability lines (Andreoli et al. 2025). This approach recognizes that many disputes arise not solely from outcomes but from poorly documented processes that appear imprudent or misleading ex post.

Second, impact-centered contracting and dispute architecture clarify expectations and reduce contestability. Contracts increasingly embed explicit impact objectives, reporting duties, monitoring rights, and mission-protection clauses to make impact commitments legally intelligible and enforceable (Islam and Akroyd 2024). In multiparty or pay-for-success arrangements, specifying evaluator independence, verification roles, and dispute-resolution mechanisms is particularly important in preventing methodological disagreements from escalating into litigation (Pandey et al. 2018). In blended impact investing, transparency provisions on risk allocation and the rationale for concessional structures further reduce accusations of inappropriate risk transfer or weak accountability (Cohen et al. 2021; Prontera and Quitzow 2025).

Third, active stewardship and early issue escalation function as preventative accountability controls. Rather than relying on ex post enforcement, investors combine behavior controls—such as engagement, site visits, and board participation—with output controls, including performance targets and corrective-action protocols (Islam 2023). By surfacing divergence between claims and performance early, stewardship reduces the likelihood that unresolved issues accumulate into formal disputes (Islam 2023). It also creates a contemporaneous governance record that strengthens legal defensibility if claims are later challenged.

Fourth, a proactive legal posture and fiduciary clarification help organizations anticipate rather than react to accountability pressures. Documenting decision rationales in real time, aligning practices with emerging regulatory expectations, and clarifying fiduciary interpretations for boards and trustees reduce uncertainty and prevent overly conservative reactions that constrain legitimate impact strategies (Andersen and Tekula 2022). Together, these practices shift accountability management from a defensive response to proactive impact governance.

4.5 | Impact Legitimacy Risk

Impact legitimacy risk refers to the probability that impact investing actors, including funds, intermediaries, investors, and investees, experience an erosion of trust, credibility, or social acceptance among key audiences such as beneficiaries, communities, regulators, civil society organizations, and the broader public (Cetindamar and Ozkazanc-Pan 2017; Findlay and Moran 2019). This risk is particularly salient because impact investing operates as a moral market in which claims of public value, fairness, and integrity are central to stakeholder evaluations of market

participants (Casasnovas et al. 2025). Legitimacy, therefore, depends not only on whether intended outcomes are achieved but also on whether impact practices, financial arrangements, and the distribution of risks and benefits are perceived as credible, fair, and consistent with societal expectations (Harvie and Ogman 2019; Moran and Ward-Christie 2022). Unlike impact accountability risk, legitimacy risk does not require a formal breach or legal challenge. It can arise whenever relevant audiences perceive a gap between an actor's stated impact commitments and its actual practices, even in the absence of legal noncompliance.

4.5.1 | Drivers of Impact Legitimacy Risk

We identify four interrelated drivers of impact legitimacy risk in impact investing.

First, moral scrutiny and escalating expectations increase legitimacy risk. By claiming both financial competence and public purpose, impact investors create expectations that their investments will deliver meaningful social or environmental benefits (Casasnovas et al. 2025). When impact investing is presented as a solution to challenges such as poverty, health inequality, climate change, or biodiversity loss, gaps between promised and realized outcomes may be interpreted as ethical failures rather than ordinary performance variation (Burger et al. 2018; Harvie et al. 2021). Consequently, impact shortfalls can generate substantial criticism and weaken stakeholder trust.

Second, credibility gaps arising from ambiguous impact concepts and uneven evidence undermine legitimacy. Stakeholders may disagree about what constitutes impact, additionality, success, or harm, creating competing interpretations of performance (Castellas et al. 2018). These concerns intensify when measurement frameworks vary across investors and the quality of supporting evidence is inconsistent (Findlay and Moran 2019). Under such conditions, stakeholders may regard impact claims as selective, exaggerated, or unverifiable, even when deliberate misconduct has not been established (Begemann et al. 2023). Legitimacy risk, therefore, increases when investors cannot demonstrate that their claims are based on clear concepts and credible evidence.

Third, perceptions of financialization and extraction generate legitimacy concerns. Research on social impact bonds and blended finance shows that converting social problems or vulnerable populations into investment opportunities can introduce financial priorities into domains traditionally guided by public-interest considerations (Harvie and Ogman 2019; Mollinger-Sahba et al. 2021). Payment-by-results structures and investor returns may be perceived as unfair when investors appear to capture disproportionate benefits, whereas governments, service providers, or communities bear substantial risks (Giacomantonio 2017; Williams 2024). Legitimacy, therefore, depends not only on the outcomes achieved but also on whether stakeholders consider the distribution of risks and benefits to be fair.

Fourth, perceived inconsistency between impact claims and investment practices can signal hypocrisy and weaken legitimacy. This occurs when investors promote a seamless alignment

between profit and impact but appear to prioritize market-rate returns, mature investment opportunities, or financial performance over their stated social mission (Bolis and West 2017; Findlay and Moran 2019). "Win-win" narratives heighten this vulnerability by downplaying potential tensions and trade-offs between financial and impact objectives (Kaufmann and Botha 2025). When such tensions subsequently become visible, stakeholders may interpret earlier claims as misleading rather than optimistic, creating a gap between stated commitments and observed governance priorities (Kaufmann and Botha 2025).

4.5.2 | Governance Responses to Impact Legitimacy Risk

We identify four dominant governance responses aimed at mitigating impact legitimacy risk.

First, legitimacy-oriented due diligence and stakeholder salience mapping treat social license as a consideration before investment rather than only after controversy arises. In addition to assessing whether an opportunity is financially and operationally investable, investors examine whether the proposed investment is socially acceptable to affected stakeholders (Andersen and Tekula 2022). This involves asking who may benefit or be harmed, who bears the risks and captures the returns, which stakeholders can confer or withdraw support, and whether the investment and its impact claims can be publicly justified (Harvie and Ogman 2019). Stakeholder mapping helps investors identify beneficiaries, communities, regulators, civil society groups, and other audiences whose concerns may not be visible in conventional financial or technical assessments (Islam and Habib 2024). This process can reveal transactions where legitimacy concerns are difficult to manage and provides a documented rationale for investment and governance decisions.

Second, transparent risk allocation and fairness-oriented structuring directly address distributive concerns at the heart of legitimacy disputes. Legitimacy often hinges on perceived fairness, particularly regarding who bears downside risk and who captures upside benefit (Cohen et al. 2021). Making risk allocation, verification rules, and remedial pathways explicit reduces suspicion that investors are insulated, whereas communities or taxpayers absorb losses (Palandijan and Hughes 2014; Sakamoto 2024). In blended impact investment, transparent articulation of why concessionality is used and how it enables otherwise infeasible impact strengthens the moral defensibility of transactions and constrains worst-case interpretations (Prontera and Quitzow 2025).

Third, participatory governance strengthens procedural legitimacy by incorporating affected stakeholders into decision-making and oversight processes. Engagement structures, impact committees, and benefit-corporation-style governance features create forums in which harms, distributive concerns, or implementation problems can be surfaced before they escalate into public controversy (Islam 2023; Islam and Akroyd 2024). By treating beneficiaries and communities as legitimate evaluators rather than passive recipients, participatory governance counters perceptions of extraction and reinforces alignment with public value (Harvie and Ogman 2019).

Fourth, responsive stewardship and learning transparency sustain legitimacy over time. Rather than treating legitimacy as a one-off entry condition, stewardship approaches emphasize responsiveness to emerging evidence and stakeholder concerns, normalizing adaptation under uncertainty (Islam 2023). Transparent communication of what changed, why it changed, and how governance responded reduces the likelihood that revisions are interpreted as cover-ups or narrative manipulation (Reisman and Sherman 2025). By aligning what is communicated with what is governed, stewardship strengthens legitimacy resilience in the face of inevitable trade-offs and performance variability.

5 | An Integrative Framework of Impact Risk in Impact Investing

The thematic analysis identified five dimensions of impact risk: positive impact risk, negative impact risk, impact evidence risk, impact accountability risk, and impact legitimacy risk. These dimensions classify the main forms of impact-related vulnerability discussed in the literature. However, examining them separately does not explain how a problem arising in one dimension may intensify or generate risks in another. The purpose of the integrative framework is therefore to explain the relationships among the five dimensions.

Our synthesis indicates that impact risks form an interdependent system rather than a set of isolated categories. For example, weak impact evidence can delay the detection of impact shortfalls or unintended harms, and those outcome failures can subsequently generate legal challenges or undermine stakeholder trust. Similarly,

governance mechanisms intended to reduce one risk may inadvertently create another, as when narrow performance targets improve reported outcomes but encourage exclusion or gaming (Berndt and Wirth 2018; Edmiston and Nicholls 2018; Neyland 2018). We conceptualize these relationships through three systemic dynamics: risk amplification, risk conversion, and risk mutual reinforcement (Figure 2). Risk amplification occurs when one risk increases the likelihood, severity, or persistence of another. Risk conversion occurs when a problem originating in one risk dimension develops into a different form of risk. Risk mutual reinforcement occurs when two risks intensify each other through a reciprocal feedback loop. We explain them below.

5.1 | Risk Amplification: Impact Evidence Risk as a System-Level Amplification Hub

Risk amplification occurs when one form of impact risk increases the likelihood, severity, or persistence of another without necessarily becoming that risk. Our analysis identifies impact evidence risk as a central amplification hub because evidence systems influence whether impact performance can be detected, interpreted, and acted upon.

Weak or contested evidence systems may involve proxy reliance, incomplete baselines, attribution difficulties, limited measurement capabilities, and disagreements over appropriate evaluation methods (Casasnovas et al. 2025; Thompson 2023). These weaknesses do more than create technical measurement problems. They make it difficult for investors and investees to distinguish genuine progress from underperformance and emerging

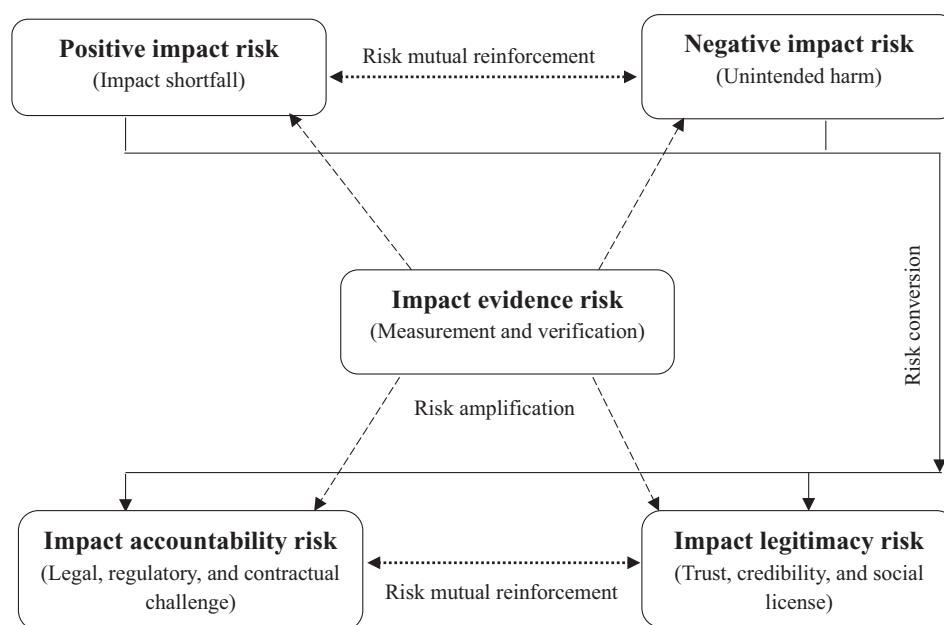


FIGURE 2 | An integrative framework of impact-risk interdependencies in impact investing. *Note:* The figure conceptualizes impact risk as an interdependent system comprising five analytically distinct dimensions: positive impact risk, negative impact risk, impact evidence risk, impact accountability risk, and impact legitimacy risk. Dashed arrows represent risk amplification, whereby impact evidence risk increases the likelihood, severity, persistence, or contestability of the other impact risks. Solid lines and arrows represent risk conversion. The shared pathway indicates that either positive or negative impact risk may develop into impact accountability risk or impact legitimacy risk. Dotted bidirectional arrows represent risk mutual reinforcement, whereby positive and negative impact risks reinforce each other, whereas impact accountability and impact legitimacy risks reinforce each other.

harm from ordinary implementation variation. Consequently, positive impact risk and negative impact risk can remain undetected for longer, reducing opportunities for learning and timely corrective action.

Impact evidence risk can also amplify accountability and legitimacy risks. When impact claims cannot be adequately substantiated, uncertainty may be interpreted by regulators, contractual partners, or other stakeholders as overclaiming, misrepresentation, or weak governance (Andreoli et al. 2025; Findlay and Moran 2019). Evidentiary weakness does not automatically produce legal or reputational consequences. It nevertheless increases the contestability of impact claims and reduces an organization's ability to defend them. Impact evidence risk therefore amplifies other risks by weakening early detection, adaptive learning, and the defensibility of impact-related decisions and claims.

5.2 | Risk Conversion: From Outcome Risks to Accountability and Legitimacy Risks

Risk conversion occurs when a problem originating in one risk dimension develops into another form of risk. In impact investing, positive and negative impact risks initially concern outcomes: Intended benefits are not achieved, or an intervention produces unintended harm. These problems may subsequently move beyond operational performance when stakeholders interpret them as evidence of misleading claims, governance failure, or ethical misconduct.

Two conversion pathways are especially important. First, impact shortfalls or unintended harms can convert into impact accountability risk when they lead to contractual disputes, regulatory scrutiny, litigation, or formal challenges concerning disclosure, evaluation, or fiduciary duties. This pathway is particularly relevant in multiparty and outcome-based arrangements, where evaluation results influence payments and contractual obligations (Andreoli et al. 2025; Pandey et al. 2018). Second, the same outcome problems may convert into impact legitimacy risk when stakeholders interpret them as evidence of hypocrisy, extraction, or inconsistency with an investor's stated public purpose (Harvie and Ogman 2019; Kaufmann and Botha 2025).

Conversion is therefore not an automatic consequence of impact failure. It depends on how performance problems are interpreted and contested. Ambiguous evidence, ambitious public claims, perceived unfairness, and heightened stakeholder expectations make conversion more likely. Because impact investors explicitly claim to generate social or environmental value, outcome failures may be judged not only as technical shortcomings but also as legal, governance, or moral failures.

5.3 | Risk Mutual Reinforcement: Reciprocal Feedback Loops

Risk mutual reinforcement occurs when two forms of impact risk intensify each other over time. Unlike amplification, which may operate primarily in one direction, mutual reinforcement involves a reciprocal relationship. Our synthesis identifies two particularly important feedback loops.

The first connects positive impact risk and negative impact risk. Governance mechanisms intended to reduce impact shortfalls, such as narrow performance targets, outcome-based incentives, or pressure to demonstrate standardized results, may encourage metric fixation, gaming, or the exclusion of difficult-to-serve beneficiaries (Edmiston and Nicholls 2018; Neyland 2018; Williams 2024). These practices may improve reported performance while producing unintended harm. In turn, such harms can erode beneficiary trust, reduce participation, and generate resistance, making intended outcomes more difficult to achieve. Thus, efforts to reduce positive impact risk can inadvertently increase negative impact risk, and the resulting harms can further undermine positive impact performance.

The second feedback loop connects impact accountability risk and impact legitimacy risk. Public controversy and declining stakeholder trust may increase pressure on regulators, commissioners, funders, or contractual partners to investigate impact-related practices. Conversely, litigation, regulatory action, or formal investigation may damage credibility and social acceptance, regardless of the eventual legal outcome (Andreoli et al. 2025). Consequently, legitimacy concerns can stimulate formal accountability processes, and those processes can further intensify legitimacy risk.

These feedback loops show why impact risks cannot always be managed through isolated technical responses. A governance mechanism may reduce its immediate target risk while increasing another risk or shifting exposure to other stakeholders. Effective impact-risk governance, therefore, requires investors to consider not only whether a mechanism addresses a particular risk, but also how it may affect the wider system of impact risks.

6 | Future Research Directions

By reconceptualizing impact risk as an interdependent system comprising positive impact risk, negative impact risk, impact evidence risk, impact accountability risk, and impact legitimacy risk, this review identifies five promising directions for future research.

6.1 | Dynamics of Impact Risk Amplification Through Evidence Infrastructures

A first research opportunity concerns the amplification role of impact evidence risk. Prior studies document persistent difficulties with impact measurement, reliance on proxies, attribution, verification, and organizational measurement capacity (Casasnovas et al. 2025; Phillips and Johnson 2021; Thompson 2023). However, little empirical research examines how weaknesses in evidence infrastructures intensify other impact risks over time. Future studies could investigate how measurement designs, proxy choices, assurance arrangements, and resourcing decisions affect the detection and persistence of impact shortfalls and unintended harms. Longitudinal and comparative studies would be particularly valuable for tracing how early evidence decisions shape subsequent accountability and legitimacy exposure and for identifying governance arrangements that reduce, rather than amplify, systemic risk.

6.2 | Interaction Between Positive and Negative Impact Risks in Practice

Second, future research should examine the reciprocal relationship between positive and negative impact risks. Existing studies show that outcome-based incentives, narrow performance measures, and pressure to demonstrate measurable results can encourage metric fixation, gaming, or the exclusion of difficult-to-serve beneficiaries (Berndt and Wirth 2018; Edmiston and Nicholls 2018; Neyland 2018). Yet limited research examines how governance practices intended to reduce impact shortfalls may generate unintended harms, or how those harms subsequently undermine intended outcomes. Process-oriented studies could investigate how organizations navigate trade-offs between achieving impact and avoiding harm and identify the conditions under which attempts to manage one risk intensify the other.

6.3 | Conversion of Outcome Risks Into Accountability and Legitimacy Risks

Third, future research should investigate how impact shortfalls and unintended harms develop into accountability and legitimacy risks. Prior research identifies contractual disputes, litigation exposure, contested impact claims, and reputational concerns in impact-investing arrangements (Andreoli et al. 2025; Findlay and Moran 2019; Pandey et al. 2018). However, the mechanisms through which outcome problems move from operational concerns into formal or reputational challenges remain insufficiently understood. Future studies could examine how evidence ambiguity, disclosure practices, stakeholder mobilization, and governance structures influence this conversion. Comparative research across legal regimes, impact instruments, and disclosure environments could explain why similar performance outcomes trigger formal accountability or legitimacy challenges in some settings but not others.

6.4 | Governance Strategies for Managing Interdependent Impact Risks

Fourth, future research should examine governance strategies that address interdependent, rather than isolated, impact risks. Existing studies identify a range of mechanisms, including safeguards, impact-centered contracting, stewardship, participatory governance, and capability building (Hazenberget al. 2015; Islam 2023; Islam and Akroyd 2024). However, these mechanisms are generally examined separately, leaving their interactions and combined effects underexplored. Future research could investigate whether specific governance configurations are better suited to managing amplification, conversion, and mutual reinforcement across the investment lifecycle. It could also examine whether governance practices reduce overall exposure or merely shift risks among investors, investees, governments, and communities.

6.5 | Comparative and Contextual Variation in Impact Risk Systems

Finally, future research should examine how impact-risk systems vary across sectors, geographies, institutional environments,

investment instruments, and organizational forms. Existing studies suggest that impact-related risks differ across contexts such as biodiversity conservation, social impact bonds, blended finance, public health, and climate-related investment (Flammer et al. 2025; Gruyter et al. 2020; Moran and Ward-Christie 2022). Comparative studies could investigate how regulatory regimes, political conditions, market structures, and stakeholder expectations affect the salience of particular risks and the strength of amplification, conversion, and mutual-reinforcement dynamics. Such research would help move the literature beyond universal prescriptions toward more context-sensitive explanations of impact-risk governance.

7 | Conclusion

This study aimed to develop an integrated understanding of impact risk in impact investing by identifying its principal dimensions, underlying drivers, governance responses, and interrelationships. To achieve this objective, we conducted a systematic review and qualitative thematic analysis of 56 articles published between 2011 and 2025.

The review identifies five analytically distinct but interrelated dimensions of impact risk: positive impact risk, negative impact risk, impact evidence risk, impact accountability risk, and impact legitimacy risk. For each dimension, it synthesizes the main drivers and governance responses identified in the literature. The findings further show that these risks do not operate independently. Impact evidence risk can amplify other risks by weakening detection, learning, and the defensibility of impact claims. Positive and negative impact risks can convert into accountability and legitimacy risks when outcome problems are interpreted as governance, legal, or ethical failures. Different risks may also reinforce one another through reciprocal feedback loops.

The paper contributes to impact-investing research by integrating previously fragmented risk-related insights into a common analytical framework. In particular, it moves beyond treating impact risks as separate problems and explains their interdependence through the dynamics of risk amplification, risk conversion, and risk mutual reinforcement. This systemic perspective provides a foundation for future research on how impact risks emerge, interact, and are governed across different investment instruments, sectors, and institutional contexts. It also suggests that effective impact-risk governance requires attention not only to individual risks but also to how governance responses may reduce, intensify, or redistribute risks across the wider impact-investing system.

Author Contributions

Syrus M. Islam: conceptualization, writing – original draft, validation, visualization, writing – review and editing, formal analysis, methodology. **Claire Cui:** conceptualization, writing – original draft, formal analysis, methodology.

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Appendix A: Articles Included in the Review

No.	Article	Research method employed	Theory used	Main impact risk-related themes discussed in the article
1	Adhikari and Chalkasra (2023)	Qualitative	No clear theory	Climate physical risk; regulatory uncertainty; adaptation investment risk; data and information risk
2	Andersen and Tekula (2022)	Qualitative	Institutional theory	Fiduciary risk; value–risk tension; financial norm dominance; moral market risk
3	Andreoli et al. (2025)	Qualitative	No clear theory	Impact washing risk; litigation and legal risk; governance and accountability risk
4	Bank (2016)	Conceptual	No clear theory	Market failure risk; reputational risk; subsidy/ risk-sharing mispricing; execution risk
5	Bannick et al. (2017)	Conceptual	No clear theory	Market distortion risk; predictability and evaluability risk; mission drift risk
6	Begemann et al. (2023)	Qualitative	No clear theory	Greenwashing risk; governance risk in forestry finance; data and metric ambiguity
7	Berndt and Wirth (2018)	Qualitative	Political economy	Performance risk transfer; measurement and evaluation risk; financialization of social policy
8	Bolis and West (2017)	Conceptual	No clear theory	Mission drift risk; liquidity and time-horizon risk; information asymmetry
9	Brest (2016)	Conceptual	No clear theory	Measurement and accountability risk; governance and compliance risk; market distortion risk
10	Burger et al. (2018)	Conceptual	No clear theory	Technology development risk; systemic underinvestment risk; political and reputational risk
11	Casasnovas et al. (2025)	Qualitative	No clear theory	Impact washing risk; governance risk; measurement overload and operational paralysis
12	Castellas et al. (2018)	Mixed	Institutional theory	Perceived impact risk; institutional logic conflict; early-stage exclusion risk
13	Cetindamar and Ozkazanc-Pan (2017)	Qualitative	Institutional theory	Mission drift risk; legitimacy risk; hybridity governance risk
14	Cho et al. (2021)	Conceptual	No clear theory	Systemic ecological risk; off-balance-sheet ESG risk; regulatory integration risk
15	Christiansen (2021)	Qualitative	No clear theory	Deep uncertainty; calculability risk; blended-finance signaling risk
16	Cohen et al. (2021)	Qualitative	No clear theory	Risk transfer to public actors; governance and accountability risk; additionality risk
17	Dichter et al. (2013)	Conceptual	No clear theory	Pioneer gap risk; execution risk in weak ecosystems; structural funding risk
18	Edmiston and Nicholls (2018)	Qualitative	No clear theory	Risk transfer ambiguity; evidence and attribution risk; transaction cost risk
19	Evans (2013)	Conceptual	Contract theory	Incentive misalignment risk; moral hazard; impact–profit trade-off risk
20	Findlay and Moran (2019)	Quantitative	No clear theory	Purpose-washing risk; legitimacy risk; weak intentionality and measurement
21	Flammer et al. (2025)	Quantitative	Efficient frontier theory	Biodiversity uncertainty; risk–return–impact trade-off; ambiguity risk
22	Geobey et al. (2012)	Qualitative	Resilience theory	Complexity and uncertainty risk; reputational risk; learning and experimentation risk
23	Giacomantonio (2017)	Conceptual	No clear theory	Transaction cost risk; misaligned risk transfer; illiquidity risk in SIBs

No.	Article	Research method employed	Theory used	Main impact risk-related themes discussed in the article
24	Glänzel and Scheuerle (2016)	Qualitative	Institutional theory	Income model risk; governance and capacity risk; institutional friction
25	Gruyter et al. (2020)	Conceptual	No clear theory	Financial and impact risk interaction; scalability and transaction cost risk
26	Guter-Sandu (2021)	Conceptual	Political economy	Risk governance and solidarity risk; asymmetrical risk distribution
27	Harvie and Ogman (2019)	Qualitative	Political economy	Financialization risk; legitimacy and public trust risk; systemic policy risk
28	Harvie et al. (2021)	Qualitative	No clear theory	Perverse incentive risk; operational complexity risk; long-term social risk
29	Hazenbergh et al. (2015)	Qualitative	No clear theory	Investment readiness risk; governance and skills risk; behavioral risk aversion
30	Hockerts et al. (2022)	Conceptual	No clear theory	Conceptual ambiguity risk; intentionality and attribution risk; definitional contestation
31	Islam (2023)	Qualitative	Management control perspective	Impact risk (positive and negative); control system failure risk; ecosystem risk
32	Islam and Akroyd (2024)	Qualitative	Management control perspective	Exit-related impact risk; ownership and governance threat to impact continuity
33	Islam and Habib (2024)	Qualitative	Management control perspective	Framework dependency risk; symbolic adoption risk; performance management risk
34	Kaufmann and Botha (2025)	Mixed	No clear theory	Neglect of impact risk; cognitive “win-win” bias; monitoring blind spots
35	León et al. (2020)	Quantitative	No clear theory	Country-level preparedness risk; political and infrastructure risk
36	Lowe et al. (2019)	Qualitative	Institutional theory	Institutional work risk; discursive misalignment; implementation risk
37	Mersland et al. (2020)	Quantitative	No clear theory	Country risk avoidance; hybridity trade-off risk; institutional fragility
38	Mollinger-Sahba et al. (2021)	Qualitative	No clear theory	Innovation diffusion risk; market–social schism risk
39	Moran and Ward-Christie (2022)	Qualitative	Institutional theory	Hybrid-logic misalignment risk; legitimacy and execution risk
40	Neyland (2018)	Qualitative	No clear theory	Measurement distortion risk; moral hazard; governance and political risk
41	Ormiston et al. (2015)	Qualitative	No clear theory	Fiduciary and legal risk; portfolio positioning risk; infrastructure immaturity
42	Palandijan and Hughes (2014)	Conceptual	No clear theory	Appropriation risk; counterparty and trust risk; market immaturity
43	Pandey et al. (2018)	Qualitative	Contract theory	Contractual hazard risk; opportunism; transaction cost escalation
44	Phillips and Johnson (2021)	Qualitative	No clear theory	Organizational capacity risk; measurement risk; systemic access barriers
45	Popovic et al. (2024)	Mixed	No clear theory	Regulatory and technology transition risk; implementation risk
46	Prontera and Quitzow (2025)	Qualitative	Political economy	Political risk; governance of de-risking; public–private power asymmetry
47	Pullen et al. (2025)	Qualitative	Governmentality theory	Risk mediation through SIB structures; learning-by-doing governance risk
48	Reisman and Sherman (2025)	Qualitative	No clear theory	Systemic inequity risk; operational risk in guarantees; learning failure risk

No.	Article	Research method employed	Theory used	Main impact risk-related themes discussed in the article
49	Riot (2020)	Qualitative	No clear theory	Financialization of social risk; ethical risk; operational gaming risk
50	Rode et al. (2019)	Qualitative	No clear theory	Implementation and rebound risk; governance failure risk
51	Sakamoto (2024)	Quantitative	No clear theory	Policy risk; redistribution failure risk; implementation bias
52	Schrötgens and Boenigk (2017)	Quantitative	No clear theory	Investor risk perception; evaluability bias; information risk
53	Sklair and Gilbert (2022)	Qualitative	No clear theory	Risk redistribution to public actors; moral hazard; impact dilution
54	Thompson (2023)	Qualitative	No clear theory	Environmental impact risk; measurement and permanence risk
55	Williams (2024)	Qualitative	No clear theory	Liquidity and temporal risk; rhetorical risk transfer; evaluation risk
56	Zenios and Denend (2011)	Conceptual	No clear theory	Adoption and reimbursement risk; systemic incentive misalignment