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T.C.

MARMARA UNIVERSITY

INSTITUTE OF ISLAMIC ECONOMICS AND FINANCE

DEPARTMENT OF ISLAMIC ECONOMICS AND FINANCE

**THE EFFECTS OF PUBLIC POLICY ON THE BEHAVIORS OF IMPACT
INVESTORS: THE TÜRKİYE CASE**

Master's Thesis

MERYEM EDİP

İSTANBUL, 2024

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MARMARA ÜNİVERSİTESİ
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TEZ ONAY BELGESİ

İslam Ekonomisi ve Finansı Anabilim Dalı Bilim Dalı Yüksek Lisans öğrencisi Meryem EDİP'in THE EFFECTS OF PUBLIC POLICY ON THE BEHAVIOR OF IMPACT INVESTORS: THE TURKIYE CASE adlı tez çalışması, Enstitümüz Yönetim Kurulunun tarih ve sayılı kararıyla oluşturulan jüri tarafından oy birliği / oy çokluğu ile Yüksek Lisans/Doktora Tezi olarak kabul edilmiştir.

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ÖZET

KAMU POLİTİKASININ ETKİ YATIRIMCILARININ DAVRANIŞLARINA OLAN ETKİSİ: TÜRKİYE ÖRNEĞİ

Bu araştırma, Türkiye'deki kamu politikasının etki yatırımcılarının davranışları üzerindeki etkilerini incelemek amacıyla gerçekleştirilmiştir. Araştırma, nitel araştırma yöntemlerinden biri olan yarı yapılandırılmış mülakat tekniği kullanılarak yürütülmüş ve elde edilen veriler tematik analiz yöntemi ile analiz edilmiştir. Çalışmanın örneklemi, Türkiye'de etki yatırımı alanında deneyim sahibi, farklı sektörlerde görev yapan yönetici pozisyonundaki bireysel ve kurumsal yatırımcılardan oluşmaktadır. Araştırma bulguları, etki yatırımlarının tercih edilme sebeplerinin ve kamu politikalarının bu tercihler üzerindeki rollerinin çeşitli temalar altında toplandığını göstermektedir. Katılımcılar, küresel eğilimler, yeni iş fırsatları, çevresel ve sosyal sorumluluklar, finansal destekler ve regülasyonlar gibi faktörlerin etki yatırımı tercih etmelerinde önemli olduğunu belirtmişlerdir. Özellikle Paris Anlaşması gibi çevresel faktörler ve ESG uyumu, etki yatırımları için belirleyici unsurlar olarak öne çıkmıştır. Ayrıca, İslami finans enstrümanları, etki yatırımcıları için çeşitli yatırım fırsatları sunarak, sosyal ve çevresel kalkınma hedeflerine ulaşmalarında önemli rol oynamaktadır. Bu sebeple İslami finans enstrümanlarının etkinliğinin artırılması ve yatırımcıların bilinçlendirilmesi gibi alanlarda öneriler sunulmuştur. Araştırma sonuçları, kamu politikalarının etki yatırımlarını teşvik etmesi için stratejik ve uzun vadeli planlamaların yapılması gerektiğini, finansal teşvikler ve destek programlarının önemini, regülasyonların öngörülebilirliğinin yatırımcı güveni açısından kritik olduğunu ortaya koymaktadır. Son olarak, etki yatırımlarının geleneksel yatırımlara göre daha rasyonel olduğu ve uzun vadede karlılık potansiyelinin daha yüksek olduğu tartışılmaktadır.

Anahtar Kelimeler: Etki Yatırımı, Etki Yatırımcısı, Kamu Politikası, Davranışsal Finans, İslami Finans Enstrümanları, Sürdürülebilirlik.

ABSTRACT

THE EFFECTS OF PUBLIC POLICY ON THE BEHAVIORS OF IMPACT INVESTORS: THE TÜRKİYE CASE

This research was conducted to examine the effects of public policy on the behavior of impact investors in Türkiye. The research was accomplished using the semi-structured interview technique, one of the qualitative research methods, and the data obtained were analyzed using the thematic analysis method. The sample of the study consists of individual and corporate investors in management positions who have experience in the field of impact investing and who work in different sectors in Türkiye. Research findings show that the reasons why impact investments are preferred and the roles of public policies on these preferences are grouped under various themes. Participants stated that factors such as global trends, new business opportunities, environmental and social responsibilities, financial supports, and regulations are important in choosing impact investing. In particular, environmental factors such as the Paris Agreement and ESG compliance have emerged as determining factors for impact investments. In addition, Islamic financial instruments play a crucial role in achieving social and environmental development goals by providing diverse investment opportunities for impact investors. For this reason, suggestions are presented in areas such as enhancing the effectiveness of Islamic financial instruments and raising investor awareness. The results of the research reveal that strategic and long-term planning is necessary for public policies to encourage impact investments, because of the importance of financial incentives and support programs, and the predictability of regulations is critical for investor confidence. It is also argued that impact investments are both more rationality compared to conventional investments and have a higher potential for long-term profitability.

Keywords: Impact Investments, Impact Investor, Public Policies, Behavioral Finance, Islamic Financial Instruments, Sustainability.

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ABBREVIATIONS

BRSA	Banking Regulation and Supervision Agency
CBRT	Central Bank of the Republic of Türkiye
CMB	Capital Markets Board
ESG	Environmental, Social, and Governance
EYDK	Impact Investments Advisory Board
GSYF	Venture Capital Investment Fund
SDGs	Sustainable Development Goals (SDGs)
SME	Small and Medium Enterprises



CHAPTER ONE

INTRODUCTION

1.1. Problem Statement

“Impact Investing” is a modification of the investment process that aims to target not only financial returns but also social and environmental impacts (IFC, 2019). This investment paradigm diverges from conventional investment approaches by considering not only financial gains but also positive societal and environmental outcomes. Impact investments are designed to provide financing for projects that address various social issues and meet the primary needs of society in alignment with the Sustainable Development Goals (SDGs).

Especially in recent times, this investment model has gained momentum as investors increasingly prioritize not only financial returns but also social and environmental impacts. This trend broadens the scope of responsibility for investors and corporate entities, encouraging them to evaluate not only economic activities but also their social and environmental consequences.

Prominent examples of impact investments include:

Investments Supporting Women and Youth Employment: These investments aim to integrate women and youth into the workforce and enable them to benefit from economic opportunities.

Projects that Include SMEs in Value Chains: By supporting the growth and sustainability of small and medium-sized enterprises (SMEs), these investments contribute to the strengthening of local economies and the creation of employment.

Renewable Energy Investments: Investments in clean and sustainable energy sources play a critical role in supporting environmental sustainability and combating climate change.

Impact investing offers investors the satisfaction of observing positive social and environmental impacts alongside financial returns. At the same time, these investments contribute to addressing societal issues and help create a more sustainable and equitable world. It is a win-win process for investors and society.

The scope of the research includes a comprehensive examination of the impact of public policies on the impact investment market in Türkiye and the direct and indirect consequences of these policies on the behavior of investors.

Impact investing has emerged as a significant investment class in modern financial markets, aiming to create social and environmental impact alongside financial returns. However, the effectiveness and prevalence of this investment type are heavily influenced by various external factors, such as public policies. Understanding the role of public policies in the impact investment market and their effects on the behavior of investors comprehensively can assist in designing more effective and efficient policies in this field.

Impact Investing is an investment model that targets not only financial returns but also social and environmental impacts. These investments are typically designed in alignment with the Sustainable Development Goals (SDGs) and aim to address societal issues. On the other hand, Behavioral Finance is a discipline that examines irrational investor behaviors and market anomalies. Behavioral finance tendencies can influence complex and multidimensional investment decisions like impact investments.

Overconfidence and Impact Investing: Impact investors may exhibit overconfidence tendencies when evaluating the social and environmental impacts of projects. This can lead to exaggerating the actual impact of investments, resulting in incorrect predictions and misleading outcomes. Public policies can develop transparency and accountability standards to balance this overconfidence (Yörükoğlu, 2007).

Anchoring and Impact Investing: Investors tend to evaluate future investments based on past successful impact investments (Sümer and Aybar, 2016). Publics can encourage investors to broaden their perspectives by promoting impact investments in various sectors and different geographic regions to mitigate anchoring effects.

Loss Aversion and Risk Aversion: Impact investments often entail high uncertainty. How investors cope with this uncertainty and their tendencies to avoid regret can significantly influence investment decisions (Sarıççek and Tufan, 2013). Public policies can offer risk reduction tools and incentives to mitigate uncertainty and balance loss aversion tendencies.

Representation Bias and Framing Effect: The presentation of impact investment projects can influence investor decisions. Publics can reduce representation bias and framing effects by developing standards and frameworks that accurately reflect the impact of projects and enable investors to make more informed decisions (Şimşek, 2018).

Self-Control and Mental Accounting: Impact investors may exhibit self-control and mental accounting tendencies, leading to imbalanced evaluations of financial and social/environmental returns (Pompian, 2007). Public policies can help balance these tendencies through financial incentives and tax advantages.

Understanding how public policies interact with these behavioral finance biases in the context of impact investing can contribute to the development of more effective policies and strategies in this field.

The problem statement of this research lies in understanding the direct and indirect effects of public policies on impact investments and their influence on the behavior of investors. Specifically, the research aims to comprehend how public policies impact the impact investment market, the effects of these policies on investor and stakeholder behaviors, and the interaction of these effects with market dynamics. The research will also investigate how behavioral finance biases (such as cognitive dissonance, self-control, mental accounting, attribution bias, hindsight bias, and information cascades) play a role in this interaction.

1.2. Sub-problems

Solving this problem statement can contribute to the development of more informed and effective policy and investment strategies in the field of impact investing and, consequently, maximize the potential for social and environmental impact. The research has identified sub-problems within the framework of the research problem to delve more deeply into the effects of public policies on impact investors. These sub-problems can be outlined as follows:

1. What are the effects of public policies on the size, structure, and diversity of the impact investment market, and how can these effects be measured?
2. What are the effects of public policies on the behavioral biases of impact investors in their decision-making processes, and how can these effects be evaluated?
3. How do investors' risk perceptions and investment strategies shape within the framework of these policies?
4. What are the reactions of impact investors to public policies, and how do these reactions impact the dynamics of the impact investment market?
5. What are the effects of public policies on the performance and efficiency of impact investment portfolios, and how can these effects be measured?

6. What are the effects of public policies on the behavioral biases of investors (such as cognitive dissonance, self-control, mental accounting), and how do these effects manifest?
7. What are the long-term effects of public policies on impact investments, and how do these effects influence the capacity to achieve sustainable social and environmental goals?

These sub-problems will form a crucial foundation for understanding the comprehensive impacts of public policies on the impact investment market and for developing policy and investment strategies in this field. The research aims to provide solutions to these sub-problems and deliver insights that will contribute to the more efficient and effective functioning of the impact investment market.

1.3. Assumptions

- **Homogeneity of Investor Behavior:** The research is based on the assumption that investors in different sectors and at different experience levels react similarly to public policies. This is important to be able to draw a general model of the way investors perceive and react to public policies.
- **Political Stability and Predictability:** Public policies are assumed to have a certain degree of predictability and stability over time. This is necessary to analyze the long-term effects of investment decisions and strategies.
- **Measurability of Social and Environmental Impacts:** It is worked under the assumption that the social and environmental returns of impact investments are measurable and evaluable like financial returns. This is a critical factor in evaluating the efficiency and effectiveness of impact investments.
- **Effectiveness of Islamic Financial Instruments:** It is assumed that Islamic financial instruments offered by the public have a positive impact on impact investments and can attract more investors to this field. It is envisaged that these instruments will increase the attractiveness of impact investments and expand access to financing.

- **The Role of Regulation and Incentives:** It is assumed that regulations and incentives implemented by the public support impact investments and increase the attractiveness of these investments. This situation positively affects investors' investment decisions and long-term plans.
- **Data Access and Accuracy:** The research is based on the accuracy and representativeness of the information provided by participants. Participants' experiences and opinions are considered valid for the overall impact investing market.

1.4. Limitations

- Research relies on specific theoretical and conceptual frameworks when evaluating the effects of impact investments and public policies.
- The method of data collection through semi-structured interviews is highly dependent on the personal opinions and experiences of the participants.

1.5. Definitions

Impact Investing: These are investments that aim to create positive social and environmental changes in addition to generating financial returns. While impact investments aim to create a significant and measurable social or environmental impact, they also aim to provide economic returns.

Public Policy: Official strategies, rules, guidelines, and practices adopted and implemented by public authorities. These policies aim to achieve specific goals on economic, social, and environmental issues and often use tools such as laws, incentives, tax reductions, and grant programs.

CHAPTER TWO

CONCEPTUAL FRAMEWORK

In this section, the basic principles of traditional finance and the basic concepts of behavioral finance will be compared and the differences between them will be revealed. Additionally, the psychological factors behind financial decisions and the effects of emotional factors on financial markets will be examined. This interaction between traditional finance and behavioral finance is of great importance in understanding the financial world and guiding future developments.

2.1. Traditional Finance Theories

Traditional financial theories are critical for making economic decisions and understanding the fundamental principles on the functioning of financial markets. These theories cover how to make investment and financing decisions, the relationship between risk and return, market efficiency and evaluation of financial instruments. Traditional finance approaches are generally based on rational actors and market tradeoffs and use analytical models and mathematical frameworks to explain the behavior of financial markets. In this section, the basic concepts, basic assumptions and effects of traditional finance theories on the financial world will be discussed. In addition to the basic elements such as risk, return and market efficiency that are effective in financial decision-making processes, the practical applications and limitations of these theories will also be examined.

2.1.1. Expected Utility Theory

The element of uncertainty plays an important role in almost all decisions of both social and business life of modern society, especially financial decisions have a special situation in the process of confronting this uncertainty. When faced with uncertainty, healthy and conscious decisions are expected to be made because these decisions can affect the quality and satisfaction of life. Pleasure and happiness are considered benefits in the economic context (Barak, 2008). According to Bentham, pleasure and pain are what direct all relationships in society (Bentham, 2005). In this direction, the concept of benefit consists of the combination of pleasure and

prevented pain (Abaan, 1998). However, measuring benefit in an economic context is a rather complex process.

“Expected Utility Theory” was first put forward by Daniel Bernoulli in 1738. Bernoulli did not clarify how utility could be measured and defined a function that could only be used when monetary values were available. In 1947, John von Neumann and Oscar Morgenstern developed the principles required to prove the existence of Expected Utility Theory and transformed the expected utility approach into a systematic theoretical framework (Taşdemir, 2007). This theory is now considered a fundamental approach that proposes the use of a measurable utility function to explain rational human behavior in an environment of uncertainty. The basis of expected utility theory is rationality. Kahneman and Smith (2002) defined rationality as a process in which the decision-making individual evaluates alternatives and goals and makes optimal choices by using available information logically and systematically (Kahneman and Smith, 2002).

The theory is based on the prediction that individuals will always exhibit rational behavior regardless of the circumstances. In this context, economic actors are considered rational beings who aim to maximize their expected utility in every situation. While doing this, they first evaluate the possibilities of the alternatives they encounter. They then multiply these odds by the gains the alternatives can offer. Finally, they compare the results and make a choice to obtain maximum benefit. This approach aims to maximize profits but also to minimize losses.

2.1.2. Modern Portfolio Theory

Harry M. Markowitz's seminal work titled “Portfolio Selection”, written in 1952, revealed the basic principles of the Mean Variance Model and Modern Portfolio Theory. In this research, Markowitz revealed the mathematical foundations of using the diversification approach in the management of financial portfolios in order to reduce risk. This risk reduction is measured by the standard deviation of an asset's rate of return, as explained by Markowitz (Markowitz, 1952).

One of Markowitz's important contributions to the field of portfolio management is highlighting the value of diversity. Markowitz argues that it is a strategic mistake for an investor to invest all his capital in the cheapest security. This approach ignores the fact that diversification provides a hedge against return fluctuations. In a diversified portfolio, some assets may decline while others rise. Securities with higher risk may have higher return potential, but investors

may not want to incur large losses by limiting their portfolio to a single asset (Eren Sarioğlu, 2018).

Markowitz argues that the diversification strategy should not be implemented haphazardly, but based on analysis of the correlation of returns of interconnected stocks. However, the risk reduction potential of a portfolio by adding additional stocks becomes limited after a certain number of stocks is reached (Konuralp, 2005).

Markowitz claims that investors exhibit rational behavior. It also explains that investors create their portfolios by considering the balance between risk and return. Rational investors typically prefer portfolios that optimize returns while maintaining a given level of risk, or alternatively, portfolios that minimize risk while achieving a desired level of return. Modern Portfolio Theory describes strategies used to optimize investment returns while maintaining a predetermined degree of risk in the construction of optimal portfolios. In this context, expected returns, standard deviations and covariances among stocks need to be calculated (Kıyılar and Akkaya, 201).

Markowitz's Modern Portfolio Theory is founded on a series of assumptions (Markowitz, 1952);

- Investors act rationally.
- Investors consider both expected return and risk when making investment decisions.
- Investors try to increase their return potential while also trying to maintain a certain amount of risk.
- The standard deviation of historical returns is considered an important measure for investors' risk assessment and is linked to variability in expected returns.
- Investors try to optimize their expected earnings over a certain period of time.

2.1.3. Efficient Markets Hypothesis

The Efficient Market Hypothesis (EMH) is a theory of finance that argues that financial markets efficiently reflect all available information. Efficiency refers to the situation where the market price of a stock accurately includes all information about that stock. When market participants include even the slightest information in market pricing, it eliminates any profit potential. This statement reveals that it is not possible for any investor to regularly earn returns that exceed the general market return. According to Fama, an efficient market is characterized by the full inclusion of all available information in prices. Fama also argues that prices accurately represent

all available information in a manner consistent with the relevant risks of securities (Fama, 1970).

For a market to be effective, it is sufficient that there is no monopolization of information and data and that commissions, commitment and transaction fees are competitive in nature (Elmas, 2010). In the efficient market hypothesis, the information contained in security prices is divided into three different subgroups (Kıyılar, 1997);

- Data on the historical price of the security.
- Various types of publicly available data, including profit announcements, capital increases, stock splits, fluctuations in interest rates due to developments in financial markets, changes in public economic policies, and similar items.
- It covers a wide variety of data, including both internal and external sources.

The assessment of market efficiency varies depending on the specific set of information considered. The first subgroup deals with the weak form of the efficient market hypothesis, while the next subgroup deals with the semi-strong form of the efficient market hypothesis. Finally, the third subgroup represents the strong form of the efficient market hypothesis (Fama, 1970).

The main purpose of the weak efficient market hypothesis is to evaluate the validity of the Random Walk Hypothesis. In the case where the weak version of the efficient market is valid, price fluctuations have a completely random nature. Price fluctuations in a period are statistically independent from price fluctuations in subsequent periods (Bozkurt, 1998). Thus, in the context of market efficiency, when the market is weakly efficient, no strategy, including charting and examining historical prices, will be able to produce abnormally high returns that exceed the performance of the market.

The semi-strong efficient market hypothesis suggests that the current price of an asset includes all relevant publicly available information. Therefore, it is not possible to achieve extreme above-market returns simply by analyzing publicly available data such as stock price fluctuations, trading volumes, annual results releases, stock splits, and similar factors. However, in the context of market efficiency, considering that the market is efficient in the semi-strong form, it can be accepted that individuals who have access to private information can benefit from short-term price fluctuations by using this information and thus have the potential to earn profits above the average market return that other investors can achieve (Bolak, 2001).

The strong type of market efficiency is expressed by the full reflection of all available information, including non-public information, in the stock price. The concept of nonpublic information relates to the accessibility of information and the possibility that a particular group can specifically access and control that information (Fama, 1970). In an efficient market structure, the ability of those with access to inside information to gain advantage by using this private information will be significantly reduced when the strong form of the market is effective. This means that the market has already integrated all private information into existing stock prices, so that privileged information does not provide an additional return (Levy and Sarnat, 1984). The strong version of the effectiveness concept covers both weak and semi-strong levels.

2.1.4. Financial Assets Pricing Model

The Capital Asset Pricing Model (CAPM) was first introduced by William F. Sharpe in 1964 as a framework for analyzing financial assets with systematic risk. The basis of this model is based on examining the relationship between risk and expected return. The Capital Asset Pricing Model (CAPM) suggests that the expected return on a financial asset can be calculated by multiplying the difference between the systematic risk associated with the asset (often called market risk) and the return on a risk-free asset. Additionally, it is stated in the model that there is a correlation between the return of the asset and the return of the market (Altay, 2004).

The basic assumptions that form the theoretical framework of the Capital Asset Pricing Model (CAPM) are as follows (Karan, 2022; Altay, 2004):

- Investors tend to exhibit risk-averse behavior as a result of their demands for expected returns, which indicates that they are averse to taking risks. The tendency to reduce risk has a significant impact on investors' decision-making processes regarding the structure of their investment portfolios.
- Investors make their investment choices by taking into account the expected return and the risk level associated with the investment instrument.
- Investors exhibit normative behavior by trying to create a portfolio that exceeds the efficient frontier.
- Investors are offered the opportunity to benefit from a risk-free interest rate, allowing them to participate in both borrowing and lending efforts. This ratio exhibits a consistent pattern among all investors and is widely considered a risk-free asset.

- Investments are fully divisible and can be bought and sold easily in small amounts.
- Investors generally have consistent expectations regarding the maturity of their investments, that is, the length of time they plan to hold their investments. This increases clarity about the expected return and risk levels associated with securities. This assumption also shows that investors will make the necessary changes in their investment portfolios within similar time periods. There is agreement among investors regarding the distribution of returns on individual financial assets or portfolios.
- There are no barriers and no other charges such as commissions or taxes, which bring significant difficulties to the trading process within the market. Therefore, there are no hindering variables for the implementation of portfolio diversification.
- There is clarity regarding the expected level of inflation. Valuations of financial assets are indicative of the comprehensive information available regarding future inflation forecasts.
- Capital markets are in equilibrium.

In line with the assumptions, CAPM is expressed with the following basic formula (Fama and French, 2004).

$$(ER_i) = R_f + \beta_i [E(R_m) - R_f]$$

(ER): Expected return on an asset

R_f: Risk-free interest rate

β_i: An asset's beta coefficient (a measure of systematic risk)

E(R_m): Expected return of the market portfolio E(R_m) — R_f: Risk Premium

This formula is used to calculate the expected return of an asset. The beta coefficient shows the sensitivity of an asset to market risk. According to CAPM, the expected return on an asset is the sum of the risk-free interest rate and the market risk premium.

2.1.5. Arbitrage Pricing Model

The arbitrage pricing model offers an alternative perspective that suggests that individuals exhibit rational behavior in their investment decision-making processes. By using mathematical techniques, investors can objectively evaluate the future price dynamics and possible returns of investment instruments. This model provides important information about the behavior of irrational investors. The concept suggests that when an investor with irrational tendencies

purchases a particular asset at a certain price, the price of that security will exceed the average value. Conversely, when the investor sells the same security at a certain price, the price of the security will fall below the average value. Therefore, it can be concluded that irrational investors generally obtain lower returns compared to passive investors or arbitrageurs (Küçük, 2014).

The Arbitrage Pricing Model was first proposed by Ross (1976) as a suitable alternative to the Capital Asset Pricing Model (CAPM). The hypothesis in question has gained importance as a useful analytical tool in determining the prices of high-risk assets in the capital market (Ross, 1976). Arbitrage Pricing Model can be expressed as a multi-component model characterized by less restrictive assumptions compared to the Capital Asset Pricing Model (CAPM) (Yörük, 2000).

The basic assumptions of the Arbitrage Pricing Model are listed as follows (Yörük, 2000).

- A factor model is used to explain returns. Underlying this model is the assumption that all investors have comparable expectations and that the returns on capital assets can be accurately represented as a linear combination of k components.
- Capital markets operate under perfect competition conditions.
- Investors tend to seek higher returns in uncertain market conditions and will not settle for lower returns.

2.2. Development of Behavioral Finance

Behavioral finance is a discipline that studies the impact of investors' psychology on market behavior. In the classical period, economists used psychology to explain human behavior. However, neoclassical economics adopted the assumption of rational behavior, focusing on viewing economics as a natural science.

While neoclassical economists emphasize the importance of rational behavior, they also recognize the importance of psychology. Leading neoclassical economists such as Francis Edgeworth, Vilfredo Pareto, Irving Fisher and John Maynard Keynes have emphasized the importance of psychological explanations (Cornicello, 2004)

In the second half of the twentieth century, interest in the psychological dimensions of economics increased again. Psychologists such as Daniel Kahneman and Amos Tversky began to use the economic model as a reference point to compare and contrast their own psychological models. The work of Kahneman and Tversky is seen as an important beginning for the

development of contemporary behavioral finance. Prospect theory is considered a basic model used to understand how people make decisions in the face of risk and uncertainty (Kahneman and Tversky, 1979).

Behavioral finance began to attract more attention after the technology stock bubble collapsed in 2000. During this period, Robert Shiller, in his book “Irrational Exuberance”, warned investors about data indicating that stock values were excessively high (Shiller, 2000). Richard Thaler, in his article on mispricing and irrational behavior in technology stocks, wrote about Palm Inc. in 1999. It focused on the division of the company into 3Com. In Thaler's view, if investor behavior were completely rational, 3Com would be expected to maintain positive market value for a period of time after Palm's separation from 3Com. However, following the distribution of Palm shares in March 2000, the fact that Palm shares were traded above their market value can be considered a situation outside the boundaries of a rational market approach (Lamont and Thaler, 2003).

Behavioral finance focuses on understanding the behavior of investors in financial markets by using the principles of social sciences and developing information that can explain this behavior. Studies in this field do not mean the rejection of previous theories. On the contrary, it reveals that behavioral finance attempts to provide a useful theoretical framework. In securities markets thought to be highly efficient, there is increasing evidence that long-term historical data are inconsistent with the efficient market hypothesis and cannot be explained by models based on perfect investor rationality. The irrational investors approach assumes that the securities market is imperfect and prices may be excessively high or low. Behavioral finance focuses on explaining and understanding these known phenomena (Baker, Ruback, and Wurgler, 2004).

Extensive research in financial markets has consistently revealed the existence of behavioral anomalies in all markets among both individual and institutional investors, regardless of their educational background or professional experience (Shefrin, 2002). Traditional finance has encountered significant difficulties in highlighting anomalies, which suggests that finance based on behavioral principles must be used effectively. Therefore, the detection of consistent deviations from market efficiency principles has led to the development of new theories in the field of behavioral finance (Statman, 1999).

It appears that behavioral finance is defined in various ways in the literature and there is a significant consensus among these definitions. Lintner explains the definition of behavioral finance as the scientific study of the ways individuals perceive and respond to information to

make informed choices regarding investments. According to Thaler, behavioral finance is expressed as a form of finance that adopts an open-minded approach (Brabazon, 2000).

Ricciardi and Simon (2000) believe that behavioral finance tries to illuminate the cognitive, emotional and social factors that affect individuals' decision-making processes in the fields of finance and investment (Ricciardi and Simon, 2000). Baker and Nosfinger (2010) define it as a newly developing discipline that tries to illuminate individuals' economic choices by integrating behavioral and cognitive psychology theories with traditional finance.

According to Ritter (2003), the field of behavioral finance is defined as the study of financial markets using models that combine Von Neuman and Morgenstein's expected utility theory and arbitrage assumptions in a more specific framework. In addition, he draws attention to the existence of two basic foundations in the field of behavioral finance: cognitive psychology and arbitrage constraints (Ritter, 2003). According to Shefrin (2001), behavioral finance is defined as the scientific examination of how psychological elements affect the financial decision-making process.

According to Ricciardi and Simon (2000), the keywords in studies in the behavioral finance literature are; These are the basic concepts of psychology, sociology and Finance. The definitions for these three different disciplines related to behavioral finance are as follows (Ricciardi and Simon, 2000);

- Psychology is an academic discipline that investigates the intricacies of human behavior and mental processes and examines how these processes are shaped by many elements such as physiological and psychological states as well as environmental influences.
- Sociology is an academic discipline that uses a systematic approach to research and analyze social behavior exhibited by individuals and societies. Sociology focuses on analyzing the impact of interpersonal relationships on individuals' views and behaviors.
- Finance is an academic field that focuses on the determination of value and the decision-making process. Its main goal is to distribute funds covering investment activities and resource management.

From a methodological perspective, behavioral finance research focuses on three basic issues (Mendes-Da-Silva, et al., 2015):

- Conducting experiments with volunteers in a controlled laboratory environment,
- Conducting research on application-based financial decision-making processes in real environments,

- Conducting research on the dynamics of financial markets.

Behavioral finance reinterprets the basic assumptions of traditional finance to include the cognitive and emotional constraints inherent in people's decision-making processes. According to behavioral finance (Statman, 2018);

- In general, people behave normally.
- Within the framework of behavioral portfolio theory, investors create portfolios by considering various factors beyond expected return and risk, including social duty and social standing.
- Individuals engage in saving and spending behavior in accordance with the principles specified in behavioral life cycle theory. This theory suggests that various barriers, such as a lack of self-discipline, may prevent individuals from effectively identifying and sticking to optimal saving and spending strategies.
- Expected returns on investments are explained by behavioral asset pricing theory. This theory suggests that differences in expected returns are influenced not only by changes in risk but also by a variety of characteristics, including degrees of social responsibility and social standing.
- According to the efficient market hypothesis, in order for prices in financial markets to be exactly equal to internal values, investors trading in the markets must know market information fully and use this information without error. However, this is not possible in the normal course of life. Therefore, markets have an efficient structure, with weak points that are difficult to overcome even if prices are not exactly equal to intrinsic values.

Behavioral finance goes beyond economic discourse and offers a broad perspective that includes both cognitive and emotional factors. This approach allows creating a comprehensive framework that provides a better understanding of financial behavior. Prospect theory has had a significant impact on economic research as one of the cornerstones of behavioral finance. For this reason, it would be useful to examine the expectation theory put forward by Kahneman and Tversky.

2.2.1. Prospect Theory

Prospect Theory stands out as a behavioral theory that is considered a fundamental component of economic studies. Traditional finance assumes that people rationally guide their economic

decisions based on expected utility theory. However, this theory cannot fully address situations involving uncertainty and real-world decision-making processes. Prospect theory, developed by Daniel Kahneman and Amos Tversky in their work “Prospect Theory: An Analysis of Decision Under Risk” published in 1979, brought a radical criticism to expected utility theory and offered an alternative approach. This theory aimed to better understand people's decision-making processes.

Kahneman and Tversky have presented evidence showing that individuals can deviate from rationality and that their decision-making processes can be affected by how the information presented to them is presented. Therefore, expectancy theory aims to explain human behavior in a more realistic way. Although expected utility theory has long dominated the field of economics, behavioral finance approaches such as prospect theory represent efforts to understand people's financial decisions more deeply. These theories emphasize the need for people to consider emotional, psychological, and behavioral factors when making economic decisions (Kahneman and Tversky, 1979).

Expectancy theory is conceptually divided into two basic stages: regulation and evaluation, in order to analyze the decision-making process. The arrangement phase involves arranging various alternatives in a certain order with an intuitive approach, as a method that makes it easier to analyze the decision-making process. As an important element of prospect theory, the value function replaces the traditional utility function. The value function has a structure that differs according to gain and loss situations. This function is based on individuals making loss and gain evaluations based on a fixed reference point. The fact that the value function has an asymmetric structure and takes the shape of an “S” shows that even variations in the same absolute value have a greater impact on losses than on gains.

There are three basic features of the value function in expectancy theory (Mullainathan and Thaler, 2000):

- The value function is constructed based on changes in wealth rather than absolute amounts of wealth (as in Expected Utility), incorporating the concept of fit.
- The loss function expresses the tendency of individuals to exhibit higher sensitivity to decreases in their well-being than to improvements in their well-being. This makes it have a steeper slope than the gain function, taking into account loss aversion behavior.
- Both the gain function and the loss function show decreasing sensitivity to accurately reveal the observations made.

2.3. Investor Trends in Behavioral Finance

In behavioral finance, investor tendencies examine the psychological factors and cognitive biases that affect investors' financial decisions. In this field, it is recognized that individuals are often not rational in their financial choices and are guided by various cognitive and emotional tendencies. In this context, cognitive and emotional tendencies are explained below.

2.3.1. Cognitive Tendencies

Cognitive tendencies are examined under 11 headings: overconfidence, uncertainty avoidance, cognitive dissonance, anchoring tendency, self-attribution, representation, illusion of control, conservatism tendency, mental accounting, framing and verification.

Overconfidence: The concept of overconfidence can be defined as having excessive confidence in one's intuitive thinking, judgments and cognitive capacities (Pompian, 2012). Overconfidence is the situation where individuals evaluate their own knowledge, skills and decision-making abilities higher than reality. This psychological tendency, which is particularly evident in financial decision-making processes, can affect the risk assessments and decisions of investors and managers. One of the most important studies in this field is expectancy theory developed by Kahneman and Tversky (1979). This theory focuses on cognitive biases in individuals' risk perceptions and decision-making processes, and suggests that individuals may misjudge risks due to an unrealistic sense of self-confidence. Kahneman and Tversky's prospect theory has a critical place in understanding overconfidence. This theory emphasizes that individuals can make systemic mistakes about risks and returns, and that these mistakes can often result from excessive optimism and unrealistic expectations (Kahneman and Tversky, 1979).

Ambiguity Aversion: The tendency to avoid uncertainty may lead investors to seek higher compensation in perceived risky situations. This situation may cause investors to turn to assets where they feel safe, thus decreasing their purchasing power by holding these investments for a longer period of time. While risk is used for situations with a certain probability distribution, there is no such distribution in uncertainty. People tend to be more risk averse in the face of uncertainty, especially when their self-confidence about the relevant issue is shaken (Hirshleifer, 2001). The biggest source of uncertainty is that investors do not have sufficient information and ideas about the current economic situation. This situation causes investors to fail to know the world and its variables correctly and to make imprecise decisions (Oran, 2008).

This effect forces investors to turn to local investments. Because these investments generally seem more familiar and reliable. Investors who choose geographically close investment instruments may miss potential opportunities. Investors under the influence of uncertainty avoidance perceive their current investments as safer. When faced with uncertain investment opportunities, it needs to take precautions. However, investors who see themselves as competitive can create opportunities by taking more risks (Pompian, 2006). This emphasizes the impact of psychological factors on investors' decision-making processes and the importance of the strategies they follow in coping with uncertainty.

Cognitive Dissonance: When new information contradicts previous information, people often feel mental discomfort. This situation is called cognitive conflict in psychology and represents the state of imbalance that occurs at the intersection of contradictory information. Cognitive conflict results from incompatibilities between attitudes, emotions, beliefs, and values. In this process, people try to reduce mental conflict and confusion, and this effort leads to the correction of their beliefs or the acquisition of completely new beliefs (Festinger, 1957). This situation causes confusion in decision makers' feelings of trust, and emotional loads can exceed cognitive conflicts. When facts contradict the emotional attributions placed on objects, these facts can pose emotional threats and people may ignore potentially relevant information, avoiding complex conflict situations. Two important forms of cognitive conflict are selective perception and selective decision making. Selective perception leads investors to deviate from the truth by recording only information that confirms their situation. Selective decision-making refers to investors' tendency to adhere excessively to certain ideas, ignoring economic costs. These tendencies cause people to make subjectively supportive decisions, adhering to the decisions they have made before (Pompian, 2006).

Anchoring: When estimating unknown values, people generally start from a certain starting value and proceed with this value as a reference; This process is known as anchoring tendency (Thaler, 2005). This initial value is influenced by the person's observations and experiences and is usually clear and easy to think of. Nofsinger (2014) stated that people carry out their analyzes by making minor adjustments starting from this starting point. However, it is emphasized that in this process, the initial value may often be insufficient or incomplete and therefore the correction process may be incomplete (Nofsinger, 2014). Anchoring and correcting is a psychological and intuitive process that affects the way people process new information. Pompian (2006) showed that this effect is due to investors evaluating new information from a wrong perspective and therefore experiencing deviations from rational norms in their decision-

making processes. This explains why people are generally better at making comparisons based on concrete data, and their intuitive decisions are often influenced by psychological factors. This psychological process causes investors and decision makers to attach undue importance to points based on statistically random and psychological factors (Pompian, 2006).

Self-Attribution Bias: Self-attribution tendency is the situation in which individuals attribute their successes to their own innate abilities, while attributing their failures to external factors or bad luck (Döm, 2003). Due to this tendency, people cannot realize their mistakes, cannot become aware of wrong decisions and cannot learn from mistakes, which increases the possibility of repeating the mistakes made. This psychological process is divided into two subcategories: unrealistic optimism tendency and self-protection tendency (Pompian, 2012):

- Unrealistic optimism tendency (self-enhancing bias): This refers to people's tendency to attribute their success to themselves at an irrational level. People overly personalize their success, believing that they have all the good qualities and abilities.
- Self-protecting bias: This tendency describes the tendency to irrationally deny responsibility for failures, and this situation is addressed from an emotional perspective.

Investors who tend to be self-attributive attribute the successes of their investment decisions and portfolios to themselves, while attributing failures to external factors. This situation leads them to exaggerate the right decisions and attribute the wrong decisions to external factors, which may cause them to misperceive the real situation and repeat their mistakes without realizing it.

Representativeness: When people encounter new situations, they incorporate these new stimuli into their existing classifications and zoom in. This approximation determines how new objects and thoughts will be perceived in the future and forms the basis of an understanding (Nofsinger, 2014). This framework creates insights from past experiences and shortcuts that provide quick responses to new information. The representation bias, which is often seen in investment decisions, is based on the assumption that people are highly likely to match objects and ideas with similar characteristics. This situation causes investors to attach more meaning to the latest or most notable information and ignore real possibilities (Thaler, 2005). There are two basic approaches to this trend (Pompian, 2006):

- Base-Rate Neglect: Investors place investment instruments into familiar classification patterns and make risk and return inferences on this basis. This approach ignores some factors that may affect investment performance.

- **Sample-size neglect:** Investors tend to make calculations based on similar results, but ignore the difference between their situation and the sample size. This may lead to the misconception that personal data represents general data.

Illusion Of Control: Illusion of control refers to people's tendency to believe that they have control over the outcomes of events that they do not actually control. This psychological effect has the potential to create risky consequences in decision-making processes. The illusion of control effect increases with factors such as choice, task knowledge, active participation and past successes (Nofsinger, 2014). This effect causes personal success probabilities to be perceived as higher than objective probabilities. The familiarity of the options, the competitive situation and active participation in the event increase the confidence of individuals and lead to the formation of such illusions (Turguttopbaş, 2008). This mechanism, also known as the gambler's trap, involves the tendency to predict the outcomes of independent events based on previous results, and can magnify investors' gains as well as magnify their losses. In the case of the illusion of control, people believe that they have more control over their environment than usual, leading them to believe that their predictions of chance events are accurate (Pompian, 2006). The consequences of this effect are as follows;

- It causes investors to over-buy and sell, this is especially evident in online transactions. But excessive trading often leads to diminishing returns.
- It causes investors to create undiversified portfolios.
- Investors limit their buying and selling at certain intervals to feel like they have control.
- It leads to unnecessary and overconfidence in investors.

Conservatism Bias: People who encounter complex and new information may experience mental confusion and stress, and in this case, they may habitually choose to follow their previous paths. This tendency is called the conservatism-conservatism effect (Thaler, 2005). This effect is a mental process and causes people to cling to their old views and guesses; because they may have to pay a cognitive price for new information. Conservatism is the tendency to remain unresponsive to new information or to react very slowly to it, and this conflicts with the tendency to represent. In representation bias, people may overvalue new information that is relevant and representative. However, when new information is not representative, conservatism prevails and one may remain unresponsive to this information (Elmas, 2010). In conservatism, it is seen that people who encounter new situations are reluctant to change their current thoughts and the acceptance process of innovations is slow. In investment decisions,

this attitude manifests itself as ignoring new and conflicting information and adhering to previous decisions and preferences.

Mental Accounting: Mental accounting is a tendency in which people place entities and thoughts into a series of different mental accounts that they cannot change, and use processes of coding, categorization, and calculation during this placement. This process reveals people's non-rational behavioral tendencies, and the meanings of entities and events are determined by this mental accounting structure (Camerer, Loewenstein, and Rabin, 2004). The mental accounting tendency causes investors to mentally separate their investments into different categories, which makes cross-account evaluations difficult and ultimately leads to the formation of mediocre portfolios. This process causes investors to irrationally allocate income and gains from their principal; most people tend to preserve the principal and spend the interest, and may consume their assets by getting caught up in the income flow (Döm, 2003). Mental accounting causes people to place assets differently in their minds and have difficulty disposing of previously owned assets, which can result in missing opportunities and incurring losses. Opening a new mental account for each investment decision can lead to consequences such as lack of interaction between these accounts, decreased perception of reality, misperception of risk, timing errors and lack of diversification of portfolios. This process shows that investors are managed by various mental calculations that affect the benefits and costs of their decisions (Pompian, 2012).

Framing: Framing bias is the process by which investment decisions are influenced by the way the situation is presented. Decision makers frame the facts according to their own subjective perceptions. This framework affects the formulation of the problem and the perception of the encountered situations according to norms, habits and personality traits (Bayar, 2012). This effect has an impact on investors' perception of their risk tolerance, depending on how the question is worded. Gain-focused questions are preferred by risk-averse investors, while loss-focused questions are preferred by risk-seekers. These optimistic or pessimistic perspectives affect investors' willingness or unwillingness to make decisions (Nofsinger, 2014). Narrow framing can cause even long-term investors to become uneasy about short-term price fluctuations. Loss aversion leads to excessive focus on short-term market fluctuations and excessive trading, which results in less optimal results for investors (Pompian, 2012). Framing effects are perceptual illusions resulting from incorrect evaluation of objects, events and thoughts encountered in the decision-making process. This effect prevents people from framing what they encounter correctly and may cause misperceptions (Abaan, 1998). Additionally,

when there is more than one stage in the decision-making process, the first stage is often neglected and the process is perceived as consisting only of subsequent stages. This is known as the isolation effect. While choosing among the alternatives presented in the decision-making process, investors ignore the common features of the alternatives and focus on the differences.

Confirmation Bias: Confirmation bias is defined as people's exaggerated selection of information that supports their own thoughts and preferences and their tendency to ignore conflicting information (Döm, 2003). This effect causes investors to ignore other information while looking for information that supports them, ultimately leading them to make decisions based on an incomplete information base. Investors who tend to confirm generally fail to diversify their portfolio (Pompian, 2012). Under this tendency, people tend to seek out information that is consistent with their beliefs and tend to ignore conflicting information. This situation causes investors to fail to perceive their beliefs that need to be changed and to focus only on information that is compatible with their beliefs.

2.3.2. Emotional Tendencies

Emotional tendencies are examined under 6 headings: Overoptimism, ownership, status quo, herd behavior, regret avoidance, loss avoidance.

Overoptimism: Investors often have overly optimistic performance expectations for financial actors. Many investors in this situation believe that a failed investment will not apply to their situation, but this view can have detrimental consequences for their portfolio. People ignore potential negative consequences in the investment decisions they make (Thaler, 2005). Investors act from an internal perspective, focusing on their current situation. This internal perspective must be balanced with an external perspective that considers environmental, past and future dynamics. Otherwise, differences and imbalances between optimism and rationality may negatively affect the accuracy of the decisions to be made. Optimism requires a balanced approach between the actual situation and goals and the predictions made. The internal perspective may generate ideas that the investment will be successful, but rationalizing these predictions with an external perspective needs to achieve balance. Excessive optimism can be expressed as a belief that everything will happen in the desired direction, and this tendency makes people think that the results they want will occur with a high probability and the results they do not want will occur with a low probability (Nofsinger, 2014).

Ownership Bias: Ownership bias is a mental process related to how owning, losing, or the potential to own an investment instrument affects the value placed on the asset. This tendency manifests itself in situations such as a previously owned and lost asset being desired more than an asset that has never been owned. If an asset has been lost before, the desire to re-possess this asset is stronger and its effect is greater (Nofsinger, 2014). People value the assets they own more than the assets they do not own. The feeling of ownership increases the value of what people own. The effect of possessiveness varies depending on the ownership situation. For people, what belongs to them is more valuable than others. This may cause the expected price to be higher than normal if the asset in question is disposed of. This irrational form of evaluation generally produces negative results. In particular, the fact that investors attach more value to assets acquired through inheritance and their reluctance to sell these assets can be associated with emotional factors such as a feeling of disloyalty towards past generations. This situation may prevent investors from evaluating their assets logically and objectively (Thaler, 1980).

Status Quo Bias: Status quo tendency refers to the tendency of investors to maintain their current situation or to choose options that can achieve a better one among the options they face. In this process, options that may lead to change are generally not preferred. The principle of inertia is similar to this effect. Under the principle of inertia, investors tend to maintain their current positions unless there is an external influence. This situation manifests itself as investors not taking active action and maintaining the risk-return balance of their portfolios, but this may also mean taking higher risks (Pompian, 2006). Combined with the tendency to avoid losses, investors may prefer to maintain their current positions over restructuring or reducing investments. Because the status quo tendency creates a perception of reducing the likelihood of a loss occurring. In the long run, it is possible to obtain high profits by choosing alternative paths (Gazel, 2016). Investors with a status quo bias prefer to stay in assets that are familiar or have emotional ties to them. This trend can lead to achieving financial goals; However, even in cases of low performance, it may be difficult to break this commitment. Investors may choose to keep investments they have acquired through purchase or inheritance, but the costs of this choice may not be worth giving up the investment (Nofsinger, 2014). This shows that emotional ties and habits play an important role in investors' decision-making processes.

Herd Behaviour: The herd behavior tendency occurs as a result of investors acting in accordance with the values and beliefs of their community rather than their own knowledge and evaluations. This tendency is generally considered an undesirable and harmful type of behavior for markets. Investors can make risky decisions by following the trends of the community,

either without having sufficient information or by ignoring their own information. Herd behavior tendencies are often cited as one of the main reasons in explanations of economic crises (Scharfstein and Stein, 1990). The critical point of the herd behavior tendency is that people's psychological biases increase and decisions are made based on a sense of community rather than appropriate analysis techniques and information. Under this trend, the feeling of regret experienced when an investment instrument causes losses decreases when one learns that other investors have done the same transaction. This situation reflects the tendency of individuals to follow the behavior of the community, ignoring their own independent evaluations (Nofsinger, 2014). This process shows how individual decision-making processes in markets can change due to social interactions and pressures.

Regret Avoidance: The feeling of regret can be defined as the pain people feel when they think that the alternatives they encounter are more positive or advantageous and they realize that they cannot fix this situation. The regret avoidance effect causes investors to hesitate in the decision-making and action-taking process. Investors under this tendency fear that whatever path they choose will bring less than optimal returns or losses. This situation leads to a tendency to try to prevent the feeling of regret that may arise as a result of making bad decisions. Investors can hold their investments for a long time to avoid seeing losing positions and mistakes (Pompian, 2006). The regret aversion effect can cause investors to focus excessively on recent losses in the markets and try to maintain their current situation despite negative investment results. This tendency may cause investors to hesitate in aggressive behavior and to be late for potentially profitable investments (Zeelenberg and Beattie, 1997). Regret avoidance tendency can cause investors to choose investments with average returns and ignore alternatives with high return potential. This may lead investors to remain tied to their profitable assets for a long time (Nofsinger, 2014). This effect, which Shefrin and Statman call the “disposition effect”, refers to the tendency of investors to keep loss-making investments in their portfolios while disposing of their profitable assets. Additionally, an increase in the value of an asset also leads to regret and pain for investors, as investors often feel regret and pain by remembering winning rather than losing investments (Kahneman and Tversky, 1979).

Loss Avoidance: Investors evaluate all their gains and losses against a reference point they have determined. The value function passing through this reference point has an asymmetric structure, showing that losses have a greater impact than gains. According to this function, risk-seeking behaviors are generally evaluated under loss, and risk-averse behaviors are evaluated under gain. Investors typically hold losing investments for long periods of time (risk seeking)

and quickly shed winning investments (risk aversion); This tendency is known as the disposition effect (Pompian, 2012). One of the fundamental principles of behavioral finance is that investors are loss averse, not risk averse. Loss aversion is an important factor that determines the risk attitudes of individual investors. This tendency causes investors to hold on to losses-bearing investments for a long time and generally produces negative results (Nofsinger, 2014). Investors want to earn more than they paid and have difficulty making peace with their losses due to the incentive to compensate. This motivation can lead investors into risky situations and cause great losses. Loss aversion causes investors to quickly dispose of their gains; This tendency leads them to overtrade and ultimately reduce their investment returns. In addition, this tendency can limit the appreciation potential of portfolios and cause investors to unknowingly take too much risk and create unbalanced portfolios (Pompian, 2006). While cognitive tendencies in behavioral finance are related to how they process and evaluate information during decision making; Emotional tendencies are about how investors' emotions influence their decisions. These trends suggest that investors are not always completely rational and are often influenced by these cognitive and emotional factors. Table 1 shows cognitive and emotional tendencies.

2.4. Impact Investing

In this part of the research, the concept of impact investing, its theoretical foundations and its intersections with public policy are expressed with the support of relevant literature.

2.4.1. Definition of Impact Investing

Impact investing refers to making investments that aim to achieve measurable certain social and environmental goals as well as financial returns. These types of investments aim to create social benefit and sustainability by going beyond conventional investment strategies. Impact investing allows investors to fulfill both their economic and social responsibilities.

Impact investing focuses on projects and initiatives that aim to find solutions to social and environmental problems. These projects operate in areas such as education, health, environmental protection, poverty alleviation and sustainable agriculture (Orellano and Quiota, 2011). Impact investing not only provides social and environmental benefits, but also aims for financial returns. This combines the aim of investors to both provide social benefit and generate returns from their investments (Rizzello,2016).Impact investments require measuring and

reporting the social and environmental impacts they provide. This enables investors to evaluate the impact of their investments and make improvements (Lazzarini et al., 2015). Impact investments can be made across a variety of asset classes. For example, they can be effective in various fields such as social impact bonds, impact-focused private equity funds, microfinance projects and sustainable infrastructure investments (Bakshi, 2012).

2.4.2. Advantages of Impact Investments

Social Benefit: Impact investments increase the general welfare of society by developing solutions to social and environmental problems (O'Flynn and Barnett, 2016).

Sustainable Development: These investments play an important role in achieving sustainable development goals.

Investor Image: Impact investing enables investors to fulfill their social responsibilities and create a positive image (Hussain and Sarmad, 2019).

Corporate social responsibility and investor's intention to invest: Analyzing the role of corporate identity and corporate image. *Pakistan Journal of Commerce and Social Sciences (PJCSS)*, 13(1), 150-164.

Long-Term Return: Sustainable and responsible investments can provide more stable and reliable returns in the long term (Bianchi and Drew 2012).

Impact investing is an investment strategy that enables investors to provide social and environmental benefits while maximizing their financial returns. This approach aims to create sustainable and positive changes for both investors and society.

2.5. Impact Investing: Theoretical Foundations and Approaches

Impact Investing refers to investments made to provide social or environmental benefit. The theoretical foundations and approaches of these investments have been examined through different academic studies and applications.

2.5.1. Theoretical Foundations

Newtonian-Positivist Paradigm: Newtonian-Positivist Paradigm and Financial Management Theories: Traditional financial management theories are generally based on the Newtonian-Positivist paradigm. This paradigm enables financial markets and investor behavior to be analyzed in a deterministic and rational framework. The Newtonian-Positivist approach

focuses on objective and measurable results; In this context, mathematical models and quantitative analyzes play a central role in financial decision-making processes. Examples of



this paradigm include models such as the Black-Scholes-Merton model and the Capital Asset Pricing Model (CAPM) (Venegas-Martínez, 2008). However, modern finance theories have recognized the limitations of the Newtonian-Positivist paradigm and developed more inclusive and realistic approaches. Behavioral Finance, one of these approaches, argues that investors do not always act rationally and that emotional and psychological factors affect their decision-making processes. Behavioral finance complements traditional finance models by examining the irrational behavior of investors and the anomalous dynamics of markets (Rashid, Ahmad, and Tariq, 2022). Critical Phenomenology, on the other hand, provides a more in-depth and contextual perspective on financial management theories. This approach provides a more holistic analysis of financial decision-making processes, taking into account economic and social realities. Critical phenomenology evaluates the financial behavior of individuals and institutions in the light of social interactions and cultural factors. This approach aims to obtain more meaningful results in areas where traditional theories are inadequate (Rita and Priyanto, 2017). Theoretical contributions such as the Multi-Factor Intertemporal Asset Pricing Model (ICAPM) and Contingent Claims Analysis (CCA) developed by Robert C. Merton play an important role in the evolution of financial management theories. These theories discuss how investors can make decisions against future uncertainties and the valuation of financial instruments in a more dynamic framework (Bodie, 2018). In addition, studies examining the role of social interactions on the pricing mechanisms of financial markets show that markets are shaped not only by rational expectations but also by the interactions of investors with each other (König, 2010). Although the Newtonian-Positivist paradigm has established a solid foundation in financial management theories, modern approaches such as behavioral finance and critical phenomenology offer more comprehensive and realistic analyzes by completing the shortcomings of these theories. In this context, it is possible to better understand financial decision-making processes and market dynamics (Rita and Priyanto, 2017).

Fiduciary Duty and Social Mission: Philanthropic Foundations and Total Portfolio Management Approach: Philanthropic foundations can adopt a total portfolio management (TPM) approach to balance both fiduciary duty and their social mission. This strategy enables foundations to maximize their financial returns while also creating social impact. Fiduciary duty requires foundations to manage donations and other funding sources in a reasonable and professional manner (Allison, 2014). The TPM approach is considered the most suitable strategy for philanthropic foundations. This approach ensures that fiduciary duty and social mission are carried out in harmony. TPM aims to maximize not only the financial performance

of foundations but also their social impact. This approach allows foundations to manage their investment portfolios in a way that both creates economic value and supports their social missions (Zolfaghari and Hand, 2021). Many foundations do not sufficiently take into account modern practices in portfolio management. This situation may lead to inadequacies in protecting and increasing philanthropic resources. Foundations' investment managers must develop strategies considering both financial return and social impact. For example, the Edna McConnell Clark Foundation aims to increase the organizational capacity of nonprofit organizations serving disadvantaged youth. Such strategies enable the philanthropic capital market to have a performance-oriented structure (Grossman and Sesia, 2011). Corporate strategic philanthropy programs aim to meet social needs through for-profit activities. For example, Imagine Canada's Caring Company program encourages companies to donate at least one percent of their annual pre-tax profits to non-profit organizations. Such programs set corporate philanthropy standards and encourage social impact (Showers and Hebb, 2022).

2.5.2. Approaches

Mission and Impact Investing: Philanthropic foundations can use mission and impact investments to support their missions and fulfill their social responsibilities. Such investments include foundations' for-profit funds, foundation law, and profitability analysis. Mission and impact investments enable foundations to both maximize their financial returns and create social impact (Windeknecht, 2021). Mission investments aim to align foundations' donations and other funding sources with social and environmental goals. These investments support social responsibility and sustainability goals. Mission investments allow foundations to provide social benefits while creating economic value (Wood and Hagerman, 2010). Impact investments are investments made to maximize the social and environmental impacts of foundations. These investments aim to provide social benefits beyond traditional financial returns. Philanthropic foundations both realize their missions and produce solutions to social problems through impact investments (Jones and Embry, 2021). Philanthropic foundations need to pay attention to foundation law and profitability analysis in order to realize their mission and impact investments. Foundation law determines how foundations can use and manage their donations and fund resources. Profitability analysis is an important factor that should be taken into account when evaluating investment decisions of foundations to ensure their financial sustainability (Sprecher, 2012). The Edna McConnell Clark Foundation makes mission and impact investments to increase the organizational capacity of nonprofit organizations serving

disadvantaged youth. Such strategies enable the philanthropic capital market to have a performance-oriented structure (Grossman and Sesia, 2011).

Latin American Example: Impact Investments and Sustainable Development: In Latin America, impact investments are used to provide support for sustainable projects and initiatives. These investments promote sustainable development by adopting different criteria than traditional investors. Impact investments adopt innovative and impact-oriented strategies to find solutions to social and environmental problems in the region. For example, impact investments address socioeconomic realities in the region with economically viable projects through agroforestry systems such as reforestation (Hernández Medina et al., 2021). It applies innovative and resonant leadership in impact investing, entrepreneurial activities to achieve sustainable development goals in Latin America. Such projects contribute to the creation of goods and services aimed at environmental protection and improving the quality of life of citizens (Chirinos Araque et al., 2020). Financing flows for development in Latin America and the Caribbean focus specifically on combating climate change. Sustainable development in this region can create opportunities or challenges depending on various factors such as environmental policies and growth rates (Cipoletta Tomassian and Matos, 2017). A systematic literature review on sustainability in the construction industry in Latin America highlights the lack of a holistic approach that takes into account environmental, economic and social elements in the region. This review reveals the necessity of training human resources in sustainable management tools and methodologies (de Almeida et al., 2022). Latin America adopts regional and global approaches in the transition to sustainable development. In this process, countries such as Brazil play a leading role in achieving sustainable development goals through platforms such as BRICS (Ursul, 2020). In Latin America, impact investing plays a critical role in providing support for sustainable projects and initiatives. These investments promote sustainable development and offer innovative solutions by addressing social and environmental problems in the region. Unlike traditional investors, impact investments provide long-term social benefits by adopting sustainability criteria (Contreras-Pacheco and Barbosa, 2016).

Corporate Finance Management: Impact Investments: Impact investments are seen as a new investment class in corporate finance management. These investments combine both investment efficiency and the aim of providing social benefit. Impact investments aim to increase internal organization, classification and transparency in corporate finance management in the long term. This approach both improves the financial performance of companies and allows them to fulfill their social responsibilities (Falkowski and Wiśniewski, 2013).

Transparency in corporate finance management is considered an important factor that increases investment efficiency. A high level of transparency increases investor confidence, encourages informed decision-making and reduces risks. This supports economic growth and market integrity (MBU-OGAR, 2023). Transparency also increases the sensitivity of investment to bonds, and market transparency has been shown to contribute to investment efficiency (Sovich and Gopalan, 2016). Corporate sustainability performance (CSP) positively affects investment efficiency. Social responsibility practices increase company value and improve the financial performance of companies. Companies' sustainability management increases earnings transparency and reduces information asymmetry (Alsayegh et al., 2022). Additionally, environmental, social and governance (ESG) disclosures enable effective communication with stakeholders by increasing financial transparency and accountability (Oncioiu et al., 2020). Impact investments include long-term strategic approaches. Companies shape their investments accordingly to achieve social and environmental goals. This process requires companies to optimize their internal organization and operational classification. By adopting the principles of transparency and accountability, companies increase both their financial success and social contributions (Alcaide González et al., 2020). Impact investments have an important place as a new investment class in corporate finance management. These investments aim to increase the internal organization and transparency of companies in the long term by combining both investment efficiency and the goal of providing social benefit. These strategic approaches improve companies' sustainability performance and financial success (Falkowski and Wiśniewski, 2013).

University Endowment Funds: Optimizing with Impact Investing: Universities can optimize their endowment funds with impact investments. This approach proposes to evaluate investment returns from a broader perspective using standard portfolio optimization models. Impact investments enable university endowment funds to both provide financial returns and create social benefits (Schor, 2020). University endowment funds make strategic investments to ensure the long-term financial sustainability of educational institutions. These funds use various investment instruments and carefully evaluate their risk-return profiles when optimizing their portfolios. Impact investments play an important role in this process. For example, hedge funds and private equity investments can improve the risk-return profiles of university endowment funds (Gueyié and Amvella, 2006). Impact investments enable university endowment funds to diversify their investment portfolios and make sustainable investments. These investments aim to provide social and environmental benefits as well as

financial returns. Impact investments also help universities fulfill their social responsibilities and increase their social contributions (Franz and Kranner, 2019). Standard portfolio optimization models are the basic tools that university endowment funds use when making investment decisions. These models aim to minimize risks while maximizing investment returns. By using these models, university endowment funds can evaluate their investment portfolios from a broader perspective and achieve their long-term financial goals (Xiong et al., 2017). University endowment funds can diversify their portfolios and increase their investment returns by turning to alternative asset investments. Alternative assets include hedge funds, private equity and venture capital. Such investments improve the financial performance of university endowment funds and ensure their long-term financial sustainability (Binfarè et al., 2019). By optimizing their endowment funds with impact investments, universities can maximize their financial returns and provide social benefits. This approach aims to evaluate investment decisions from a broader perspective and ensure long-term sustainability by using standard portfolio optimization models (Schor, 2020).

2.6. The Intersection of Impact Investing and Public Policies

Impact investing refers to investments that aim to achieve specific social and environmental goals as well as financial returns. Public policies play an important role in achieving sustainable development goals by promoting impact investments. This intersection has great potential for both economic growth and social benefit. Publics are developing various policies to promote sustainable development. These policies aim to bring together the goals of environmental protection, social justice and economic growth. For example, China's "River Chief Policy" (RCP) has played an important role in achieving sustainable development goals in the Yangtze River Economic Belt. This policy has contributed to sustainable development goals by improving innovation, education and consumption levels (Wang et al., 2022). Green finance policies are promoted by publics to improve corporate social responsibility (CSR) and environmental, social and governance (ESG) performance. These policies ensure that corporate investments are sustainable and responsible and increase investor confidence. For example, green financial policies positively affect corporate ESG performance, and institutional investors play an important role in strengthening this effect (Lei and Yu, 2023). Public policies aim to achieve sustainable development and economic growth goals by promoting green finance. In this context, the issuance of green bonds has a statistically significant impact on the formulation of public policies, while investors' sentiments have a significant impact on sustainable

development (Kumar et al., 2024). Digital public initiatives play an important role in achieving the United Nations Sustainable Development Goals (SDGs). These initiatives support impact investment policies to address economic divides, increase social inclusion, and comprehensively address corporate impacts (Medaglia et al., 2021). Female board members positively affect corporate social responsibility policies. Although pressure-sensitive female managers do not have a significant impact on CSR policies, pressure-resistant female managers show similar positive effects. This makes significant contributions to sustainable development efforts (Pucheta-Martínez et al., 2019). The intersection of impact investing and public policies is critical to achieving sustainable development goals. Public policies play an important role in achieving these goals by promoting green financing, improving corporate social responsibility and ESG performance, and supporting digital public initiatives.



CHAPTER THREE

METHODOLOGY

3.1. Model of the Research

This research was designed to examine the effects of public policies on the behavior of impact investors in Türkiye. The model of the study was developed using the semi-structured interview technique within the framework of the qualitative research method, and the data obtained was analyzed using the thematic analysis method.

3.2. Purpose of the research

The purpose of this research is to examine the effects of public policies on the behavior of impact investors in Türkiye. In this context, it analyzes the reasons for impact investors' preferences, the role of public policies in these preferences, their effects on the profitability and sustainability of impact investments, investors' risk perceptions, the effects of Islamic finance instruments on impact investments, and the effects of public policies on investment strategies and rationality. In addition, it is aimed to evaluate the social and environmental impacts of impact investments, determine the role of public policies in increasing these impacts, and provide suggestions for public policies to encourage impact investments.

3.3. Importance of Research

This research provides important information in the fields of sustainable development and social responsibility by examining the relationship between impact investments and public policies in Türkiye. Impact investments are a type of investment that aims to provide not only financial returns but also social and environmental benefits. Therefore, how public policies encourage such investments, investors' attitudes and strategies towards these policies are critical to the general well-being of society and sustainable development goals. By revealing how public policies shape impact investments and how these policies affect investors' decisions, the research will help policymakers make more effective and informed decisions.

In addition, the research aims to fill the knowledge gap in this field by examining the effects of Islamic financial instruments on impact investments in Türkiye. The ethical and interest-free nature of Islamic finance may be in natural harmony with impact investments, and these instruments have the potential to attract more investors to impact investments. By evaluating the role and potential of public policies and Islamic financial instruments in promoting impact investments, the research will contribute to investors and policy makers developing their strategies in this field. This research will be an important guide for disseminating sustainable and responsible investment practices and increasing the long-term profitability of impact investments.

3.4. Sampling Group

The sample of this research consists of investors who have experience in the field of impact investing and work in different sectors in Türkiye. The sample includes individual and institutional investors and venture capital fund managers operating in Türkiye. The demographic characteristics, positions, sectors they work in, impact investment experiences and investment rates of the investors participating in the research are summarized below:

Table 3.1. Demographic Features of Participants

Participant	Position/Title	Sectors	How Many Years of Impact Investing Experience?	Impact Investment Rate (%)
1	Corporate and Individual Investor / Founding CEO	Digital Application, Sector Association (Automobile, Women's Employment, Workforce Training)	3 years (sustainable investment for 10 years)	No answer
2	Corporate Investor / Deputy General Manager at Development Bank in Türkiye	Responsible Investment, Energy Efficiency, Women's Employment, Circular Economy, Renovation	3 years (sustainable investment for more years)	100
3	Corporate and Individual Investor / Founding General Manager at Venture Capital Investment Fund	Agriculture Food Technology, Robotics-Automation-Mobility-Fintech, Green Technology, Real Estate Technologies	We want to lay the groundwork for impact investing, we are investing in corporate social responsibility, but it is not enough output, we need to look at much more measurements	10
4	Corporate Investor / Partner in a Leading Private Equity Company	Serves Multifaceted Sustainable Development Goals	5 years, (sustainable investment for 20 years) - 150 billion TL foreign capital attracted to Türkiye	100

5	Corporate Investor / Chairman of the Board at Technology and Management Services Inc.	Corporate Sustainability	6 years / +abroad	100
6	Individual Investor / Founder of Capital Company	Women's Initiatives, Marine Pollution	4 years (+angel investor)	100
7	Individual and Institutional Investor / Founding Partner in Investment Company	Energy Systems	10 years / +abroad	80
8	Corporate Investor / General Partner at Venture Capital Impact Investment Fund	Sustainable Climate, Inclusion (Including All Disadvantaged Groups), Healthy and Safe Life (Disaster Technologies, Access to Health)	3 years	100
9	Corporate Investor / General Manager of Funds at Venture Capital and Real Estate Investment	Clean Energy and Climate Technologies, Skilled Workforce Employment and Value Added Production	No answer	No answer
10	Corporate Investor / Manager at Islamic Development Bank in Türkiye	Different Sectors According to Infrastructure Investments, Education and Public Needs	11 years	85

This table summarizes participants' positions, sectors in which they work, impact investment experience and investment rates. Participants' demographics include a wide range of experience in impact investing and expertise from a variety of industries. Participants include senior positions such as founding CEOs, deputy general managers, and board of directors chairman. These participants operate in a range of sectors such as digital applications, automobiles, women's employment, workforce training, energy efficiency, circular economy, agriculture, food technology, robotics, automation, mobility, fintech, green technology, real estate technologies, sustainable development goals, technology management services, women's initiatives, marine pollution, and energy systems. Impact investing experience of participants ranges from 3 years to 20 years. Impact investing rates are often high, with some participants investing up to 100% in this area. This wide diversity of participants enables the research to obtain versatile and comprehensive data.

3.5. Validity and Reliability of the Research

The participants included in the study serve in various roles in the impact investing field. These participants include positions as diverse as founding CEOs, executive vice presidents, and venture capital fund managers, and come from various sectors such as energy, technology, and sustainability. This demographic diversity adds depth to the subject targeted by the research.

Participants' positions in different sectors and functions enable us to evaluate the effects of public policies on various investment strategies and operational activities from a broad perspective. This diversity has a critical role in understanding how policies are perceived and implemented on a sectoral basis. The experience of the individuals participating in the research in the field of impact investing covers a wide range, from beginners to experienced investors. This diversity of experience reveals the effects of public policies on individuals at different experience levels.

Semi-structured interviews allow participants to express the impacts of policies in their own words. This method enables obtaining direct and open-ended answers, thus increasing the reliability of the research. The wide sectoral and functional range of participants covered by the research increases the richness and diversity of the data obtained. This allows the results obtained to be evaluated in a broader context and reinforces the reliability of the results. The research method can be replicated by other researchers under similar conditions. The standards provided by this semi-structured interview method and the consistency of the methods ensure the confirmability of the research results.

3.6. Data Collection

In this research, data was collected using the semi-structured interview technique, which is one of the qualitative research methods. This technique allowed us to gain an in-depth understanding of participants' views and experiences on impact investing and public policies. The data collection process consists of the following steps: The research sample consists of individual and corporate investors who have experience in the field of impact investing and work in different sectors. Participants were selected by purposeful sampling method, taking into account their knowledge and experience in impact investing. This selection ensured that individuals who would provide the most comprehensive and in-depth answers to the research questions were identified. A semi-structured interview form was used as a data collection tool. The interview form consists of open-ended questions covering main themes related to impact investing and public policies. The questions are designed to deeply address issues such as the reasons why participants prefer impact investing, the role of public policies in these preferences, the profitability and sustainability of impact investments, investment strategies and risk perceptions. Interviews were conducted face-to-face or through online platforms. Each interview lasted approximately 45-60 minutes and a suitable environment was provided for the

participants to express themselves comfortably. The interviews were audio-recorded and then transcribed in writing.

3.7. Data Analysis

The collected data was analyzed using the thematic analysis method. This analysis process involves systematically examining interview data and grouping them under specific themes and subthemes. First, each interview transcript was read carefully and important points were noted. Then, based on these notes, the data was coded and relevant themes were identified. The coding process enabled the data to be analyzed holistically and main themes to be revealed.



CHAPTER FOUR

FINDINGS

The first question addressed to the participants was “Can you tell us about your reasons for choosing impact investing and the impact of public policies on these reasons?” The answers to the question “(in short)” are as follows;

P1: World demand is in this direction, new business opportunities and models are in this area.

P2: Global warming is for 1.5 degrees (Paris agreement), the French development agency is starting impact investing with funding support, we want it to be compatible with ESG. Foreign funding sources provide motivation for impact-oriented investments. There is public influence and more regulation is needed in Türkiye.

P3: 1 billion people in the world are on the move, and a certain segment of the world's population is concentrated in cities, city economies have become unmanageable, and resources should be used more efficiently in this captical environment. Companies must now turn into a structure that creates value for all their stakeholders, rather than a structure that provides income to their capitalists. Impact funds will now become a necessity. The public sector has INDIRECT EFFECTS. Türkiye is preparing the ground for us to be integrated into the transformation.

P4: There is a demand for Western funds and the long-term measurable benefit of the output is high. Associations such as Impact Investing Advisory Board (EYDK) had a positive impact on not being late against the development in the world. The regulations had a positive impact. Having inspections on zero waste had a positive impact on Türkiye.

P5: death :), the company should go global because its technical risks and the problems it faces can be calculated with impact investing. There is a human part to impact investing. Additionally, my corporate motivation is to adapt people while creating a scale ecosystem.

P6: I want to serve the course of the world, I want to give money to people who do good things for the future of society.

P7: There are many things we do in life. When I look at what they bring to you other than money, the positive impact they have on people is something that motivates me. The public negatively hindered my first project (EPDK), there was a negative impact .

P8: paris climate agreement, global warming.

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.1. Reasons for Participants to Prefer Impact Investments

Theme	Sub-Theme	Participant
Global Trends and Business Models	New business opportunities and models	1, 4
Environmental and Social Responsibility	Paris Agreement, ESG compliance	2, 6, 8
Financial Support and Regulation	Funding support, regulation and supervision	2, 4, 7
Urbanization and Resource Use	City economies, resource efficiency	3
Human and Institutional Motivation	Positive impact, globalization	5, 7

According to the table above; The reasons why participants prefer impact investing and the impact of public policy on these reasons are collected under various themes. Participant 1 and Participant 4 stated that the fact that the world demand is in this direction and the existence of new business opportunities and models in this field played an important role in their preference for impact investing. Participant 1 said, “World demand is in this direction, new business opportunities and models are in this area.” Participant 4 emphasized the connection of impact investments with global business models and demands, stating, “There is a demand for Western funds and the long-term measurable benefit of the output is high.” Participant 2, Participant 6 and Participant 8 stated that environmental and social responsibility issues were decisive in their preference for impact investing. Participant 2 explained the impact of environmental factors by saying “global warming is for 1.5 degrees (Paris Agreement)” and “We want it to be compatible with ESG.” Participant 6 expressed his awareness of social responsibility by saying, “I want to serve the course of the world, I want to give money to people who do good things for the future of society.” Participant 8 stated his environmental motivations with the statement “Paris climate agreement, global warming”. Participant 2, Participant 4 and Participant 7 emphasized that financial support and regulations increased their interest in impact investing. Participant 2 stated the importance of financial support by saying, “French development agency is starting impact investing with funding support” and “Overseas funding sources provide motivation in impact-oriented investments.” Participant 4 expressed the positive effects of regulations and inspections by saying, “Associations such as EYDK had a positive impact. Regulations had a positive impact.” Participant 7 shared the negative effects of public policies with the statement, “The public negatively hindered (EPDK) my first project, negative impact.” Participant 3 stated that the city economies becoming unmanageable and the need to use resources more efficiently were effective in choosing impact investing. Participant 3 expressed his views on urbanization and resource efficiency by saying “a certain segment of the world's

population is concentrated in cities, city economies have become unmanageable, and resources should be used more efficiently in this capital environment.” Participant 5 and Participant 7 emphasized the importance of the human dimension and corporate motivations of impact investments. Participant 5 stated the human and institutional importance of impact investments by saying, “There is a humanitarian part in impact investing. Also, my corporate motivation is to adapt people while creating a scale ecosystem.” Participant 7 expressed his humanitarian motivations by saying, “There are many things we do in life. When I look at what they add to you other than money, the positive impact they have on people is something that motivates me.”

The second question addressed to the participants was “Is it profitable to be an impact investor? The answers to the question are as follows;

P1: It is not profitable in the short term, but it is definitely a profitable business in the long term.

P2: A comprehensive and long-term view is required, the multiplier and leverage effects are very large, if you invest without evaluating the climate risk, you may lose money in the long term, that is, these risks (climate etc.) are not separate from financial risks, those who cannot evaluate them well can make a profit in 3 years, but cannot make a long-term profit. This is what being sustainable means, being longer-term and making profits for a longer period of time.

P3: Impact investing will come to a safer environment. In the future, companies will not be appreciated just by writing profits. We will transform into a social environment where we will benefit from where we benefit.

P4: Yes, it becomes more profitable. It becomes more profitable because financing costs are lower. The cost of financing unsustainable investments is likely to be higher in the future. Since the company increases its loyalty, it will retain qualified employees and will not incur the cost of replacement.

P5: You may not be more profitable in the short term, but it may become more profitable in the long term and with the right investments.

P6: Today it is volunteer-based, but it will become more profitable in the future.

P7: Making a profit is a must for sustainable businesses, I cannot say that it is more profitable today, but it is important to make a healthy profit, also priority is given to impact investments in terms of funding and more funds are allocated, in addition to making a profit, their total benefit is higher than other investments.

P10: Yes, it may also vary depending on measurement and perception of profitability.

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.2. Profitability, Sustainability and Social Benefit of Impact Investments

Theme	Sub-Theme	Participant
Profitability	Profitability in the Short Term	1, 5
	Long Term Profitability	1, 2, 5, 6
Sustainability	Risk assessment	2, 4, 7
	Long Term View	2
Social and Environmental Benefit	Social Transformation	3, 7
	Total Benefit	7
Financing	Financing Costs	4, 7
Security and Perception	Safe Environment	3
	Measurement and Perception	10

According to the table above; In the profitability theme, regarding the short-term profitability sub-theme, Participant 1 expressed his opinion with the statement “it is not profitable in the short term”, and Participant 5 expressed his opinion with the statement “you may not be more profitable in the short term”. In the long-term profitability sub-theme, Participant 1 said, “It is definitely a profitable business in the long term.” Participant 2 drew attention to the risk of not being able to make a profit in the long run without evaluating the climate risk” so possible to make a profit in the long run with impact investing.” Additionally, Participant 5 stated that profitability may be possible in the long term with the words “it can become more profitable with long-term and correct investments” and Participant 6 stated that “it will become more profitable in the future”. Regarding the sub-theme of risk assessment in the sustainability theme, Participant 2 emphasized the importance of climate risk with the expression “climate risk assessment”. Participant 4 drew attention to the importance of the issue of sustainability with the expression “unsustainable investments”. Participant 7 emphasized the relationship between sustainability and profitability with the statement “making a profit is a must for sustainable businesses.” In the long-term perspective sub-theme, Participant 2 stated the necessity of long-term thinking with the expression “being longer-term and making profits for a longer period of time”. Regarding the social transformation sub-theme of the social and environmental benefit theme, Participant 3 stated that impact investments will create social transformation with the statement “We will transform into a social state where we will benefit from where you provide benefit.” Participant 7 emphasized the social and environmental benefits of impact investments with the statement “the total benefit is greater than other investments.” In the financing theme, regarding the financing costs sub-theme, Participant 4 stated that impact investments have lower financing costs, with the expression “financing costs are lower.” The same participant stated that unsustainable investments may face higher financing costs in the future, with the statement “financing costs will be higher in the future.” Participant 7 emphasized the financial support provided to impact investments with the statement “impact investments are given

priority and more funds are allocated.” In the security and perception theme, regarding the safe environment sub-theme, Participant 3 stated that impact investments will be made in a safer environment in the future, with the statement “it will come to a safer environment”. In the sub-theme of measurement and perception, Participant 10 stated that impact investments may change depending on the perception of profitability, with the statement “it may vary depending on measurement and perception of profitability.”

The third question asked to the participants: “Do you think it is more rational to make impact investments?” The answers to the question are as follows;

P1: Yes, it is more rational.

P2: It is more rational. Because it is not rational not to consider the disadvantaged group during investment, because there are too many disadvantaged groups, and financial evaluations should not be made only because, according to research, 4 of the first 5 risks in the next second 5 years belong to climate risk. It is not rational to invest without evaluating these risks.

P3: Yes, because we will not be able to express the benefit on the customer side only with price or performance, for example, the product will be preferred based on its nutritional value and so the inflated economy will be reduced to ideal size/simplification. The reason for impact investing is to bring this inefficiency closer to zero as the world changes. The value chain will be among those who produce value, everyone who does not produce value will leave this chain and an effective production chain will be provided. Impact investments must be made.

P4: It is more rational. Because I am a long-term investor. They are long-term investments. That's why they are rational investments. Impact investments made already have to be rational. This can be achieved from an integrated perspective.

P5: Yes, since I see the numbers from a technical perspective, I both see and know that it is more rational.

P6: Yes, it is rational.

P7: You need to be a dreamer, not a random person, to do this job. However, we can proceed on this path in the right way by acting rationally according to market dynamics.

P10: Yes, rationality is a must for impact investing. Impact investing also includes conscientious, religious and legal rationales.

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.3. Participant Opinions on the Rationality of Impact Investing

Theme	Sub-Theme	Participant
Rationality	Financial and Social Rationality	1, 2, 5, 6, 10
Disadvantaged Groups and Climate Risks	Disadvantaged Groups and Climate Risks	2
Customer Benefit and Efficiency	Customer Values and Sustainability	3
Long Term Investments	Long Term Perspective	4
Conscientious, Religious and Legal Dimensions	Conscientious, Religious and Legal Dimensions	10
Rationality and Market Dynamics	Market Dynamics and Strategy	7

According to the table above; The majority of participants stated that impact investing is rational. Participant 1 expressed his opinion briefly and clearly by saying “yes, it is more rational.” Participant 5 similarly emphasized the rationality of impact investing based on technical and financial data, saying, “Yes, I see and know that it is more rational since I see the numbers from a technical perspective.” Under the theme of considering disadvantaged groups and climate risks, Participant 2 said, “It is more rational. Because it is not rational not to consider the disadvantaged group during investment, because there are too many disadvantaged groups, and only financial evaluations should not be made because according to research, the first 5 expected risks of the second 5 years will be 4.” She drew attention to the importance of social and environmental factors by saying “4 belongs to climate risk”. Under the theme of customer benefit and efficiency, Participant 3 said, “yes, because we will not be able to express the benefit on the customer side only with price or performance, for example, products will be preferred based on nutritional value, and the inflated economy will switch to ideal smallness/simplification”, stating that the customer's perception of value is changing and that this will affect impact investment. He stated that it made it rational. Under the theme of long-term investments, Participant 4 emphasized the rationality of impact investing from a long-term perspective by saying, “It is more rational. Because I am a long-term investor. They are investments with a high long-term maturity. That is why they are rational investments.” Under the theme of conscientious, religious and legal dimensions, Participant 10 said, “yes, rationality is a must for impact investing. Impact investment also includes conscientious, religious and legal ratios” and stated that impact investing, in addition to being rational, also has conscientious, religious and legal dimensions. . Under the theme of rationality and market dynamics, Participant 7 said, “In order to do this job, you need to be a dreamer, not a rational one. However, we can move forward on this path in the right way by acting rationally according to market dynamics.” stated that it is necessary.

The fourth question asked to the participants was “Do you think that the public policy has a role in it becoming rational/profitable?” The answers to the question are as follows;

P1: The public has no influence.

P2: Yes, it has an effect.

P3: The public is actually a big company, the important thing is whether the public will be able to distribute it fairly. It pushes towards a structure that highlights public capital markets so that citizens can also get their share of this system. In other words, the public sector in Türkiye is currently taking the lead here. In fact, the public sector is now 10 years ahead of Türkiye.

P4: Yes, I think so. If there are no public inspections, being an impact investor may not seem rational, and if the right incentives are not provided, it may not be profitable.

P6: It may.

P7: Of course, there are examples of this in many countries. Ex; In India, the public started to give incentives for the transition to electric vehicles because they can see the total benefit. We can decide this rationally, but non-rational people may not prefer it on the grounds that it is still local. By encouraging this, the public can provide support until the market settles down, that is, it becomes profitable, and can make a rational decision on this.

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.4. Participants' Opinions on the Effect of Public Policies on the Economy

Theme	Sub-Theme	Participant
Public Effect on the Economy	Positive Impact	2, 4, 7
	Negative or Neutral Effect	1, 6
The Role and Future of Public Policies	Guidance and Development	3
	International Examples and Comparisons	7

According to the table above; It was observed that participants had different views on the impact of public policies on the economy. For example, Participant 2 and Participant 4 stated that public policies can increase rationality and profitability through supervision and incentives. Participant 4 said, “If there are no inspections required by the public, being an impact investor may not seem rational, and if the right incentives are not provided, it may not be profitable.” He supported this situation with his statement. Similarly, Participant 7 gave the example of India and stated that public incentives could support the market to establish itself and reach profitability. Participant 1, who was in the negative or neutral impact category, said “no public impact.” He stated that public policies do not have any effect on the current situation. Participant 6 said, “There is no public policy that affects me right now, but it may affect me.” He stated that he did not feel any effect at the moment, but this situation may change in the future. Under

the theme of the role and future of public policies, Participant 3 was seen to emphasize the role of public policies in promoting and advancing capital markets. Participant 3 said, “The government is pushing towards a structure that highlights capital markets so that citizens can get their share from this system. In other words, the public in Türkiye is currently taking the lead here.” He drew attention to the proactive role of public policies. Participant 7, under the sub- theme of international examples and comparisons, said, “India's public has started to provide incentives for the transition to electric vehicles, because they can see the total benefit.” He referred to the implementation of public policies in the international arena. This view has shown that public policies can be effective in becoming rational and profitable based on examples of success in other countries.

The fifth question “How do you perceive the existence of current public policies and their DIRECT/INDIRECT effects?” was asked to the participants. How do these policies impact your impact investments/investment strategies?” The answers to the question are as follows;

P1: We couldn't get any support. It had no effect, but its potential is huge, it could have very good effects.

P2: It had an indirect and positive impact.

P3: The public has an indirect impact on ecosystem investments.

P4: Our investment decreased because unexpected regulations caused foreign investors to withdraw their funds.

P5: Although public policy has no effect, we do the work that the public should do. Of course, a good public policy can affect our investment decisions in the future.

P6: Although it is not effective at the moment, the incentives it provides may affect my investment decisions. I wish the public would motivate more, and it should also interact more with business people because the government can influence business people a lot.

P7: I had to sell my solar energy project due to regulatory obstacles (negative impact). If the public plans some sectors for 10-20 years, it will have a positive impact on my investments. Instant daily regulations can also cause negative effects, this has happened in my experience.

P8: We did a project with the Istanbul Development Agency, (the public had a direct positive impact), Ankara Development Agency gave a venture capital investment fund focused on impact investment, these are very good moves. The Presidency of the Republic of Investment Office has done good work on this issue. We are getting good signals from the public.

P9: Public policies support the United Nations Sustainable Development Goals, which are suitable for Türkiye's conditions. In particular, incentives for renewable energy sources and reducing carbon

emissions positively affect our air quality. Women's participation in the workforce is also constantly increasing. In particular, the direct and indirect contributions of the public towards increasing venture capital investments make various contributions to achieving the 17 determined targets by supporting venture companies that produce an impact in line with the SDG targets. We voluntarily support EYDK working groups and support the Sustainable Development Goals without waiting for public guidance when making investment decisions. Public support can support our investments and improve the quality of life of our employees.

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.5. Perceived Effects of Public Policies on Investment Strategies

Theme	Sub-Theme	Participant
Public Support and Impact	No Support	1, 5
	Indirect Effect	2, 3, 9
Regulations and Unexpected Policies	Negative Effect	4, 7
	Positive Planning Potential	7
Incentives and Collaborations	Potential Effect of Incentives	6
	Direct Positive Effect	8
Sustainable Development and Social Impacts	SDG	9

According to the table above; Some participants complained about the lack of public support. Participant 1 stated, “We did not receive any support. It did not have an effect, but its potential is great, it could have very good effects.” He stated that they cannot benefit from public policies in the current situation, but these policies have great potential if implemented correctly. Similarly, Participant 5 drew attention to the lack of public policies with the statement, “Although public policy has no effect, we are doing the work that the public should do. Of course, a good public policy for the future may affect our investment decisions.” In the context of indirect impacts, Participant 2 stated that public policies had an indirect positive impact, saying “it had an indirect and positive impact.” Participant 3 also emphasized a similar situation by saying, “The public has an indirect impact on ecosystem investments.” Participant 9 stated that the effects of public policies play an important role on venture capital investments, with the statement “especially the direct and indirect contributions of the public towards increasing venture capital investments”. In terms of unexpected regulations and negative impacts, Participant 4 stated that such regulations damage investor confidence and reduce the amount of investment, stating that “our investment decreased because unexpected regulations caused foreign investors to withdraw their funds.” Participant 7 had a similar negative experience, saying, “I had to sell my solar energy project due to regulatory obstacles (negative impact).” However, the same participant also emphasized the positive effects of long-term public

planning with the statement, “If the public plans some sectors for 10-20 years, it will have a positive impact on my investments.” Regarding the potential effect of incentives and collaborations, Participant 6 stated that the current incentives are insufficient, but their potential impact is great, with the statement “Although they do not have an effect at the moment, the incentives they provide may affect my investment decisions, I wish the public would motivate them more.” In the context of direct positive impact, Participant 8 exemplified the positive results of direct public support by saying, “We did a project with the Istanbul Development Agency, (the government had a direct positive impact).” The same participant stated other positive public policies with the following statements: “Ankara development agency gave a venture capital investment fund focused on impact investment. These are very good moves.” and “The Presidency of the Republic of Türkiye Investment Office has good work on this issue.” Finally, in the context of sustainable development and social impacts, Participant 9 emphasized the contribution of public policies to sustainable development goals with the statement, “Public policies support the United Nations Sustainable Development Goals that are suitable for Türkiye's conditions.” He also stated the environmental and social impacts of these policies with the following statements: “Incentives, especially for renewable energy sources and reducing carbon emissions, positively affect our air quality” and “Public supports can support our investments and improve the quality of life of our employees.”

The sixth question asked to the participants was “Does a certain public policy provide more incentives for long-term investments or direct you to short-term investments?” The answers to the question are as follows;

P2: A good PP provides incentives for greater impact investment, and we should make long-term investments so that we can experience this longer.

P3: Yes it does. We will use the incentives coming from the World Bank and we are working on this issue. We are trying to turn it into a more useful business model with proper scaling.

P4: Unexpected regulations and changes especially frighten foreign investors. For this reason, being predictable is important for investors. Positive public policies can definitely provide incentives for our long-term investments.

P5: Of course.

P6: It affects a lot, it affects 80%.

P7: I try to make long and short-term investments in a balanced way, we have no expectations, but future regulations may have a negative or positive effect. Public policy can also attract foreign resources thanks to correct regulations.

P8: Since the maturity of our investments is certain, it does not affect it.

P9: Our company carries out its private capital and venture capital investments within the framework of a long-term investment approach based on national and international examples. In this regard, I would like to state that current public policies (PP), especially incentives for long-term projects, are compatible with the strategic and planned investment approach adopted by our company. To clarify the issue with a concrete example, we applied for the Regional Venture Capital Financial Support Program for Impact Investment announced by Ankara Development Agency (ANKA) at a Venture Capital Investment Fund (GSYF) of which we are the founder and manager. The investment period of the relevant program is a maximum of 5 years, and the exit period is a maximum of 5 years, for a total of 10 years. This period is also compatible with the duration of our GDP that we determined at its establishment. Therefore, I would like to point out that thanks to such policies and policy tools, we strengthen our self-control.

P10: It has absolutely no effect. Our maturity is already long enough and has a certain framework (3 years no repayment +12 years).

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.6. The Impact of Public Policies on Investment Strategies

Theme	Sub-Theme	Participant
Long Term Investment Incentive	Public policies encourage long-term investments	2, 4, 9
Impact of Regulations	Predictability of regulations and investor confidence	4, 7
Impact Investments and Strategic Approach	Impact investing and long-term strategy	2, 9
Balanced Investment Strategy	Balancing long and short term investments	7
Fixed Investment Term and Ineffectiveness of Policies	Ineffectiveness of policies due to fixed investment maturity	8, 10

According to the table above; Participants stated that public policies provide incentives for long-term investments. Participant 2 said, “A good PP provides incentives for more impact investments, and we should make long-term investments so that we can experience this longer.” He emphasized this situation by saying. Similarly, Participant 4 said, “Positive public policies can definitely provide incentives for our long-term investments.” He used the expression. Participant 9 said, “I would like to express that current public policies (KP), especially incentives for long-term projects, are compatible with the strategic and planned investment approach adopted by our company.” He expressed the positive impact of public policies on long-term investments. The research revealed that the predictability of regulations is important for investor confidence. Participant 4 said, “Unexpected regulations and changes frighten

foreign investors in particular. For this reason, being predictable is important for investors.” He drew attention to this situation by saying. Participant 7 said, “We have no expectations, but future regulations may have a negative or positive effect.” He made an evaluation as follows. In the research, the importance of impact investments and strategic approach was emphasized. Participant 2 said, “A good PP provides incentives for more impact investments, and we should make long-term investments so that we can experience this longer.” He drew attention to impact investments with his statement. Participant 9 said, “We applied for the Regional Venture Capital Financial Support Program for Impact Investment announced by Ankara Development Agency (ANKA) at a Venture Capital Investment Fund (GSYF) of which we are the founder and manager.” He explained the strategic approach with a concrete example. In the survey, some participants stated that they tried to balance long and short-term investments. Participant 7 said, “I try to make long and short-term investments in a balanced way.” He expressed his efforts to achieve this balance. In the research, participants with fixed investment maturity stated that the impact of public policies was limited. Participant 8 said, “It does not affect the maturity of our investments since they are clear.” He expressed this situation by saying. Participant 10 said, “Our maturity is already long enough and has a certain framework (3 years no repayment +12 years).” He emphasized the ineffectiveness of public policies due to the long investment maturities.

Participants were asked the seventh question, “Does a particular public policy increase or decrease your risk-taking tendency?” The answers to the question are as follows;

P1: Definitely yes, public support gives us strength and courage, we will of course take steps to take more risks.

P2: Increases.

P3: Our tendency to take risks in the livestock and dairy sector has increased. But the public had no influence. But the public may have an impact on our risk-taking tendency.

P4: Regulation definitely provides a positive effect, but providing incentives alone does not affect our risk-taking tendency.

P5: The continuity of public policy is important, it takes an average of 9 years for the return on our investments, in this context it is important that it is compatible with us, our tendency to take risks is affected.

P6: If it is on the path I am on, my risk tendency increases, but if it is not on the path I think it is, of course it will demotivate me, I can question whether this policy will change.

P7: After our company was established, there was a retroactive 10% emission income tax demand. This development put us in a difficult situation. Such regulations reduce the risk-taking tendency and can drive entrepreneurs abroad. Retroactive regulations should not be implemented.

P8: Our tendency to take risks definitely increases, the grant given with 11 cities condition also increases our effort.

P9: The Venture Capital Investments in which we operate are considered to have a high level of risk compared to other investment approaches and instruments. Again, the relevant program (Development agency) that I mentioned in my previous answer can in a way increase our tendency to take risks, but our GSYF will be managed like a prudent merchant as the representative of its investors, including the relevant public institution.

P10: Of course it increases.

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.7. The Effect of Public Policies on Entrepreneurs' Risk-Taking Tendency

Theme	Sub-Theme	Participant
The Role of the Public	Support and Encouragement	1, 5, 9
	Impact of Regulations	4, 7
Incentive and Support Programs	Direct Incentives	4, 8
	Investment Type and Sectoral Differences	3, 9
Trust and Policy Continuity	Continuity and Trust	5, 6

According to the table above; It has been understood how the risk-taking tendencies of the participants are affected by factors such as the role of the public, incentive and support programs, trust and policy continuity. Public support increased participants' risk-taking tendencies. Participant 1 said, “public support gives us strength and courage.” Likewise, Participant 5 supported this situation with the statement “the continuity of public policy is important.” Participant 9 stated that the Development Agency program increased their risk-taking tendencies. The positive impact of regulations has increased the tendency to take risks. Participant 4 expressed this with the statement “regulation definitely provides a positive effect.” However, it has been stated that negative regulations regarding the past reduce the tendency to take risks. Participant 7 said, “Retrospective regulations reduce the risk-taking tendency and can drive entrepreneurs abroad.” The direct effect of grants and incentives has increased the motivation and risk-taking tendencies of entrepreneurs. Participant 8 expressed this by saying, “The grant also increases our effort.” However, it has been stated that just providing incentives is not enough. Participant 4 said, “just giving incentives does not affect our risk-taking

tendency.” In some sectors and investment types, incentives and supports have played a determining role in the tendency to take risks. Participant 3 explained this situation with the statement: “Our tendency to take risks in the livestock and dairy sector has increased.” Participant 9 stated that despite the high-risk level of Venture Capital Investments, the support of the development agency increased their tendency to take risks. The continuity and reliability of public policies have been of critical importance for entrepreneurs making long-term investments. Participant 5 said, “The continuity of public policy is important” and emphasized the importance of policies compatible with the return period of long-term investments. Participant 6 explained the effect of policy continuity on motivation with the statement “If it is on the path I am on, my risk tendency increases, but if it is not on the path I think it is, it demotivates.”

Participants were asked the eighth question: “Are you willing to accept less financial return to increase the social or environmental impact of your investments? Could public policy this factor into your decision?” The answers to the question are as follows;

P1: Yes I'm definitely willing, I don't mind making a profit. The public can certainly have an influence. We even have a project new one.

P2: Definitely yes, we are willing, we do not care about profit right now.

P3: Yes, because the social impact it will create there is greater. Its impact will indirectly return to me as an investment or value. The public policy is also effective in increasing this desire.

P4: Yes, but having to look favorably on this hinders the growth of impact investing. There is no need to take it to extremes, a balanced decision is important. The public can be effective in this desire, of course, especially in terms of foreign capital.

P5: If I invest with my own capital, yes, I am willing. However, if an investment is to be made through fund raising, we look at the investor's demand. In this context, we ask questions and this rate may change depending on the answers.

P6: Yes, I give up making more money to do something good. Even if it is more profitable, I try not to choose an investment that would take it beyond impact investing.

P7: Giving to society should not only be about giving up profit, but the business should focus on profit, this should be done by the state, not the business. Small startups can tactically sacrifice profits. But I won't give up on my profit in order to run a healthy business. But state support would change my answer.

P8: Yes, we are willing, but this does not mean that we do not expect profit. Only the state cannot be effective, it should be done together.

P9: We cannot ignore local and global trends/needs when determining our investment areas and focus sectors. Our need for a more sustainable and fair future, where our resources can be used more effectively and efficiently in social and environmental terms, is increasing day by day. In this regard, clean energy and climate technologies, qualified workforce employment, and value-added production are naturally very important for stable, inclusive and sustainable economic growth. Therefore, I believe that the returns from investments in the areas I mentioned will actually offer more financial returns as well as environmental and social impact. Therefore, it is not possible to say that PP is effective for comparison.

P10: Yes, we are willing.

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.8. Participant Opinions on the Social and Environmental Impact of Investments

Theme	Sub-Theme	Participant
Disregarding Profit for Social and Environmental Impact	Don't care about profit	1, 2
	Return of social impact	3
	Avoiding investments other than impact investing	6
Impact of Public and Public Support	public impact	1, 3, 4, 7
	Decisions changing with public support	7
	Not enough public influence	8
Balanced Decision and Use of Equity	The importance of balanced decision	4
	Investing with equity	5
	Variability depending on investor demands	5
Local and Global Trends and Sustainability	The impact of local and global trends on investment decisions	9
	Clean energy and sustainability	9
Profit Expectation and Work to be Done Together	There is an expectation of profit	8
	The importance of working together	8

According to the table above; It has been observed that participants tend to disregard profit for social and environmental impact. For example, Participant 1 stated that he did not care about profit by saying “I am absolutely willing, I do not care about making a profit.” Likewise, Participant 2 showed a similar attitude with the statement “Yes, we are definitely willing, we do not care about profit right now.” Participant 3 stated that social impact will provide indirect returns and said, “because the social impact it will create there is greater. Its impact will indirectly return to me as an investment or value.” Participant 6 said, “I give up making more money to do something good,” and emphasized that he tends not to prefer investments other than impact investing. Regarding the impact of public and public support; Participants stated that the public sector is effective. Participant 1 supported this situation with the statement, “There can definitely be state influence.” Participant 3 emphasized the impact of public support

by saying, “The public policy will also be effective in increasing this desire.” Participant 4 stated the importance of the public by saying, “The public can be effective in this desire, of course, especially in terms of foreign capital.” Participant 7 said, “State support would change my answer,” and stated that public support could change his decision. However, Participant 8 emphasized that public policy influence is not enough and the importance of work to be done together, saying, “Only the public cannot be effective, it must be done together.” When the theme of balanced decision and equity capital use is examined; Participants emphasized the importance of balanced decision. Participant 4 expressed this situation with the statement “a balanced decision is important.” Participant 5 stated his willingness to invest with equity capital by saying, “If I invest with my own capital, yes, I am willing.” The same participant said, “We look at the investor's demand. In this context, we ask questions and this rate may change depending on the answers,” and stated that it may vary depending on investor demands. Regarding local and global trends and sustainability; Participants stated that local and global trends have an impact on investment decisions. Participant 9 expressed this by saying, “We cannot ignore local and global trends/needs.” The same participant emphasized the importance of clean energy and sustainability by saying, “Clean energy and climate technologies, qualified workforce employment and value-added production are naturally very important for stable, inclusive and sustainable economic growth.” Finally, under the theme of profit expectation and work to be done together; Participants stated that there was an expectation of profit and that the work to be done together was important. Participant 8 stated that the profit expectation continues by saying, “Yes, we are willing, but this does not mean that we do not expect profit.” The same participant emphasized the importance of the work to be done together by saying, “Only the public cannot be effective, it must be done together.”

The ninth question asked to the participants was “How do the Islamic financial instruments offered by the public affect your impact-oriented investment decisions?” The answers to the question are as follows;

P1: I use Islamic finance instruments, but revision is necessary, so I am considering reducing it now. Because now it is interfering with your work and its efforts to become a partner have a negative impact.

P2: It does not affect us now, but it may affect us in the future.

P3: If it happens, of course, it will affect it in the future, it is necessary to create innovative products by destroying the Catholic thought. (the same time they use Islamic instruments)

P4: We have many investors with Islamic sensitivities, so we apply suitable partnerships for them, since we do not have any interest income. However, Islamic instruments are debt-oriented and capital-oriented instruments should be developed more in Türkiye.

P5: If it is through participation banking or Public Islamic debt instruments will not affect us because we develop the debt instruments ourselves.

P6: I have never used it yet, but I can evaluate it and use it.

P7: Yes, we plan to use them in the future. Of course, the more financing tools increase and develop, the more they will affect us positively.

P8: It does not affect us because our system is clear and we cannot go beyond this.

P9: We used Islamic Finance instruments offered by Public Banks in our renewable energy power plant investments.

P10: We provided support for the establishment of a public participation bank established in Türkiye (300 million dollars).

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.9. The Effects of Publicly Offered Islamic Finance Instruments on Investment Decisions and Participant Opinions

Theme	Sub-Theme	Participant
Need for Revision and Development	Negative Impact and Usage Reduction	1
	Capital-Oriented Instrument Development	4
Not to Affect/May Affect in the Future	Not Affecting Now	2, 5, 8
	Potential Impact in the Future	2, 3
Current Usage and Examples	Current Use Cases	9, 10
Potential Use	Future Use Plan	6, 7

According to the table above; The impact of Islamic financial instruments offered by the public on investment decisions is evaluated in various ways. Regarding the theme of Need for Revision and Development, considering Participant 1's statements, it was stated that there are some problems in the current use of Islamic finance instruments and these instruments need to be revised. The participant stated that he was considering reducing the instruments because this situation interfered with the current functioning and negatively affected the effort to become a partner. On the other hand, Participant 4 emphasized that Islamic instruments in Türkiye are debt-oriented and that capital-oriented instruments need to be developed further. Under the theme of Not Affecting/May Affect in the Future, the answers of Participant 2 and Participant 8 show that Islamic financial instruments do not affect current investment decisions, but this

may change in the future. Participant 3 stated that these instruments may have an impact in the future and that innovative products should be developed. Participant 5 stated that public Islamic debt instruments do not affect them because they develop their own debt instruments. In the theme of Current Use and Examples, Participant 9 stated that they use Islamic finance instruments offered by public banks in renewable energy power plant investments. Additionally, Participant 10 stated that they provided 300 million dollars of support to the establishment of the public participation bank established in Türkiye. According to the theme of Potential Use; Participant 6 stated that he has not used Islamic financial instruments yet, but he can evaluate and use them. Participant 7 stated that they plan to use these instruments in the future and that the increase and development of financing instruments will positively affect them.

The tenth question asked to the participants was “Do you think that Islamic finance instruments offered by the public will help attract more investors to impact investments?” The answers to the question are as follows;

P2: A social sukuk issued by the public would definitely work and should be done. Islamic instruments should be brought to the table as well as conventional products because it is very important to include both the financier and the investor dimension.

P3: It can. Impact investing means using zakat and charity correctly. The West is actually discovering God in reverse. We need to explain it under the benefit of humanity through economic products. Even Muslims can get this, and non-Muslims can get it. The right Muslims must explain the impact in the right way and this will be achieved.

P4: It has a lot more potential than we thought, it will be very effective, it will attract a lot of investors, and it will have a significant impact because it creates a more reliable perception of the public.

P5: Of course, it affects different investors depending on its internal dynamics.

P7: It was not asked, but she said that they were considering an Islamic instrument, so they can approach this answer positively...

P8: Yes, it can affect.

P9: Islamic Finance instruments offered by the public contribute to the development of financial inclusion. Public support in this field positively affects the decision-making processes of people with interest sensitivity in impact investments. Yes, I think that Islamic financial instruments, whether offered by the public or private sector, will definitely contribute to more investors adopting impact investing. The main reason for this view is that the belief-based investment approach and the impact investment

approach have many common values. Therefore, I think that Islamic finance instruments help increase awareness of impact investing among investors and reveal the potential of impact investments.

P10: Yes, it does. Islamic finance is already basically impact investing.

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.10. Contribution of Publicly Offered Islamic Finance Instruments to Impact Investments

Theme	Sub-Theme	Participant
Use of Islamic Financial Instruments	Use of social sukuk	2, 3
	Comparison of Islamic instruments with conventional products	2, 7, 9
Attraction of Investors	Potential to attract investors	4, 8, 10
	The role of the public and private sectors	9
Trust and Perception Management	public credibility	4
	Interest rate sensitivity and the role of the public	9
Combination of Impact Investing and Islamic Values	Use of zakat and charity	3
	Faith-based investment approach	9

According to the table above; It has been demonstrated that social sukuk can play an important role regarding the use of Islamic financial instruments. In the words of Participant 2, “A social sukuk issued by the public would definitely work and should be done.” Participant 3 also supported this situation and said, “We need to explain it under the benefit of humanity through economic products.” It was emphasized that Islamic instruments should be compared with conventional products. Participant 2 expressed an opinion as follows: “Islamic instruments should be brought to the table as much as conventional products.” Additionally, Participant 7 similarly said that they were considering an Islamic instrument and therefore could approach it positively. Participant 9 supported this view by saying, “I think Islamic finance instruments help unlock the potential of impact investments.” Investors' withdrawal potential was deemed high. Participant 4 said, “There is more potential than we thought and it will be very effective and attract many investors.” Participant 8 supported this idea by saying, “Yes, it may affect.” Participant 10 similarly stated, “Yes, it affects.” Participant 9 pointed out the role of the public and private sectors by saying, “Public supports positively affect the decision-making processes of people with interest sensitivity in impact investments.” The importance of public credibility in terms of trust and perception management is emphasized. Participant 4 stated, “It causes a significant impact because it creates a more reliable public perception.” Participant 9 also drew attention to interest sensitivity and the role of the public by saying, “Public supports positively affect the decision-making processes of people with interest sensitivity in impact investments.”

The issue of impact investing and the combination of Islamic values was also touched upon. Participant 3 commented, “Impact investing means using zakat and charity correctly.” Participant 9 emphasized the combination of these two approaches by saying, “The belief-based investment approach and the impact investment approach have many common values.”

The eleventh question addressed to the participants was “What policy interventions would you recommend so that the state can be more effective in the field of impact investing?” The answers to the question are as follows;

P1: The public sector needs to focus on technology exports separately, we are dealing with issues that the public should address. If they were aware of this, they would actually support us more. There must be qualified personnel who are visionary and know these jobs in the public sector. Legal barriers need to be reduced.

P2: Necessary regulations should be made, steps should be taken towards green transformation, incentives should be provided, and necessary regulations should be made by BRSA and CMB. Türkiye is currently taking a much more active role than other surrounding countries.

P3: More workshops need to be held on sample models and cases. Impact investing needs to be discussed on a sector-by-sector basis. A multi-actor innovation research needs to be conducted. The benefits we will provide to the country in these areas will both reduce public expenses and enable us to benefit from external resources, and even our own resources will be sufficient. Zakat and Hajj funds need to be channeled correctly. The public needs to make courageous decisions and gradually transfer money to firms and companies like us that will expand the sector, through competitive models. (construction method). It needs to produce project-based products. It needs to be created with basic rules without binding it to too many rules (Impact investment method).

P4: Increasing regulations for SMEs may increase the level of awareness. Incentive. The quality and number of vocational education should be increased because trained personnel attract foreign investors to our country. The public needs to cooperate more with relatively small companies and organizations, such as the chamber of industry. For example, are we ready for a carbon tax at the border and will this reduce our exports or will we have difficulty in competing?

P5: The public should provide gradual and controlled incentives, no grants should be given. Don't burn money.

P6: Public incentives and motivation will affect investors and that it would be beneficial to interact with business people.

P7: The state needs long-term planning (nothing has been replaced by the State Planning Organization (DPT)). Decisions must be made by making accurate analyses on a global scale, and there must be policies that continue these strategies even if the government changes. I recommend that they do not

intervene. I believe that supervision should be increased rather than regulation. The effect of regulations can be audited.

P8: The public can offer incentives and provide tax relief. Additionally, the definition of impact investment should be made in the legislation so that impact investment should be institutionalized; Who is in the scope of impact investing and who is not. Channeling the budget towards impact investments with the help of working groups. An organization such as the Ministry of Sustainable Development can be established.

P9: Interest rate reductions in investment loans originating from the CBRT and loans given by public banks according to the compatibility coefficient for impact investments will be beneficial. In addition, the fact that loans given according to the impact investment suitability coefficient can have a positive impact on the Capital Adequacy Ratio in all banks may increase social focus on this area.

P10: Legally establishing an Islamic Bank (Mega Islamic Bank Project), increasing the capacity and number of internationally accepted financial institutions.

Themes and sub-themes created in line with the participants' answers are given in the table below.

Table 4.11. Policy Interventions to Increase Public Effectiveness in the Field of Impact Investing

Theme	Sub-Theme	Participant
Technology and Human Resources	Technology Exports	1
	Qualified Personnel	1
Regulatory Framework	Legal Obstacles	1
	Regulations	2, 4
Sustainability	Green Transformation	2
	Carbon Tax	4
Encouragement and Support	Incentives	2, 5, 6, 8
	Tax Ease	8
	Financial support	9
Education and Awareness Raising	Vocational Training	4
	SME Awareness Raising	4
Collaboration and Workshops	Workshops	3
	Partnership	4
Strategic planning	Long Term Planning	7
	Strategy Continuity	7
Islamic Finance and Banking	Islamic Bank	10
	International Finance	10
Institutionalization and Definition	Impact Investing	8
	New Institutions	8
Credit and Financial Incentives	Interest Deductions	9
Technology and Human Resources	Capital Adequacy	9

According to the table above; It was emphasized that there should be a special tendency towards technology exports in the public sector. Participant 1 stated this need with the statement: “The

public sector needs to focus on technology exports separately.” Additionally, it has been stated that the need for visionary and qualified personnel in the public sector is important. Participant 1 put forward this necessity by saying, “There must be qualified personnel who are visionary and know these jobs in the public sector.” It was stated that legal obstacles should be reduced and necessary regulations should be made. While Participant 1 said, “Legal obstacles need to be reduced,” Participant 2 supported this necessity by saying, “Necessary regulations should be made.” Additionally, the importance of making regulations by institutions such as BRSA and CMB was emphasized. It was stated that green transformation steps should be taken and preparations should be made for the carbon tax at the border. Participant 2 stated this need by saying “steps should be taken towards green transformation”, and Participant 4 emphasized the importance of raising awareness on this issue by raising the question “are we ready for a carbon tax at the border”. Attention was drawn to the importance of providing incentives and gradual controlled incentives. While Participant 2 said “incentives should be provided”, Participant 5 expressed how this process should be managed by saying “The public should provide gradual and controlled incentives, no grants should be given”. Additionally, it was stated that tax facilities should be provided. Participant 8 revealed this necessity with the statement “it can provide tax convenience”. It has been stated that the quality of vocational education should be increased and regulations for SMEs should be increased. Participant 4 said, “The quality and number of vocational education should be increased” and supported this necessity with the statement “Increasing regulations for SMEs”. It was stated that sector-based workshops should be organized and the public should cooperate with the chamber of industry and small companies. Participant 3 emphasized the importance of workshops by saying, “More workshops need to be held on sample models and cases.” Participant 4 emphasized the importance of cooperation by saying, “The public needs to cooperate more with relatively small companies and organizations, such as the chamber of industry.” It was stated that the state should make long-term plans and ensure strategy continuity. Participant 7 stated this need with the statement “the state needs long-term planning” and emphasized the importance of strategy continuity by saying “Even if the government changes, there must be policies that continue these strategies.” It was stated that Islamic banks should be established and the capacity and number of international financial institutions should be increased. Participant 10 stated this necessity by saying “legally establishing an Islamic Bank” and emphasized this need by saying “increasing the capacity and number of internationally accepted financial institutions”. It was stated that impact investing should be defined and institutionalized. Participant 8 stated this need by saying, “It is necessary to define impact investment in the legislation” and emphasized

the importance of institutionalization by saying, “An organization such as the Ministry of Sustainable Development can be established.” The importance of interest rate reductions according to the compatibility coefficient for impact investments and the positive impact of loans on the capital adequacy ratio was emphasized. Participant 9 stated this necessity with the statement, “Interest rate reductions in investment loans originating from the CBRT and loans given by public banks, according to the compatibility coefficient for impact investments, will be beneficial” and emphasized its social impact by saying “it can increase the focus on this area.”



CONCLUSION

This research comprehensively examines the effects of public policies on the behavior of impact investors in Türkiye. The findings obtained through semi-structured interviews and thematic analysis method within the scope of the study reveal various dimensions in the field of impact investments. According to the research results, impact investments are preferred by investors for various reasons. Among these reasons, global trends, new business opportunities, environmental and social responsibilities, financial supports and regulations have an important place. Participants stated that international environmental agreements such as the Paris Agreement and ESG compliance (environmental, social and governance criteria) are decisive in their impact investing preferences. In addition, the financial support provided by international funding sources and the positive effects of local regulations increase the attractiveness of impact investments. However, some participants also emphasized the negative effects of public policies, especially stating that unexpected regulations undermine investor confidence. Evaluations on the profitability and sustainability of impact investments have concluded that profitability may be low in the short term, but these investments can become profitable in the long term with the right and sustainable strategies. Sustainability and risk assessment are critical to the success of impact investments. Participants emphasized that climate risks and unsustainable investments may bring higher costs in the future. Social and environmental benefit has emerged as an important element of impact investments, and attention has been drawn to the potential of these investments to provide social transformation and general benefit. Investors' risk perception and the effects of public policies on this perception are also among the important findings. Positive public policies increase investors' risk-taking tendencies and direct them to long-term investments. However, unexpected regulations and legislative obstacles may negatively affect risk-taking tendencies by reducing investor confidence. The impact of Islamic financial instruments on impact investments has also been examined, and it has been determined that these instruments have the potential to attract investors to impact investments. This research has revealed the multidimensional effects of public policies on impact investing and provided valuable recommendations for policymakers. The interventions and strategies that need to be implemented for public policies to encourage impact investments are detailed. These findings will contribute to taking strategic steps to increase the sustainability

and profitability of impact investments. The results of the research will help policymakers and investors better understand impact investing and improve their strategies in this area.

The results of the findings obtained as a result of the thematic analysis conducted in the research are expressed below.

According to the results obtained in the research, the reasons for choosing impact investing and the effects of public policy on these preferences are grouped under various themes. Participants stated that global trends and new business models, environmental and social responsibilities, financial support and regulations, urbanization and resource use requirements, and human and corporate motivations increased their interest in impact investing. In particular, environmental factors such as the Paris Agreement and global warming, as well as social responsibilities such as ESG compliance, have played an important role. In addition, the support provided by international funding sources such as the French Development Agency and the positive effects of local regulations increased the motivation of the participants. However, some participants also highlighted the negative effects of public policies. These findings show that impact investments are shaped by multidimensional causes and both supportive and hindering effects of public policies. These results provide important information for the future development of impact investments and the steps policymakers will take in this field.

According to the results obtained in the research, the profitability of impact investments differs in the short and long term. Most participants stated that impact investments are not profitable in the short term. However, it has been stated that these investments can become profitable in the long run with correct and sustainable strategies. Sustainability and risk assessment are critical to the success of impact investments. Participants emphasized that climate risks and unsustainable investments may bring higher costs in the future. Social and environmental benefit has emerged as an important element of impact investments. Participants noted the potential of impact investments to provide social transformation and overall benefit. In addition, low financing costs and financial support provided to impact investments increase the attractiveness of such investments. Regarding security and perception, it is stated that impact investments can be made in a safer environment in the future and that the perception of profitability may affect the success of these investments. These findings reveal the importance of strategic planning and risk management for impact investments to be profitable and sustainable in the long term.

According to the results of the research, the majority of participants stated that impact investing is a rational approach. Participants' responses show that this rationality is evaluated from

various perspectives. The rationality of impact investments was emphasized in line with technical and financial data, and the necessity of taking disadvantaged groups and climate risks into consideration was stated. In addition, evaluations were made in terms of customer benefit and efficiency, from a long-term investment perspective and from conscientious, religious and legal dimensions. It was also stated that action should be taken in accordance with market dynamics. These findings reveal that impact investing is a comprehensive rational approach that takes into account both financial and social and environmental dimensions.

According to the results obtained in the research, it was determined that the participants had different views on the impact of public policies on the economy. A group of participants argued that public policies can increase rationality and profitability through control and incentive. Particularly Participant 2, Participant 4 and Participant 7 stated that public intervention can play a positive role in market regulations and encouraging investors. On the other hand, Participant 1 and Participant 6 stated that public policies are ineffective or unclear in the current situation. In the evaluations made on the role and future of public policies, it was observed that Participant 3 emphasized the encouraging and guiding role of public policies in capital markets. In the context of international examples and comparisons, Participant 7's explanations based on the Indian example were supportive of successful international implementations of public policies.

According to the results obtained in the research, the effects of current public policies on investment decisions and strategies were perceived in various ways. Some of the participants stated that public support was insufficient and did not directly affect investment decisions. For example, while some participants stated that they did not receive any support, they emphasized that public policies could potentially have major impacts. In terms of indirect effects, participants stated that public policies indirectly create positive effects on ecosystem investments and venture capital investments. Unexpected regulations and legislative obstacles were perceived as a negative impact by some participants. These participants stated that sudden and unexpected regulations led foreign investors to withdraw their funds and existing projects to be sold. However, it has also been stated that long-term and well-planned public policies can create positive effects. Incentives and collaborations with the public were seen by some participants as factors that could potentially have positive effects on investment decisions. The positive results of projects receiving direct public support were exemplified by the participants. In the context of sustainable development goals, it has been stated that public policies make positive contributions in line with the United Nations Sustainable Development Goals. While insufficient public support and unexpected regulations create negative effects, indirect effects

and well-planned incentives have the potential to create positive effects. These findings provide important clues for understanding the effects of public policies on the investment environment and increasing the effectiveness of these policies.

According to the results obtained in the research, it has been determined that public policies have the potential to encourage long-term investments and this incentive is important for investors. Based on the participants' statements, it was understood that especially predictable and positive public policies increase investor confidence and direct them to long-term investments. In addition, it has been observed that the role of public policies within the scope of impact investments and strategic approaches is important and these policies are implemented through concrete support programs. In addition, it was stated that some participants tried to carry out long and short-term investments in a balanced manner and that regulations could be effective in this balance. However, some participants with fixed investment maturities stated that the impact of public policies was limited. These findings provided important clues to understand the effects of public policies on investment strategies and investors' attitudes towards these policies.

According to the results obtained in the research, it was revealed that public policies have a significant impact on the risk-taking tendencies of entrepreneurs. Participants stated that public support and positive regulations increased their risk-taking tendencies. However, it has been stated that negative regulations regarding the past may reduce the risk-taking tendencies of entrepreneurs and direct them abroad. It has been concluded that incentive and support programs, especially direct grants, increase entrepreneurs' motivation and risk-taking tendencies. However, it has been stated that incentives alone are not sufficient and regular policies are also necessary. It has been observed that incentives play a determining role on risk-taking tendencies in some sectors and investment types. It has been found that trust and policy continuity also play a critical role on the risk-taking tendencies of entrepreneurs. The continuity and reliability of public policies are found to be important for entrepreneurs making long-term investments. Lack of continuity and trust can negatively affect the risk-taking tendencies of entrepreneurs by reducing their motivation.

According to the results obtained in the research, participants stated that they were generally willing to accept less financial returns in order to increase the social or environmental impact of their investments. The majority of participants stated that they did not care about making profits or thought that social impact would indirectly return to them as investment or value. It was especially emphasized that the public and public support could be effective in these

decisions. Participants also expressed the importance of making balanced decisions and using equity capital. Participants, who are also sensitive to local and global trends and sustainability issues, stated that investing in clean energy and climate technologies is important for sustainable economic growth. They also stated that the profit expectation has not completely disappeared, but the work done together can be more effective with public support. These findings show that investors' awareness and desire to create social and environmental impact can be further strengthened by encouraging the public and public supports.

According to the results obtained in the research, the impact of Islamic financial instruments offered by the public on investment decisions varies according to the current situation, needs and expectations of the participants. Among the participants, there are those who think that these instruments should be revised and developed, while there are also those who state that these instruments do not affect them at the moment but may have potential effects in the future. In particular, some participants emphasized that Islamic finance instruments interfered with their current functioning and negatively affected their efforts to become partners. On the other hand, participants who do not use these instruments or are in the evaluation phase stated that the increase and development of financing instruments in the future may affect them positively. Moreover, when looking at the current usage examples, it was seen that some participants effectively used Islamic finance instruments offered by public banks in projects such as renewable energy power plant investments. The impact of publicly offered Islamic financial instruments on impact-oriented investment decisions varied depending on participants' current approaches to these instruments and their future expectations. This situation has revealed that revision and development studies need to be carried out for Islamic financial instruments to gain wider acceptance and be used effectively.

According to the results obtained in the research, it has been determined that Islamic finance instruments offered by the public have a high potential to attract investors to impact investments. Participants emphasized that the effective use of Islamic financial instruments such as social sukuk is important for both the financier and the investor. It has also been stated that Islamic instruments should be compared with conventional products and that these instruments can increase financial inclusion. Participants stated that the public's trustworthy perception and support played a positive role in directing individuals with interest sensitivity to impact investments. It has been determined that the combination of impact investing and Islamic values should include the correct use of concepts such as zakat and charity, and that these two concepts have many common values at their core. As a result, it has been concluded

that Islamic finance instruments help investors adopt impact investments and increase awareness in this field. These findings have shown that Islamic finance instruments are an important tool in unlocking the potential of impact investments.

According to the results obtained in the research, various policy interventions need to be implemented in order for the public to be more effective in the field of impact investing. First of all, it was emphasized that the focus should be on technology exports and the employment of visionary and qualified personnel in the public sector. It is important to reduce legal obstacles and make the necessary regulations, especially the implementation of regulations by BRSA and CMB. Green transformation steps need to be taken and preparations must be made for a carbon tax at the border. Providing incentives in a gradual and controlled manner, not giving grants and offering tax facilities will increase the effectiveness of incentive and support mechanisms. Increasing the quality of vocational education and increasing regulations for SMEs will form the basis of awareness-raising activities. Organizing sector-based workshops and cooperating with the public chamber of industry and small companies will strengthen the cooperation and awareness-raising process. It is critical for the state to make long-term plans and ensure strategy continuity in terms of strategic planning. Establishing an Islamic bank and increasing the capacity and number of international financial institutions will strengthen the financial infrastructure. Defining and institutionalizing impact investing, as well as establishing an organization such as the Ministry of Sustainable Development, will ensure institutionalization in this field. Finally, interest rate reductions according to the compatibility coefficient for impact investments and the positive impact of loans on the capital adequacy ratio will ensure that impact investments are supported through financial incentives. These findings revealed the policy interventions required for the public to assume a more effective and sustainable role in the field of impact investing.

Recommendations developed for researchers and practitioners in line with the results of the research are listed below;

Recommendations for researchers;

- Multidisciplinary approaches should be adopted to examine the relationship between impact investing and public policies in more depth. Collaboration between researchers from different disciplines such as economics, political science, Islamic finance, environmental sciences and social policy will contribute to the development of a more comprehensive and holistic understanding.

- Long-term data sets should be used to better understand the effects of impact investments on long-term profitability and sustainability. Such studies will more clearly reveal the long-term benefits and risks of impact investments.
- Research should be conducted that examines the effects of public policies and regulations on impact investing in more detail. Such studies are critical to understanding which policies are more effective and how they are perceived by investors.
- Detailed studies should be conducted to further investigate the effects of Islamic financial instruments on impact investments. Studies examining the effectiveness of these instruments and their potential to direct investors to impact investments will fill the knowledge gap in this field.

Recommendations for practitioners;

- Publics should develop strategic and long-term policies to encourage impact investments. These policies should be compatible with sustainable development goals and encourage investors.
- Financial incentives and support programs should be created to support impact investments. Incentives such as tax deductions, low-interest loans and direct grant programs will encourage investors to turn to this area.
- To increase investor confidence, the predictability and stability of regulations must be ensured. Sudden and unexpected regulatory changes should be avoided and a safe environment should be created for investors to make long-term plans.
- In order to increase the effectiveness of Islamic financial instruments offered by the public, these instruments should be revised and new capital-oriented instruments should be developed. Policies should be created to encourage greater use of Islamic financial instruments in impact investments.
- Programs should be organized to raise awareness and educate investors about impact investments. These programs will help investors understand the benefits of impact investments and the points they should pay attention to when making these investments.
- Cooperation between the public, private sector and academic institutions should be increased and workshops on impact investments should be organized. These workshops will enable sharing of information about impact investments and the development of joint strategies.
- Impact investments should be aligned with the United Nations Sustainable Development Goals (SDGs) and strategic planning should be made to achieve these

goals. Publics should encourage impact investments by developing policies and programs that support the SDGs.



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APPENDICES

QUESTIONS

1. Can you tell us about your reasons for choosing impact investing and the effect of public policies on these reasons?
2. Is it profitable to be an impact investor?
3. Do you think it is more rational to make impact investments?
4. Do you think that public policy has a role impact investing becoming rational/profitable?
5. How do you perceive the existence of current public policies and their DIRECT/INDIRECT effects? How do these policies impact your impact investments/investment strategies?
6. Does a certain public policy provide more incentives for long-term investments or direct you to short-term investments?
7. Does a particular public policy increase or decrease your risk-taking tendency?
8. Are you willing to accept less financial return to increase the social or environmental impact of your investments? Could public policy factor into your decision?
9. How do the Islamic financial instruments offered by the public affect your impact-oriented investment decisions?
10. Do you think that Islamic finance instruments offered by the public will help attract more investors to impact investments?
11. What policy policy interventions would you recommend so that the state can be more effective in the field of impact investing?