IMPACT AND INVESTMENT PERFORMANCE AMONG ROMANIAN STARTUPS

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Abstract: Impact-driven startups blend profit and purpose, raising the question of whether their dual orientation influences funding success. This paper investigates 182 Romanian startups (with investment rounds raised between 2021 and 2023) to analyze whether impact startups, defined here as ventures in health, education, sustainability, wellbeing, or food sectors, exhibit different investment performance compared to traditional startups. We employ an econometric model with a binary impact field as the key independent variable, controlling for funding stage (pre-seed, seed, Series A) and year. Our dataset, drawn from the How to Web 2024 report, allows a national-level analysis of impact orientation in Romania's nascent startup ecosystem. The results indicate that factors beyond impact status and stage largely determine funding outcomes. We discuss potential reasons, including the underdevelopment of Romania's venture market and high variance in deal sizes, and draw implications for entrepreneurs and policymakers. The paper concludes with recommendations for the development of policy instruments (Environmental, Social and Governance incentives, co-investment schemes, targeted grants) to foster impact-driven entrepreneurship in Romania.

Keywords: impact startups; venture capital; emerging markets; Romania; social entrepreneurship; startup funding

JEL Classification: L26; G24; O52

1 Introduction

Impact startups, defined as innovative startups with an explicit social or environmental mission, have gained global prominence by tackling societal challenges through business solutions. These ventures operate in sectors such as healthtech, edtech, sustainable products, wellbeing services, and food/agritech, aiming for measurable positive impact alongside financial returns. Internationally, impact-oriented entrepreneurship has expanded as investors increasingly seek "profit with purpose" opportunities (Y-Labs B. , 2024). However, it remains unclear whether an orientation towards helps or hinders startups' ability to attract venture investment, especially in emerging markets. This paper focuses on Romania, an upper-middle-income EU economy with a developing startup ecosystem, to examine the relationship between impact orientation and investment performance. Romania's tech entrepreneurship landscape has historically lagged behind Western Europe. Entrepreneurial activity rates are below global averages, only about 10% of Romanian adults are early-stage entrepreneurs, one of the lowest rates in the region (Lehel-Zoltán, 2022). Venture funding in Romania has likewise been modest. In 2024, Romanian startups raised roughly €128-130M in venture capital, a record high yet a fraction of funding in neighbouring ecosystems (e.g., Poland, Turkey, Greece each drew over €500M) (Djurickovic, 2025). This underdevelopment is attributed to a historically small pool of local investors and limited exposure to global Venture Capital (VC) networks (Lehel-Zoltán, 2022). Nevertheless, recent years have seen

growing momentum. Romania has exceeded €100M in startup investments for four consecutive years (TUPIKOV, 2025), and boasts strengths like a large IT talent pool and support from European programs (Djurickovic, 2025). Within this evolving ecosystem, impact-oriented startups form a notable segment. According to How to Web Report from 2024, education (14.3%) and health (12.7%) are among the top three industries for Romanian early-stage startups. This suggests that a substantial share of new ventures align with impact domains, echoing global trends of rising sustainability and health innovation. In Romania's context, no prior research has quantitatively examined this issue. Given the country's nascent impact investing scene (the first local impact-dedicated funds in Central and Eastern Europe only appeared in recent years), understanding whether impact status of a startup affects funding is both novel and policy-relevant.

This paper aims to fill that gap by analysing a unique dataset of 182 Romanian startups from 2021-2023. Using an econometric approach, we test whether being an "impact startup" (in defined sectors) correlates with the investment amount raised, controlling for the startup's funding stage and year. We find that, within this national sample, impact orientation has no significant effect on funding amounts. The explanatory power of our model shows however that other factors predominantly drive investment size. We discuss possible interpretations, for example, that Romania's venture market does not markedly differentiate between impact vs. non-impact ventures in early-stage funding, perhaps because all startups face similar capital constraints. We also outlined policy recommendations to strengthen impact entrepreneurship in Romania, and suggested avenues for future research. By combining the growing discourse on impact investment with new evidence from Romania, this study provides a timely contribution on the intersection of impact and startup financing in an emerging European ecosystem.

2 Literature Review

The rise of impact-oriented entrepreneurship and investing has spurred a body of research on how social missions interact with financial performance. Impact investing, broadly defined as investing with the intention to generate social/environmental impact alongside financial return, has expanded rapidly, reaching an estimated $1.57 trillion globally in 2023 (GIIN, 2024). As the field grows, a central debate is whether pursuing impact entails a sacrifice in financial outcomes or whether impact ventures can perform on par with traditional ventures.

Several studies and market analyses suggest that impact-driven ventures need not underperform. Jeffers, Lyu & Posenau examined 94 impact investing funds (with active investment between the years 1999-2021) and find their returns comparable to non-impact funds after adjusting for risk (Jeffers, 2024) Similarly, a Morgan Stanley analysis of thousands of investment funds found no financial trade-off between sustainable (ESG-focused) funds and traditional funds, with sustainable funds even exhibiting lower volatility. These findings challenge the notion that pursuing social objectives inherently dampens financial success. They align with reports that private impact-focused VC funds can achieve competitive returns while advancing mission objectives.

On the other hand, scholars have noted structural hurdles for impact startups in raising capital. Traditional venture investors often exhibit a bias toward opportunities with perceived "unicorn" scale and quick exits, which can disadvantage startups prioritizing social impact or longer-term gains. In emerging markets especially, impact ventures historically relied on grants or philanthropy due to a scarcity of impact-focused investors. This bias may lead to a funding gap, where impactful startups struggle to attract the venture funding and guidance needed for scale. However, the same commentary points out this mindset is increasingly outdated given the empirical evidence that many impact businesses are profitable and investment-worthy (Y-Labs V. B., 2020). The context of Central and Eastern Europe (CEE) and other emerging markets adds further nuance. Impact investing in CEE is a relatively recent phenomenon, with pioneering funds only launched in the past few years (Ionita, 2022).

3. Data and Methodology

This study utilizes a dataset of 182 Romanian startups derived from the How to Web, Venture in Eastern Europe 2024 - a report published by the How to Web conference (and its underlying data for Romania's deals). How to Web is a leading Romanian startup conference and research initiative that annually documents venture investments in Eastern Europe. The 2024 report provides detailed information on venture deals in Romania for the years 2021, 2022, and 2023, which we extracted and compiled for analysis. Each observation in our dataset corresponds to a funding round raised by a Romanian startup during 2021-2023. By focusing exclusively on

Romanian startups, the dataset offers a targeted view of the national startup ecosystem. Table 1 presents the first lines and the header of the processed dataset.

Table 1 – The Dataset

Company	industry	round	round	Total round amount (€)	year	Impact
Rongo Design	Agriculture	Pre-seed	1	15,000	2023	1
Vatis Tech	AI	Pre-seed	1	200,000	2021	0
SmartHuts	AI	Pre-seed	1	190,500	2021	0
Meetgeek.ai	AI	Pre-seed	1	150,000	2021	0
Kubeark	Big Data	Pre-seed	1	2,800,000	2023	0
Data Against Data	Cybersecurity	pre-seed	1	75,000	2022	0
AMSIMCEL	DeepTech	pre-seed	1	500,000	2022	0
AiVA	Deeptech	Pre-seed	1	70,000	2023	0
Streams Live	E-commerce	pre-seed	1	70,000	2022	0

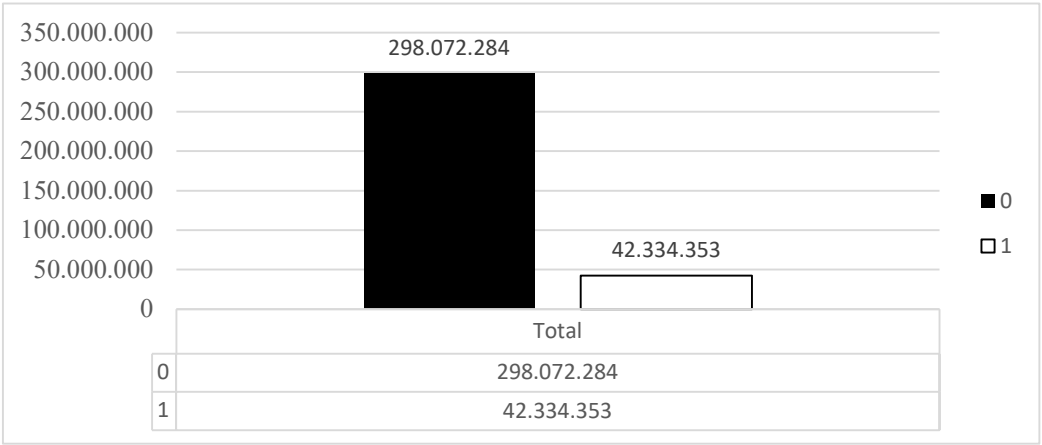
Source: Author-processed data, from the dataset.

For each startup funding round, we have the following key variables:

- **Investment Amount (EUR)**, the dependent variable, measured as the total amount of funding raised in the round. This includes equity investments and, where applicable, convertible notes if they were part of a bridge round.
- **Impact Startup** is the main independent variable of interest. We coded each startup as an impact startup (Impact = 1, 0 if not) if its business operates in any of the following domains: health, education, sustainability/environment, wellbeing (including fitness or mental health), or food/agriculture.
- **Funding Stage**, included as a control variable because the stage of a startup (and its round) is a well-known determinant of investment size. We use three broad stage categories: pre-seed (code 1), seed (code 2), and Series A (code 3).
- **Year**, included as a control for time effects (coded as 2021, 2022, 2023). The venture funding climate can vary year-to-year might affect investment amounts.

Figure 1 presents the total amount of invested capital in impact startups versus non-impact startups in the studied years. Data, from 2021 to 2023, in Euro, shows €298M total investments in non-impact startups, versus a small €42M for the impact ones (white, code 1, being the impact startups, while black, code 0, non-impact ones).

Figure 1. Amount invested in non-impact startups VS impact startups



Source: Author processed data, from the dataset.

4. Econometric Model

To assess the effect of impact orientation on investment performance, we estimate a multiple linear regression model of the form:

$$\textbf{InvestmentAmount} = \beta_0 + \beta_1 \cdot \textbf{ImpactDummy}_i + \beta_2 \cdot \textbf{Stage} + \beta_3 \cdot \textbf{Year2022} + \beta_4 \cdot \textbf{Year2023} + \varepsilon$$

Where:

- **InvestmentAmount** is the total amount raised in the investment round
- **ImpactDummy** is a binary variable equal to 1 if the startup operates in an impact sector and 0 otherwise.
- **Stage** is a numeric variable indicating the stage of the funding round (1 = pre-seed, 2 = seed, 3 = Series A or later).
- **Year2022** and **Year2023** are dummy variables indicating the year in which the funding round took place. The base year is 2021.
- **ε** is the error term, capturing unobserved influences on the investment amount.

In this model:

- β_1 is the coefficient of primary interest; it represents the average difference in investment amount between impact and non-impact startups, holding constant the stage and year of investment.
- β_2 captures the incremental change in funding associated with more advanced funding stages. Since later-stage rounds tend to be larger, we expect β_2 to be positive.
- β_3 and β_4 measure any average change in funding amounts in 2022 and 2023, respectively, compared to the reference year 2021.
- β_0 is the intercept term.

One consideration is multicollinearity between stage and year: later years might have more later-stage rounds. In our sample, 2021 had mostly early rounds whereas by 2023 there were a few more Series A; however, seed deals exist in all years, and correlation checks did not show severe collinearity.

5. Empirical Results

Table 2 presents the regression results for the investment amount model. The table reports OLS coefficients, robust standard errors, and significance levels for the impact dummy, round stage, and year dummies. We summarize the key findings here:

Table 2

Regression Statistics	
Multiple R	0.192305885
R Square	0.036981553
Adjusted R Square	0.020750905
Standard Error	0.442938648
Observations	182

Source: Author-processed data.

- **Impact Dummy** The coefficient on the Impact startup dummy is statistically insignificant and near zero in magnitude. This indicates that, after controlling for stage and year, being an impact-oriented startup had no significant effect (either positive or negative) on the amount of funding raised. In practical terms, an impact startup in Romania does not appear to raise significantly more or less money than a similar-stage non-impact startup in the same year

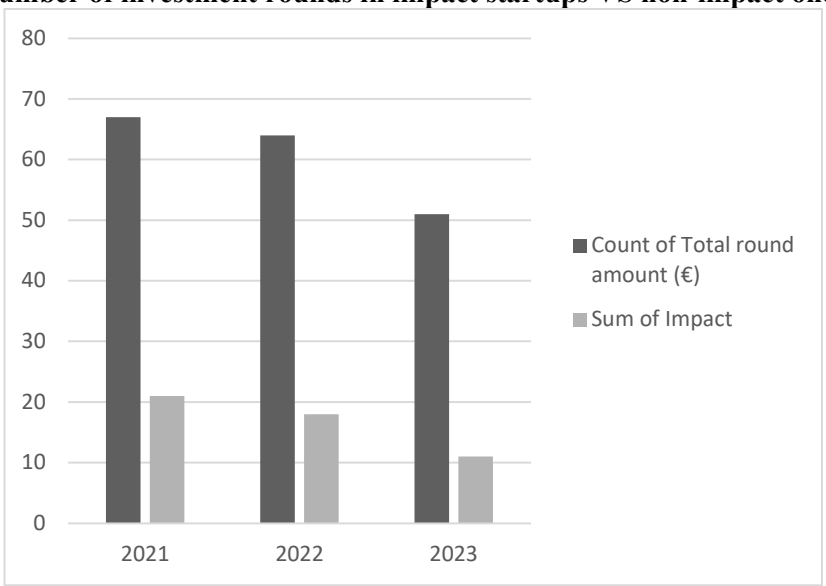
- **Round Stage**: The coefficient on Stage is positive and highly significant, as expected. Moving to a higher funding stage is associated with a large increase in investment amount. In the regression, each unit increase in stage code (e.g., from 1 to 2, or pre-seed to seed) is associated with an increase of several million euros in funding, holding other factors constant.
- **Year Dummies:** The year controls show that 2022 had a statistically higher average investment amount than 2021, while 2023's coefficient is positive but not significant. By 2023, average deal sizes slightly receded (the global venture slowdown likely affected Romania as well) hence 2023 is not significantly different from 2021 in the model.
- **Overall Fit**: The regression's overall explanatory power is extremely low. The R square of our model is only 0.036, meaning just about 3.6% of the variance in investment amounts is explained by the included variables. This is an unusually low R square for a model that includes an obvious factor like stage.

These results point to a key conclusion: Impact orientation had no notable predictive power for investment size in Romanian startups, whereas funding stage was the dominant factor, and year effects were modest. The insignificance of the impact dummy is central to our research question, it suggests that, in this context, investors did not systematically favour nor disfavour impact start-ups in terms of how much capital they provided, once stage is taken into account, so methods to incentivise investors into investing are needed.

It is also informative to compare descriptive statistics between impact vs. non-impact groups. In our sample, the mean investment amount for impact startups was approximately on par with (or slightly lower than) that of traditional startups, but differences were not statistically meaningful given the variance. Impact startups had some large rounds (the largest being a healthtech seed round of about €10-11M in 2022) as well as many small pre-seed rounds; non-impact startups included the absolute largest rounds (e.g., a fintech's €60M Series B in 2021) along with numerous modest seed raises. The median funding of impact startups was actually very similar to the median for non-impacts (both around mid-six figures, reflecting that most deals are early-stage across the board). These comparisons reinforce that there is no clear funding advantage for impact ventures, they populate both the lower and middle ranges of deal sizes much like other startups. What drives a given deal's size seems related to factors like the startup's growth metrics, team, or investor negotiations, rather than simply whether the startup is in, say, the health sector or the fintech sector.

Figure 2 illustrates the trend in count of impact startup deals by year, showing an 19 average in 2021-2022 but a dip in 2023. This reflects that impact-oriented ventures became more prominent in deal flow in the middle of the examined period, possibly due to heightened interest in health and education solutions during the pandemic's peak.

Figure 2. Number of investment rounds in impact startups VS non-impact ones (M Euro)



Source: Author processed data, from the dataset.

However, as Table 1's results demonstrate, even during that surge, the average funding per deal for impact ventures did not diverge notably from others. It is worth noting that impact startups in 2022 contributed strongly to the overall funding volume: for instance, the health and education sectors accounted for a combined ~27% of startups that year (How to Web, 2024), and one of the top rounds was in healthtech (Ionita, 2022). Yet, statistically, once stage is controlled, those contributions don't translate into a distinct "impact effect".

In summary, the regression analysis finds no evidence that impact orientation is associated with higher or lower investment amounts in this sample. The model's low fit underscores that investment size is influenced by many other factors beyond the scope of our three predictors.

Table 3. Anova table

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	1.3410893	0.44702977	2.27850136	0.08115394
Residual	178	34.922647	0.19619465		
Total	181	36.2637363			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	98.85581333	83.1015005	1.18957916	0.23579617	-65.1351	262.846726	-65.1351	262.846726
round	-0.125485245	0.06809552	-1.84278	0.06702396	-0.2598636	0.00889314	-0.2598636	0.00889314
Total round amount	-3.01318E-09	6.3682E-09	-0.47316	0.63667741	-1.558E-08	9.5537E-09	-1.558E-08	9.5537E-09
year	-0.048642754	0.04109821	-1.18357	0.23816	-0.1297452	0.03245968	-0.1297452	0.032459

The ANOVA table shows that the overall regression model has weak statistical significance. The Significance F value is 0.081, which is just above the conventional threshold of 0.05. This means there's an 8% probability that the observed relationships happened by chance, so the model is only marginally significant and not very reliable.

Looking at the individual variables:

- "Round" (investment stage) comes close to being statistically significant (p = 0.067), suggesting there may be a relationship between funding stage and investment amount, but it's not strong enough to draw firm conclusions.
- "Total round amount" has an extremely small coefficient and a very high p-value (p = 0.637), indicating it contributes no meaningful explanation in the model—possibly due to redundancy or model mis-specification.
- "Year" also shows no statistically significant effect (p = 0.238), suggesting the year of the investment doesn't strongly influence the funding amount in this specification.

The intercept (constant) is also statistically insignificant (p = 0.236), further confirming that the model overall lacks stability or predictive strength. In summary, none of the included variables show a clear, statistically significant impact on investment amounts, and the regression explains only a very small portion of the variation. This implies that key explanatory factors may be missing or that the model structure needs refinement. Although the regression results are not statistically significant, the analysis remains highly relevant for two key reasons. First, the lack of strong explanatory power is itself a finding: it reveals that Romania's early-stage investment ecosystem does not yet distinguish clearly between impact and non-impact ventures in terms of funding levels. This neutrality suggests that market forces alone are not systematically rewarding social or environmental value, which opens space for targeted public interventions. Second, the data confirms that impact startups exist in meaningful numbers and compete for funding on the same terms as purely commercial ones. The fact that their funding levels are not significantly different highlights a missed opportunity: with more supportive policies (like

tax incentives or co-investment schemes), these ventures could scale faster and deliver greater social returns. Therefore, rather than seeing the lack of correlation as a failure, it should be understood as a signal that the market alone is not enough, and that public policy can play a catalytic role in nurturing high-impact innovation where private capital is still neutral or cautious.

6 Discussion

Our model captures only a minor portion of what drives investment sizes. This is not entirely surprising in the context of startup investments

The lack of a significant impact dummy effect suggests that, in Romania's recent startup market, impact startups did not receive systematically different funding amounts than non-impact startups. This may be due to no discernible funding bias against impact ventures or no special premium or extra support either

Reasons for Low Impact Differentiation may be that the investor ecosystem in Romania is small, with local venture investors (funds and angels) comprising of only a few dozen active players, many of whom are generalists who invest across sectors and, on the other hand, many of the largest rounds in 2021–2023 were in fintech or enterprise software (non-impact sectors). Impact startups in Romania have tended to be earlier-stage

Implications of the Results: For entrepreneurs, the result is somewhat encouraging: if you are building an impact startup in Romania, you can aim to raise competitive round sizes akin to any other startup. The market, though small, does not appear to systematically undervalue impact-focused businesses in terms of capital provided. For investors and policy-makers, the absence of an impact effect may highlight that impact investing is still in an early stage locally. There may be room to introduce more dedicated impact capital that could selectively push high-impact ventures further.

Limitations and Further Research: We acknowledge the limitations influencing these findings. Our impact classification is broad and might group together diverse sectors, the investment dynamics could differ between, say, healthtech vs. clean energy startups, but we lacked granularity to separate them. Future research could extend this by analysing a longer period (as data become available for 2024-2025) and by making cross-country comparisons.

7 Policy Recommendations

The impact ecosystem's underdevelopment means that proactive policies could be beneficial to nurture impact-driven entrepreneurship. Below we list several recommendations that might strengthen support for impact startups:

A. Introduce ESG-Linked Incentives for Investors: The government can encourage more capital to flow into impact startups by offering incentives tied to Environmental, Social, and Governance (ESG) outcomes. For example, Romania could implement a tax credit or deduction for angel investors and venture funds that invest in certified impact startups (similar to schemes used to stimulate R&D investment).

B. Establish a Public Co-Investment Fund for Impact Ventures: A proven way to catalyse venture investment in under-served areas is through co-investment programs where the state participates alongside private investors. We suggest as a potential beneficial action, the creation a Romanian Impact Co-Investment Fund (possibly via an existing entity like the Romanian Innovation Fund or in partnership with European Investment Fund). This fund would match private VC or angel investments into qualifying impact startups. Such schemes have been used in other countries to stimulate investment in regions or sectors perceived as risky.

C. Expand Grant Programs and Blended Finance for Early Stages: Over 62% of Romanian startups reported not seeking external funding, and many rely on personal funds or grants at the earliest stages. For impact-focused founders, grant programs can be a lifeline to develop prototypes and gain traction. Expanding targeted startup grants for impact innovation might be potentially beneficial.

D. Develop Impact Measurement and Recognition Frameworks: One subtle barrier is that investors may not fully understand or trust the "impact" claims of startups. Introducing standard impact measurement frameworks (aligned with global norms like IRIS+ metrics[1]) could boost credibility.

[1] *IRIS+ (Impact Reporting and Investment Standards Plus) is a global standard for measuring, managing, and optimizing impact in impact investing. It is developed by the Global Impact Investing Network (GIIN) and is widely used by impact investors, development finance institutions, and mission-driven organizations.*

E. Foster Impact-Focused Networks and Mentorship: While not a direct financial policy, creating networks can indirectly improve funding outcomes. The government and ecosystem partners should foster mentorship or acceleration programs linking successful entrepreneurs and investors with impact founders.

8 Conclusion

This study presented a quantitative analysis at how impact orientation relates to startup investment outcomes in Romania. Using a dataset of 182 startup funding rounds from 2021 to 2023, we examined whether startups in impact sectors raised significantly different amounts of capital compared to their non-impact counterparts. Our econometric analysis, controlling for round stage and year, found no statistically significant effect of being an impact startup on the investment amount. In other words, within this national sample, impact-driven ventures raised funds on par with other start-ups at similar stage. These findings contribute to the broader conversation on impact investing in emerging markets by providing concrete evidence from Romania. The result indicates that impact ventures did not receive additional capital beyond prevailing norms, pointing to an opportunity for targeted interventions to further amplify their growth.

For future research, one fruitful avenue would be comparative studies across CEE. Do other CEE countries exhibit similar patterns, or are there cases where impact start-ups perform markedly better or worse? Cross-country regressions could incorporate ecosystem variables (like availability of impact funds or public support) to see if those influence the impact–funding relationship. Another avenue is longitudinal: tracking this cohort of startups forward to see if impact-oriented ones differ in growth, revenue, or survival. Qualitative research could complement our quantitative approach by interviewing entrepreneurs and investors to understand perceptions, do impact founders feel disadvantaged or do investors claim to value impact?

In conclusion, pursuing a social mission has been compatible with raising capital in Romania's venture scene, neither a handicap nor a golden ticket. This neutrality is a foundation upon which stakeholders can build. By implementing thoughtful policies and leveraging the enthusiasm of a new generation of founders, Romania can ensure that impact-driven startups not only raise capital, but also scale up and deliver both financial returns and social benefits. In doing so, it stands to transform its underdeveloped startup landscape into a vibrant engine of inclusive and sustainable innovation.

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