

# Inclusive Business in India



“ Inclusive business may be a new name (but) it has been at the core of various policy making process of the Government of India and it has been practised by many large companies in India as well ”

Mr. Gaurav Sishodia  
Vice President  
Invest India  
India

1.1 billion people live on \$6.85 per day



World Bank, 2023

\$84.8 billion

Foreign Direct Investment received in 2021-22



Department for Promotion of Industry and Internal Trade India, 2022

99%

of all business in India are SME's



India Brand Equity Foundation, 2022

Ranked

63 of 190

countries in the Ease of Doing Business Index



World Bank, 2022

35.7

Gini Index

World Bank, 2023

Ranked

68 of 113

countries on Global Food Security Index

The Economist, 2022

Experienced

8.7%

GDP growth in 2022



World Bank, 2023

## Market Opportunities for Inclusive Business

### Poverty and living standards

India's poverty reduction over the last decades has been steady. In 2019, the estimated national poverty rate was 10 per cent, down from 22.5 per cent in 2011 (using the 2017 PPP USD 2.15 poverty line). However, the latest data on earnings show sluggish real wage growth for low-income rural and urban workers. Although nearly three-quarters of India's families depend on rural incomes and 70 per cent of the country's poor – 770 million people – are in rural areas, agriculture now represents less than 15 per cent of India's economy. Inclusive business can play a critical role in increasing agriculture productivity and securing the economic future of low-income households engaged in agriculture.

### Economic development and the role of the private sector

India is the fifth largest economy in the world. In 2021, it had an annual Gross Domestic Product (GDP) growth of 8.7 per cent and foreign direct investment of USD 44.7 billion. Although large and medium-sized companies are the major

drivers of economic growth, 99 per cent of companies in the country are micro, small and medium-sized enterprises. The Government of India is encouraging the private sector, inclusive businesses (IB) in particular, to create impact for lower-income households, including in agriculture, by streamlining value chains, increasing productivity, developing marketing and supply chains, and building up procurement and logistics capacity.

The private equity/venture capital industry has shown positive sentiment towards India as an investment destination, with USD 48 billion invested across sectors in 2019. India has several opportunities to promote IB, including emerging innovations and infrastructure, field-level extension services, a diverse and rapidly maturing market, a wealth of support institutions, and conducive policies. While there is no specific regulatory framework for promoting inclusive business in India, there are policies that focus on the social and economic empowerment of people at the base of the economic pyramid. The government also introduced CSR legislation in 2013, mandating companies to spend two per cent of their net profit

## Key areas for investment opportunities:



### Food & Beverage

Food retailers and distributors, processed food, food diversification



### Renewable energy

Solar technology and project developers, electric Vehicle, wind technology



### Healthcare

Healthcare delivery, medical equipment and supplies, biotechnology and pharmaceuticals



### Education

Education technology, formal education, and education financing



### Sustainable Environment

Water resources, private sector participation, policy momentum



### Finance

Consumer finance

toward social and environmental objectives.

The SDG Investor map identifies education, healthcare, food and beverages, renewable resources and alternative energy, financials and sustainable environment as priority sectors where investment can have potential healthy returns and a high development impact.

Several large companies are already pioneering IB lines in India. Yet there are opportunities to expand the number and reach of IB models to scale up impact. To enable inclusive business models to emerge and expand, it will be critical to provide the right incentives, including through rewards and accreditation systems, build capacities and provide coaching for businesses to transform into inclusive businesses, develop partnerships along the value chains as well as with private financiers and, of course, build general awareness of the benefits that IB brings.

## Inclusive Business Case Study

### Safe Harvest

Safe Harvest was formed in 2009 as a for-profit social enterprise by a small group of farmer organizations and grassroots organisations. Safe Harvest's objective is to strengthen the non-pesticide management of agriculture movement in India and enable farmers to shift to sustainable agriculture by creating a market for their pesticide-free produce and offering consumers safe and affordable grains, pulses, spices and sweeteners.

**Commercial results:** The company saw a sales turnover of USD 3.5 million in the financial year 2019–2020 and plans to expand its product basket and sales to 20-25 cities across India. It also plans to explore export opportunities in 2023–2024 to reach the Indian diaspora in the Middle East and South Asia, and then enter the United States and European markets.

**Social impact:** Safe Harvest works with more than 100,000 small-holder farmers across 12 states in India, through more than 30 farmer organisations and pays their farmers as much as five per cent above the price being offered in the closest organised wholesale market. It also works with non-banking and formal financial institutions to make loans available to its partner farmer-producer organizations (FPO), thereby improving the creditworthiness of the FPOs. It also encourages its partners to climb up the value chain by aggregating primary produce and expanding operations to include cleaning, grading and processing and provides training and guidance on packaging and quality control.

**Innovations:** Safe Harvest is working to create a new product category in India of "pesticide-free" food. In doing so, Safe Harvest is building a specialized supply chain to grow, process and market this type of product. They have also introduced a financing model that helps FPOs become more credit worthy and expand their operations with the farmers.

## Government Policies

India's large consumer base, fast-growing economy and progressive economic reforms in key sectors have the potential to create an enabling environment for this type of business model:

- The "Make in India" initiative has instituted a number of policy and financial reforms to attract foreign investment, boost private sector participation – particularly in the manufacturing sectors and overall competitiveness – and ensure the flow of capital to SDG-enabling sectors.
- The government is promoting a "development state" that focuses on delivering key public goods and services through public-private partnerships. A deliberate effort is being made to cut red tape and end over-regulation for promoting entrepreneurship and private investment.
- India has taken key steps to establish a progressive tax regime, bolster cross-border trade and measures to resolve insolvency. According to the World Bank's Ease of Doing Business Index, India ranked 62 out of 190 economies surveyed.
- The Government has supported the creation of JAM Trinity, a digital infrastructure providing every person with a bank account, a unique identification number and mobile connectivity, enabling financial inclusion at scale, which can be key to inclusive business.
- Focused on the importance of the agri-food sector, the central Government had set a goal to double farmers' income between 2016-2022, establishing a separate ministry for food processing as well as providing extension services, credit schemes, insurance schemes and subsidized infrastructure.
- At the state level, states are designing cluster programs where they identify an area and join with tech and private industry to focus on a single crop there, improve crop varieties, purchase the crops and market the state and its product as a brand.
- India has recently launched a Social Stock Exchange to support enterprises working towards realizing a social welfare objective to access finance, grow and improve their impact.

## Government Initiatives

The Government of India, with the support of United Nations ESCAP, is developing key initiatives to further promote inclusive business:

- Conducting a landscape study of inclusive business in the agriculture and food system to identify opportunities and means to promote inclusive business in the sector.
- Providing inclusive business coaching to 20 firms in the agricultural and food sector.
- Facilitating investments in inclusive businesses through an investment forum and government-business dialogues.

### Key Actors

- Invest India
- Niti Ayog
- State Governments
- Ministry of Agriculture and Farmers Welfare
- Ministry of Fisheries, Animal Husbandry and Dairy
- Department of Cooperation (Cooperatives)
- Ministry of Textiles
- Ministry of Education
- Ministry of Health
- Ministry of MSME
- Ministry of Rural Development
- Ministry of Consumer Affairs
- Ministry of Commerce and Industry and sector-specific Ministries



Photo by Nandhu Kumar on Unsplash

## Opportunities to Support IB Models

IBs provide a pathway for sustainable economic growth and poverty reduction by promoting local economic development and incorporating low-income communities and marginalized groups, including women, into the business model.

These commercially viable businesses provide access to more affordable goods and services and increase the purchasing power of low-income groups while expanding their earnings. Inclusive businesses open up new markets and stimulate innovative business solutions.

Opportunities in India to support IB are numerous and include:

- Generating awareness about IB's potential,
- Building institutional capacities and a network of experts able to provide business coaching,
- Recognising and providing incentives to those firms with impact business models through IB accreditation, and
- Developing innovative financing instruments that enable access to finance for enterprises seeking to expand their inclusive business model.

## ESCAP'S IB Work in India

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) is supporting the promotion of inclusive business in India and the Asia-Pacific region.

ESCAP, with the support of the Bill & Melinda Gates Foundation, is working with Invest India to promote inclusive business in agriculture and food systems. To do so, it is conducting a comprehensive landscape study of inclusive business in agriculture and the food sector in India that will help identify opportunities and critical actions to support inclusive businesses.

ESCAP is also providing business coaching services to 20 agribusiness to support them develop and expand their IB models.

In addition, ESCAP and Invest India will organise government-business dialogues and a national IB investment forum to encourage investments and partnerships in this area.

**Sources:** World Bank (2019, 2021, 2023), The Economist (2022), NITI Aayog (2018), The India Brand Equity Foundation (2022), Department for Promotion of Industry and Internal Trade India (2022)

### Inclusive Business Programme

Expanding the reach and impact of businesses that provide affordable goods and services and better livelihoods to low-income people – through policy advice and capacity building.

#InclusiveBusiness @UNESCAP

[www.unescap.org/projects/promoting-IB-in-AP](http://www.unescap.org/projects/promoting-IB-in-AP)

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