INCLUSIVE BUSINESSES: DO THEY HOLD THE KEY TO INDIA’S SUSTAINABILITY?

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India’s demographic dividend can turn into a demographic disaster

- 450 million Indians live in extreme poverty, earning less than $1.25 a day. Another 360 million earn less than $2.00 a day making them vulnerable.

- Less than 40% of Indian children complete school (std X), only 75% complete till class V.

- 45% of Indian children malnourished (almost half of the world’s malnourished children).

- More than 90% of India’s labour remain in the informal sector, largely unrecognized by the state and not having any social security.

- Only 31% of Indians have adequate sanitation facilities, 139 million Indians do not have access to safe drinking water.
FOR A SUSTAINABLE INDIA...

- Livelihood opportunities to be created for 833 million (69%) Indians living in rural India
- Rehabilitation of millions that migrate to cities in search of livelihood
- Provide financial inclusion – credit at low cost and insurance products
- Increase quality of education and skills development, which are at present very poor despite 74% literacy
- Access to affordable primary and secondary healthcare
- Access to low-cost non-polluting source of energy - still majority of rural India remains in darkness after sunset
- Increase farm productivity and supply chain efficiency in a sustainable manner to keep food inflation under control

There is no single action that is going to solve the problem of poverty. There is perhaps a few hundred steps that we need to take. There is no evidence that we could adopt one step that is more important than the others. - Abhijit Banerji, author of “Poor Economics”
The (developed) world has spent $2.3 trillion on foreign aid over the past five decades and have still not managed to reach 12 cents worth of medicine to children that could have prevented half of all malaria deaths.

On a single day on July 16th, 2005, the US and British economies delivered nine million copies of the sixth edition of Harry Potter books to eager fans.

Preventing five million child deaths over the next ten years would cost just $3 for each new mother.

Inclusive Businesses can make best use of resources targeted at poverty alleviation

The objective of financial sustainability makes businesses efficient and innovative in leveraging resources at their disposal.

Managerial talent and knowledge prevalent in commercial enterprises can be harnessed for solving mankind’s toughest problems of poverty and sustainability.

Better utilization of grants as “investments” will attract greater amount of capital for poverty alleviation.

Inclusive businesses tap into a certain dimension of human need that is rarely fulfilled in profit seeking enterprises. Thus, this represents an unique opportunity for organizations to motivate their employees.
SELCO sells solar lights to rural poor, specially configured to their specific business or household needs. Till date they have lighted ~ 1’40’000 homes in two Indian states.

Some unique features of SELCO’s business model

SELCO links consumers to rural banks, ensuring that banks provide them credit such that mortgages match incremental cash flows of consumers.

Majority of SELCO employees and all of SELCO servicemen are recruited from local villages.

SELCO ensures sales to poorer consumers by incentivizing sales on credit and lower invoice value.

SELCO has been very conservative about scaling its business, believing in going deeper into the needs of the poor, rather than selling standardized products to large numbers.
OUR IDEAS ABOUT HOW TO REDUCE POVERTY ARE EVOLVING

- The poor as recipients of charity
  - Aid and donor agencies, social investors, questions of sustainability

- The poor as potential consumers
  - Packaging (single serve), supply chain, (ITC e-chaupal) innovations
  - For sustainability, endeavors must be profitable for private enterprises
  - But is it desirable for the poor?

- Create livelihood for the poor, facilitate income generation

- Improve quality of life, enable conditions so that the poor can realize their potential, empowerment
  - Means to an end, quality of life and economic development, Amartya Sen’s philosophy
  - Elinor Ostrom: building capacity of communities
THANK YOU