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Robert Bosch Stiftung



INDIA

SOCIAL INVESTMENT LANDSCAPE IN ASIA



INDIA

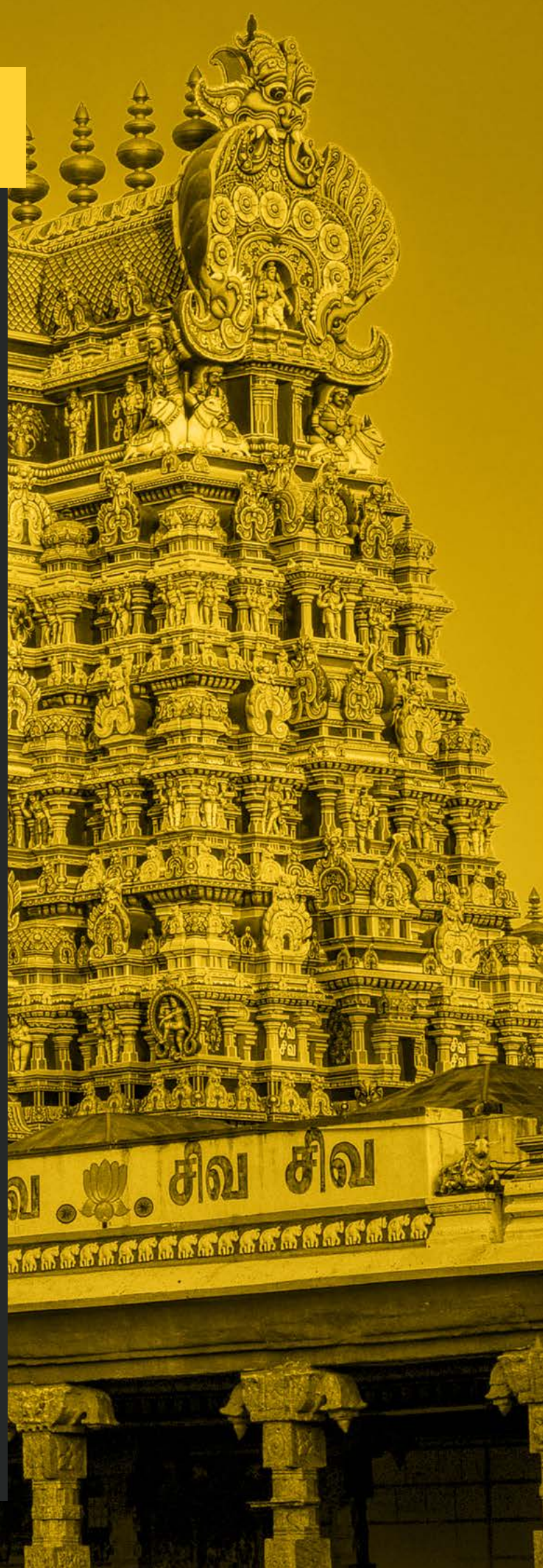
The Indian subcontinent is diverse in terms of its people, language and cultural traditions.¹ With 2,973,193 square km and 1.2 billion people, India is the 7th largest country in terms of area² and the 2nd largest in terms of population.³ The country's population has a median age of 27.6 years.

India had the 3rd highest GDP of USD 8.721 trillion measured in purchasing power parity (PPP) in 2016 and is projected to overtake the United States of America (USA) by 2050 to go into 2nd place.⁴ Trade accounts for about half of India's GDP, and its biggest export partners are The USA, United Arab Emirates, Hong Kong and China (2016).⁵ Foreign direct investment (FDI) in India in 2016 grew by 18% to USD 46.4 billion, at a time when global FDI inflows fell by 13%. The USA was the top source of FDI, and India stood as the 10th most attractive FDI destination in the world.⁶

Services are the major source of economic growth, accounting for nearly 53% of GDP value added in 2015⁷ and employment in urban areas of 58.7% and 16.1% in rural regions in 2011.⁸

The Indian middle class has been hailed for its growth potential and over the 2015-2030 period, the median income per household is projected to increase by 89.8% in real terms to reach USD 10,073.⁹

1. BBC, 2017, India profile
2. World Atlas, 2017, The largest countries in the world
3. World by Map, 2016, Data
4. PWC, 2017, Shift of global economic power
5. World's top exports, 2017, Export partners
6. Livemint, 2017, FDI inflows to India
7. World Bank, 2017, Services Value Added % of GDP
8. International Labour Organization, 2016, India Labour Market Update
9. Euromonitor, 2015, <http://blog.euromonitor.com/2015/09/top-5-emerging-markets-with-the-best-middle-class-potential.html>



FACT FILE

Population
2016

1.266 billion

GDP (PPP)
2016

USD 8.66 trillion
World Rank 3

World Giving Index Rank

2016

91

(106 in 2015)

- % giving money - 22
- % volunteering time - 21
- % helping a stranger - 43

Poverty
2012

29.8%

Per capita GDP (PPP)
2016

USD 6,616
World Rank 123

COUNTRY CONTEXT FOR INVESTORS

FACTORS	INDEX SCORE /RANK	DESCRIPTION
GDP Growth (2016)	7.6%	The economy grew 7.6% in 2016 and 2015. In 2017, forecast of GDP growth is between 7.5 and 8%.
Governance (2015)	-0.2	India ranked above 49% of all the countries.
Consumer Market (2015)	USD 4098 billion	Consumer spending is projected to increase due to the growth of household incomes, emerging cities, and nuclear families. ¹⁰
Labour Force (2016)	511 million	The labour-force to population ratio for India is 54% and low in comparison to the rest of the world due to low female labour force participation rate (LFPR, at 31%). ¹¹
Infrastructure (2016)	4.0	India was ranked 81 among 138 countries in terms of infrastructure. ¹² The biggest issues are the country's transportation, education, power and telecommunications infrastructure.
Financial Access (2014)	53% of the population	53% of the population above 15 years of age had a bank account in 2014. ¹³ Financial inclusion of people in poverty, in rural areas and of women are large areas for development.
Digital Access (2015)	26% of the population	In 2015, 26% of the population had access to the internet. ¹⁴ Mobile-cellular subscriptions stands at 78 subscriptions per 100 inhabitants. ¹⁵
Ease of Doing Business (2016)	130/190	India's Ease of Doing Business rank improved slightly from 131 in 2015 to 130 in 2016. Significant challenges remain in terms of enforcing contracts, paying taxes, dealing with construction permits and starting a business. ¹⁶

Source: CIA, International Telecommunication Union (2015), OECD (2017), WEF (2016), World Bank (2016)

Note: Computation in this section is described in the Methodology.

■ Favourable
 ■ Moderately favourable
 ■ Unfavourable

10. BCG 2017, The new Indian: The many facets of a changing consumer <http://www.confindustriabergamo.it/aree-di-interesse/internazionalizzazione/documenti/kpmg-india-strategy-presentation>
11. Institute for Human Development, 2014, India Labour Employment Report 2014

12. WEF, 2016, Global Competitiveness Index
13. World Bank, 2014, Financial Inclusion Data
14. ITU, 2015, Global ICT Facts and Figures

15. World Bank, 2017, Mobile cellular subscriptions
16. World Bank, 2016, Ease of Doing Business

Number of millionaires

185,000
(0.01% of population)

Global Competitiveness Index
2016

39
(55 in 2015)

Source: CIA, Charities Aid Foundation (CAF, 2016), Credit Suisse (2016), OECD (2016), World Bank (2017), World Economic Forum (WEF, 2016)

DEVELOPMENT GAPS IN INDIA

India has leveraged the framework of the United Nations' Sustainable Development Goals (SDGs) Agenda 2030 to chart out comprehensive socio-economic-environmental development plans and targets to achieve the goals.¹⁷

Goals for education outcomes, skill development, housing, water, power for all, and sanitation, constitute the foundations of India's social welfare plans. Poverty alleviation is about inclusion and empowerment of the poor through financial access, digital access, direct transfer of benefits, and insurance and pension for the elderly. Drawing on the rapid growth of digital and mobile applications,

India seeks to strengthen the sector of individual enterprises, micro-entrepreneurs and micro-finance while increasing agricultural productivity, market linkages, manufacturing and services which will propel the engines of growth and prosperity. Environmental goals focus on a new capacity of 175 GW of renewable energy over the next seven years starting 2016, energy efficiency, a tax on coal, a huge afforestation programme, reforming transportation, and cleaning up cities and rivers.¹⁸

Prime Minister Narendra Modi has launched schemes such as Skill India, Digital India, Make in India, and Startup India on the growth side, with programmes on education, gender sensitivity, sanitation, and financial inclusion on the social welfare front.¹⁹

SDG DASHBOARD

Source: sdgindex.org (2016)













17. NITI Aayog, Mapping of the SDGs, targets, CSS, interventions, nodal and other ministries

18. NITI Aayog, at PM's statement at the UN Summit for the adoption of Post-2015 Development Agenda

19. World Bank, 2015, While India's Economy has Turned the Corner, Wider Reforms are Needed to Boost Economic Growth

GOVERNMENT FOCUS ON DEVELOPMENT GAPS

FOCUS AREA	SDG GOALS	GAP	GOVERNMENT FOCUS
Healthcare and WASH	 	In 2013, the infant mortality rate (IMR) was 40 per 1000 births, which is much higher than the global average of 31.7. ²⁰ In 2014, 41.92% of the population had access to sanitation. ²¹	Through the National Health Mission, by 2030, maternal mortality rate is targeted to be reduced to less than 70 per 100,000 live births and the goal is to end preventable deaths of new-borns. ²² Through the Swachh Bharat mission, the new government has improved access to sanitation from 41.92% in 2014 to 63.96% in 2016. ²³
Education		By implementing the Right to Education Act, India has achieved universal access to education and as of 2014 the gross enrolment ratio was at 107.92%. ²⁴ However, in 2016, only 47.8% of children in rural government and private schools in grade 5 could read at the level of grade 2. ²⁵	By 2030, The Ministry of Human Resource Development through Sarva Shiksha Abhiyan wants to ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes. ²⁶
Energy Access		India's Total Energy Consumption in 2014 was 805kWh per capita. ²⁷ In 2014, 79.2% of the people had access to electricity. ²⁸	The Deen Dayal Upadhyaya Gram Jyoti Yojana, the National Solar Mission of providing continuous power supply to rural India and the India Energy Policy together seek to provide reliable and affordable energy access to all by 2030. ²⁹
Poverty alleviation -Agriculture	  	In 2011-12 the National Sample Survey Office (NSSO) data on consumption expenditure survey revealed that more than 1/5th of rural households in agriculture were living below poverty line. ³⁰ The employment to population ratio was 52% in 2015, however the GDP contribution by agriculture was only 17.45%. ³¹	Through a combination of productivity improvement, irrigation coverage, and diversification into high value crops, the government plans to grow the sector by 14.86% per year in order to double farmer incomes by 2022. ³²
Poverty alleviation - Skill development	 	75.8% of the labour force did not have any skill training during 2011-12 while the proportion of workforce with formal training was only 3.05%. ³³	The Pradhan Mantri Kaushal Vikas Yojana is a skill development initiative that has a target to train 10 million Indian youth from 2016 to 2020. The government targets to skill 400 million people in India by 2022. ³⁴
Gender equality		India ranked 131 among 146 countries in the Gender Inequality Index in 2015. ³⁵	Beti Bachao Beti Padhao, operational since 2015, ³⁶ is a government scheme to address the issue of an almost stagnant child sex ratio, ³⁷ and equity in education.
Social security	 	8% of India's labour force in the informal sector has social security coverage. Over 91% of workers, close to 395 million workers, are in the informal sector. ³⁸	Since its inception in 2006, the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) has enrolled over 50 million beneficiary households. The Rashtriya Swasth Bhima Yojana, the national health insurance scheme, has over 4.1 million active cardholders. ³⁹

Source: ILO, OECD, SDGIndex.org (2016), UNDP, UNEP, UNESCO, WHO, World Bank, wssinfo.org

20. NITI Aayog, 2013, Infant Mortality Rate (IMR) (per 1000 live births)
 21. Swachh Bharat Mission, at <http://sbm.gov.in/sbmdashboard/Default.aspx>
 22. NITI Aayog, 2016, Sustainable Development Goals (SDGs)
 23. Swachh Bharat Mission, at <http://sbm.gov.in/sbmdashboard/Default.aspx>
 24. UNESCO, at India
 25. Pratham Annual State of Education Report, 2016, Enrolment and Learning Report Card

26. NITI Aayog, 2016, Sustainable Development Goals (SDGs)
 27. World Bank 2015, Electric power consumption
 28. World Bank, 2014, Access to Electricity
 29. NitiAayog, Mapping of the SDGs, targets, CSS, interventions, nodal and other ministries
 30. NITI Aayog, 2017, Doubling Farmers Income
 31. World Bank, 2015, Agriculture, value added (% of GDP)
 32. NITI Aayog, 2017, Doubling Farmers Income
 33. NITI Aayog, 2015, Skill Development and Productivity of the Workforce

34. PradhanMantriYojna Schemes, at <http://www.pradhanmantriyojana.co.in/kaushal-vikas-yojana-pmkvy/>
 35. UNDP, 2016, Gender Inequality Index
 36. BBBP, Government of India
 37. India Online, 2016, Sex ratio in India
 38. National commission of Enterprise in the unorganized sector, 2009, The Challenge of Employment in India
 39. RSBY, at <http://www.rsby.gov.in/>

THE SOCIAL INVESTMENT LANDSCAPE IN INDIA

India has a vibrant civil society that has sustained momentum on solving several critical social issues since the early 1960s. Charity and social entrepreneurship are deeply rooted in the Indian ethos.

Historical milestones in the social enterprise sector in India include the Amul Dairy Cooperative started back in 1946 by Dr. Verghese Kurien, 1960s Fabindia's community owned producer companies, and SELCO founded in 1995 with its work in rural India for solar energy.⁴⁰ These paved the way for the 2 million NGOs in India.⁴¹ Social Enterprises (SEs) work across sectors in India: a survey of 258 SEs in India revealed that 53%

of the SEs are engaged skills development activities, 30% in education, 28% in agriculture/fisheries/dairy, 26% in financial services and 26% in energy and clean technology.⁴²

Legislative environment

Demand side

In India, a social enterprise can be registered as either a for-profit or non-profit legal entity. While for-profit organisations are regulated under the Ministry of Corporate Affairs, non-profit organisations are registered under various Registration Acts of the Central and State Governments.

STRUCTURE	PURPOSE
FOR-PROFIT LEGAL STRUCTURES	
Sole Proprietorship	It is a type of enterprise owned, managed and controlled by one person. The liability of the owner is unlimited. ⁴³
Partnership Firm	A partnership is defined as a relation between two or more persons who have agreed to share the profits of a business carried on by them or any of them acting for all. The owners of a partnership business are individually known as partners and collectively as a firm. ⁴⁴
Private Limited Company	In a private limited company, the shareholders right to transfer shares is restricted. The number of shareholders is limited to fifty. An invitation to the public to subscribe to any shares or debentures is prohibited.
Limited Liability Partnership	The Limited Liability Partnership (LLP) Act, 2008 provide an alternative to the traditional partnership business, with unlimited personal liability on the one hand, and the statute-based governance structure of the limited liability company, on the other, so that businesses can organise themselves and operate in a flexible, innovative and efficient manner. ⁴⁵
NON-PROFIT LEGAL STRUCTURES ⁴⁶	
Section 8 and Section 25 Companies	Section 8 and Section 25 companies are governed under the new Companies Act, 2013. Most of the substantive provisions of Section 25 of the old Act have been incorporated into the new Companies Act under Section 8. A Section 8 company can be set up for the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object.
Trust	A public trust generally means an expression or constructive trust for either a public, religious or charitable purpose or both and includes any religious or charitable endowments set up for the aforesaid purposes. Different states in India have different Trusts Acts in force; in the absence of a Trusts Act in any particular state, the general principles of the Indian Trusts Act 1882 are applied. ⁴⁷
Society	A registered society is an association of seven or more persons for any literary, scientific, or charitable purpose. Few states have also enacted state-specific legislations to administer registration of charitable societies.

40. Asia Development Bank, 2012, India Social Enterprise landscape report

41. British Council, 2016, The state of social enterprise in India

42. British Council, 2016, The state of social enterprise in India

43. India Business, 2013, Forms of business enterprise

44. Archive India, at http://www.archive.india.gov.in/business/starting_business/org_partnership.php, accessed on April 2017

45. India law Journal, http://www.indialawjournal.org/archives/volume2/issue_2/article_by_bhavesh_sukhada.html, accessed on April 2017

46. AVPN, 2014, Getting started in venture philanthropy in Asia

47. Department of planning, 2012, Non-profit institutions

Supply side

Legislative environment for foreign social investors. Social venture funds enjoy a “pass through” benefit under the relevant sections of the Income Tax Act such that income accruing to the social venture fund would be deductible in the hands of the investor. Offshore social venture funds are required to seek regulatory approval before making direct grants to eligible Indian organisations. They also lack the ability to provide debt financing as foreign funds unless registered as Foreign Portfolio Investors (FPI). Similarly, India based social venture funds with foreign participation which are not Indian managed and sponsored may require regulatory approvals, compliance with pricing norms and may be subject to performance conditions in certain sectors.⁴⁸

Section 80G for charitable contributions:

Anyone who pays taxes — individuals, companies or NRIs — is eligible for tax deductions under Section 80G, provided that the donor and the charity both meet certain criteria.⁴⁹

- The charity or the institution donated to must be registered under Section 12A of the Income Tax Act, 1961 and hold an 80G certificate.
- Not all donations and contributions are tax deductible. For example, donations made to political parties or foreign charitable trusts do not fall under the ambit of Section 80G.
- Donations made from taxable income alone are eligible for exemption.
- Tax benefit can be claimed on donations made in cash and cheque and not in kind.⁵⁰



48. AVPN, 2014, Getting started in venture philanthropy in Asia

49. Big Decisions, <https://www.bigdecisions.com/article/claim-deductions-under-section-80g-for-charitable-contributions>

50. Big Decisions, <https://www.bigdecisions.com/article/claim-deductions-under-section-80g-for-charitable-contributions>

DEMAND, SUPPLY AND SUPPORT ECOSYSTEM IN INDIA

SUPPLY	Foundation/ Trust/Family Office	DEMAND			
		Charities/Non-profits	Social Enterprises	Businesses with Sustainability Focus	Businesses
		Azim Premji Foundation (Grant)			
		Bill & Melinda Gates Foundation (Grant)			
		Deshpande Foundation (Grant)			
		EkStep Foundation (Grant)			
		Michael and Susan Dell Foundation (Grant)			
		Paul Hamlyn Foundation (Grant)			
	Rockefeller Foundation (Grant)				
	Tata Trusts (Grant)				
	Corporate	Bharti Foundation (Grant)			
		Dr. Reddy's Foundation (Grant)			
		EdelGive Foundation (Grant)			
		Mahindra & Mahindra Ltd. (Grant)			
		Oil and Natural Gas Corporation (Grant)			
		Piramal Foundation (Grant)			
		Tata Steel (Grant)			
		YES Foundation (Grant,Equity, Debt)			
	Impact Fund		Aavishkaar (Equity)		
			Acumen (Debt)		
		Ankur Capital (Equity, Debt)			
DFID Impact Fund (Equity, Debt)					
		Elevor Equity (Grant, Equity)			
		Grassroots Business Fund (Grant, Equity)			
		India Innovation Fund (Equity)			
		Insitor Fund SCA (Equity)			
		Intellegrow (Equity, Debt)			
		Omidyar Network (Grant, Equity)			
		Social Venture Partners India (Grant, Equity)			
		Unilazer Ventures (Grant, Equity)			
		Unitus Capital (Convertible Debt, Debt, Equity)			
		Unitus Seed Fund (Equity, Debt)			
	Villgro (Grant, Debt, Equity)				
Financial Institution		Asian Development Bank (Grant, Debt)			
		Diwan Housing Finance Corporation Ltd. (Debt)			
		International Financial Corporation (Equity, Debt)			
		National Bank for Agriculture and Rural Development (Grant, Debt)			
		World Bank Development Marketplace (Grant)			
Crowdfunding/ Fundraising Platform		Give2Asia (Grant)			
		Impact Guru (Grant, Debt)			
		Ketto (Grant)			
		Milaap (Grant, Debt)			
Support	Incubators, Accelerators & Capacity Builders		Networks & Platforms	Research & Knowledge	Legal & Implementation
	<ul style="list-style-type: none">Centre for Innovation Incubation and Entrepreneurship (CIIE)DasraDeshpande FoundationEdelGive FoundationInsitor FundIntegrating Human to QualityIntellectapNadathur SRaghavan Centre for Entrepreneurial Learning (NSRCEL)	<ul style="list-style-type: none">N/CoreRural Technology and Business IncubatorSIDBI Innovation Incubation CentreSankalp ForumSattva ConsultingSelcoUnLtd IndiaVillgro Innovations Foundation	<ul style="list-style-type: none">Ashoka IndiaAVPNHoney Bee NetworkImpact Investors Council (IIC)Indian Angel NetworkIndian Private Equity and Venture Capital AssociationNASSCOMSankalp ForumThe Indus Entrepreneurs (TIE)UnLtd IndiaVillgro	<ul style="list-style-type: none">British Council East Asia and China RegionCharities Aid FoundationDasraImpact GuruIndian Institute of ManagementIndian School of BusinessIndian School of Development ManagementPartnership for ChangeSattva ConsultingTata Institute of Social Sciences - CSR HubToolbox India FoundationVardaan Advisors Private Limited	<ul style="list-style-type: none">Alternative Law ForumDasraHuman Rights Law NetworkINVENTSamhita Social VenturesSambodhi, CKineticsSattva ConsultingCKinetics

Key actors in the social economy in India with a few examples of investing across entities. Source: Dasra (2015), Bain (2016), Intellectap (2014), GIIN-Dalberg (2015), Sattva-AVPN analysis, Sattva (2015), press articles

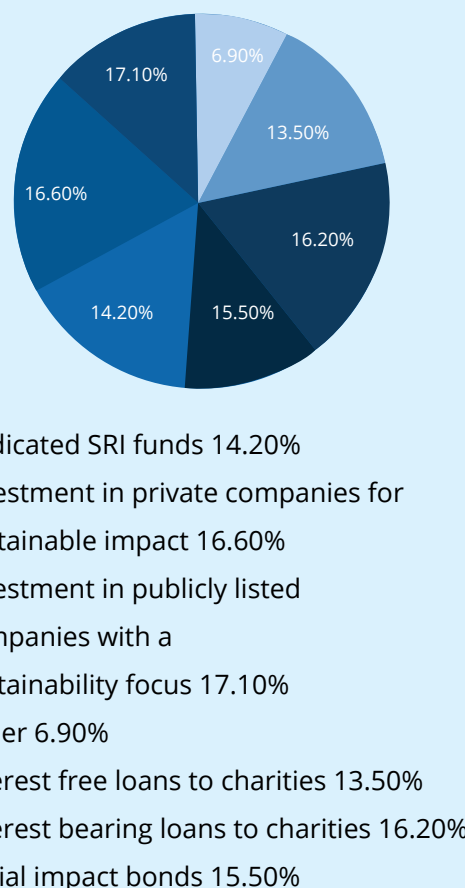
KEY SOCIAL INVESTORS AND INVESTMENT TRENDS

Indian philanthropists broaden the horizons of giving

Indian high net worth individuals (HNWIs) are among the most engaged and sophisticated of funders, both in how they view philanthropy, and the informed approaches that they have taken to move the needle on social impact in India. Philanthropic funding from private individuals in India recorded a six-fold increase in the last 5 years: approximately USD 5.6 billion in 2016, up from approximately USD 934.36 million in 2011.⁵¹ This trend is expected to increase in the future, as more than 40% of HNWI givers aim to increase their contribution towards philanthropy between 2015-2020.⁵² The increase in philanthropy has been backed by strong macroeconomic growth — the number of ultra high net worth Individual (UHNWI) households has doubled since 2011, and their net worth has tripled from 2011-2016.⁵³

Notable HNWNI philanthropists in India include HCL founder Shiv Nadar, Infosys co-founder Nandan and his wife Rohini Nilekani, Wipro Limited Chairman Azim Premji, Reliance Group Chairman and Managing Director Mukesh Ambani, Piramal Group lead Ajay Piramal, Unilazer Ventures Ronnie Screwvala, Infosys co-founder Kris Gopalakrishnan, Former Chairman of Tata Sons, Ratan Tata, Biocon Chairman Managing Director Kiran Mazumdar Shaw. The Forbes 'Asia's 2016 Heroes of Philanthropy' mentions Vineet and Anupama Nayar, founders of the Sampark Foundation in India, Adar Poonawalla, CEO of Serum Institute of India, Amit Chandra, CEO, Bain India and his wife Archana Chandra, CEO of Jai Vakeel Foundation,⁵⁴ Sunil Bharti Mittal of the Bharti Foundation, Anu Aga of the Thermax Foundation and Ashish Dhawan of Central Square Foundation and the Philanthropy Center at Ashoka University. Education remains the favourite cause for Indian philanthropists to support, followed by healthcare and community development.⁵⁵

When it comes to social investing, HNWI in India allocate over 40% of their investment portfolio, which is disbursed through the following investment strategies.⁵⁶



Focus of HNWI funding in India.
Source: CapGemini, 2016, "Asia Pacific Wealth Report 2016"

Bain & Company characterises the journey of the current generation of Indian philanthropists into four archetypes: (i) striving seekers, who have recently started exploring giving, (ii) professional partners, whose investment through time and skills may be worth far more than their capital, and hence become their tools to drive impact, (iii) capital contributors, who take a less hands-on approach and exercise a more thoughtful deployment of their capital to the right causes and (iv) enlightened evangelists, who are champions of their chosen causes and bring in their networks, social and political capital to bolster the ecosystem.⁵⁷

Whether it is supporting under-funded causes, taking the venture philanthropy approach or foraying into impact investing, Indian philanthropists have significantly broadened the options for philanthropic engagement in India.

51. Bain and Company, 2017, India Philanthropic Report 2017

52. Bain and Company, 2015, India Philanthropic Report 2015

53. Bain and Company, 2017, India Philanthropic Report 2017

54. Forbes, 2016, Heroes in Philanthropy

55. Hurun, 2016, India Philanthropy List 2016

56. Capgemini, Asia-Pacific Wealth Report 2016

57. Bain and Company, 2017, India Philanthropic Report 2017

Family and philanthropic foundations are adopting venture philanthropy approaches

Foundations in India – international, family and corporate – are at different stages of their growth and evolution. International foundations such as the Michael & Susan Dell Foundation, Ford Foundation, the Rockefeller Foundation, Bill & Melinda Gates Foundation have been engaging with development issues in India for over two to three decades, are professionally managed, employ qualified professionals who can work with multiple stakeholders, and look to achieve strategically aligned goals, typically aligned with SDGs or national priority areas. Family foundations on the other hand tend to be founder-centric.⁵⁸ 62% of India's family foundations are run by individuals or families, with only 38% being professionally managed.⁵⁹

While family foundations typically work on geographic or philanthropic areas of interest of the founder, corporate foundations tend to either function as own operational foundations of corporates, or manage strategic philanthropic operations on behalf of the corporate group. Apart from education, focus areas for foundations in India include health and sanitation, livelihoods, women's empowerment and social entrepreneurship.⁶⁰

Increasingly, there is evidences of strategic approaches and venture philanthropy among local foundations:

- **The Tata Trusts** is amongst India's oldest philanthropic organisations. Through grant-making, direct implementation and co-partnership strategies, the Trusts support and drive innovation in the areas of natural resources management; education; healthcare and nutrition; rural livelihoods; enhancing civil society and governance; media, arts, crafts and culture; and diversified employment. The Trusts engage with government bodies, international agencies, and private sector organisations to nurture a self-sustaining eco-system that collectively works across all these areas.⁶¹
- **Edelgive Foundation (EG)**, the strategic philanthropy arm of Edelweiss Group, has three

social focus areas – women empowerment, livelihood and education. It uses a venture philanthropy approach by providing a great deal of non-financial support and is committed in the growth of its investees. Over a three to five-year period, EG disburses grants as well as supports various capacity building initiatives - be they around organisational development, impact measurement or technological improvements, with many of them being led by the company's employees. The Foundation has developed a strong co-funding platform that provides due diligence and monitoring support to funding partners. This enables other corporates and foundations to join EdelGive in supporting its partner NGOs.⁶²

- **Bharti Foundation**, the Bharti Group's philanthropic arm, has been focused on one social issue since its inception — realising human potential in rural India through transforming education. The Satya Bharti School programme, regarded as a transformational education initiative running in 254 rural schools over 10 years, is now pivoting its model by partnering with governments across States in India, to provide expertise and know-how to nurture holistic learning environments for children.⁶³

Corporates provides a strong backing for social impact through mandated CSR

Section 135 of the Indian Companies Act, 2013 mandates corporates to spend at least 2% of their average net profit of the past three years on CSR activities as specified in Schedule VII of the Companies Act. Fiscal 2016, the third year of implementation of the CSR obligation, saw 1,158, or 77% of the eligible 1,505, formally reporting CSR, with spending edging up to 1.64% of the 2% in fiscal 2016, compared with 1.3% (by 1,024 companies) in fiscal 2015. Education and healthcare received the bulk of CSR spending. Spending on technology interventions has seen more than an eight-fold increase to USD 20 million from a mere USD 2.3 million in fiscal 2015.⁶⁴

The CSR law is regarded as a one-of-its-kind landmark

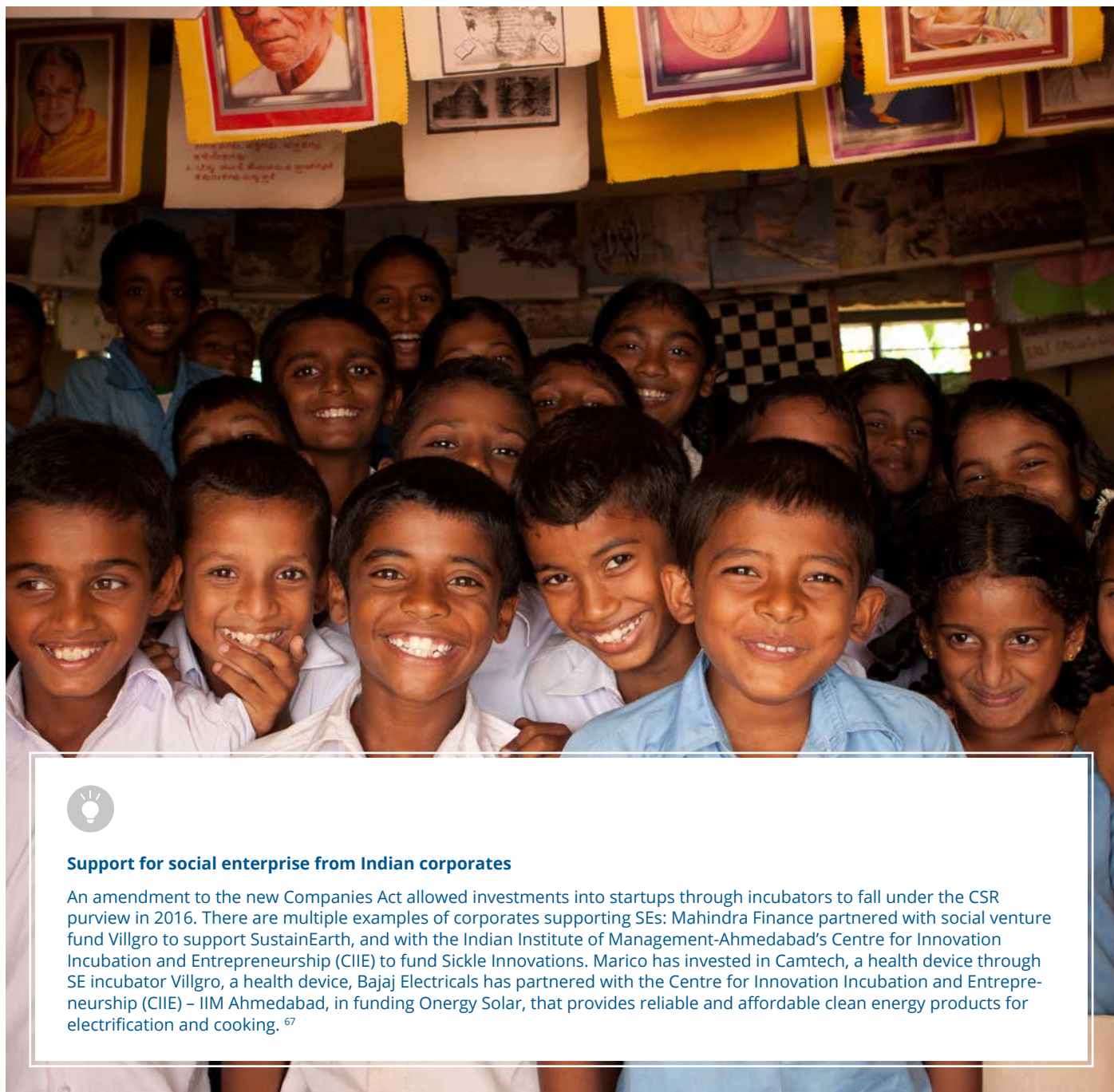
58. Dasra, Beyond Philanthropy towards a collaborative approach in India
59. UBS-INSEAD, 2011, UBS-INSEAD Study on Family Philanthropy in Asia
60. Dasra, Beyond Philanthropy towards a collaborative approach in India
61. Tata Trusts, at <http://www.tatatrusts.org/article/inside/about-tata-trusts>

62. AVPN, at <https://avpn.asia/organisation/edelgive-foundation/>
63. Sattva, 2016, CSR best practice case studies (unpublished)
64. CRISIL Foundation, 2017, Altruism rising The CRISIL CSR Yearbook

legislation in Asia, perhaps in the world, where mandated CSR has been so strongly de-linked from business outcomes. The CSR law has succeeded in bringing the attention of corporate boardrooms and corporate professionals towards informed approaches to supporting social impact. Over and above the funding, which even at full potential is barely 3% of a central government department's budget, the CSR law has a significant potential to garner corporate expertise, networks and innovation in nation-building.⁶⁵ There are several examples of innovative

and sustainable CSR programmes carried out by corporates: from manufacturing companies such as the Vedanta Group, TVS Motors, ITC or LafargeHolcim over banks such as Axis Bank, ICICI Bank, YES Bank to telecom companies such as Airtel or Vodafone and MNCs such as Accenture, Coca-Cola, Cisco and Dell.⁶⁶

While CSR spending and interest are increasing continuously over the years, there is much work to be done to increase the effectiveness of spending and measuring the impact of the work carried out.



Support for social enterprise from Indian corporates

An amendment to the new Companies Act allowed investments into startups through incubators to fall under the CSR purview in 2016. There are multiple examples of corporates supporting SEs: Mahindra Finance partnered with social venture fund Villgro to support SustainEarth, and with the Indian Institute of Management-Ahmedabad's Centre for Innovation Incubation and Entrepreneurship (CIIE) to fund Sickle Innovations. Marico has invested in Camtech, a health device through SE incubator Villgro, a health device, Bajaj Electricals has partnered with the Centre for Innovation Incubation and Entrepreneurship (CIIE) – IIM Ahmedabad, in funding Energy Solar, that provides reliable and affordable clean energy products for electrification and cooking.⁶⁷

65. Livemint.com, 2016, Firms recognizing benefits, impact of CSR
66. CII, 2016, CSR compendium

67. Economic Times, 2015, Mahindra Finance using CSR money to fund social startups SustainEarth and Sickle Innovations

India has an active impact investing landscape

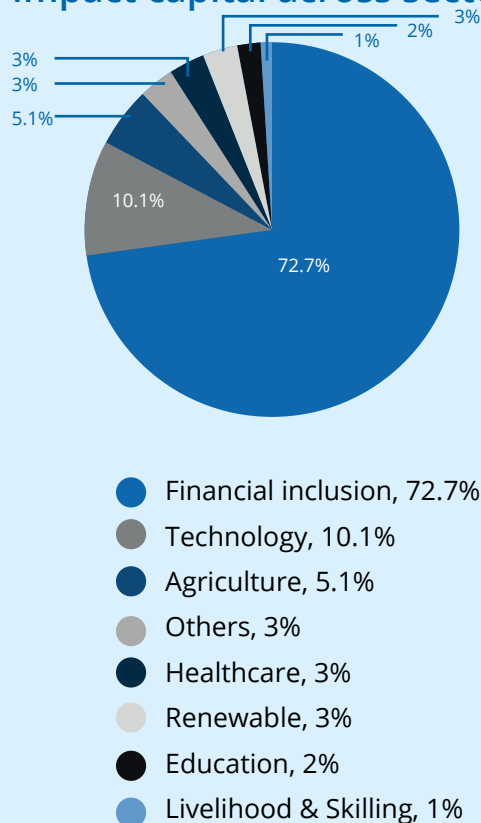
In 1997, Grassroots Innovations Augmentation Network (GIAN) became India's first non-profit social venture capital fund. It marked the beginning of what is now an extensive network of social enterprise enablers.⁶⁸ India saw its first impact investment in 2001 when Acumen Fund invested in Aravind Eye Hospital. In the same year, Vineet Rai established Aavishkaar – India's first for-profit impact fund. The presence of the Acumen Fund and Aavishkaar in India spurred the demand for early-stage investments in for-profit SEs.⁶⁹ India has active presence of international investors including Omidyar networks, LGT IV, Acumen Fund, Insitor Fund SCA, Grayghost Ventures and local funds including Social Ventures Partners India, DFID Impact Fund, Unitus Capital, Intellegrow, Ankur Capital, Unitus Seed Fund, India Innovation Fund, Elevar Equity, Aavishaar and Grassroot Business Fund India.

A 2014 report characterises the Indian impact investing sector by 4 pillars: innovations rooted in local context; investing that adopts an entrepreneur-led approach; ecosystem focused on accountability; and impact investors with the ability to unlock mainstream capital.⁷⁰

As of 2016, USD 1.6 billion of capital has been invested in 220+ impact enterprises across Indian early, growth and venture stage SEs. Impact funds have made investments of USD 435 million while mainstream venture capital and private equity investors have invested around USD 906 million. Impact investors' portfolios have a higher concentration of capital in enterprises with a presence in Western and Southern India. Impact enterprise distribution across India also indicates a similar concentration. Enterprises in three states - Maharashtra, Tamil Nadu and Karnataka – have cornered the largest share of impact investments. Healthcare, agri-business and clean energy are the leading sectors outside of financial inclusion, attracting investments of USD 341 million.⁷¹

With an active market, expectations among investors is also growing — impact investors expect an internal rate of return (IRR) of 20-25%, and there is pressure among SEs to start generating quick financial returns.⁷²

Impact capital across sectors



Source: 258 organisations (Impact investors, DFIs) and impact investments made between 2013-2016 as recorded by Venture Intelligence.

Crowdfunding in India

Apart from impact investing, crowdfunding is starting to pick up as an alternate source of funding for social causes. Several organisations are helping to pool money for social causes ranging from education, energy, health and sanitation, from individuals. Milaap.org, a crowdfunding platform, has mobilised nearly USD 2.5 million worth of funds from 22,000 individuals for various impacts. Micrograam is a crowdsourcing micro-credit platform that leverages technology to empower entrepreneurs in India's rural hinterland with access to loans. Borrowers are rural entrepreneurs who are typically looking for short term small loans to start or grow their enterprise.⁷³ The platform has raised USD 4.06 million to date.⁷⁴

An estimate gives the size of the Indian crowdfunding industry at USD 45.94 million in 2017.⁷⁵ Equity crowdfunding is not legalised in India yet.⁷⁶

68. British Council, 2016, Social Value Economy A Survey of the Social Enterprise Landscape in India

69. British Council, 2016, Social Value Economy A Survey of the Social Enterprise Landscape in India

70. Intelicap, 2014, Invest. Catalyze, Mainstream. The Indian Impact Investing Story

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72. Interview with Unitus Capital in April 2017

73. Sattva, 2015, Breaking new ground at the BoP

74. Micrograam, 2017, at <https://www.micrograam.com/>

75. Yourstory, 2017, at <https://yourstory.com/2017/02/trends-indian-crowdfunding-global-map/>

76. ZingoHub, 2016, at <https://edge.zingohub.com/is-crowdfunding-legal-in-india/>

Emergence of innovative pooled capital to support impact

In the recent times, there have been several noteworthy innovations in India's social impact funding and support landscape:

- Dasra's Giving Circles bring together pools of capital from 10 individuals, with each person donating USD 20,000 per year for three years. This arrangement has created a pool of USD 600,000 in each circle to fund focused issues such as adolescent health or nutrition. 85% of this capital is deployed as expansion grants to the
- NGO. The remaining 15% is used to support Dasra in delivering 250 days of non-financial support through mentoring and technical advice to each investee over the three-year funding cycle.⁷⁷
- The Educate Girls Development Impact Bond (DIB) is a pioneering mechanism to encourage private investors to fund development projects that are 100% focused on the outcomes achieved. The Educate Girls DIB will help improve education for 18,000 children, 9,000 of them girls, in 166 schools in Rajasthan, India.⁷⁸
- India Innovation Fund is a Securities Exchange Board of India registered venture capital fund that invests in innovation led, early-stage Indian firms.⁷⁹



77. NUS, 2013, Innovation in Asian Philanthropy

78. Instiglio, 2015, The Educate Girls Development Impact Bond: A new finance model for international development

79. India Innovation Fund, Investing in early stage technology driven firms in India

The social economy in India is one of the most advanced in Asia, supported by investors and enablers

CATEGORY	FACTOR	RATING	DESCRIPTION
SPOs	Legislative environment		Currently no legislation in India explicitly mentions, defines or promotes social enterprises. However, there are multiple legislations in effect, that have led to creation of social enterprises. For example, MSME Development Act 2006, Societies Registration Act 1860, Section-8 in the Companies Act, 1956, revised in 2013. ⁸⁰
	Government support for SEs		To support SEs, the government has promoted subsidies, credit linkages, capital subsidies in health, education, agriculture, irrigation, affordable housing and clean energy. ⁸¹ The government has amended the CSR law to bring funding to SEs through corporates. ⁸²
	SEs across sectors		Diverse industry with 50% concentration in microfinance institutions followed by agri-business and clean energy. ⁸³
	Presence, size, and maturity of SEs		Estimates place the number of SEs in India at around 2 million. Multiple investments have been made at early, venture and growth stage of SEs, signifying the size and maturity of SEs. ⁸⁴
Investors	Philanthropic contributions		HNWIs contribution increased six-fold from 2011 to 2016, to reach USD 5.6 billion. Philanthropists are among the most engaged and mature of funders. Philanthropic foundations implement innovative approaches in India. Total funds for the development sector have grown at a rate of approximately 9% over the past five years (2011-2016), increasing from USD 23.3 billion to approximately USD 34.25 billion approximately.
	Presence of social investors		There are over 50 impact funds and investors operating in India. ⁸⁵ They are mainly located in four cities – Bengaluru, Mumbai, New Delhi, and Chennai. Investors have invested in seed-stage, early, venture and growth-stage startups.
	Corporate sector		India's top-tier 100 companies spent over USD 1098 million in FY16. ⁸⁶ There is evidence of strategic CSR, venture philanthropy and support for social enterprises.
Enablers	Incubators, accelerators, and capacity-builders		India is home to almost 200 social incubators. ⁸⁷ Dasra Social Impact and CIE for instance conduct capacity building programs for entrepreneurs. Other noteworthy organisations are Villgro, Intellectap, Deshpande Foundation, Rural Technology and Business Incubator (RTBI) and Nadathur S raghavan Centre for Entrepreneurial Learning (NSCREL), IIM-Bangalore and N/Core. Global players such as UnLtd India also provide capacity building.
	Networks and platforms		AVPN India, Dasra Philanthropy Week, The Indus Entrepreneurs (TIE), Ashoka India and Deshpande Foundation run networks and platforms bringing SEs together with the rest of the ecosystem. India also has a range of fellowships in the social impact sector such as Gandhi Fellowship, Jagriti Yatra, Young India Fellowship, LAMP fellowship, to name a few. A high number of events and competitions are held to raise awareness of SEs. Academic institutions such as the Indian Institute of Management (IIM) are taking a lead role in growing public awareness of SE through competitions. UnLtd India, Sankalp Awards, Tata Enterprise Challenge, ISB iDiya are other notable competitions for SEs.
	Knowledge and research		Universities such as Indian Institute of Management (IIM), Indian School of Business (ISB), Tata Institute of Social Sciences (TISS), Xavier School of Management (XLRI) and several other business schools conduct research around the social economy. Research is also carried out by industry bodies such as Confederation of Indian Industries and Federation of Indian Chambers of Commerce & Industry (FICCI), and consulting companies such as KPMG, PwC, and advisory firms such as Sattva, Dasra and Samhita.
	Partnerships		Cross-sectoral partnerships are found across investor classes: multiple examples of CSR and Corporate Foundations with the government and civil society, giving circles such as Dasra, angel networks such as the Indian Angel Network, and between businesses and civil society.
	Impact Measurement		International foundations such as Rockefeller Foundation, Bill & Melinda Gates Foundation (BMGF), and Michael & Susan Dell Foundation (MSDF) are creating advanced and customised approaches to impact measurement. Third party assessments are common among corporates who have been running CSR and sustainability programmes for 5-10 years and above. ⁸⁸ The Annual Status of Education Report (ASER) of Pratham is another example of assessment of learning outcome gaps at a national level. ⁸⁹ TISS Hub, Sattva, Samhita, Sambodhi are organisations offering independent third-party assessments.

80. British Council, 2015, Social Enterprise: An overview of the policy framework in India

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86. KPMG India, 2017, India's CSR reporting survey 2016

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88. AVPN, 2016, A guide to effective impact assessment

89. ASER, at <http://www.asercentre.org/>

OPPORTUNITIES

- Flagship initiatives of the current government such as Startup India, Digital India and the drive towards better financial access through the Pradhan Mantri Jan Dhan Yojana provide a rich foundation upon which SPOs can innovate to reach last-mile communities with better products and services.
- The National Institute for Transforming India or the NITI Aayog, the premier policy 'Think Tank' of the Government of India, established in 2015, provides both strategic and directional inputs. The think tank works closely with the government ministries, the states and other stakeholders, paving the possibility for bringing in new approaches and collaborations between government, private sector and civil society for impact.
- India has a thriving entrepreneurial ecosystem that has been nurtured significantly by philanthropists, investors and enablers, juxtaposed with a young demographic, many of whom are interested in giving back to society. Tapping into the entrepreneurial mind-set of the 700 million among the middle-class of India, can be transformational in defining its inclusive growth path.
- Three years since the passing of the landmark CSR legislation, there has been heightened interest

among corporates to collaborate for sustainable growth. CSR provides a significant opportunity for SPOs to raise new capital, but more importantly, leverage the business expertise and networks of corporates, to help build systems, effectiveness and scale among non-profits and social enterprises.

CHALLENGES

- Regional inequalities abound in India, rendering the landscape challenging in terms of achieving social outcomes. The social economy is still predominantly urban, with CSR and impact investment directed towards the West and Southern parts of India.
- Skill development (only 3% of India's workforce has had any form of training) and employability are enduring challenges to be overcome for the country to move forward.
- Solving problems at scale in a country that houses one-sixth of the world's population remains one of the biggest challenges.





RECOMMENDATIONS

The following recommendations emerge from interviews and landscape analysis:⁹⁰

● Development gaps:

- While none of the areas can be described as being adequately funded or addressed considering the large population, energy access, water, women's empowerment, food security and investment in the North-Eastern, Northern and Eastern parts of the country are key gaps.

● Social investment:

- Investors need to be based locally in order to be informed and grounded in their approach to funding.
- Early stage funding for SEs is scarce. Incubators and accelerators could play a significant role in this space by providing seed funding and capacity building.

- Co-investing models are rare in India despite the prolific presence of investors of all classes, from philanthropists to impact investors. Building avenues for co-investment can increase efficacy of funding.

- Social impact bonds (SIBs) have been touted as effective pay-for-performance investment models; creating more SIBs would help address under-funded areas with private investment.

- Corporate foundations and CSR programmes could take a more holistic approach to social investment, learning from philanthropists and family foundations.

● Ecosystem support:

- A concrete legal structure should be put in place to recognise SEs, thereby strengthening their credibility to investors and consumers.
- Human capital remains an enduring challenge among SPOs. A near-term solution for attracting talent into the SE sector could be to translate the

90. Interviews with Michael and Susan Dell Foundation, Rockefeller Foundation, Unitus Capital, NSRCEL, Indian Angel Networks and IFC

existing interest to give back among corporate employees into mentoring opportunities for SEs.

- Depending on the background of the social entrepreneurs, substantial efforts might be required to build up their financial acumen and execution capability. A hands-on mentoring culture among social investors, whereby investors play the role of team members, would contribute towards this.
- Investors should also take on incubating roles in the early stages to help high-potential SEs to become investment-ready.
- Knowledge creation and further research on the social economy can provide evidence of success models, thus encouraging more strategic philanthropy and social investment practices.
- CSR funding in SEs can play a transformational role in building new and innovative market solutions to social challenges. Policy enhancements can ease the environment for the same.

"Early stage funding for social enterprises is scarce in India, which is why the role of incubators and accelerators is critical. Debt is an underutilised funding instrument in India and we hope to see it being used better. Strategic thought leadership is missing at various levels and that is what we need more of to drive the social economy forward."

Rahil Rangwala, Michael and Susan Dell Foundation

"Initiatives need to complement the government's approach to inclusive development. Energy access is a critical gap in India; with energy availability, you can tackle multiple development challenges effectively. Commercial and social investors across the spectrum could work together to amplify impact. These are exciting times in India, with so much cutting edge innovation taking place in the development sector."

Deepali Khanna, Rockefeller Foundation

LIST OF ACRONYMS

A	ADB	Asian Development Bank
	ANGIN	Angel Investment Network Indonesia
	ASEAN	Association of Southeast Asian Nations
B	BCG	Boston Consulting Group
	CAF	Charities Aid Foundation
C	CBO	Community Based Organisation
	CIA	Central Intelligence Agency
	CSR	Corporate Social Responsibility
E	ESG	Environmental, Social, Governance
	ETF	Exchange Traded Fund
F	FDI	Foreign Direct Investment
	GCI	Global Competitiveness Index
G	GDP	Gross Domestic Product
	GNI	Gross National Income
H	HNWI	High Net Worth Individual
	ILO	International Labour Organisation
I	INDC	Intended Nationally Determined Contributions
	MNC	Multinational Corporation
M	MSCI	Morgan Stanley Composite Index
	NGO	Non-Governmental Organisation
N	NPO	Non-Profit Organisation
	OEC	The Observatory of Economic Complexity
O	OECD	Organisation for Economic Co-operation and Development
	P2P	Peer-to-Peer
P	PISA	Programme for International Student Assessment
	PPP	Purchasing Power Parity
	SDG	Sustainable Development Goal
S	SE	Social Enterprise
	SIB	Social Impact Bond
	SME	Small and Medium-sized Enterprise
	SPO	Social Purpose Organisation
	SRI	Socially Responsible Investing
	UNDP	United Nations Development Programme
U	UNEP	United Nations Environment Programme
	UNESCO	United Nations Educational, Scientific and Cultural Organization
	USD	United States Dollars
W	WEF	World Economic Forum
	WHO	World Health Organisation
Y	YCAB	Yayasan Cinta Anak Bangsa

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Credit Suisse Net National Wealth (2016)	https://www.credit-suisse.com/media/assets/corporate/docs/about.../millionaires.xlsx
IMF World Economic Outlook Database (2016 numbers)	https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/download.aspx
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ABOUT THE ORGANISATIONS



ABOUT AVPN

AVPN is a unique funders’ network based in Singapore committed to building a vibrant and high impact philanthropy and social investment community across Asia. As an advocate, capacity builder, and platform that cuts across private, public and social sectors, AVPN embraces all types of engagement to improve the effectiveness of members across the Asia Pacific region.

The core mission of AVPN is to increase the flow of financial, human and intellectual capital to the social sector by connecting and empowering key stakeholders from funders to the social purpose organizations they support. With over 350 members across 29 countries, AVPN is catalysing the movement towards a more strategic, collaborative and outcome focused approach to philanthropy and social investing, ensuring that resources are deployed as effectively as possible to address key social challenges facing Asia today and in the future.

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ABOUT SATTVA

Sattva co-creates inclusive businesses that are scalable, sustainable and globally relevant. We serve as a bridge between business and social goals, by designing and implementing solutions that can bring long-lasting impact. Sattva works with corporations and social organisations to help them find their ‘magic quadrant’ where they can maximise their social impact along with economic value. As end-to-end program partners, Sattva helps organisations execute inclusive models that are innovative, economically viable and add equitable value to all the different stakeholders involved in the chain.

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ABOUT ROBERT BOSCH STIFTUNG

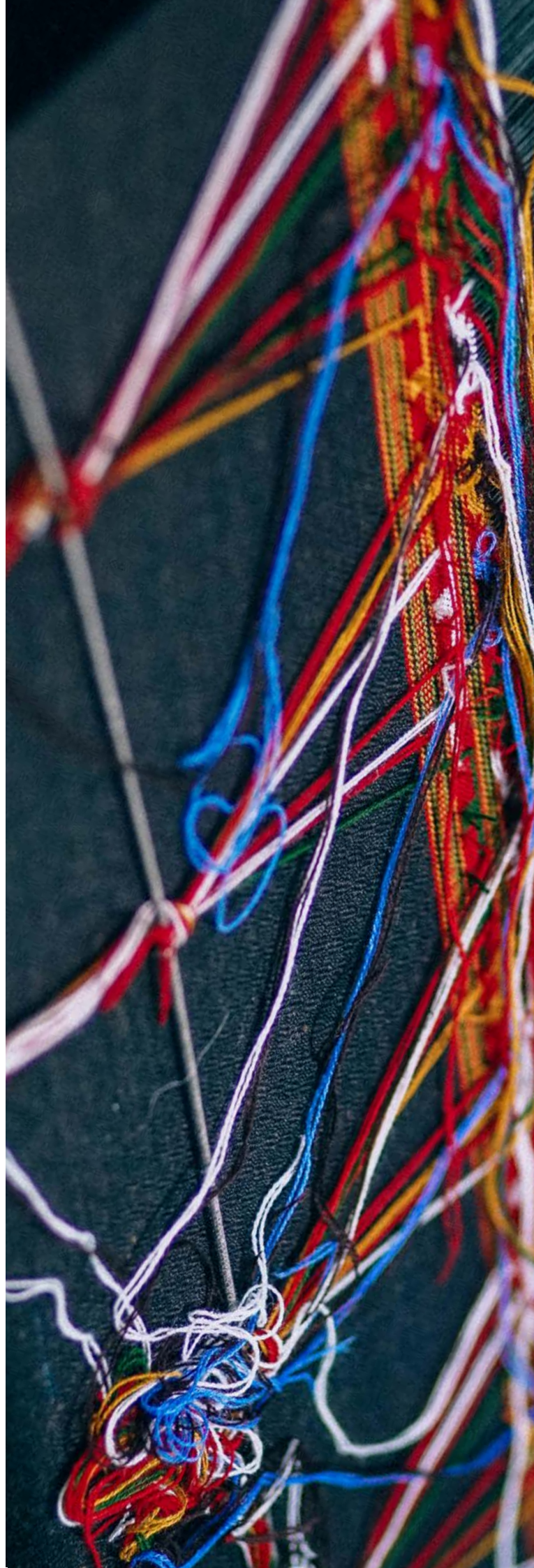
The Robert Bosch Stiftung is one of Europe's largest foundations associated with a private company. In its charitable work, it addresses social issues at an early stage and develops exemplary solutions. To this purpose, it develops and implements its own projects. Additionally, it supports third-party initiatives that have similar goals. The Robert Bosch Stiftung is active in the areas of health, science, society, education, and international relations. Moreover, in the coming years, the Foundation will increasingly direct its activities on three focus areas:

- Migration, Integration, and Inclusion
- Social Cohesion in Germany and Europe
- Sustainable Living Spaces

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ABOUT THE REPORT

AVPN has identified the need for a comprehensive overview of the Asian philanthropy and social investment landscape to offer social investors a guide to the opportunities for social investment in Asia. The *Social Investment Landscape in Asia* will be an invaluable resource for funders and resource providers as they assess the opportunities and challenges for philanthropy and social investment in the region. It is designed to be a guide for both new social investors looking to enter the Asian market and existing social investors exploring cross-border or cross-sector opportunities within the region. The Landscape is another way to further AVPN's mission to increase the flow of financial, human and intellectual capital to the Asian social sector.

The report provides a holistic view of the current and emerging philanthropy and social investment landscape in Asia. It also features in-depth profiles of 14 Asian regions which include:

- An overview of key demographic and macroeconomic conditions
- Key development issues facing the country
- Background and context to the social economy in the region
- Overview of the legislative environment
- Key social investors, recent developments and investment trends
- Opportunities, challenges and recommendations

The 14 regions are:

- | | |
|-------------|---------------|
| ■ Cambodia | ■ Malaysia |
| ■ China | ■ Myanmar |
| ■ Hong Kong | ■ Philippines |
| ■ Indonesia | ■ Singapore |
| ■ India | ■ Taiwan |
| ■ Japan | ■ Thailand |
| ■ Korea | ■ Vietnam |

If you have any comments or would like to get involved in future reports, please contact knowledge@avpn.asia.



AVPN is a unique Pan-Asian funders' network catalysing the movement toward a more strategic and collaborative approach to philanthropy and social investment to address key social challenges facing Asia today and in the future.

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