

# INDIA

SOCIAL INVESTMENT LANDSCAPE IN ASIA





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## ABOUT THE REPORT

Now in its second edition, the Social Investment Landscape in Asia serves as a resource for funders and resource providers to assess the opportunities and challenges for social investment in 14 markets in North, South and Southeast Asia. It is designed to be a guide for new social investors and intermediaries looking to enter the Asian market and existing actors exploring partnerships as well as cross-border or cross-sector opportunities.

Each market report provides a holistic overview of the current and emerging trends in the social economy, including:

- Fact File: key demographic, economic and social investment indicators,
- Development Context: progress towards the Sustainable Development Goals and government initiatives to address development gaps,
- The Social Investment Landscape: key trends and notable actors,
- Social Economy Development: an assessment of the current landscape relative to the other 13 Asian markets, and
- Opportunities, challenges and recommendations for social investors and intermediaries.

An online decision-making tool and a detailed mapping of key actors are available at:  
[www.avpn.asia/si-landscape](http://www.avpn.asia/si-landscape).

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## LIST OF ACRONYMS

|          |        |  |
|----------|--------|--|
| <b>A</b> | ACF    | Ambuja Cement Foundation                                 |
|          | ADB    | Asian Development Bank                                   |
|          | AIF    | Alternative Investment Fund                              |
| <b>C</b> | CAF    | Charities Aid Foundation                                 |
|          | CIFF   | Children's Investment Fund Foundation                    |
|          | CIIE   | Centre for Innovation Incubation and Entrepreneurship    |
|          | CSR    | Corporate Social Responsibility                          |
| <b>D</b> | DFID   | Department for International Development                 |
|          | DIB    | Development Impact Bond                                  |
| <b>E</b> | ESG    | Environmental, Social and Governance                     |
| <b>F</b> | FISE   | Foundation for Innovation and Social Entrepreneurship    |
|          | FITT   | Foundation for Innovation and Technology Transfer        |
| <b>G</b> | GDP    | Gross Domestic Product                                   |
|          | GSG    | Global Steering Group for Impact Investment              |
| <b>H</b> | HNWI   | High Net Worth Individual                                |
| <b>I</b> | ICT    | Information and Communication Technology                 |
|          | IIM    | Indian Institute of Management                           |
| <b>K</b> | KEF    | Kaivalya Education Foundation                            |
| <b>L</b> | LLP    | Limited Liability Partnership                            |
| <b>N</b> | NGO    | Non-Governmental Organisation                            |
|          | NSRCEL | Nadathur S. Raghavan Centre for Entrepreneurial Learning |
| <b>P</b> | PMMY   | Pradhan Mantri Mudra Yojana                              |
|          | PPP    | Purchasing Power Parity                                  |
| <b>R</b> | RTBI   | Rural Technology and Business Incubator                  |
| <b>S</b> | SARD   | Society for All Round Development                        |
|          | SDG    | Sustainable Development Goal                             |
|          | SE     | Social Enterprise  |
|          | SPO    | Social Purpose Organisation                              |
| <b>T</b> | TIE    | The Indus Entrepreneurs                                  |
|          | TISS   | Tata Institute of Social Sciences                        |



# INDIA

Following liberal economic reforms in the 1990s, India is now one of the fastest growing economies in the world<sup>1</sup>. The country's economic growth has been driven by the services sector, which has been consistently growing and accounted for 49% of GDP in 2017. After substantive reforms to improve its business environment, India is now ranked in the top 100 countries on the World Bank's Ease of Doing Business Index.<sup>2</sup>

Despite impressive economic growth, India continues to face significant development challenges. Poverty alleviation and equitable access to basic social services including education and health care remain at the forefront of national socio-economic discussions. India's sustainable development will be dependent on the country's ability to maintain economic growth while addressing the root causes of staggering poverty.

Backed by a rich tradition of social entrepreneurship, a collaborative philanthropic culture, a developed impact investing market and an engaged corporate sector, the Indian social economy is one of the most advanced in Asia and could become the key driving force towards systemic impact. Next generation philanthropists have emerged as a driver of innovative social investment. Meanwhile, the Indian impact investing and ESG investing markets are becoming increasingly mainstream. There was an impressive 25% increase in the number of corporate social responsibility (CSR) projects in 2017-2018 compared to 2016-2017.<sup>3</sup> Finally, the resounding success achieved by the Educate Girls Development Impact Bond (DIB) has paved the way for a scaled-up version, the Quality Education India DIB, launched in September 2018.

1. The Economic Times, 2018, Ahead of China, India to remain fastest growing economy in FY19 & FY20: ADB

2. World Bank, 2017, India one of top 10 Ease of Doing Business improvers

3. CSRB, 2018, India CSR Outlook Report 2018

# FACT FILE

Population  
2017

**1.4 billion**

GDP (PPP, current USD)  
2017

**USD 9,454 billion**

World Rank 3

World Giving Index Rank  
2017

**81/139**

● % giving money: 28%

● % volunteering time: 27%

● % helping a stranger: 36%

World Giving Index Rank (2016) - 91/140

GDP Growth  
2017

**6.7%**

GDP per capita (PPP, current USD)  
2017

**USD 7,059**

World Rank 126

## DEVELOPMENT CONTEXT

With 16 out of 17 Sustainable Development Goals (SDGs) still far from being achieved, India continues to pursue ambitious targets towards social and economic development and environmental sustainability. Poverty elimination remains a key national objective and has been approached in a relatively comprehensive way through promoting continued economic growth while ensuring equitable access to public services among both the rural and growing urban population.

The Digital India scheme, along with other initiatives to increase access to finance, will help to meet the needs of a growing consumer class that is projected to reach 89 million households by 2025.<sup>4</sup> India is also investing significantly in its services and industry sectors through the Skill India scheme, which will develop the next generation of highly skilled labour

for growth in manufacturing and information and communication technology (ICT). As women make up 48% of the total Indian population but only 24% of the workforce,<sup>5</sup> the Indian government is mainstreaming gender issues into programmes such as Startup India and Pradhan Mantri Mudra Yojana (PMMY) to promote female entrepreneurship.<sup>6</sup>

Schemes such as Clean India and Healthcare for All focus on social welfare through the provision of basic sanitation, adequate housing and universal health care. India has also focused on improving agricultural productivity to ensure food security. There are plans to double farmers' incomes through investments in market linkages, crop diversification and infrastructure development. The Electricity for All programme emphasises India's commitment to climate action.<sup>7</sup>

## SDG DASHBOARD



Source: sdgindex.org

Note: The "traffic light" color scheme (green, yellow, orange and red) illustrates how far a country is from achieving a particular goal.

4. McKinsey & Co, 2016, India's Ascent

5. Ministry of Skill Development and Entrepreneurship, 2015, National Policy for Skill Development and Entrepreneurship

6. PMMY is a national scheme launched in 2015 to provide loans to non-corporate, non farm micro and small enterprises.

7. Climate Action Tracker, 2018, India -- Overview



## Global Competitiveness Rank

2017-2018

40/137

Global Competitiveness Rank (2016-2017) - 39/138

## Ease of Doing Business Rank

2019

77/190

Ease of Doing Business Rank (2018) - 100/190

## Poverty

(Percentage of the population living below the national poverty line)

2011

22%










## Number of Millionaires

2017

245,000

Source: Asian Development Bank (ADB), Charities Aid Foundation (CAF), Credit Suisse, World Bank  
Figures are accurate as of March 2019

## GOVERNMENT INITIATIVES TO ADDRESS DEVELOPMENT GAPS

| IMPACT AREA                 | SDG GOALS   | GAP  | GOVERNMENT INITIATIVES  |
|-----------------------------|---|--|---|
| Agriculture                 |      | <ul style="list-style-type: none"> <li>GDP contribution of agriculture continues to decline from 18% in 2015 to 16% in 2017.<sup>8</sup></li> <li>Rice represents 40% of food production in India<sup>9</sup> but is estimated to see a drop of about 6–10% in yield by 2030.<sup>10</sup></li> <li>India is home to 25% of the global undernourished population.<sup>11</sup></li> </ul>            | <ul style="list-style-type: none"> <li>The seven-year National Development Agenda 2017-2024 sets goals to boost productivity by promoting crop diversification, reducing the strain on natural resources, and increasing small-holder farmer profitability with the goal of ensuring food security.<sup>12</sup></li> </ul>   |
| Climate action              |    | <ul style="list-style-type: none"> <li>Climate change in India has a 4–9% impact on agricultural productivity each year, resulting in a loss of approximately 2% in GDP annually.<sup>13</sup></li> <li>By 2020, water available for agricultural use may be reduced by 21%.<sup>14</sup></li> </ul>   | <ul style="list-style-type: none"> <li>India plans to reduce 27 million tons of carbon emissions by 2022.<sup>15</sup> The National Mission for Green India aims to expand the forested area by 5 million hectares, conserve at least 10% of coastal and marine areas, and increase incomes of 3 million forest-dependent households by 2020.<sup>16</sup></li> </ul> |
| Education and employability |     | <ul style="list-style-type: none"> <li>In 2015, India's national literacy rate of 72%<sup>17</sup> was well below the world average of 86%.<sup>18</sup></li> <li>India's total workforce rose to 520 million in 2017. Yet, only 5% of all workers have received skilled training.<sup>19</sup></li> </ul>   | <ul style="list-style-type: none"> <li>The 2016 National Education Plan sets a national literacy goal of 90% and prioritises raising the gross enrolment ratio in higher education from 24% to 30% by 2020-2021. Skills training will be incorporated into 25% of schools by 2020.<sup>20</sup></li> </ul>  |
| Energy access               |    | <ul style="list-style-type: none"> <li>India has one of the largest power systems in the world; yet 300 million people do not have access to electricity.<sup>21</sup></li> <li>Only 33% of total energy capacity was installed as of May 2018, and 90% was fossil fuel dependent in 2017.</li> <li>The demand for energy is estimated to increase by up to 3 times by 2040.<sup>22</sup></li> </ul> | <ul style="list-style-type: none"> <li>According to the 2018 National Electricity Plan, India aims to use 40% non-fossil-based power by 2030.<sup>23</sup> India is well ahead of National Energy Policy commitment to achieving 175 GW in renewable energy capacity and has recently increased the target to 227 GW by 2022.<sup>24</sup></li> </ul>                 |

8. World Bank, Agriculture, value added (% of GDP) - India

9. International Rice Research Institute, Rice in India

10. Centre for Science and Environment (CSE), 2018, Coping with Climate Change

11. World Food Programme (WFP), 2016, 10 Facts About Food and Nutrition in India

12. Food and Agriculture Organisation (FAO), 2018, Country Programming Framework for India: Updated for 2018

13. CSE, 2018, Coping with Climate Change

14. Indian Agricultural Research Institute, Agriculture Policy: Vision 2020

15. United Nations India Business Forum, No Poverty Affordable and Resilient Houses

16. Ministry of Environment and Forests, National Mission for a Green India

17. Statista, Literacy Rate in India

18. World Bank, Literacy rate, adult total (% of people ages 15 and above) - India

19. Government of India, 2015, Ministry of Skill Development and Entrepreneurship: Key Achievements and Success Stories in 2015






20. Ministry of Human Resource Development, 2016, Some Inputs for Draft National Education Policy

21. World Bank, 2017, Government of India and World Bank Sign Agreement to Set-Up Large-Scale Solar Parks

22. NITI Aayog, 2017, Draft National Energy Policy

23. Climate Action Tracker, 2018, India -- Overview

24. Economic Times, 2018, Renewable energy target now 227 GW, will need \$50 billion more in investments

| IMPACT AREA                        | SDG GOALS   | GAP  | GOVERNMENT INITIATIVES  |
|------------------------------------|---|--|---|
| Gender equality                    |    | <ul style="list-style-type: none"> <li>Maximising women's economic contributions could increase India's GDP by USD 2.9 trillion by 2025.<sup>25</sup></li> <li>Nearly 50% of women do not have access to finance and 60% have no valuable assets in their name.</li> <li>92% of women in Delhi have reported experiencing sexual or physical violence in public.<sup>26</sup></li> </ul> | <ul style="list-style-type: none"> <li>In his 72<sup>nd</sup> Independence Day speech, Prime Minister Modi recognised the need to address women's rights, sexual assault, and the benefits of mobilising the female workforce.<sup>27</sup> Programmes such as Start-up India and the PMMY aim to promote female entrepreneurship.</li> </ul>   |
| Health care                        |    | <ul style="list-style-type: none"> <li>India loses 11% of GDP per year due to public health issues, with 6% specifically related to poor sanitation.<sup>28</sup></li> <li>In 2016, the average life expectancy was 68.5 years compared to the global average of 72 years.<sup>29</sup></li> </ul>   | <ul style="list-style-type: none"> <li>India announced a plan to provide free health insurance of up to USD 7,800 for 100 million poor households in 2018.<sup>30</sup> The country also plans to open 150,000 new medical centres to improve accessibility to health care services.<sup>31</sup> Universal immunisation and decrease in maternal mortality are also priority areas India is focusing on.<sup>32</sup></li> </ul> |
| Livelihood and poverty alleviation |    | <ul style="list-style-type: none"> <li>India's Gini coefficient was 0.83 in 2017, which puts India among countries with high income inequality.<sup>33</sup></li> <li>Home to nearly 18% of the world's population, India also has the largest number of people living below the international poverty line of USD 1.90 a day.<sup>34</sup></li> </ul>                                   | <ul style="list-style-type: none"> <li>The Indian government is focusing on increasing the number of highly skilled and paid jobs and doubling farmer incomes by 2022. India's Housing for All policy aims to construct 50 million homes by 2022.</li> </ul>  |
| MSME development                   |   | <ul style="list-style-type: none"> <li>65 million SMEs in India account for over 95% of all enterprises but contribute only 11% of the country's GDP,<sup>35</sup> indicating their lack of competitiveness.</li> <li>Low internet access (30% in 2016) is impeding MSME productivity.</li> </ul>  | <ul style="list-style-type: none"> <li>Startup India, Skill India and Make in India pro-programmes promote entrepreneurship and aim to enhance MSMEs' competitiveness.</li> </ul>   |

Source: AVPN analysis



25. United Nations India Business Forum, Gender Equality, Women's Economic Empowerment  
 26. UN India Business Forum, Bridging the divide, women's economic empowerment  
 27. Indian Express, 2018, Full text of PM Modi's Independence Day speech  
 28. World Bank, 2010, Inadequate sanitation costs India the equivalent of 6.4 per cent of GDP  
 29. World Bank, Life expectancy at birth, total (years) - India  
 30. Washington Post, 2018, India just announced a vast new health insurance program. But can it afford it?

31. The Diplomat, 2018, Can India's New Healthcare Scheme Work?  
 32. Planning Commission, Government of India, Health  
 33. Oxfam India, 2018, Widening gaps - India Inequality Report 2018  
 34. World Bank, 2016, Poverty and Shared Prosperity 2016: Taking on Inequality  
 35. Entrepreneur India, 2018, Why We Need Our SMEs to Go Global; Livemint, 2017, The rise of small entrepreneurs in India



# THE SOCIAL INVESTMENT LANDSCAPE IN INDIA

## NEW DEVELOPMENTS IN 2017-2018

- In the coming decade, India will see a large transfer of wealth estimated at USD 128 billion from one generation to the next.<sup>36</sup> The next generation of philanthropists is deeply invested in creating systemic change with innovative social investment tools.
- The impact investing market in India attracted over 50 active investors and more than USD 5.2 billion between 2010-2016. The market is projected to grow to USD 6-8 billion in 2025.<sup>37</sup> Co-investment between impact funds and traditional private equity firms has grown in proven impact areas including financial services and clean energy. Meanwhile, investments in scalable models in agriculture, handicrafts, and e-commerce have increased.
- The CSR law has proven effective in stimulating CSR investment since its enactment. The total CSR spending is projected to cross INR 50,000 crore (approximately USD 6.9 billion) by March 2019.<sup>38</sup> There was an impressive 25% increase in the number of CSR projects and an 8% rise in CSR investment in 2017/2018 compared to 2016/2017.<sup>39</sup>
- India's ESG investing market is estimated at USD 30 billion in 2017 and has the potential to reach USD 240 billion by 2027.<sup>40</sup>
- The Educate Girls Development Impact Bond (DIB) achieved impressive results when it concluded in 2018, exceeding the enrolment target by 16% and the learning target by 60%. In September 2018, the Quality Education India DIB was launched with the aim to improve literacy and numeracy for over 300,000 primary school children in Gujarat and Delhi.

## Financing and skills are top challenges facing Indian social purpose organisations<sup>41</sup>

India has a vibrant civil society with 3.3 million non-governmental organisations (NGOs) that have sustained momentum on solving several critical social issues since the early 1960s.<sup>42</sup> Nonetheless, as India shows robust economic growth in recent years, the country has seen a sharp decline in the inflow of foreign funding.<sup>43</sup> This has prompted many non-profits to transition towards revenue-generating models.

Historical milestones in the social enterprise (SE) sector in India include the Amul Dairy Cooperative formed in 1946 by Dr. Verghese Kurien; Fabindia, a community owned producer company established in the 1960s; and SELCO, which was founded in 1995 and has helped to improve standards of living in rural India through solar energy.<sup>44</sup> Currently, there are about 2 million SEs in India operating across an array of sectors.<sup>45</sup> A survey of 258 SEs in India revealed

that 53% are engaged in skill development, 30% in education, 28% in agriculture/fisheries/dairies, 26% in financial services and 26% in energy and clean technology.<sup>46</sup> Most SEs are based in Northern India, followed by the West and North-East.

While multiple investments have been made into SEs at different stages, social entrepreneurs still face a significant barrier to accessing finance, especially early-stage funding. According to a survey by British Council, 86% of SE respondents faced financing constraints as opposed to only 15% of the mainstream enterprises in the World Bank Enterprise Survey.<sup>47</sup> Inadequate managerial and technical skills and recruitment are other key challenges for Indian SEs.

## Next generation philanthropists work towards systemic change

Indian high net worth individuals (HNWIs) are among the most engaged and sophisticated of funders, both in how they view philanthropy and the informed

36. Dasra and Synergos, 2018, A Generation Ahead: Helping India's next-generation philanthropists succeed

37. McKinsey, 2017, Impact investing finds its place in India

38. CSRBox, 2018, CSR in India: The Numbers Do Add Up

39. CSRBox, 2018, India CSR Outlook Report 2018

40. Oxfam India, 2017, SEBI's new recommendations on ESG and business responsibility disclosures a step in the right direction

41. Social purpose organisations is the umbrella term for non-profit organisations, SEs and impact businesses. See Methodology for details.

42. The Indian Express, 2010, First official estimate: An NGO for every 400 people in India

43. DNA India, 2017, 63% plunge in foreign funding of NGOs: Govt

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

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

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

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

approaches that they have taken to move the needle on social impact in India. The country's philanthropy sector has benefited from the strong presence of two types of philanthropists: (i) professional partners, who put substantial efforts into making effective social investment, and (ii) enlightened evangelists, who are champions of their chosen causes and bring in their networks, social and political capital to bolster the ecosystem.<sup>48</sup> Whether it is supporting under-funded causes, taking the venture philanthropy approach or foraying into impact investing, Indian philanthropists have significantly expanded their toolkit to better support sustainable social and environmental solutions. Education remains the favourite cause for Indian philanthropists to support, followed by health care and community development.<sup>49</sup>

Philanthropic funding from private individuals in India recorded a six-fold increase, from approximately USD 934 million in 2011 to USD 5.6 billion in 2016.<sup>50</sup> This trend is expected to continue as a survey by Bain & Company showed that more than 40% of HNW givers aimed to increase their philanthropic contribution between 2015 and 2020.<sup>51</sup> The rise in philanthropy has been backed by strong macroeconomic growth — the number of ultra high net worth households has doubled since 2011 and their net worth has tripled between 2011 and 2016.<sup>52</sup>

Notable HNW philanthropists in India include:

- Shiv Nadar, founder of HCL,
- Nandan, co-founder of Infosys, and his wife Rohini Nilekani,
- Azim Premji, chairman of Wipro Limited,
- Mukesh Ambani, chairman and managing director of Reliance Group,
- Ajay Piramal, chairman of Piramal Group,
- Ronnie Screwvala, founder of Unilazer Ventures,
- Kris Gopalakrishnan, co-founder of Infosys,
- Ratan Tata, former chairman of Tata Sons,
- Kiran Mazumdar Shaw, chairman and managing director of Biocon,
- Sunil Bharti Mittal, founder and chairman of Bharti

Enterprises,

- Anu Aga, former chairperson of Thermax, and
- Ashish Dhawan, founder and CEO of Central Square Foundation.

Forbes Asia's 2017 Heroes of Philanthropy honoured:<sup>53</sup>

- Sanjeev Bikhchandani, founder and executive vice chairman of Info Edge,
- Subhash Chandra, chairman of Essel Group,
- Sanjay Lalbhai, chairmain and managing director of Arvind,
- Anand Mahindra, chairmain of Mahindra Group,
- Muthalampet Mahadevan, chairman of Oriental Cuisines, and
- Rajiv Mehta, managing director of Surat Diamond Jewellery

As more and more next generation philanthropists take the helm of their families' philanthropic work, this growing "new wealth" is shaping the Indian philanthropy landscape in a major way. India will see a large transfer of wealth estimated at USD 128 billion from one generation to the next in the coming decade.<sup>54</sup> These next generation philanthropists appear to be more hands-on and attuned to innovative social investment instruments than their forebears. They are seen to focus on catalysing lasting systemic change and creating more structure for their family foundations.

48. Bain & Company, 2017, India Philanthropy Report 2017

49. Hurun Research Institute, 2017, Hurun India Philanthropy List 2016

50. Bain & Company, 2017, India Philanthropy Report 2017

51. Bain & Company, 2017, India Philanthropy Report 2017

52. Bain & Company, 2017, India Philanthropy Report 2017

53. Forbes, 2017, Asia's 2017 Heroes of Philanthropy

54. Dasra and Synergos, 2018, A Generation Ahead: Helping India's next-generation philanthropists succeed





### Tata Trusts forayed into impact investing with an innovative vehicle<sup>55</sup>

Recognising the potential of impact investment in scaling social ventures, Tata Trusts, one of India's oldest non-sectarian public philanthropic organisations, established Social Alpha in 2016 as a non-profit Alternative Investment Fund under Regulation 2(1)(b) of the Alternative Investment Funds Regulations 2012. Social Alpha was set up as a vehicle to de-risk social ventures and crowd in private commercial capital by providing catalytic philanthropic capital and capacity building support. It embodies Tata Trusts' focus on philanthropy and social impact as opposed to making financial gains like a typical impact fund. In fact, only limited partners may receive any positive returns while Social Alpha does not stand to profit from its investments. No bonuses are linked to financial performance and staff compensation is linked to impact, which is defined in the business plans of portfolio companies.

Guided by its impact-first philosophy, Social Alpha invests in science and technology-based social innovations with a patient investment horizon and three tiers of support:

- The first tier is a public charitable trust providing grants, which is part of Tata Trusts.
- The second tier is the Foundation for Innovation and Social Entrepreneurship (FISE) which is a Section 8 registered entity providing seed capital to social ventures in the form of grants, equity, convertibles and debt.
- The third tier is the Social Alpha investment fund providing equity and equity-like instruments.

With this innovative vehicle, Tata Trusts has created a new category of fund that sits between philanthropy and impact investing, thereby pioneering a new path towards fostering early-stage SEs.

## Collaborative social investment is becoming the norm

According to research done by Bain & Company in 2017, a sizeable proportion of philanthropists in India are engaged in activities to maximise their philanthropic work beyond funding.<sup>56</sup> These include building social capital in communities and forging a strategic relationship with social purpose organisations (SPOs), the government and other key stakeholders.<sup>57</sup> Multi-sector partnerships for social impact are becoming the norm as foundations take the lead in leading and funding joint initiatives to catalyse change at the systemic level:

- **Edelgive Foundation:** Launched in 2016, Edelgive Coalition for Education works to improve learning outcomes in language and mathematics for children in grades 1 to 7. This is a collaborative effort between Edelgive Foundation, the government of Maharashtra, funding partners (Tata Trusts and SDM Trust) and implementation

partners (Kaivalya Education Foundation and Gyan Prakash Foundation).<sup>58</sup>

- **Dasra:** In 2017, Dasra launched the "10to19: Dasra Adolescents Collaborative", a USD 50 million multi-sector platform involving funders, the government, SPOs and technical experts aiming to create positive change for 5 million adolescent girls in India. Key partners in this collaborative group are: USAID, Kiawah Trust, Children's Investment Fund Foundation (CIFF), Packard Foundation and Tata Trusts.
- **FSG and AVPN:** In 2017, AVPN launched the Early Learning Collective with FSG as the implementation partner to improve the quality of early childhood education in 300,000 affordable private schools.<sup>59</sup> The collective partners with 7 high-quality solution providers to work with the schools. Funders participating in this collective include: Central Square Foundation, CIFF, Omidyar Network, UBS Optimus Foundation.<sup>60</sup>

55. AVPN, 2018, Leveraging the full spectrum of philanthropic capital towards impact – Case studies from Asia Pacific and the US

56. Bain & Company, 2018, India Philanthropy Report 2018

57. Hartnell, 2017, Philanthropy in India

58. Dasra, 2018, Collaborative Force: Empowering 10 to 19

59. Alliance Magazine, 2017, India's children deserve a solid foundation

60. FSG, Improving Private Early Education in India through Activity-Based Learning

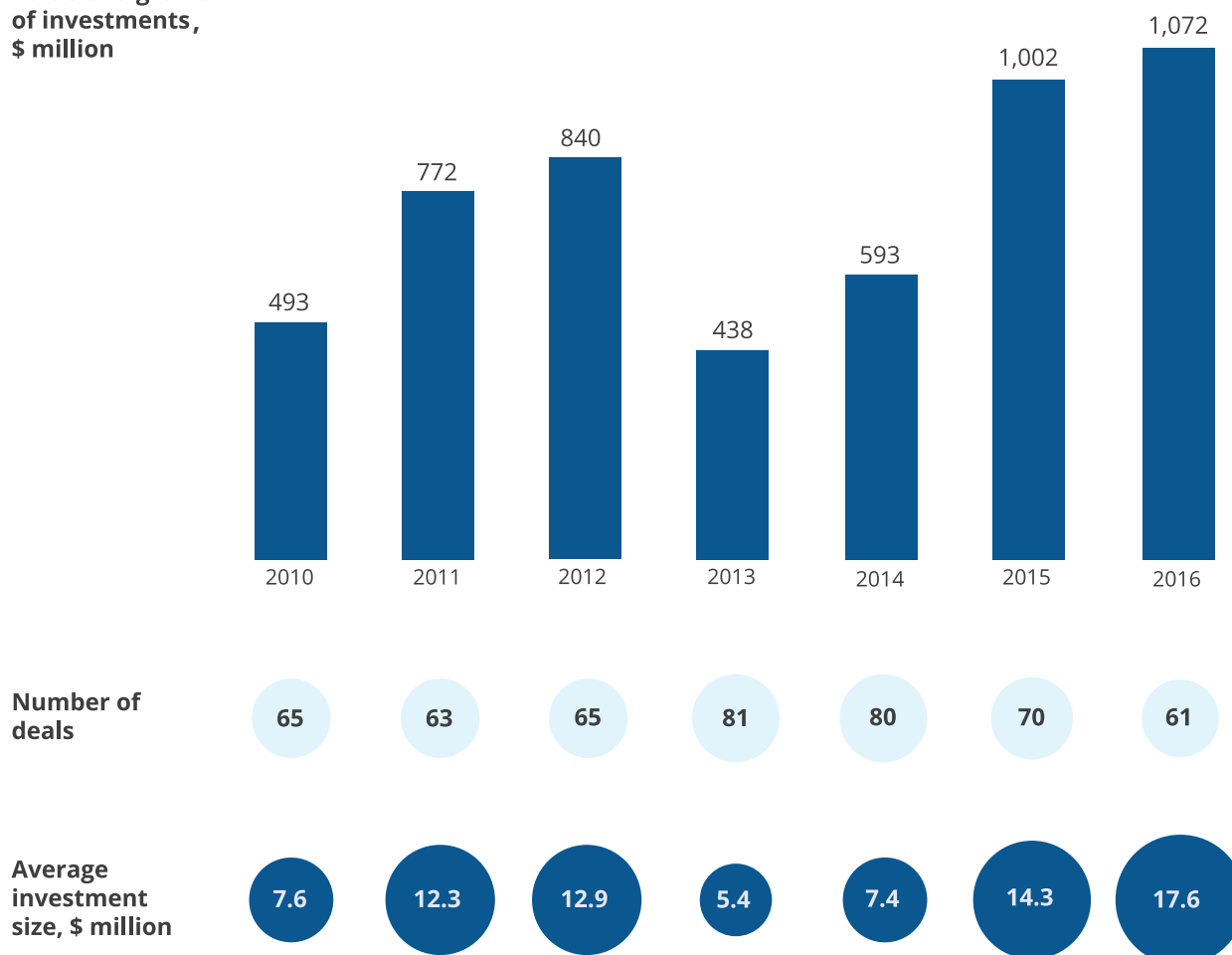
## Increasing mainstreaming and sectoral diversification in impact investing

India has emerged as one of the global hubs for impact investing, attracting over 50 active investors and more than USD 5.2 billion between 2010-2016.<sup>61</sup> The average deal size has risen from USD 7.6 million in 2010 to USD 17.6 million in 2016.<sup>62</sup> McKinsey's

analysis of 48 exits from 2010 to 2015 shows that impact investments in the country produced a median rate of return of about 10%, with the top one-third of deals yielding an impressive median return of 34%, signifying that impact investing can achieve market rates of return in India.<sup>63</sup> The country's impact investment market is projected to grow to USD 6-8 billion in 2025.<sup>64</sup>

### Impact investing volume and deals in India between 2010-2016

Value and growth of investments, \$ million



Source: VCCEdge and McKinsey analysis

Impact investing in India has also seen increased participation from mainstream private equity funds. In fact, impact investors accounted for only 52% of investments by value.<sup>65</sup> Co-investment between impact funds and traditional private equity firms has grown in proven impact areas including financial services and clean energy. This indicates the maturity of the Indian impact investing market relative to the rest of Asia.

The sector mix of impact investments has also become increasingly diverse. The share of financial inclusion and clean energy investments dropped from 88% in 2010 to 64% in 2016. Meanwhile, investment volumes in education, health care, agriculture, environmental sustainability and handicrafts grew during the same period. Examples of scalable business models in these sectors include:<sup>66</sup>

61. McKinsey, 2017, Impact investing finds its place in India

62. McKinsey, 2017, Impact investing finds its place in India

63. McKinsey, 2017, Impact investing finds its place in India

64. McKinsey, 2017, Impact investing finds its place in India

65. McKinsey, 2017, Impact investing finds its place in India

66. NextBillion, 2018, The End of a Debate? India Highlights the Dominance of For-Profit Capital in Impact Investing



- EM3 Agri Services, an agricultural equipment rental company, has raised about USD 14 million in impact investment,
- Fabindia and handicraft e-commerce marketplaces like Jaypore and Craftsvilla have attracted institutional funding,
- Nepra, a waste management company, received USD 4 million in investment.

Notable impact funds active in India include:

- Abraaj Capital
- Accion
- Acumen Fund
- Ankur Capital
- Avishkaar
- Caspian
- Elevar
- Grayghost Ventures
- Grassroots Business Fund
- India Innovation Fund
- Insitor
- LGT Impact Ventures
- Leapfrog Investments
- Lok Capital
- Omidyar Network
- Quadria Capital
- responsibility
- Unitus

These fund SEs of different stages, from seed to growth and expansion stage and provide a wide array of financing instruments including debt, equity and quasi-equity. Foundations in India such as Tata Trusts/ Social Alpha,<sup>67</sup> Michael & Susan Dell Foundation, and Shell Foundation have also broadened their toolkit to leverage impact investing to support SEs.

In May 2018, the Social Finance Global Network and the Global Steering Group for Impact Investment (GSG) launched Social Finance India to mobilise impact

investment at scale. It is part of the global network of Social Finance UK, Social Finance US and Social Finance Israel. In 2018, it introduced two products - the India Impact Fund of Funds and the India Education Outcomes Fund.<sup>68</sup> The former aims to use USD 1 billion of debt finance to attract matching impact capital, while the latter looks to attract USD 700 million of impact investment to support initiatives to improve learning outcomes across India.<sup>69</sup>

## Mandated CSR gives corporate social investment a critical boost

Since the enactment of the CSR law in 2014, CSR compliance among Indian companies has been encouraging as the total CSR spending is projected to exceed INR 50,000 crore (approximately USD 6.9 billion) by March 2019, 90% of which is to be contributed by the largest 500 companies.<sup>70</sup>

There were an impressive 25% increase in the number of CSR projects and an 8% rise in CSR investment in 2017-2018 compared to 2016-2017.<sup>71</sup> Education and skill development, poverty alleviation, health care and water and sanitation continue to be the priority CSR areas, accounting for 62% of all CSR spending in 2017-2018.<sup>72</sup> However, regional disparities persist in the distribution of CSR funding. Maharashtra alone received more than 15% of all CSR spending while the seven North-Eastern states together received only 2.5% between 2014 and 2018.<sup>73</sup>

CSR investment into SEs and SE incubators and accelerators by Indian companies and multinational corporations has been growing. Recent examples of this trend are:

- Mahindra Finance invested in three social start-ups incubated by Villgro Innovations Foundation.<sup>74</sup>
- TAKE Solutions supported Bodhi Health Education through the Centre for Innovation, Incubation and Entrepreneurship (CIIE) with a seed investment of INR 75 lakh (approximately USD 103,000).<sup>75</sup>
- Bajaj Electrics funded ONergy Solar incubated by CIIE.<sup>76</sup>
- Pfizer and Foundation for Innovation and Technology Transfer (FITT), Indian Institute of

67. AVPN, 2018, Leveraging the full spectrum of philanthropic capital towards impact: Case studies from Asia Pacific and the US

68. CNBC, 2018, India's Impact Investment leaders launch Social Finance India in New Delhi

69. Social Finance India

70. CSRBox, 2018, CSR in India: The Numbers Do Add Up

71. CSRBox, 2018, India CSR Outlook Report 2018

72. CSRBox, 2018, CSR in India: The Numbers Do Add Up

73. CSRBox, 2018, CSR in India: The Numbers Do Add Up

74. Economic Times, 2015, Mahindra Finance & Marico tie-up with Villgro to back startups using their CSR budget

75. The Times of India, 2015, TAKE Solutions invests in Bodhi Health Education

76. CIIE, 2016, ONergy Solar receives CSR funding from Bajaj Electricals through CIIE

Technology Delhi's incubator, co-launched a health care accelerator that provides grants of up to INR 50 lakh (approximately USD 69,000).<sup>77</sup>

- Mphasis funded SkillTrain, an online vocational training platform, through Villgro.<sup>78</sup>
- Microsoft, Capital First, PayU, ICICI Bank, Social Alpha, Cherie Blair Foundation, Amazon supported empower, India's first tech accelerator for women entrepreneurs.<sup>79</sup>

## ESG investing receives strong government backing

While ESG investing is still a niche market in India, it has received strong government backing. In 2011, the Ministry of Corporate Affairs published the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business. In the following year, the top 100 listed companies by market capitalisation in India started to report on business



### Ambuja Cements champions partnership in implementing CSR

Ambuja Cements Limited was awarded the Best CSR and Sustainability Practices 2017 Award by the Asia Centre for Corporate Governance & Sustainability. The company adopts the "True Value" approach to decision-making that encompasses people, planet and profit. Aligned with this approach, in 1993, Ambuja Cements established Ambuja Cement Foundation (ACF) as its CSR arm which focuses on four key areas: natural resource management, livelihood development, human development and rural infrastructure development.<sup>80</sup>

ACF has acted both as a partnership facilitator and as an implementer of community-based projects in collaboration with local institutions such as village development committees, the government and other corporates and NGOs.<sup>81</sup> These projects have resulted in improved access to safe drinking water and health care, reduction in open defecation, lowered maternal and infant mortality rates, improved access to and quality of education and increased agricultural productivity. In terms of environmental sustainability, Ambuja Cements is currently water positive, which means the company generates more water than it consumes.<sup>82</sup>

77. Your Story, 2016, Pfizer and IIT-Delhi announce their Innovation and IP Program for healthcare startups

78. Economic Times, 2016, Mphasis backs mobile-based SkillTrain through CSR Money

79. Your Story, 2017, Zone Startups India launches second edition of 'empoWer' for tech women entrepreneurs

80. Economic Times, 2016, Ambuja Cements broadens its view on the value it brings to the world: Pearl Tiwari

81. India Infoline, 2018, Ambuja Cement Foundation wins 'Best CSR and Sustainability Practices 2017' award

82. Economic Times, 2016, Ambuja Cements broadens its view on the value it brings to the world: Pearl Tiwari



sustainability in their annual reports.<sup>83</sup> India's ESG investing market was estimated at USD 30 billion in 2017 and was estimated to have the potential to reach USD 240 billion by 2027.<sup>84</sup>

The growth of green bonds in India has been particularly impressive since 2015 when Yes Bank issued the country's first green infrastructure bond to finance renewable energy projects.<sup>85</sup> In January 2016, the Securities and Exchange Board of India published an official national guideline for green bond issuance, making India the second country in the world to do so (after China).<sup>86</sup> In 2018, India was ranked 8<sup>th</sup> globally for climate aligned bond issuance by the Climate Bonds Initiative.<sup>87</sup> Indian companies issued USD 3.9 billion worth of green bonds in 2017, up 2.5 times from 2016, 51% of which was from public companies.<sup>88</sup>

## India's and world's first development impact bond yields significant impact

In recent years, pay-for-success has emerged as a novel mechanism to engage private, public and philanthropic capital for better effectiveness of funding based on evidence and data.<sup>89</sup> In 2015, India pioneered the world's first development impact bond (DIB) where the outcome payer was a private foundation. Known as the Educate Girls DIB, it was a 3-year partnership between Educate Girls (non-profit service provider), ClIFF (outcome payer), UBS Optimus Foundation (investor), IDinsight (outcome evaluator), Instiglio (intermediary and project manager) and Dalberg (process evaluator). The bond aims to increase enrolment for out-of-school girls and improve learning outcomes for 18,000 children in the state of Rajasthan with the upfront USD 270,000 investment from UBS Optimus Foundation. The Educate Girls DIB achieved impressive results when it concluded in 2018,<sup>90</sup> exceeding the enrolment target by 16% and the learning target by 60%, proving DIBs' enormous potential in unlocking private impact capital for evidence-based impact.

Building on Educate Girls DIB's success, in September 2018, UBS Optimus Foundation invested USD 3 million in the Quality Education India DIB, which aims to improve literacy and numeracy for over 300,000 primary school children in Gujarat and Delhi.<sup>91</sup> The

British Asian Trust, Michael & Susan Dell Foundation, Tata Trusts, the Mittal Foundation, British Telecom and Comic Relief are the outcome payers. The total outcome fund is currently USD 11 million. The service providers include Kaivalya Education Foundation (KEF), Society for All Round Development (SARD) and Gyan Shala. The UK Department for International Development (DFID) provides performance management, legal and outcome evaluation expertise, while Gray Matters India is the independent evaluator.

## Government policies have focused on capital mobilisation and capacity building

The Indian social economy has benefited from policy initiatives aimed at strengthening the supply and demand of social investment, and forming synergies across diverse stakeholders:

- The introduction of the CSR provision under the Companies Act 2013 has unlocked impact capital from the corporate sector. Specifically, Section 135 mandates companies with a net worth of INR 500 crore (approximately USD 68.6 million) or more, a turnover of INR 1,000 crore (USD 137 million) or more, or a net profit of INR 5 crore (USD 686,000) or more in a given fiscal year, to contribute 2% of their profits to CSR.<sup>92</sup> With this legislation, India became the first country in the world to integrate CSR into law, creating opportunities for increased corporate engagement in the national socio-economic landscape.
- Policy initiatives have also been implemented to build the capacity of enterprises, including SEs. These include the Skill India and Startup India programmes which aim to upgrade the workforce and foster entrepreneurship.
- At a national level, the establishment of the National Institution for Transforming India (NITI Aayog), a government think-tank responsible for designing policies and programmes and providing technical advice, is a significant leadership move in driving cross-sector and intra-government collaboration. This gives rise to more opportunities for social economy stakeholders to establish effective partnerships for impact.

83. Morningstar, 2018, ESG-linked investments set to balloon in India

84. Oxfam India, 2017, SEBI's new recommendations on ESG and business responsibility disclosures a step in the right direction

85. Yes Bank, 2015, Yes Bank Successfully Issues India's First Green Infrastructure Bonds - Press Release

86. The Hindu Business Line, 2018, Go for green bonds

87. Climate Bonds Initiative, 2018, Climate Bonds State of the Market Report Points to Huge India Green Growth Potential

88. Climate Bonds Initiative, 2018, Climate Bonds State of the Market Report Points to Huge India Green Growth Potential

89. AVPN, 2018, Pay-for-Success Models in Asia Pacific: The Early Movers











90. ClIFF, 2018, Educate Girls Development Impact Bond Delivers Impressive Results, Surpassing Both Target Outcomes

91. Brookings Institute, 2018, A landmark month for impact bonds in education

92. KPMG, 2017, India's CSR reporting survey 2017

## SOCIAL ECONOMY DEVELOPMENT

The Indian social economy is one of the most advanced in Asia, driven by collaborative social investment, a relatively developed impact investing market and an engaged corporate sector

| CATEGORY                    | FACTOR   | RATING  | DESCRIPTION   |
|-----------------------------|--|---|---|
| SPOs                        | Presence, size and maturity                    |    | <ul style="list-style-type: none"> <li>Estimates place the number of NGOs and SEs in India at 3.3 million and 2 million, respectively.</li> <li>Multiple investments have been made at early through to growth stages of SEs, signifying the size and maturity of SEs.<sup>93</sup></li> </ul>  |
|                             | SEs' sectoral presence                         |    | <ul style="list-style-type: none"> <li>SEs are present in a wide range of sectors.</li> <li>Scalable models have emerged in agriculture, environment, handicrafts and e-commerce.</li> </ul>  |
| Investors                   | Philanthropic contributions                    |    | <ul style="list-style-type: none"> <li>Indian HNWIs are among the most engaged and sophisticated philanthropists.</li> <li>The next generation philanthropists are invested in catalysing systemic change with innovative tools.</li> </ul>   |
|                             | Managed funds                                  |    | <ul style="list-style-type: none"> <li>The country's impact investment market is projected to grow to USD 6-8 billion in 2025.<sup>94</sup></li> <li>Impact investing in India has seen increased participation from foundations and mainstream private equity funds in a wider array of sectors.</li> </ul>  |
|                             | Corporate sector                               |   | <ul style="list-style-type: none"> <li>The CSR law has provided a significant boost to CSR funding in India.</li> <li>There has been growing corporate support for community projects as well as SEs and social incubators and accelerators.</li> </ul>   |
| Enablers and Intermediaries | Policy environment                             |  | <ul style="list-style-type: none"> <li>Policy initiatives have focused on capital mobilisation (the CSR law) and capacity building (Startup India and Skill India).</li> <li>Government schemes related to health care, affordable housing, agriculture, education, clean and off-grid energy, water and sanitation, encourage the participation of SEs and impact businesses.<sup>95</sup></li> </ul>  |
|                             | Incubators, accelerators and capacity builders |  | <ul style="list-style-type: none"> <li>India is home to over 200 start-up incubators including at least 11 social incubators.<sup>96</sup></li> <li>Notable capacity builders include CIE, Dasra, Villgro, Intellectap, UnLtd India, Deshpande Foundation, Rural Technology and Business Incubator (RTBI), Nadathur S. Raghavan Centre for Entrepreneurial Learning (NSRCEL), IIM-Bangalore and N/Core.</li> </ul>  |
|                             | Networks and platforms                         |  | <ul style="list-style-type: none"> <li>AVPN India, Dasra, Intellectap, The Indus Entrepreneurs (TIE), Ashoka India and Deshpande Foundation run networks and platforms bringing together different sectors.</li> <li>A high number of events and competitions, such as those organised by the Indian Institute of Management (IIM), are held to raise awareness of SEs.</li> </ul>  |
|                             | Knowledge and research                         |  | <ul style="list-style-type: none"> <li>Tata Institute of Social Sciences (TISS), the Narsee Monjee Institute of Management Studies, Entrepreneurship Development Institute and Emergent Institute offer social entrepreneurship programmes.</li> <li>Numerous reports have been published by academic institutions such as TISS, consulting and advisory organisations such as McKinsey &amp; Co, Bain &amp; Company, KPMG, Sattva, Dasra and Samhita, and non-profits including AVPN and British Council.</li> </ul> |
|                             | Partnerships                                   |  | <ul style="list-style-type: none"> <li>Cross-sector partnerships for impact are becoming the norm.</li> <li>Co-investment between impact funds and traditional private equity funds is increasingly common.</li> <li>DIBs have gained early success in unlocking private impact capital nationally and internationally towards evidence-based impact.</li> </ul>  |

93. British Council, 2015, Social Enterprise: An Overview of the Policy Framework in India  
94. McKinsey & Co, 2017, Impact investing finds its place in India

95. British Council, 2015, Social Enterprise: An Overview of the Policy Framework in India  
96. Your Story, 2017, 11 incubators that are shaping social entrepreneurs into powerful changemakers



## OPPORTUNITIES

- Next generation philanthropists are emerging as leaders in leveraging innovative social investment tools and forging strategic cross-sector partnerships to create systemic change. They are well-positioned to provide patient and catalytic capital to early-stage SEs and build a sustainable pipeline for impact investing.
- Collaborative social investment has the potential to improve funding effectiveness while generating sustainable positive change at the ecosystem level.
- The establishment of Social Finance India in May 2018 may provide a critical impetus to impact investing growth in India by focusing on market building and attracting capital from diverse stakeholders.
- Increased strategic CSR investment among Indian corporates and multinational corporations is positioning them to be a key driver of impact in the country. Collaborations between corporates and social incubators are unlocking financial capital and business expertise vital to building up the capacity and investment readiness of SEs.
- The resounding success of the Educate Girls DIB is paving the way for larger DIBs involving a wider range of stakeholders and aiming at greater impact. The rise of DIBs may shift funders' focus towards outcome-based and data-driven approaches to creating social impact.
- Flagship national initiatives including Startup India and Skill India provide a rich foundation upon which SPOs can innovate and scale.
- Many investors have placed emphasis on rigorous impact measurement. International foundations such as Rockefeller Foundation, Bill & Melinda Gates Foundation, and Michael & Susan Dell Foundation are creating advanced and customised approaches to impact measurement. Third-party impact assessment is common among corporates that have been running CSR programmes for 5-10 years and above.<sup>97</sup> Many organisations such as IDinsight, TISS Hub, Samhita, Sambodhi provide independent outcome evaluation.



97. AVPN, 2016, A Guide to Effective Impact Assessment





## CHALLENGES

- Regional inequalities abound in India, which make it challenging to achieve the desired social outcomes. The social economy is still predominantly urban, with CSR and impact investment directed towards the Western and Southern parts of India.
- The lack of skilled workers (only 4.7% of the labour force have received skilled training) is an enduring challenge to be overcome in order for the Indian social economy to move forward.
- Despite a large presence of local family and corporate foundations, few are venturing into impact investing or embracing more diverse financing instruments such as debt, equity and quasi-equity to support SEs.
- Corporates' business expertise and mentorship potential have not been fully harnessed to provide critical capacity building support to early-stage SEs.
- Recent domination of mainstream investors in the Indian impact investing scene may result

in mission drift as these investors tend to set ambitious targets for financial returns.<sup>98</sup>

- While most social investors recognise the importance of impact measurement, they also feel that it is complex, time consuming and resource-intensive.<sup>99</sup>

## RECOMMENDATIONS

- **Development gaps:**
  - Nutrition and food security, agriculture and fisheries, sustainable livelihoods, health care, women empowerment, access to affordable energy and environmental sustainability are high-gap areas that will significantly benefit from increased social investment.
  - North-Eastern, Northern and Eastern parts of the country are also areas of opportunity given their low social investment volumes and investor presence.
  - More support should be provided to rights-based SPOs which are facing difficulties in raising funds.<sup>100</sup>

98. AVPN and Catalyst Foundation, 2018, Sustainable Livelihoods in India: A Supply-Side Funding Landscape Study

99. AVPN and Catalyst Foundation, 2018, Sustainable Livelihoods in India: A Supply-Side Funding Landscape Study

100. Survey response from Catalyst Foundation, 4th November 2018



## ● Social Investment:

- Social investors should pool funding to support 'large bets' and collectives towards systemic change. They need to adopt a long-term outlook in their work, as well as invest in building strong implementing and facilitating institutions.<sup>101</sup>
- More investment needs to be directed towards capacity development for SPOs to enable them to sustain and scale.<sup>102</sup>
- While DIBs have gained significant traction, government participation in such innovative partnerships remains lacking. The Indian government could consider acting as the outcome payer for impact bonds to unlock private capital, improve social outcomes and increase funding effectiveness.

*"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**

- Investors need to work closely with local communities in order to be informed and grounded in their approach to funding.
- More collaborations between foundations, impact funds, corporates and intermediaries will prove powerful in filling the early-stage funding gap for SEs.
- Co-investment between foundations, impact funds and corporates remains rare in India. Building avenues for co-investment can increase efficacy of funding. Recent joint outcome funding

by the British Asian Trust, Michael & Susan Dell Foundation, Tata Trusts, the Mittal Foundation, British Telecom and Comic Relief in the Quality Education India DIB could set an important precedent for co-investment between different investor classes in the country.

*"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 & Susan Dell Foundation**

## ● Ecosystem support:

- There is room for policy initiatives to create more market opportunities in the social economy and better integrate SPOs into value chains.
- A concrete legal structure should be put in place to recognise SEs, thereby strengthening their credibility to social and mainstream investors as well as consumers.
- Increased synergies between universities, intermediaries and corporates could go a long way in solving the human capital challenge facing SEs. The Indian social economy will also benefit from active participation by the Indian diaspora, especially in advanced social economies such as the US and Europe.
- 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.

101. Survey response from Catalyst Foundation, 4th November 2018

102. Survey response from Catalyst Foundation, 4th November 2018

- 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. Corporates could integrate SEs into their supply chains to provide them access to the market.

## RECOMMENDED READING

- AVPN, 2018, Leveraging the full spectrum of philanthropic capital towards impact: Case studies from Asia Pacific and the US
- AVPN and Catalyst Foundation, 2018, Sustainable Livelihoods in India: A Supply-Side Funding Landscape Study
- AVPN and Ennovent, 2018, Sustainable Livelihoods in India: A Demand-Side Funding Landscape Study
- AVPN, 2018, Access to Energy and Sustainable Mobility: Landscaping Funding and Investments in India
- Bain & Company, 2018, India Philanthropy Report 2018
- British Council, 2016, The state of social enterprise in India
- McKinsey & Co, 2017, Impact investing finds its place in India





## Appendix: Legislative Framework for SPOs in India

Non-profit organisations in India are typically set up under non-profit legal structures including Section 8 and Section 25 company, trust and society. Meanwhile, SEs in India can be registered legally as non-profit or for-profit entities. 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.

Social investment may be undertaken within a social venture fund structure governed by the Securities and Exchange Board of India Alternative Investment Fund (AIF) Regulations 2012.

| NON-PROFIT LEGAL STRUCTURES <sup>103</sup> |  |
|--|--|
| <b>Section 8 and Section 25 Company</b>    | Section 8 and Section 25 companies are governed under the Companies Act 2013. Most of the substantive provisions of Section 25 of the old Act have been incorporated into the Companies Act 2013 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.   |
| <b>Trust</b>                               | Public trusts generally mean an expression or constructive trust for a public, religious or charitable purpose and include 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.  |
| <b>Society</b>                             | Registered societies are associations of seven or more persons for any literary, scientific, or charitable purpose. Several states have also enacted state-specific legislations to administer registration of charitable societies.   |
| FOR-PROFIT LEGAL STRUCTURES <sup>104</sup> |  |
| <b>Sole Proprietorship</b>                 | Sole proprietorships are a type of enterprise owned, managed and controlled by one person. The liability of the owner is unlimited.  |
| <b>Partnership</b>                         | Partnerships in India are governed by the Indian Partnership Act 1932. 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.   |
| <b>Limited Liability Partnership</b>       | LLPs are governed by the Limited Liability Act 2008. An LLP is a separate legal entity from its partners. Liability of the partners is limited to the extent of his contribution in the LLP. The rights and duties of partners are stipulated in the agreement between partners and the partners have the flexibility to devise the agreement as per their choice.   |
| <b>Private Limited Company</b>             | In private limited companies, the shareholder's 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.  |
| <b>Social venture fund</b>                 | Under the AIF Regulations 2012, alternative investment funds can be established or incorporated in India in the form of a trust, a company or a limited liability partnership. A privately pooled investment vehicle can be created to collect funds for investing in a social venture fund for the purpose of promoting social welfare, solving social problems or providing social benefits. Social venture funds are eligible to "pass through" benefit, which means that the income accruing to the fund would be deductible in the hands of the investor. |

### Section 80G for charitable contributions:<sup>105</sup>

Under 80G of the Income Tax Act 1961, Indian resident donors are entitled to claim a deduction from their taxable income of up to 50% of the donations made by them if the organization is registered under Section 12A of the Income Tax Act. 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. Tax benefit can be claimed on donations made in cash and cheque and not in kind.

103. AVPN 2014, Getting started in venture philanthropy in Asia – Legal framework profile for India  
104. AVPN 2014, Getting started in venture philanthropy in Asia – Legal framework profile for India

105. AVPN 2014, Getting started in venture philanthropy in Asia – Legal framework profile for India

## METHODOLOGY

The methodologies used in this report were jointly developed by Sattva Consulting and AVPN, with the support from Robert Bosch Stiftung, one of Europe's leading foundations.

### HOW WE CURATE INSIGHTS IN THIS REPORT

The research team used a combination of primary and secondary research methods and a particular process to curate information into useful insights:

- We sketched the landscape by compiling relevant standard indicators, indices and rankings from secondary sources.
- We plotted the trends and actors from secondary literature and AVPN's various member engagement activities.
- We expanded on this understanding by interviewing key actors, ranging from foundations to impact investors, intermediaries, and social entrepreneurs, to understand their investment/implementation philosophies, challenges and barriers they face, and key recommendations they have for anyone looking to invest in or support the social economy or specific causes therein.
- We corroborated the information we received from the interviews with secondary data to discern common patterns, contexts and evolutions which have led to certain trends.
- We computed the ratings for the social economy based on secondary data and insights from interviews.
- Once we had completed the landscape, we revisited the social economy ratings to perform a relative regional comparison and adjust the ratings accordingly.
- We also vetted the completed landscape with experts as listed in the acknowledgement.
- Overall, we aimed to bring the data and analysis together to provide practical recommendations for social investors and intermediaries across the spectrum.

Throughout the profile, we have attempted to map out recent developments, interesting partnerships and key actors that could form a basis for future collaborations. We have also provided detailed citations with embedded links to original sources and a list of recommended readings for further reference.





## Definitions

While there might be different interpretations of the following key terms across Asia, our working definitions are as follows:

| Supply of social investment                    |   |
|--|---|
| Corporate                                      | A company that invests directly in social impact through CSR or through establishing a corporate foundation   |
| Development finance institution                | A financial institution that provides development aid and/or capital towards private sector development in developing countries                               |
| Family office                                  | A wealth management advisory or establishment for high net worth and ultra high net worth individuals   |
| Foundation/Trust                               | A not-for-profit organisation that funds social and/or environmental causes   |
| Impact fund                                    | A fund that invests with the intention to generate positive, measurable social and environmental impact alongside a financial return.                         |
| Demand for social investment                   |   |
| Impact business                                | A company that focus on creating positive outcomes for specific stakeholders of the business including employees, communities, customers, and the environment |
| Non-profit organisation                        | An entity dedicated to furthering a particular social or environmental cause (also referred to as non-governmental organisations)                             |
| Social enterprise                              | A company with a social mission that is aspiring to or able to generate revenues out of its products and services   |
| Social purpose organisation                    | An umbrella term for non-profit organisations, social enterprises and impact businesses   |
| Intermediaries                                 |   |
| Incubators, accelerators and capacity builders | Organisations that provide facilities, expertise and other forms of non-monetary support to entrepreneurs   |
| Networks and platforms                         | Online and offline locations that convene stakeholders  |
| Research and knowledge                         | Academic institutions and organisations that publish on the social economy  |

## Mapping and Rating Methodologies

### Government initiatives to address development gaps

For this section, we referenced Toniic's SDG Impact Theme Framework to map government initiatives to the different impact areas and relevant SDGs. The goal of the framework is to allow social investors to align their investments with the SDGs and thereby find greater alignment and synergy with the government and other key stakeholders.

For government initiatives, we analysed the latest national plans, policies and programmes to determine national priorities for sustainable and inclusive

development. We also examined SDG sub-indicators in order to pick out the worst-performing indicators, gaps in these areas and initiatives that have put in place to solve the problem.













### Social economy development

To overcome the issue of limited data availability, we adopt the Harvey ball methodology to assess the stages of development for key factors constituting a social economy including SPOs (demand for social investment), investors (supply of social investment), intermediaries (organisations that support investors and/or SPOs) and enablers and intermediaries including the policy environment and partnerships.

A simple 1-4 scoring method is used to uniformly quantify the status of each factor so that relative comparisons can be made.

Each factor has a total of 4 scenarios depicted by the 4 Harvey balls equivalent to ratings from 1 to 4. These scenarios have been delineated based on

the typical progression of the different factors in the Asian context. The framework has been adapted from BCG's SE maturity framework,<sup>106</sup> Monitor Institute's definitions,<sup>107</sup> Acumen's early-stage impact investing,<sup>108</sup> Toniic's framework,<sup>109</sup> and AVPN's analysis.<sup>110</sup>

| CATEGORY         | FACTOR                      | RATING  |
|------------------|-----------------------------|---|
| <b>SPOs</b>      | Presence, size and maturity |  Low presence of non-profits organisations and SEs (relative to the other 13 Asian markets). The majority are in early stages.   |
|                  |                             |  Average presence of non-profit organisations and SEs (relative to the other 13 Asian markets). The majority are relatively established and creating discernible social impact.                      |
|                  |                             |  High presence of non-profit organisations and SEs (relative to the other 13 Asian markets). Many are financially sustainable, with evidence of raising equity investments.                          |
|                  |                             |  High presence of non-profit organisations and SEs (relative to the other 13 Asian markets). Many have reached regional or national scale, with a relatively high number of equity investments made. |
|                  | SEs' sectoral presence      |  The majority of SEs focus on job creation and basic social services such as education and health care   |
|                  |                             |  The above plus presence of SEs in proven models such as microfinance and energy   |
|                  |                             |  Diverse SE operations in an array social and environmental issues   |
|                  |                             |  A holistic range of products and services targeting both the bottom of the pyramid and the environment in urban and rural areas   |
| <b>Investors</b> | Philanthropic contributions |  Evidence of philanthropic contributions and/or religious giving   |
|                  |                             |  Evidence of sustained, well-managed institutional philanthropy  |
|                  |                             |  Evidence of informed and collaborative philanthropy to multiple causes with diverse tools   |
|                  |                             |  Informed and collaborative philanthropy with diverse tools and innovative approaches  |

106. BCG, 2015, The Art of Sustainable Giving

107. Monitor, 2009, Investing for Social and Environmental Impact







108. Acumen, 2015, Early-Stage Impact Investing

109. Toniic, 2017, Impact Theme Framework

110. AVPN, 2016, A Guide To Effective Impact Assessment



| CATEGORY                    | FACTOR   | RATING  |
|-----------------------------|--|---|
| Investors                   | Managed funds                                  |  Presence of social investment with no clear classification of investors   |
|                             |  |  Presence of managed funds with evidence of investments  |
|                             |  |  Presence of international and local funds with diverse financing instruments  |
|                             |  |  Presence of international and local funds with diverse financing instruments, co-investment and/or innovative approaches            |
|                             | Corporate sector                               |  Corporate donations, volunteerism, compliance-based CSR and few examples of strategic CSR   |
|                             |  |  Evidence of strategic and sustained CSR across multiple causes  |
|                             |  |  Evidence of strategic and sustained CSR, support for SEs, sustainability reporting  |
|                             |  |  Evidence of shared value, support for SEs, sustainability reporting with innovative approaches/partnerships                        |
| Intermediaries and Enablers | Policy environment                             |  Neutral policy environment with no recognition or targeted support for the social economy   |
|                             |  |  Friendly policy environment with basic recognition and support for the social economy   |
|                             |  |  Enabling policy environment with multiple incentives to develop the social economy  |
|                             |  |  Strong policy support to build an effective social economy in the form of legislation, incentives, incubation and acceleration    |
|                             | Incubators, accelerators and capacity builders |  Presence of social incubators, accelerators and capacity builders for SPOs offering co-working spaces and basic coaching          |
|                             |  |  Presence of social incubators, accelerators and capacity builders for SPOs offering access to expertise                           |
|                             |  |  High presence of social accelerators and capacity builders for SPOs with sustained access to expertise, networks and seed funding |
|                             |  |  The above plus ecosystem support through partnerships with other stakeholders   |

| CATEGORY                    | FACTOR                 | RATING  |
|-----------------------------|------------------------|---|
| Intermediaries and Enablers | Networks and platforms |  Evidence of convenings of social economy stakeholders   |
|                             |                        |  Presence of formal networks and/or platforms dedicated to social economy stakeholders   |
|                             |                        |  The above plus presence of cross-sectoral platforms   |
|                             |                        |  High presence of formal networks and platforms that convene multiple sectors plus a variety of events to raise public awareness of the social economy |
|                             | Knowledge and research |  Availability of landscape mapping   |
|                             |                        |  Regular landscape mapping with some quantitative data   |
|                             |                        |  The above plus social economy research across a variety of topics and availability of courses on social entrepreneurship                              |
|                             |                        |  Regular landscape mapping, social economy research across a variety of topics and availability of formal social entrepreneurship programmes          |
|                             | Partnerships           |  Evidence of partnerships between two entities   |
|                             |                        |  Presence of multi-stakeholder partnerships and collaborations between the government and social economy actors                                      |
|                             |                        |  The above plus presence of a pooled fund and/or co-investment   |
|                             |                        |  The above plus presence of innovative partnerships such as collective impact and impact bonds   |





## ABOUT AVPN

AVPN is a unique funders' network based in Singapore committed to building a vibrant and high impact 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.

## OUR MISSION

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 500 members across 32 countries, AVPN is catalysing the movement towards a more strategic, collaborative and outcome focused approach to social investing, ensuring that resources are deployed as effectively as possible to address key social challenges facing Asia today and in the future.

Visit us at: [www.avpn.asia](http://www.avpn.asia)  
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Follow us on: **Twitter** @avpn\_asia  
**Facebook** @asianvp  
**LinkedIn** @AVPN





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

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