

Market-based solution for inclusion

A wide spectrum of organisations, from NGOs to corporates, has proved that innovative ideas for development of lowest common denominator are sustainable and profitable, says Rana Kapoor

WHILE India has witnessed unprecedented economic growth in recent past, its development has been lopsided with the country trailing on essential social and environmental parameters of development. I believe that addressing social infrastructure or environmental problems will require mainstream intervention models that are implemented on a massive scale.

Philanthropy, given its relatively more risk-taking nature, developmental organisations that lend patient capital and the state that enables scale to a certain extent, have all played an important role in formulating solutions to some of the most critical problems we face today.

However, truly sustainable inclusive growth requires intervention models implemented on a large scale using efficient, scalable mechanisms to enhance impact. While philanthropy, development agencies and the state will continue to play crucial parts in building such interventions, the role of the private sector becomes ever more critical, given that it embodies attributes such as sustainability, efficiency and scale that are vital to make a sizeable impact.

For a country like India, therefore, sustainability is not just an ethical imperative but a sound business decision that allows private enterprise to meet market demands by servicing underpenetrated markets with customised and cost-effective products and services, leveraging the potential of untapped natural and human resources while enhancing social and environmental benefits. *Harnessing market principles for sustainable development:* Market-based solutions to development issues represent a win-win proposition, providing cost-effective access to basic services such as health, finance, education, water or housing for the bottom of pyramid (BoP) while offering an opportunity for the private sector to go beyond short-term financial gains to ensure long-term longevity. Indeed, there are abundant opportunities across the sustainability spectrum that are being tapped by fledgling social enterprises and the big boys of India Inc alike.

Healthcare: In a country where 80% population has access to only 20% of healthcare, organisations such as Sankara Nethralaya

ALL-ROUND SUPPORT

Synergistic top-down and bottom-up approach



Source: Yes Bank analysis and C K Prahalad & S L Hart's *The Fortune At The Bottom Of The Pyramid*

— which provides a universal standard of care for all through low-cost specialised healthcare — represent a growing breed of enterprises addressing healthcare market in a profitable and socially-relevant manner. In 30 years, it has grown into a super-speciality institution for ophthalmic care serving 1,200 patients and performing 100 surgeries daily. *Financial inclusion:* India is estimated to have the second-largest number of financially-excluded households, i.e., 13 million. *Pioneering grassroots financial interventions* over the last 30 years, however, have demonstrated bankability of the BoP — its ability to save, service and honour credit commitments — and demand for affordable financial products and services. Many such interventions have become torchbearers of commercially-viable market-based solutions, e.g., Grameen Bank and SKS Microfinance. *Education:* It is estimated that 17% of Indian villages do not have primary schooling facilities, raising an urgent need to augment education infrastructure. This need is being addressed by Indian School Finance Co — an NBFC that extends medium-term loans at market rates to affordable private schools — in partnership with Gray Capital Matters — a private foundation with the aim to develop

an effective educational ecosystem.

Energy: India's enormous power deficit (15% peak deficit in 2009) coupled with increasing per-capita consumption of power (636 kwh p.a. compared to world average of 2,490 kwh p.a.), high oil imports, overdependence on coal and limited rural electrification raises energy sufficiency issues that can be addressed by judicious use of renewable energy. Buoyed by government-mandated Renewable Portfolio Standard that targets 10% of all grid-supplied power via renewable energy by 2012, planned expansion in renewable energy is estimated to result in investments of over \$19.3 billion. Enterprises such as Greenko — a renewable energy platform with 101 mw of biomass and small hydel projects — and FreePlay — which focuses on rural household applications and offers self-powered devices including lanterns — are addressing a sizable market with cost-effective 'clean' products.

Water and sanitation: Today, 200 million people in India don't have access to safe drinking water and nearly 33% lacks sanitation. Companies such as Sarvajal — a for-profit social enterprise that aims to increase access to clean drinking water — are making significant impact using community-based mod-

els that are designed around scalable innovations and technical/process improvements, ensuring livelihoods for local entrepreneurs. *The new normal:* The viability of markets across the sustainability spectrum and customer segments including the BoP is being demonstrated everyday, reiterating that sustainable, scalable market-based solutions are no longer esoteric pipedreams but the new normal, representing a confluence of top-down and bottom-up approaches. This is evident in how the renewable energy space is being addressed by both a global market leader in wind energy like Suzlon Energy and a private enterprise that focuses on rural community access to energy such as D.light Design. Or, even in how a conglomerate like ITC is helping small farmers make informed decisions by providing access to commodity price information through its e-Choupal network. Indeed, catalysing the agriculture and rural economy (both farm and non-farm), and stimulating unorganised and micro-organisations (MSMEs) are two of the biggest areas of opportunity.

Successful inclusive growth strategies, therefore, seek to rectify imbalances in a business-like manner; they are not acts of charity. What makes inclusive growth sustainable and particularly effective is that it focuses on 'capacity creation and skill development for productive employment rather than on direct income redistribution'.

While sustainable inclusive growth will be fuelled by market-driven forces of growth that enable a wider range of social sectors to access markets and equip them to be more productive, the government plays a key role in broadening access to economic opportunities and build resilience of the most-vulnerable against economic shocks.

In sum, actualising the inclusive growth vision requires coordinated efforts to synergise the initiatives of the government, private sector, community-based organisations and civil society both from top-down and bottom-up perspectives. And, private enterprise is poised to stand front and centre of India's development story, partnering key stakeholders to build collaborative frameworks for sustainable development.

(The author is managing director and CEO of Yes Bank)

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