ISSN 2250-2025

A Recent Trend And A Strategy For Sustainable Business Management In Small Scale And Large Scale Units

- Dr. Milind Pande,
Director, MIT Pune
- Prof. Sharad Kadam
Asst. Professor, MIT Pune
- Prof. Mangesh Bhople
ACSC, Alandi, Pune

Abstract

India is now shifting its gear towards burgeoning industrialization in every sector of economy. Business professional and Business management scholars also applying new thoughts and methodologies for 360* growth of the business in all the sectors, new entrepreneurs are entering into the arena of businesses. But the key of overall growth is deeply rooted in inclusive growth and benefit of the entire society and making provisions for the sustainability of nature also.In developed countries we find established industrialization but financial provision for betterment of society and nature also are at high rates. In present paper this is issue which authors want put forward and recommend as the key for success in large scale and small scale industries in India. It means when all the stakeholders of the business will be financially sound and mother earth also protected from the long term sustainability point of view, success can be assured in long term. Wondering about the above situation of Indian business sector and environment, Impact Investment is key to tackle the issue.

The Impact investing is one form of socially responsible investing and serves as a guide for various investment strategies.According to the definition of the Global Impact Investing Network (GIIN): "Impact investments are investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below-market to above-market rates, depending upon the circumstances."

Key words: Impact Investment, CSR, 360* growth, Social and environmental Impact, Burgeoning.

Introduction:

Impact investment funds and social entrepreneurs are now targeting social ventures that accommodate to the urban poor segment. There is a visible departure from earlier practice where the focus of most impact funds was on funding micro finance institutions, catering largely to the rural poor, and similar base-of-pyramid ventures in a rural set up. Although there is softness in overall investment volume and in number of deals in the first 10 months of current year in the impact investment segment compared to last year, urban poor-oriented social ventures have continued to receive investor traction, both at seed and early-stage. However, despite investor interest, most such urban-poor centered social ventures are still figuring out the path to a sustainable business model.

The Impact investing is one form of socially responsible investing and serves as a guide for various investment strategies.

History

Initially, regulations and philanthropy—was an attempt to minimize the negative social consequences of business activities. However, a history of individual investors using socially responsible investing to express their values exists, and such investing behavior is usually defined by the avoidance of investments in specific companies or activities with negative effects. In the 1990s, Jed Emerson advocated the blended value approach; that is, for foundations' endowments to be invested in alignment with the mission of the foundation, rather than to maximize financial return, which had been the prior accepted strategy.[6]

Simultaneously, approaches such as pollution prevention, corporate social responsibility as measurements of non-financial effects, both inside and outside of corporations. Finally, around 2007, the term "impact investment" emerged.

Impact investment mechanisms

Institutional investors

Impact investments occur across asset classes and investment amounts. Among the best-known mechanism is private equity or venture capital. Impact investments can also be made by individual angel investors. "Social venture capital," or "patient capital," impact investments are structured similarly to those in the rest of the VC community. Investors may take an active role mentoring or leading the growth of the company, similar to the way a VC firm assists in the growth of an early-stage company.

Impact investing for individuals

Impact investment networks also exist to bring together individuals with an interest in impact investing. Investor networks may have in-person meetings and/or online platforms to facilitate the identification of suitable investment opportunities. Investor networks may or may not have a pool of funds to invest on behalf of the network. Often, the role of the network is to bring together investors and those representing opportunities;

however, the amount of due diligence investor networks enact in the assessment of deals varies.

Objectives of Paper:

1. To know and study the concept Impact Investment
2. To check the compatibility of the concept with Indian perspective
3. To study the sustainability of business with reference to Impact Investing
4. To know the business of big players and their business
5. To know the strategies of Impact Investors

Research Methodology:

The paper is mostly based on secondary data collected from different sources like articles in newspapers, magazines, Websites, books etc.

Some Indian and Foreign Examples:

1. **Zidisha** is a US nonprofit organization that launched the first international person-to-person microfinance lending platform in 2009. Lenders may invest as little as one dollar in Zidisha loans and negotiate interest (ranging from 0% to 15%) directly with individual loan applicants in developing countries.

2. **Hum,** a group-buying venture, targets low-income communities in re-settlement colonies by offering them bulk discount on daily-use items and durables, ranging from five% to 12%. "Most of these people are price-conscious, and buy in smaller quantities, paying a higher unit priceCurrently, operational with 500-odd families in New Seemapuri, a re-settlement colony in east Delhi.

3. **Janata Meals** offers affordable hygiene meals – ranging from Rs 20 to Rs 60 - for working class, which includes drivers, factory workers, daily wagers, guards, entry-level blue-collar workers from two outlets in Sikandarpur and Sheetla Colony in and around Gurgaon. Those manning the kitchen in Sikandarpur are local women from the area. The seed-funded project – currently serving 600 meals a day - plans to automate its kitchen and scale up operations with 20 such outlets across Gurgaon over the next 12-15 months.

4. **Global Champs** is a slum-based pre-school venture by public-listed, impact investment supported Tree House Education. Mumbai's Dharavi, one of the largest slums in Asia, would soon house a modern pre-school, spread over 3,600 sq ft, catering to toddlers from the area. Two similar such pre-schools are already operating out of Malad and Kandivli in Mumbai since June this year. Omdiyar Network, a global impact investment fund, backs Tree House Education. Each kid in Global Champs is charged anywhere between Rs 10,000 and Rs 12,000 annually with option for staggered payment.

5. **Drishti eye care**, an affordable eyecare venture operates out of Devanahalli, on the outskirts of Bangalore, targeting both urban and rural poor. Using telemedicine facility it connects its outpatient centre at Devanahalli with two vision clinics in semi-urban towns at Vijaypura and Bagepalli. Through a hybrid model, it services 1,800 patients in a month – 600 from urban centres and 1,200 from rural areas. "In January this year, Lok Capital, an impact invest fund, picked up equity in the venture for an undisclosed amount.

6. **Sudiksha Knowledge Solutions** runs 22 pre-schools in and around Hyderabad, mostly in slums and among low-income communities with 600-odd students. Two of these are in rural areas, Which was started in 2010, he wanted to make it an all-rural affair. It is important to build scale to have an impact in any base-of-pyramid social venture. Earlier this year, Sudiksha was able to attract investment from US-based First Light Investment.

7. Most non-micro finance investments that impact investors relate to sectors such as clean tech, payments infrastructure, housing finance, education, and healthcare. Most of these are early-stage deals. However, healthcare and education investments tend to be in urban areas while energy and agri models are more prevalent in rural areas, points out Mehta.

Advantages:

1. Under impact investing, money is used to deliver social benefits alongside financial returns.

2. A key factor why India is an attractive market for impact investors is the accessibility to consumers at the bottom of the pyramid (BoP), which has triggered the need for socially impactful market-driven solutions to development issues.

3. The number of high net worth individuals (HNIs) in India has increased, and they seek to invest their wealth with both a financial and social bottom line. With over a dozen domestic and international funds operating in this space, the segment has grown steadily over the past few years.

4. MFIs and impact investments, government involvement in development initiatives has another strong points.

Limitations:

1. Currently, most of the impact investments in the country are from international capital.

2. Foreign investors can only put in equity (vs. debt) into funds or directly into social businesses.

3. The merits of social impact investing have not been marketed as effectively as they can be.

4. Despite the recent surge in the number of social enterprises, the section of BoP being served by the impact investors is still very small. This suggests the need for a massive scale-up of existing enterprises as well as more innovations being brought to the low-income consumer.

5. Urban poor is still an untapped market.

Findings:

1. According to research by Rockefeller

Foundation, Impact investments in India attracted close to INR 550 crores in 2012 and are expected to grow at 30% per year. Private and angel investors have also sprung up over the past few years. These funding sources span the range of the venture – from early to growth and later stage. Lok Capital, Aavishkaar, Grassroots Business Fund, India Innovation Inclusion Fund (IIIF), Omnivore Capital, Elevar Equity, and Unitus Seed Fund are prominent Indian funds. Indian Angel Network and Mumbai Angels are some of the larger angel groups.

2. DFIs including IFC and others are effective government-sponsored investment vehicles. The National Skills Development Corporation (NSDC) is a good recent example of government involvement to ensure sustainable and scalable models in the field of vocational training and placements. NSDC is a Public-Private Partnership (PPP) owned by the government (49%) and the private sector (51%). It was started with an equity base of INR 10 crores and targets skilling/upskilling 50 crore people in India by 2022, mainly by fostering private sector initiatives. Gram Tarang, Babajob, iSTAR, and Caravan Crafts are examples of social businesses that NSDC has provided debt to.

3. Key elements of a healthy impact investing include:

- Education and incubation resources
- Earliest-stage (friends/family/grant) risk capital
- Seed and growth capital
- Investment banking and transactional support
- Networks for business coordination and advocacy

4. Steps are being taken to by Indian government to make the impact investing arena more investor friendly having both a financial and social impact return.

5. An India Impact Investors Council has been set up that aims to serve as a self-regulatory initiative to provide more information, standards and transparency for impact investing in the India context.

6. The SEBI has recently approved the creation of Alternate Investment Funds (AIF) which include 'Social Venture Funds'. AIFs are funds established in India for the purpose of pooling capital from Indian and foreign investors for investing as per a pre-decided social impact policy.

Conclusion:

Impact investing tends to have roots in either social issues or environmental issues, and has been contrasted with microfinance. Impact investors actively seek to place capital in businesses, nonprofits, and funds that can harness the positive power of enterprise. Impact investing occurs across asset classes; for example, private equity/venture capital, debt, and fixed income. Impact investors are primarily distinguished by their intention to address social and environmental challenges through their deployment of capital. For example, criteria to evaluate the positive social and/or environmental outcomes of investments are an integrated component of the investment process. In contrast, practitioners of socially responsible investing also include negative criteria as part of their investment decisions.

References

1. Business Standard, July 2013
2. Business Standard, Nov 2012
3. Business Standard, Jun 10, 2013
4. Economic Times website
5. National Skills Development Corporation (NSDC) Website and reports
6. www.google.com
7. http://nsdcindia.org/

***