Socially Responsible Business in India and the Asia-Pacific: Meeting the Challenges of Inclusive Sustainable Development

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Abstract

Two of the most important challenges that governments and corporations in the 21st century are facing and will continue to face in the foreseeable future are inclusiveness and ecological sustainability of growth and development. With specific focus on the Asia-Pacific Region, this paper traces the inadequacy of the corporate response in meeting these challenges. It also identifies the promising new trends and analyses the prospects offered by socially responsible businesses (SRB). SRB demands a totally new orientation and approach to business itself. The paper offers an integrated framework for SRB drawing upon the recent developments in corporate social responsibility (CSR), socially responsible investments (SRI) and social business. The paper argues that although these approaches have evolved independently, there is significant scope to draw synergies between them. It highlights the importance of partnering with "people's institutions" (such as women's self-help groups, farmer producer organizations and cooperatives) while building inclusive and sustainable value chains. The creation of such value chains would bring about dramatic redistribution in wealth and power, fostering more just, equitable and sustainable societies. The author's familiarity with the Indian situation has meant that most of the illustrations cited are drawn from India. However, the lessons drawn are equally valid in many of the Asia-Pacific countries grappling with similar issues of equitable and sustainable socio-economic development.

Key Words: Socially Responsible Business, CSR, SRI, social business, inclusiveness, ecopreneurship

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1.0 Introduction

Two of the most important challenges that governments and corporations in the 21st century are facing and will continue to face in the foreseeable future are:

a) *Inclusive development*: dealing with the issues of not only human rights and decent labour but also the exclusion of the poor and ultra-poor from markets. Needless to say societies which ignore the needs of significant sections of its population cannot hope to progress in a stable and sustainable manner.
b) *Ecologically sustainable development*: meeting the enormous challenges created by environmental externalities including depletion of natural capital, global warming, climate change and attendant implications for survival on earth.

The history of capitalism has shown that the "invisible hand" of Adam Smith does not deliver social welfare to all – in fact it tends to exclude the poor and marginalized. The greater the imperfection of the market, the greater is the exclusion of the poor. Additionally imperfect markets and weak laws tend to cause great damage to the environment and natural capital of a nation. This in turn has a disproportionate impact on the lives and livelihoods of the poor, who tend to live closer to nature and are more directly dependent on natural capital for survival. Not content with theories of market failure Nobel laureate Muhammad Yunus (2006) believes it to be a case of 'conceptualization failure' wherein theories of entrepreneurship have failed to capture the essence of human beings. Theories of capitalism have created a one dimensional human being to play the role of entrepreneur, dedicated to only one mission in life which is to maximize profit. In reality human beings are excitingly multidimensional with social, political, emotional and religious motivations. Nations cannot afford to leave the market solely to 'personal gain seekers'. It is therefore time to broaden the concept of the market by giving full recognition to 'social business entrepreneurs'.

With specific focus on the Asia-Pacific Region, this paper traces the inadequacy of the corporate response in meeting these challenges. It also identifies the promising new trends and analyses the prospects offered by socially responsible businesses (SRB).

SRB demands a totally new orientation and approach to business itself. The paper offers an integrated framework for SRB drawing upon the recent developments in corporate social responsibility (CSR), socially responsible investments (SRI) and social business. The paper argues that although these approaches have evolved independently, there is significant scope to draw synergies between them. It highlights the importance of partnering with "people's institutions" (such as women's self-help groups, farmer producer organizations and cooperatives) while building inclusive and sustainable value chains. The creation of such value chains would bring about dramatic redistribution in wealth and power, fostering more just, equitable and sustainable societies. The author's familiarity with the Indian situation has meant that most of the illustrations cited are drawn from India. However, the lessons drawn are equally valid in many of the Asia-Pacific countries that are grappling with similar issues of equitable and sustainable socio-economic development.

Structure of the paper

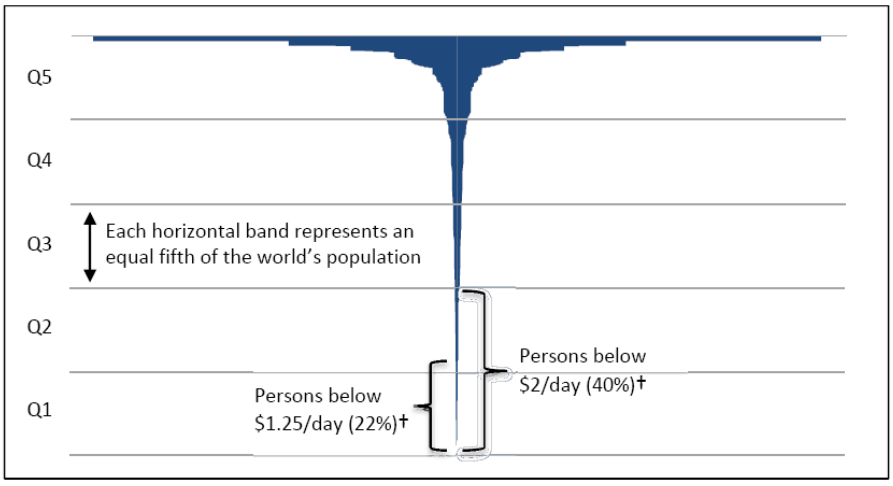
The paper is organized in eight sections. After this introduction, sections 2 and 3 are devoted to elaboration of the precise nature of the challenges of inclusive and ecologically sustainable development respectively. Section 4 outlines the evolution of CSR from its roots in philanthropy to present day ideas of strategic CSR and triple bottom line reporting. Section 5 traces the emergence of SRI as a related response from financial institutions. Section 6 examines the nature of 'social businesses' that are designed to address social and environmental issues from inception. It also looks at associated business development services (BDS) that form an important part of the eco-system to support social business start-ups. Section 7 highlights the scope for synergy between these approaches and presents a unified framework for SRB. The last section provides the conclusions with suggestions for accelerating the pace of transformation from 'business as usual' to 'socially responsible business'.

2.0 The Challenge of Inclusive Development

2.1 The Champagne Glass Model

The free market economy has fueled rapid economic growth in a number of Asia-Pacific countries over the past two to three decades. However, this growth has been associated with enormous social and environmental costs. The gulf between the 'have-lots' and 'have-nots' has widened to a point which threatens the very fabric of society in populous countries like India. The worldwide ratio of income of the richest 20 per cent households as compared to the poorest 20 per cent, from 1820 onwards, shows a dramatic increase in the ratio from 3:1 in 1820 to 30:1 in 1960 and 103:1 in 2005 (Ortiz, 2008). The global income inequality is represented by a very powerful graphic of the 'champagne glass', in which a large concentration of income at the top trickles down to a thin stem at the bottom. The 'champagne glass' data shows that as of 2007 the wealthiest 61 million individuals, or one per cent of the global population had the same amount of income as the poorest 3.5 billion or 56 per cent (see figure 1) (Ortiz and Cummins, 2011).

Figure 1: Global Income Inequality– 2007



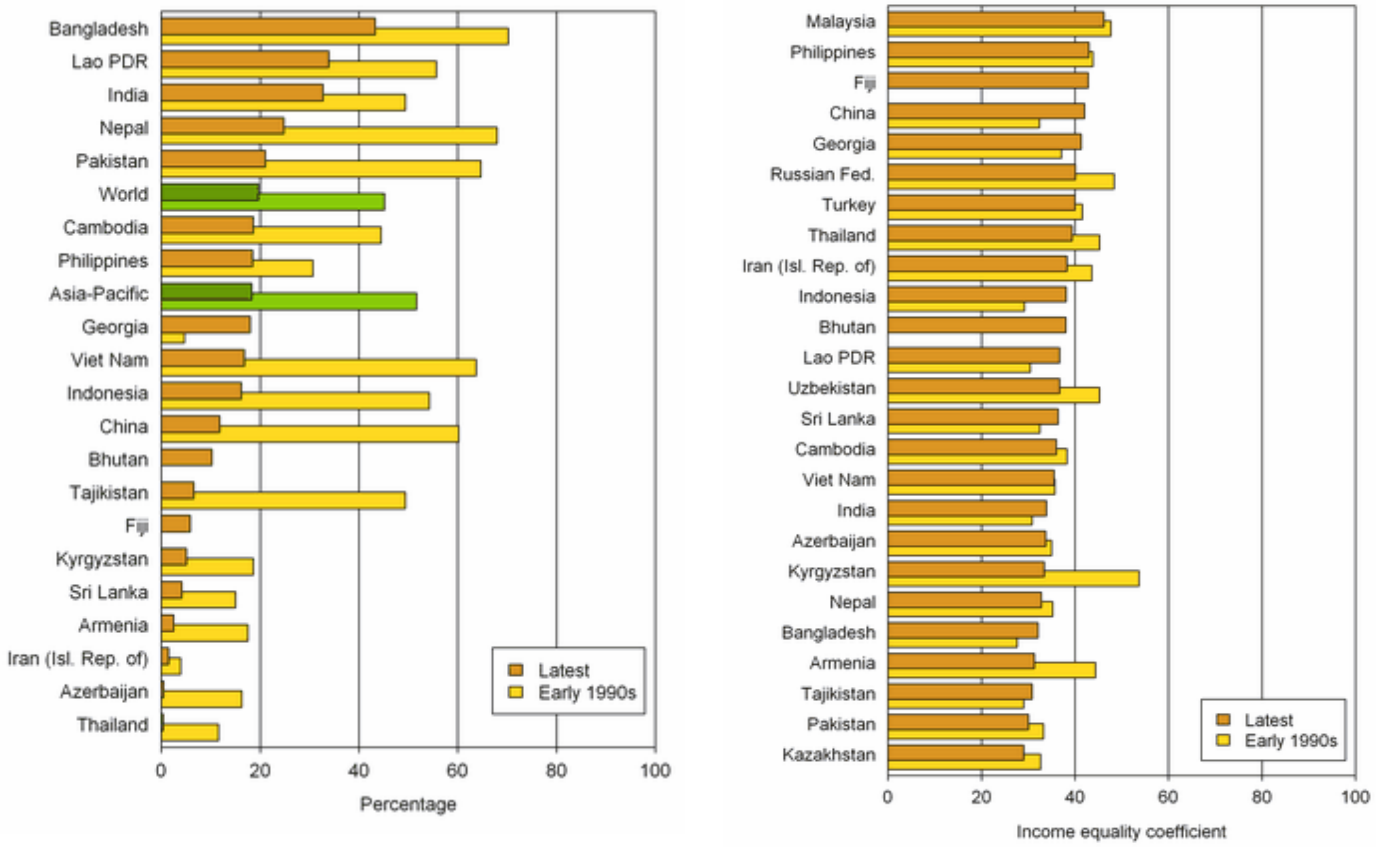
Source: Ortiz and Cummins (2011), "Global Income Inequality-Beyond the Bottom Billion"

2.2 State of Poverty in the Asia-Pacific Region

The Asia-Pacific region comprises of more than 60 nation states of which only a handful can be considered industrially advanced. Hence, there is a wide variation in the extent

and state of poverty in the region. Figure 2 shows the proportion of populations living in poverty on the basis of income of $1.25 per person per day (2005 PPP) (UNESCAP, 2013).

State of Poverty (Figure 2) and inequity (Figure 3) in the Asia-Pacific region



Source: UNESCAP (2013), Statistical Yearbook for Asia and the Pacific

The region still has the largest absolute number of people living in extreme poverty of all global regions. The population living in extreme poverty in the region declined from about 1.6 billion in 1990 to 0.7 billion in 2011, despite an overall population growth of approximately 0.9 billion in the same period. This impressive reduction is attributed largely to China and India, which together lifted 650 million people out of extreme poverty (ibid.).

Despite a steady decline in extreme poverty over the past two decades, many countries have been experiencing a greater level of income inequality (Figure 3), which constrains

domestic markets and threatens shared prosperity. From the early 1990s to the late 2000s, the Gini index worsened from 32.4 to 42.1 for China, from 30.8 to 33.9 for India, and from 29.2 to 38.1 for Indonesia, while it decreased for other countries such as Cambodia, Kyrgyzstan, Malaysia, Nepal, the Philippines, Thailand and Uzbekistan. The progress has been much slower in reducing the number of people living in 'near poverty'. About 900 million people (about 40% of the total population in the region) living between $ 1.25 and $ 2.00 per day (2005 PPP) remain critically vulnerable to extreme poverty (ibid).

The population in South and South-west Asia living on or less than $2 per day increased to 1.1 billion in 2010, of which India alone accounted for 834 million (ibid). The widening disparity between the rich and poor in India can be gauged from the fact that 126,700 millionaires constituting 0.01 per cent of the population in 2010 were worth about a third of its GDP (Times of India, 2010).

3.0 The Challenge of Environmentally Sustainable Development

3.1 Value of Nature

Maintaining natural capital such as forests, bio-diversity, fresh water and coastal and marine ecosystems is essential to making 'green economies' a reality. Natural capital is the stock of natural assets and resources that provide critical ecosystems services. Economists have classified these into three broad categories[ii] (ADB - WWF, 2012):

- *Provisioning services* – goods obtained directly from ecosystems, e.g., food, medicine and timber.
- *Regulation and Maintenance services* – benefits from regulation of basic ecological processes, e.g., waste decomposition, climate regulation, groundwater recharge and flow and crop pollination, nutrient cycling, soil health maintenance.
- *Cultural services* – psychological and emotional benefits from human relations with ecosystems, e.g., aesthetic, spiritual and recreational experiences.

3.2 Impacts of Market Externalities on Ecosystems

Under the present system, markets and governments tend to grossly undervalue nature leading to its rapid destruction and threatening our very life support systems. When the rate of consumption exceeds the rate at which natural systems can regenerate, natural capital is depleted. At the current pattern of development and consumption, human kind will need the ecological resources of 2.3 planets to sustain itself by 2050 (Indian Express, Nov. 30th 2011).

When the flow of ecosystem services diminishes (especially provisioning services), the poorest are the ones who are most affected as their resource catchments are the smallest and voice is weakest. The impact of depleted natural capital is felt most severely on the rural poor who depend more directly on natural resources for their survival (Srivastava and Kothari, 2012):

- An estimated 275 million people in India depend on non-timber forest products for their livelihood. Ecological destruction directly affects these people's lives and livelihoods.
- Another 250 million people live along the Indian coastline as many of them are fishing villages. Release of an estimated 5.5 billion liters of waste water into the ocean per day is severely threatening marine ecosystems as well as the lives of coastal populations.

At another level, environmental externalities have resulted in global problems such as depletion of the ozone layer and greenhouse gas effects leading to major changes in the climate. At the present rate of global warming, oceans could rise by 3.3 feet by the end of the century. If that happens a large number of low lying coastal regions would be adversely affected and a number of islands in the Pacific would disappear completely giving rise to the phenomenon of 'climate refugees' (see box 1).

Box 1: Struggle of 'Climate Refugees' from Kiribati

Being one of the lowest lying Pacific nations, Kiribati with a population 0.103 million is most vulnerable to climate change. It is one among a string of 33 coral atolls halfway between Hawaii and Australia.

A 37 year old refugee from Kiribati in New Zealand refuses to return to his country as rising sea levels make it too dangerous for his family to survive. The man said that around 1998 'king tides' began regularly breaching the sea walls around the village, which was overcrowded and had no sewerage system. The fouled drinking water made people vomit, and there was no high ground that would allow villagers to flee the knee-deepwater. Returning to the island would endanger the lives of his two youngest children.

Immigration was denied to the refugee on grounds that a "refugee is someone who is being persecuted". His lawyer has argued that his client did suffer an indirect form of human persecution because of climate change caused by the pollution that humans generated. The case is being watched closely as it has implications for millions of potential 'climate refugees'.

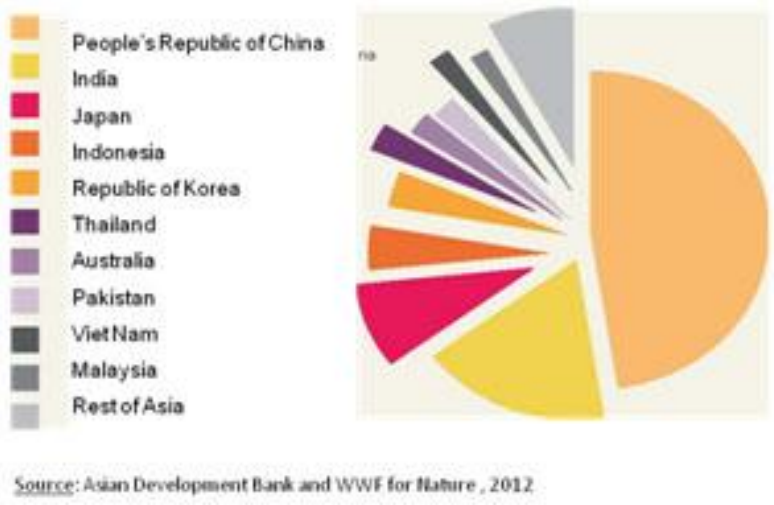
(Source*: Ahmedabad Mirror,* 3 October 2013)

3.3 Ecological Footprint: Asia-Pacific Region

The ecological footprint is an accounting framework developed by the Global Footprint Network to measure the amount of biologically productive land and sea area that humanity needs to produce the resources it consumes, provide room for its infrastructure and absorb its waste. The ecological consumption of footprints is measured in units called *global hectares* (gha) (ADB-WWF, 2012).[iii]

The ecological footprint of Asia-Pacific region of 1.6 gha per person is 60 per cent below the global average of 2.7 gha per person. However, there is a wide disparity between nations within the region. The per capita ecological footprint of Australia, the highest in the region is 6.7 gha per person, which is 14 times larger than that of Timor-Leste at 0.5 gha per person (ibid.). The ecological footprint of a particular nation is calculated by multiplying its per capita footprint by its population. The national ecological footprints of China, India, Indonesia and Japan together contribute more than 3 quarters of the total ecological footprint of the Asia-Pacific region (see figure 4)

Figure 4:
National ecological footprints as a percentage of the total Asia-Pacific footprint (2008)



Source: Asian Development Bank and WWF for Nature, 2012

While the average ecological footprint of the Asia-Pacific region is 1.6 gha, only 0.9 gha of bio-capacity is available per person in the region. The shortfall of 0.8 gha per person represents a 'bio-capacity deficit' that can only be made up by importing natural resources or by continuing to deplete natural capital (ibid.).

4.0 CSR as a Corporate Response

4.1 Evolution of CSR over the decades

Harvard professor E. Merrick Dodd was among the first to point out that corporate managers are responsible to the public as a whole and not just to the shareholders (Dodd, 1932). Howard Bowen, the 'father of CSR' advised corporate houses to "follow those lines of action which are desirable in terms of objectives and values of our society" (Bowen, 1953). CSR or ethical corporate behavior is rooted in the stakeholder theory which views business as socio-economic entities. A stakeholder is defined as "any group or individual who can affect or be affected by the achievement of the organization's objectives" (Freeman, 1984).

Another milestone in the evolution of CSR was achieved when Porter and Kramer (2002) argued for 'context focused CSR'. Organizations should find social needs that align with their particular expertise and should not simply throw money at good causes. In fact integrating CSR into core business can be a source of competitive advantage and has been referred to as 'strategic CSR' (Werther and Chandler, 2010).

According to Harvard Kennedy School, CSR encompasses *not only what companies do with their profits but also how they make them*. "It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm" (Harvard Kennedy School website, accessed 3rd September 2014).

With the growing importance of environmental issues and climate change there is a move to emphasize 'corporate environmental responsibility' (CER) and distinguish it from the conventional social responsibilities (Mazurkiewicz, n.d.). The 'triple bottom line' framework for corporate accountability and reporting (see section 4.4) further strengthens this move. The World Bank has replaced the term CSR with 'corporate environmental and social responsibility'.

The environmental aspect of CSR or CER is defined as "the duty (of corporate entities) to cover the environmental implications of the company's operations, products and facilities; eliminate wastes and emissions; maximize the efficiency and productivity of its resources and minimize practices that may adversely affect the enjoyment of the country's resources by future generations" (Mazurkiewicz, n.d.).

Hence the overarching thrust of CSR is for corporate entities to be conscious and responsible for the costs that they may knowingly or unknowingly impose on society and the environment, owing to the externalities generated by their business activities. Entrepreneurs that indulge in philanthropy while refusing to take cognizance of their

social and environmental externalities may therefore be perceived to indulge in the act of 'white-washing' or 'green-washing' as the case may be.

4.2 CSR: Human Rights and Labour

The traditional concept of only holding states and individuals responsible for abuses of human rights is increasingly being questioned leading many companies to link human rights to their CSR strategy. What is being witnessed is a new paradigm of company in which "respect for minimum international human rights standards has become an issue inextricably linked to the process of building a responsible company" (Mullerat, 2005). Companies are no longer being viewed as mere suppliers of products and services but as the new social, economic and environmental actors of a globalized economy whose production processes are being closely watched and monitored. As a result of increasing pressure from citizens and consumers, companies are being required to build their legitimacy and identity on the basis of respect for human rights, which is being increasingly seen as an integral part of responsible 21st century business and business leadership.

The International Labour Organization (ILO) has been working towards the realization of four core labour rights globally: the freedom of association, elimination of compulsory labour, elimination of child labour and the elimination of discrimination. While it cannot be disputed that these rights should be included as minimum CSR standards, an approach limited to just labour rights is insufficient and a broader approach that encompasses all basic human rights seems necessary.

4.3 Typologies of CSR

In 1971, the Committee for Economic Development proposed a typology of CSR in the form of three concentric circles. The innermost representing the core responsibility of a corporate entity focuses on its basic economic functions such as growth, delivery of products and provision of jobs. The intermediate circle encompasses responsibility to exercise this function with a sensitive awareness of changing social values and priorities such as respect for environmental conservation, hiring and relations with employees,

meeting more rigorous expectations of customers for information and fair treatment. The outer circle represents newly emerging and still amorphous responsibilities that would make a company actively involved in improving the social and ecological environments (Committee for Economic Development, 1971).

Sethi (1975) categorized corporate behaviour into three groups which broadly correspond to the three concentric circles of the Committee for Economic Development:

a) Social obligation, where corporate behaviour is a response to market forces or legal constraints;
b) Social responsibility, which implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values and expectations of performance; and
c) Social responsiveness, which focuses on the long-term role of corporations in a dynamic social system involving anticipation of changes that are likely to take place in the system in the future and take necessary action.

Corporate entities need to progressively move from meeting social obligations to becoming socially more responsible and responsive.

Carroll (1979) provided a similar hierarchy of CSR dividing them into four steps of economic, legal, ethical and discretionary. These can be broadly related to the earlier two typologies as shown in table 1.

Table 1: Typologies of CSR

Committee for Economic Development (1971)	Sethi (1975)	Carroll (1979)
Basic economic functions - growth, products, jobs	Social obligation	Economic, legal responsibility
Sensitivity towards changing social issues	Social responsibility	Ethical responsibility
Broad involvement in actively improving the social environment	Social responsiveness	Discretionary responsibility

4.4 CSR Reporting Initiatives

CSR reporting helps government, consumers and society at large to understand the CSR actions of a company. Various global CSR instruments are available:

- Global Reporting Initiative's (GRI) G4: Sustainability Reporting Guidelines (G4 Online, accessed 2nd September 2014)
- ISO 26000:2010 Guidance on Social Responsibility (ISO website, accessed 31st July 2014)
- United Nations Guiding Principles for Business and Human Rights (United Nations, 2011)

The United Nations Global Compact has drawn up ten important principles in the areas of human rights, labour, the environment and anti-corruption measures (UN Global Compact website, 2nd September, 2014), which enjoy universal consensus.

Triple Bottom line

John Elkington (1999) coined the term 'triple bottom line' in the 1980s to highlight the importance of accounting for non-financial aspects of performance in corporations. As stated by Elkington (ibid.), the triple bottom line "focuses corporations not just on the economic value they add, but also on the environmental and social value they add – and destroy". Triple bottom line has been popularized through the 3P model comprising of *profits, people* and *planet*, representing the economic, social and ecological

dimensions of an enterprise. Its major thrust is towards realizing accountability and transparency of corporate entities in terms of sustainability goals. It enables decision makers to quantify trade-offs between different facets of sustainability.

Triple bottom line is an effective instrument for monitoring progress on CSR goals and can be operationalized by both governments (see box 2) as well as corporate entities (see for example ITC Private Ltd's Sustainability report of 2010).

Box 2: Operationalizing triple bottom line at Government Level:

Example of the Australian Economy

A recent analysis of the Australian economy integrates financial data that describe the interdependencies between economic sectors with national, social and environmental accounts to construct numerate triple bottom line accounts for 135 discrete sectors.

- Financial aspects of performance can be expressed for example as amount of export earnings per dollar GDP.
- Social aspects such as employment can be portrayed as minutes of employment generated per dollar invested.
- Climate change aspects can be portrayed as kilograms of CO_2 emitted per dollar invested.

Source: Lenzen, Foran and Dey (2006)

4.5 CSR in Asia and the Pacific

CSR practices vary from country to country depending on the national culture and national priorities of the stakeholders. Japan has the highest performance on CSR where environmental issues, community involvement and employee relations are given the utmost priority. Japan leads all Asia-Pacific countries with 99 per cent CSR reporting comparable to that of UK, 100%. CSR reporting in other Asia-Pacific countries were significantly lower, e.g., China (60 per cent), Singapore (43 per cent) and India (20 per cent) (KPMG, 2011).

As per a study by Welford (2004) with regard to 'internal factors' performance of corporate entities in Asia and the Pacific was low compared to that of their counterparts

in Europe – particularly for fair wages, freedom of association and staff development. However with 'external factors' such as code of ethics, corruption, inspection of suppliers, fair trade and labour standards, the performance was comparable to that of Europe. The Republic of Korea emphasizes non-discrimination among employees and restriction on the issue of child labour by suppliers. Hong Kong and China, although very well developed as economies, trail behind others in external aspects (ibid.). In general SMEs are slow to adopt CSR instruments. The possible reasons include perception of losing competitiveness and perception that these activities belong to the realm of the public sector (ibid.).

CSR promoting agencies in the Asia-Pacific region

Several international agencies have emerged during the past two decades which focus on promoting CSR in the Asia-Pacific region through various networking and capacity building strategies:

i) *CSR Asia*: Founded in Hong Kong, China, in 2004, CSR Asia provides CSR information and tools to its members. It facilitates stakeholder dialogues and supports research and training activities (CSR Asia website accessed 3rd September 2014).

ii) *Asian Corporate Governance Association***:** Founded by corporate sponsors in 1999 with secretariat at Hong Kong, China, it focuses on effective corporate governance, research, advocacy and education (Asian Corporate Governance Assocaition website, accessed 3rd September 2014).

iii) *SAFoRB (South Asia Forum on Responsible Business*): SAFoRB was founded in Dhaka, Bangladesh, in 2007 as a civil society forum for NGOs to effectively engage with business. Its main focus is on developing respect for human rights (SAFoRB website, accessed 3rd September 2014).

iv) *PiC (Partners in Change):* Founded in 1995 to promote CSR in India, PiC focuses on building sustainable partnerships between corporate sector and social development initiatives (Partners in Change website, accessed 2nd September, 2014).

CSR in India

In order to promote CSR, the India Companies Bill (2012) has made it mandatory for companies to earmark and spend 2 per cent of the average of profits made during the three immediately preceding financial years in pursuance of their CSR. This is applicable to companies with: i) net-worth above Rs. 500 crores, or ii) annual turnover of over Rs. 1000 crores, or iii) net profit of Rs. 5 crores, in a single fiscal year. It also states that CSR activities of companies should be directed in and around the area in which the companies operate and from which they draw their resources to generate profits.

However, CSR is yet to grow in India. *CSR 10 India Index* (2012) which tracks the performance of the businesses in terms of their CSR expenditure indicates that among the top 10 companies only Tata Steel spends more than 2 per cent of its profit after tax on CSR as mandated by the new law in 2012 (Tiwari and Shukla, 2013). Also, only 16 per cent of the top-100 listed firms in India have any corporate responsibility strategy in place (Business Standard, 2013).

On the other hand, the Confederation of Indian Industry (CII) and India's philanthropic community are opposed to making CSR mandatory. "Companies may resort to camouflaging activities to meet such regulations, particularly during recessionary periods and economic downturns" (Indian Knowledge @ Wharton, 2012). The Ministry of Corporate Affairs of India has issued 'The Corporate Responsibility Voluntary Guidelines' in 2011 to enable companies to integrate social, environmental and ethical responsibilities into governance of business and thereby ensure long-term success, competitiveness and sustainability. More recently the Ministry of Environment and Forest of India has developed separate guidelines for institutionalizing "Corporate Environmental Responsibility" (MoEF, 2012).

Governments will need to strike the right balance between mandatory and voluntary approaches depending on their socio-ecological contexts and the evolution of corporate environmental and social responsibility in their respective countries.

5.0 Socially Responsible Investment as a Corporate Response

5.1 Leveraging Investor's Power

Socially Responsible Investment (SRI) can be seen as a parallel initiative to CSR that leverages the 'power of the investor'. It is defined as "an investment process that seeks to achieve social and environmental objectives alongside financial ones" (UNESCAP, 2011). SRI should lead to inclusive and sustainable development overall and not just economic growth.

The impetus for adopting SRI in a major way has come from global networks and bodies such as the United Nations. Some of the important guiding principles and declarations that have and continue to influence SRI across the world including the Asia-Pacific region are:

- UN Principles for Responsible Investment - set of six principles (UN Principles for Responsible Investment website, accessed 3rd September 2014);
- UN Global Compact (set of 10 principles pertaining to human rights, labour, environment and anticorruption);
- International Finance Corporation's mission to promote sustainable investment in developing countries (IFC website accessed 3rd September 2014); and
- UNESCAP's initiatives such as Investors for Development (I4D) project and the Asia-Pacific Sustainable Business Network (UNESCAP, 2010).

The main activities under SRI can be listed as follows:

- *Indexes*: Stock market indexes such as *Dow Jones Sustainability Index* and the *FTSE4Good Index* are designed to guide the investor;
- *Ratings:* Ratings serve similar function such as the Green Leaf ratings of companies in India of selected sectors which work on voluntary disclosure. This

is organized periodically by Center for Science and Environment in New Delhi; and

- *Funds:* Investment Funds offering portfolios of socially responsible financial products. A recent report highlighted that alternative energy mutual funds in the United States have outperformed all other mutual funds in the country (Roen, 2013).

Similar results could be obtained in the Asia-Pacific region through heightened awareness amongst investors.

5.2 SRI in the Asia-Pacific Region

About 150 SRI related funds in Asia and the Pacific worth USD 20-30 billion are in operation. Japan is at the forefront of such initiatives; however, SRI funds still account for a negligible part of Japanese market (2 to 3 per cent) as compared to the United States (15%) and United Kingdom (12%). There is a limited interest so far of Asia-Pacific companies to be listed on socially responsible financial market indices (Debroux, n.d.). Druk Holdings and Investment in Bhutan, 2007, is a notable exception. This is the investment arm of the Royal Government of Bhutan which has a policy to encourage and pursue CSR in each investee company. It helps the corporate sector to conform to the wider *Gross National Happiness* policy of the Government (UNESCAP, 2011).

It is worth noting that individual corporations from different countries within the Asia-Pacific region are members of the *Equator Principle*. The signatories of the Equator Principle commit themselves not to provide loans to borrowers who are unwilling to comply with agreed social and environment policies. The Industrial and Commercial Bank of China and the Australian Export Finance and Insurance Corporation are influential financial players in their respective countries who are members (Equator Principles website, accessed 5th September 2014).

SRI Agencies in the Asia-Pacific Region

The following international agencies are active in the sphere of SRI in the Asia-Pacific region:

- *Association for Sustainable and Responsible Investment in Asia (ASrIA):* Established by Tessa Tennant and David St MaurSheil in Hong Kong, China, in 2001, ASrIA has grown to be a membership based association amongst the Asian and international financial community. ASrIA engages with governments, stock exchanges, corporate entities and the financial industry as a whole to encourage sustainable and responsible investment practices across Asia (ASrIA website accessed 1st September 2014).
- *Asia Investor Group on Climate Change (AIGCC):* Established in 2011 by ASrIA the AIGCC offers Asia-specific tools, resources and research to its members. It also provides a platform for financial institutions to share best practices and collaborate on investment activity, risk management and policy advocacy (AIGCC website, accessed 5th September 2014).

6.0 Social Business as Corporate Response

Unlike CSR, CER and SRI which are indirect approaches to achieving social and environmental responsibility, 'social business' has the greatest potential for bringing about change because of its direct approach. We now take a closer look at the emergence of this recent phenomenon.

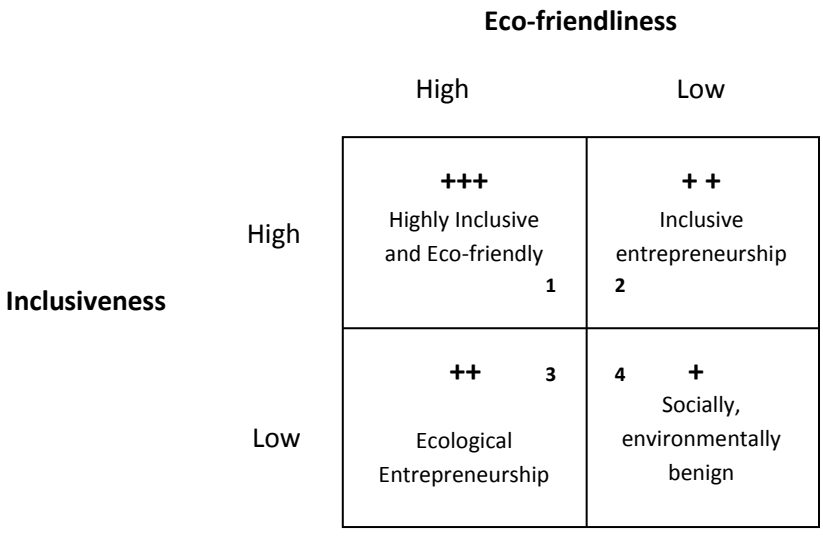
6.1 Understanding Social Business

Nobel laureate Muhammad Yunus (2006) defined a social business as "a business created and designed to address a social problem". He described a social business company as a non-loss, non-dividend giving entity. Such a company is financially self-sustainable. Profits realized by the business are reinvested in the business itself (or used to start other social businesses), with the aim of increasing social impact by expanding the company's reach, improving the products or services or in other ways supporting the social mission. Unlike a profit-maximizing business, the primary aim of a social business is not to maximize profits (although generating profits is necessary for survival and growth and to sustain the social mission). Furthermore, business owners do not receive any dividend out of the business profits. This understanding is broad

enough to also include eco-friendly business or green business which may also be seen to be pursuing a social mission since preserving the environment entails survival of living beings on planet earth.

The matrix formed by the two variables of inclusiveness and eco-friendliness provides a typology of social business as shown in figure 5. The first cell includes companies which are designed to be simultaneously inclusive and eco-friendly. These may be considered socially most responsible and therefore most desirable. The second and third cells refer to inclusive and ecological business respectively. The fourth cell includes business enterprises that are socially and environmentally benign but which nevertheless provide valuable goods and services to society. In the context of entire industries being eco-unfriendly, a business that is non-polluting while providing valuable services to society may also be perceived as being eco-friendly as it displaces eco-unfriendly business from the market place.

Figure 5: Framework for assessing social business



Source: Self-compiled

Researchers are yet to evolve sophisticated tools to measure the extent of inclusiveness and eco-friendliness. Can the treatment of watersheds in one part of the country compensate for overexploitation of groundwater in another part? Can exploitation of miners by the same group of companies, be compensated for by modern health facilities for employees in another unit elsewhere? Can companies claim that

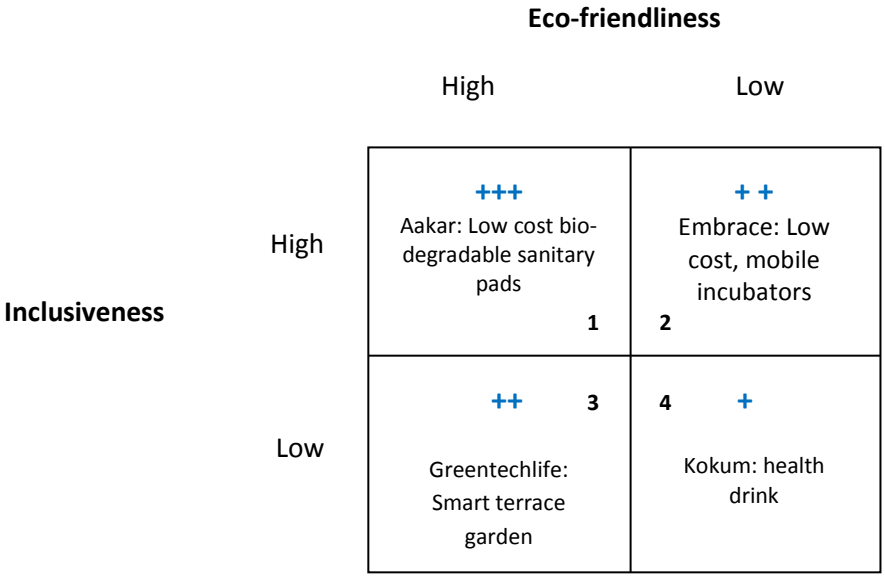
they are 'carbon positive' or 'water positive' by calculating the net usage or contribution to a resource? Hence the challenges involved in moving forward are those of calibration, setting of standards, monitoring progress and reporting performance on these standards. It is also about developing consensus on the "non-negotiable" norms of social behavior.

For the time being a crude distinction can be made of 'high' versus 'low' based on the extent of potential impacts created either in protecting the environment (eco-friendliness) or in promoting a more just society (inclusiveness) as indicated in the matrix in figure 5.

6.2 Social Business in Action: Some Examples from India

That social business is taking root in India can be seen from various reports that keep appearing in the media on a regular basis. The *Business Outlook* news magazine of India has published more than 125 case studies of startups of what it considers 'good business' (read social business) in its annual issues of the past five years (2009 to 2013). The examples provided below from various reports are selected more to serve as illustrations of the various categories described above rather than to demonstrate best practices (see Figure 6).

Figure 6: Framework for assessing social business - Illustrations



Source: Self-compiled

Cell 1 (both inclusive and eco-friendly)

Aakar[iv] is a social enterprise of a young entrepreneur Sombodhi Ghosh, being incubated by the social incubator Aarohan Ventures at IIM in Ahmedabad. In India more than 300 million women do not use sanitary pads due to ignorance and poverty. Consequently many of them suffer from diseases such as toxic shock syndrome, cervical cancer and reproductive tract diseases. In addition, 23 per cent of adolescent girls drop out from school during menstruation. To address this social issue in an eco-friendly manner Aakar has developed India's first affordable and biodegradable sanitary pad. Aakar proposes to promote local entrepreneurship by providing machinery and raw materials to women's self-help groups to produce and market the pads locally. By 2018, the goal is to generate 11,000 jobs and have 6 million women beneficiaries.

Aakar's strategy mimics that of a highly successful social business entrepreneur of the nineties. Ms. Hemangee Jambhekar popularized 'vermicompost' making amongst the women's self-help groups as well as farmers' groups in a bid to restore the ecological health of Indian agriculture. Instead of selling vermicompost to farmers she decided to provide earthworms and the practical knowledge which would enable them to make their own compost locally (Pastakia, 1998). Twenty years later vermicomposting can be found across the length and breadth of the country. The social impact of this unique intervention is enormous not only in terms of restoring the health of the soils but also providing opportunities for self-employment to lakhs of poor women in rural areas.

Cell 2 (entrepreneurship for inclusive development)

Embrace is a startup launched in 2011 in Bangalore, India, by Jane Chen and Razmig Hovaghimian, both alumni of Stanford Graduate School of Business. Embrace has developed an innovative low cost infant warmer for vulnerable babies in developing countries whose parents lack access to incubator services. Every year more than 20 million low-birth-weight and premature babies are born around the world. More than 4 million babies die within the first month of life mainly due to a lack of incubation facilities.

Embrace's solution costs a fraction of the regular incubator ($25 versus $20,000) and works without a continuous supply of electricity. It uses innovative wax incorporated in a sleeping bag to maintain temperature which remains constant for up to a period of six hours. An additional advantage is its portability which makes it accessible to remote rural areas. Currently the product is being distributed in clinics in South India. The company is developing partnerships with several multinationals to distribute the product more widely (Embrace website, accessed 2nd September 2013).

Bio-sense, a social business created by Abhishek Sen and Yogesh Patil, two young doctors in India, has created a non-invasive instant test for anemia that safeguards maternal health. The innovative device called TouchHb runs on AA batteries and has a price advantage of 15 times over conventional equipment that costs about Rs. five lakhs. The global market for the device can be gauged from the fact that 1.6 billion people worldwide are anemic (Shanker, 2013).

Cell 3 (ecological enterprise)

This includes green enterprises with a mission to substitute eco-unfriendly products and processes, or to directly provide services that either mitigate or ameliorate environmental externalities. These enterprises are not designed to reach out directly to the poor. However by addressing the problem of environmental externalities and climate change they do indirectly benefit the poor.

A good example is 'rooftop gardening'. This unique way of gardening is helping American cities like Chicago and New York City to lower city temperatures and address the issue of climate change while simultaneously producing organic food (WESA website, 2013). The idea is yet to capture the imagination of urban rich and middle-class people in India and the Asia-Pacific region. However social entrepreneur Arijit Mitra who started Greentechlife in 2009 at Bengaluru has made news with his "Smart Garden" a specially designed modular terrace garden to cultivate organic food. While servicing his customers he realized the need for providing low cost organic compost leading to the development of another innovative product "Smart Bin". A Smart Bin kit

helps the terrace farmer to convert kitchen waste into high quality compost within eight weeks. Inspired by the Japanese method of fermenting waste food, the system uses "Bio Bloom" an innovative microbial product developed from rice or wheat bran (Majumder, 2014).

Dubdengreen is an enterprise founded by Ganesh and Jayashree Joshi Eashwar, among the pioneers of organic farming movement in India. Twenty years ago they set up an organic farm near Bengaluru. In 2003 they opened their Dubdengreen store in Delhi. Dubdengreen stores in Delhi and Bengaluru offer a range of breakfast cereals, jams, honey, tea, artisanal coffee and fresh bread. They also stock organic spices, rice, eco-friendly soaps, detergents and personal care products which can be ordered online (*Civil Society,* 2014)

Cell 4 (Companies that are benign while providing valuable goods and services to society):

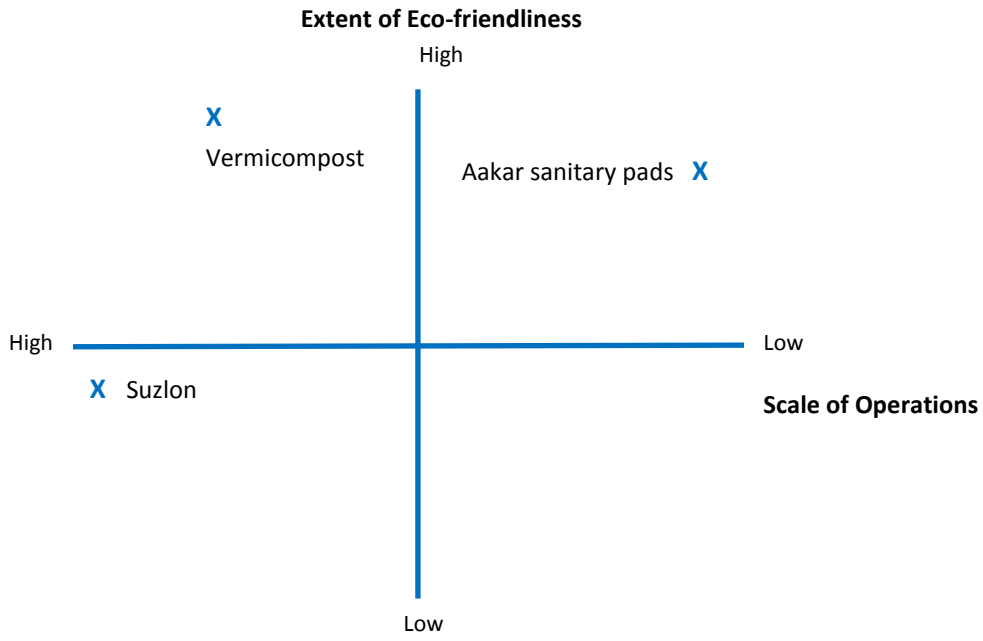
Kokum (*Garcinia indica*) a fruit endemic to the Western Ghats in India is known traditionally for its many useful medicinal properties. It is an anti-cholesterol and anti-obesity food additive. It also has two important antioxidants – garcinol and xanthones. The former is an anti-cancer agent that promotes digestion. The latter strengthens the heart, is anti-inflammatory and contains Vitamins B, C, potassium, manganese and magnesium. Kokum is still a relatively unknown fruit outside its home states or even districts. Just about 30 per cent of the fruit is used locally while the rest is wasted. The reasons include onset of monsoon during harvest season, absence of enough industries and problems in harvesting and in post-harvest processing. The partnership between two NGOs in India the Western Ghats Kokum Foundation and Konkan Nisarg Manch with Kim LaPaglia, a social entrepreneur in the US has resulted in the creation of a value chain that exports kokum rind to that country. Kokum is being promoted as an organic chemical-free drink in the US. It is easy to make as dry rind soaked in water at room temperature will release all its flavor and nutrients. It can be enjoyed both hot and cold. Plans are afoot to develop a range of new health products from the fruit including

tea powder which can be sold in convenient tea bags. The farmers producing this fruit are benefiting from better price realization (up from the prevailing price of Rs 40-60/kg to Rs 80/kg.) This initial benefit may not sustain unless the farmers get organized with the help of the NGOs and become true partners in the future development of the value chain. Similarly the product and processes may not remain eco-friendly if a conscious effort is not made to follow organic/natural methods of production and processing (Padre, 2014).

Considerable progress has been made in the field of alternative energy. The Suzlon Group, headquartered in Pune, India, for instance, is ranked as the world's fifth largest wind turbine supplier in terms of cumulative installed capacity and market share as of 2013. The company boasts of over 24,200 MW of wind energy capacity installed, with operations across 30 countries all over the world (Suzlon website, accessed 28th July 2014). By harnessing wind as an alternative source of energy, the company helps society to shift to a more sustainable form of energy which is not polluting.

It may be clarified here that the typology brings out the theoretical potential of each category. The actual impacts realised in the field would depend upon a number of other factors, notably scale of operation and efficiency in implementation. Hence Suzlon, which has theoretically low environmental impact as it is ecologically benign, has in fact a huge impact on the environment due to its scale of operation, which is spread over 30 countries. This is akin to the "low margin-high volume" market segment in conventional business – as opposed to "high margin-low volume". Hence, the impacts on the ecology can be measured by the matrix shown in Figure 7.

Figure 7: Impact as an outcome of design and scale of operations



Source: Self-compiled

In the figure, vermicomost activity has the maximum impact because it is highly eco-friendly and at the same time has diffused across the length and breadth of the country. Aakar on the other hand is a start-up which is yet to realize its potential. Once it scales up its operations it will move into the first cell right next to vermicompost making. A similar matrix can be constructed for impact on inclusiveness using the variables of "extent of inclusiveness" and "scale of operations". (An implicit assumption being made here is that the quality of implementation is not compromised with increase in scale of operations.)

6.3 Business Development Services for Social Business

To be effective social business startups should be supported by an ecosystem of support agencies providing both financial services as well as 'business development services' (BDS). BDS includes services such as training, technology transfer, marketing

assistance, business advice, mentoring, and information provision, typically provided by technology/business incubators (Goldmark, 1996). They are often also called 'non-financial services' and offered in conjunction with credit and other financial services (Goldmark, 1996). Linking SRI and CSR in providing this much needed support to young entrepreneurs for both financial and non-financial services can boost their efforts in a major way and improve the chances of success.

There are two principal ways in which BDS can be delivered - the "traditional development" approach or the newer "market development" approach. While the former consists of constant handholding and investment in developing capacities of the fledgling enterprise by civil society organizations, the latter approach emphasizes stimulating market players to provide various services to MSMEs on a commercial basis (UNDP, 2004). Both approaches have their pros and cons and can be pursued simultaneously as these are not mutually exclusive. The ultimate mix of approaches would depend on the local context.

6.4 BDS for Social Business in India

Based on the special issues of *Business Outlook* magazine, a database of 65 startups was developed and analyzed to understand the emerging patterns of social business in the country as well as the eco-system of support institutions available to social business start-ups.

The pattern of funding shows that social business entrepreneurs rely on a wide range of funding from personal funds including family (44 per cent) and friends (16 per cent) to angel investors and venture capital funds (40 per cent). Significantly funding from banks (16 percent) and government (11 per cent) was rather low. Prize money (12 per cent) and incubators (seven per cent) indicate that the ecosystem for BDS in India is still in a phase of development.

India is fortunate to have a vibrant civil society environment. The ecosystem for supporting social business innovations and entrepreneurship is just beginning to

develop. Some of the better known social business incubators and accelerators include Aarohan Ventures, New Ventures India, Villgro, Dasara, Deshpande Foundation, Khosla Labs, RTBI – IITM's Rural Technology and Business Incubator and UnLtd India. While it is premature to make an assessment of the performance of these institutions, many of the successful social business entrepreneurs reported in the media have accessed these at some point of their journey (as reported in the various case studies of *Business Outlook*).

Aarohan Ventures a social venture fund of USD 20 million hosted by the Indian Institute of Management, Ahmedabad IIMA, has currently 20 social businesses being incubated. It provides seed investments of up to USD 200,000, support through mentors and experts and further funding of up to USD 1 million as follow-up (Aarohan website, accessed 15th September 2104).

New Ventures India is a joint initiative of the CII-Sohrabji Godrej Green Business Centre, Hyderabad and the World Resources Institute, Washington DC. It is reportedly the first programme in India to catalyze the development of sustainable enterprises. It focuses on poverty alleviation and environmental protection through sustainable business growth. The selected entrepreneurs receive pro-bono consulting through New Ventures India's mentors' network and present their business plans at an Investor Forum. In addition, New Ventures India organizes regular training programmes and sector based workshops (CII-Sohrabji Godrej Green Business Center website, accessed 15th September 2014).

A unique development during the past 25 years is the growth of "Honey Bee Network" initiated by an SRISTI, an NGO promoted by Prof. Anil Gupta of the Indian Institute of Management. The network helps to identify and give a voice to "grassroots innovators", mostly from the rural countryside. These innovators developed their own solutions using their own ingenuity to solve local problems. Most of the innovations developed by them are green and inclusive since these are developed by people who live close to nature and depend on natural resources for their survival. These innovations are highly cost

effective as they make frugal use of resources. The solutions developed by them may often have wider application across the boundaries of geography and culture. SRISTI helps them to develop prototypes and scale up their innovations or to diffuse them in other places. Those innovators who wish to develop their own enterprise are also supported through micro-venture capital funds. Since the turn of the century, the 'Honey Bee model' was scaled up at the national level through the National Innovation Foundation, which regularly organizes award functions to recognize the achievements of grassroots innovators and entrepreneurs for sustainable, inclusive development. The SRISTI/NIF database has over 200,000 innovations recorded over the past two and half decades[v] (SRISTI and NIF websites, accessed 15th October 2014).

7.0 Towards an Integrated Framework for Socially Responsible Business

7.1 Exploiting Synergies between Different Approaches

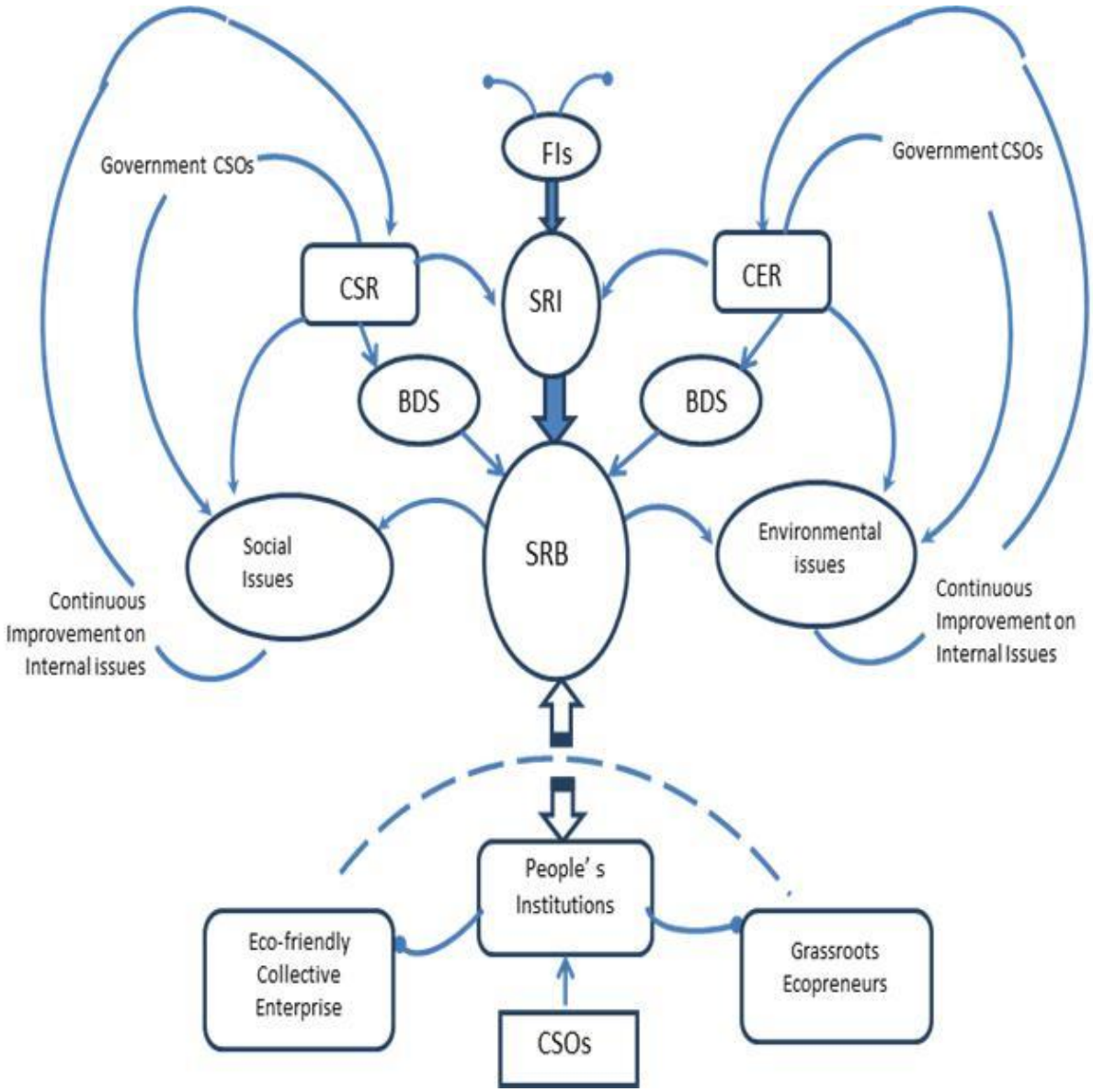
While the essential nature of CSR (including CER) is to minimize, mitigate and ameliorate the harm done on account of negative externalities of the business enterprise, more recent approaches such as SRI and social business are more proactive and seek to address social and environmental issues directly, leading to greater social change. In the past all these approaches have been pursued independently. There exists a large untapped potential for exploiting the synergies between these approaches by bringing CSR, SRI and BDS to support social business.

The term "socially responsible business" as distinct from CSR is yet to gain currency. It can be simply defined as "a for-profit venture that seeks to leverage business for a more just and sustainable world" (Wikipedia, accessed 30th July 2104). As such this definition is broad enough to encompass the entire range of corporate responses discussed in this paper that seek to address the twin challenges of inclusiveness and sustainability.

The combined response under the banner of "socially responsible business" (SRB) can be visualized as a butterfly that rises on the wings of CSR and CER (figure 8). The main body of the butterfly including the head, thorax and abdomen may be represented by the financial institutions and other investors (FIs), SRI schemes and social business

(SB) ventures respectively. These ventures directly address social and environmental issues through their enterprises. Group companies too are known to adopt this route by investing in new social business ventures/subsidiaries and gradually transforming their portfolios towards more responsible businesses (Jose, 1996).

Figure 8:
Towards an integrated framework for inclusive sustainable business promotion



Key: FI = Financial and other Investors; CSR = Corporate Social Responsibility; CER = Corporate Environmental Responsibility; BDS = Business Development Services; SB = Social business; CSO = Civil society organisation

Source: Self-compiled

CSR and CER money can be used to either invest in social business through SRI or support social business through non-financial services as discussed under BDS. This support can be extended to a social business owned by the same group or an unrelated company. Such an integrated approach calls for a reorientation of corporate entities and redefinition of the very nature and purpose of business, putting social and environmental goals ahead of the goals of profit maximization. Here, profit is important to remain in business but it becomes a means to a larger end.

7.2 Building Partnerships for Inclusive Sustainable Development

Creating inclusive societies through business is easier said than done. Above all, it calls for reaching out to the world of the have-nots. Social business entrepreneurs and their institutions will need to engage with people's institutions and build strategic partnership with them in their quest for a more equitable society.

Experiences from India have shown that strategic partnerships between social business and people's institutions (including collectives, eco-friendly and grassroots enterprises) have made it possible to create inclusive value chains, also referred to as "pro-poor value chains" (see Pastakia, 2012). These partnerships represent the interface between the two worlds of the 'have-lots' and 'have-nots'. To be successful such a partnership should be based on the principles of empowerment and mutual respect. Such partnerships have tremendous transformative potential and can serve to bridge the gulf between the rich and poor by providing a common vision of inclusive and sustainable development.

The 'e-Choupals' created by ITC Limited, in India is a case in point. These are village level information communication technology enabled service centers that provide farmers with the latest prices and a host of other farm related information services that enable them to improve productivity as well as profitability. As per the information accessed from the company website, currently e-Choupals serve 40,000 villages and 4 million farmers, making it the world's largest rural digital infrastructure created by a private enterprise (e-Choupal, accessed 30 July, 2014)

A unique partnership between SRISTI and grassroots innovators in India and Jomo Kenyatta University of Agriculture and Technology (JKUAT) in Kenya has been forged to facilitate farmer-to-farmer diffusion of grassroots innovations from India to Africa. SRISTI identified three Innovations from India that could potentially boost farm productivity in Africa in a very significant way. These include a three-wheeled mini-tractor made from recycled spare parts of used automobiles, a frugal hand operated seed dibbler and a multipurpose food-processing machine. Initial demonstrations in two regions of Kenya created a lot of excitement among the farmers in Kenya, who are eager to adopt the technology with some adaptations. The project initiated in October 2013, will now need new partners in Kenya and India to help manufacture the innovations adapted specifically to the conditions and needs of Kenyan farmers.[vi]

In this context it is worth mentioning the pioneering role of the SEED Initiative supported by a partnership of three UN agencies – UNEP, UNDP and IUCN. Initiated in 2002, SEED seeks to promote the still largely unrecognized potential contribution of 'triple bottom line' start-up enterprises to sustainable development. The SEED Programme aims at supporting social and environmental enterprises and providing insights to policy makers to stimulate a more enabling framework for those. Every year SEED gives out Awards that not only provide prize money but also a tailor-made package of support for the promising enterprises. A couple of examples of Award Winners are given below that show the kind of partnerships that are being encouraged (SEED Initiative, accessed 15th September 2014):

i) Himalayan Oregano Oil and Sustainable Livelihoods against MRSA virus: The partnership comprising local business Biolaya Organics Pvt Ltd, Jagruti an NGO and the University of the West of England Bristol, UK, have identified an essential oil from high altitude Himalayan oreganoas an antimicrobial agent that works against 'super bug' methicillin-resistant staphylococcus aureus (MRSA). The partners intend to develop a fair-trade product that will use the oregano oil that could be used in hand soaps and surface

disinfectants to prevent the spread of hospital acquired infections including MRSA (ibid.).

ii) Pollinate Energy India: This enterprise is based on the premise that energy poverty is not a technology problem. Rather, it is a distribution problem. Pollinate Energy fills this gap by training local people in technical and entrepreneurial skills and supporting them as they build clean energy micro-franchises. These franchises service urban slum residents with clean energy products such as solar systems and smokeless cook-stoves. The partners consist of Pollinate Energy India that leads the operations in India and is responsible for training micro-entrepreneurs along with Parinaam Foundation, a local NGO. Pollinate Energy Australia provides support with day-to-day operations, finance, logistics and training (ibid.).

The ecosystem for social business in India and other Asia-Pacific countries would benefit greatly by learning from such models and developing similar models adapted to their own situation, in order to accelerate the pace of social business in their countries.

7.3 Reorienting Conventional Business

When it comes to key sectors that contribute to the industrial growth, such as iron and steel, power and infrastructure, it may appear that the associated environmental and social costs are unavoidable. However, much can be done to minimize these costs and eliminate them over a period of time. Where this is not possible, companies may take recourse to compensatory action. Whether or not a given society accepts these actions as valid indicators of social responsibility depends on where they draw the boundaries of social acceptance.

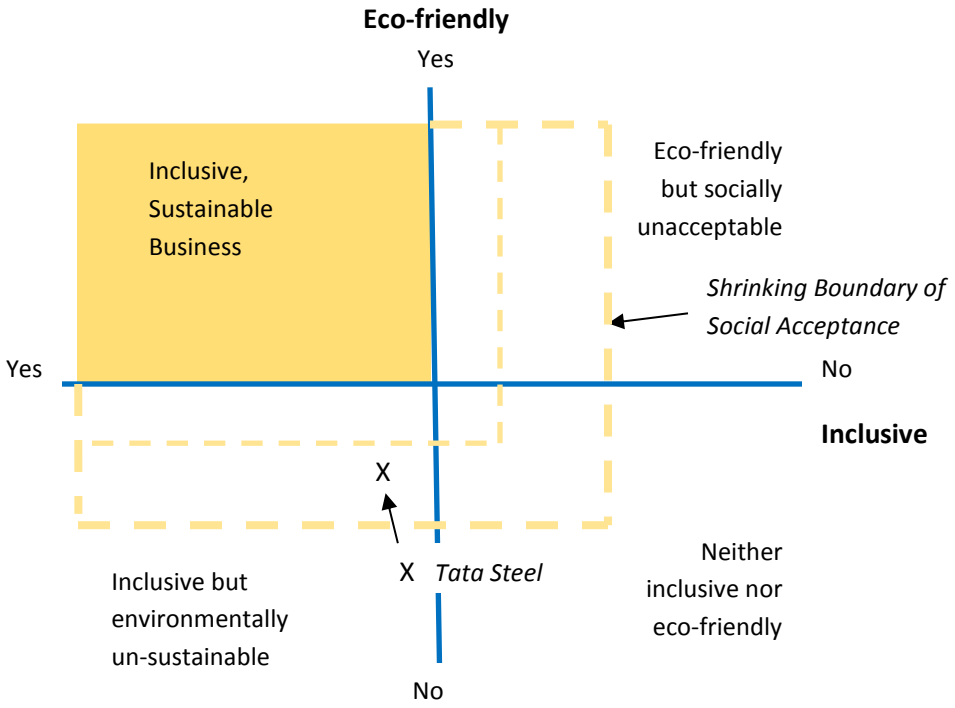
Tata Steel, the century old producer of iron and steel in India decided to take every expansion as an opportunity to strive for higher levels of sustainability. According to its 13th Corporate Sustainability Report (2012-13), the latest expansion of 2.9 million tonnes per annum which took the total capacity to 9.7 tonnes per annum, helped to add new eco-efficient products to its portfolio while using fewer natural resources, less

energy and less water per tonne of steel produced. A few highlights from the report serve to vindicate these claims:

- Energy consumed per tonne of crude steel produced is 6.08 giga calories (2012-13) having improved by 20 per cent during the past six years
- Captive power plants running on waste gas totaling 140 MW out of an overall power need of 450 MW have been established
- Tata Steel now uses 6 per cent of scrap in making steel
- The blast furnace slag from iron production goes into making cement. The company is interested in using the slag from steel as an input for road construction, pending government permission.
- A 45 acre botanical garden has been established at Noamundi mines to compensate for the loss of vegetation and spread of dust as a result of mining (ibid.).
- Carbon dioxide emission stands at 2.4 tonnes per tonne crude steel which is the best in India while the global benchmark is 1.7-1.8 tonnes per tonne of steel produced

How does society mould its judgment about the acceptability of corporate businesses that provide valuable goods and services for the nation but which suffer from environmental and social externalities to a certain degree? The degree of tolerance would depend on among other things, the general awareness among the public, the societal norms and value system and most importantly, political will. These are of course subject to international pressures and influences from demonstration of best practices. Figure 9 shows the shrinking boundaries of acceptance within developing economies with the growing awareness about sustainability and inclusiveness issues, which should serve as an incentive for more and more enterprises to reorient themselves, even as a hundred year old company has demonstrated[vii].

Figure 9: Shrinking Zone of Acceptance



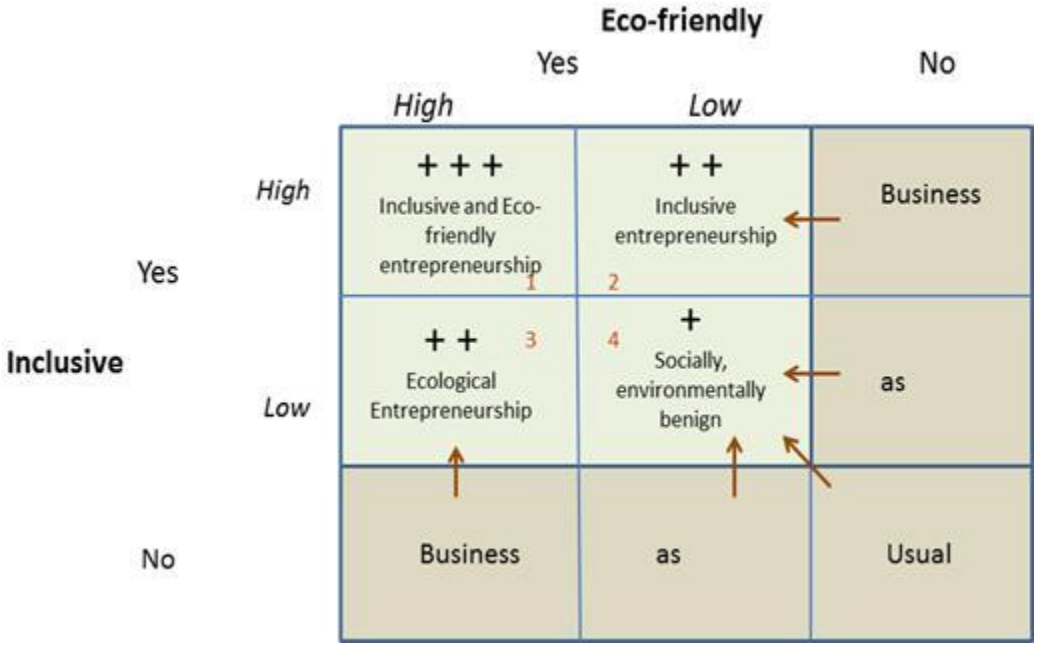
Source: Self-compiled

7.4 Typology of Socially Responsible Business

Based on the discussion so far one can identify two streams of business working towards the goals of sustainability and inclusiveness: a) social business (mostly startups and new entrants, although not restricted to these) and b) conventional business that have adopted measures to move progressively towards the goals of sustainability and inclusiveness. Hence the complete matrix of SRB can now be presented as shown in figure 10. In the figure the first four cells represent the four categories of social business discussed earlier. The darker cells represent 'business as usual companies' that are now trying to make an effort to reorient and make themselves more responsible by setting progressively higher triple bottom line goals. They may choose to do so in a variety of ways:

a) Product and process innovation that make their production and product lines more eco-friendly (e.g. salt produced by Tata Chemicals is now fortified not only with iodine but also with iron to address the problem of high rate of anemia among women in India) (Tata Chemicals, accessed 15th September 2014).

Figure 10: Typology of Socially Responsible Business



Source: Self-compiled

b) Investment in treatment plants that seek to minimize effluents and emissions if not eliminate these completely. Here the idea of "industrial ecology" may be propagated wherever feasible[viii].
c) Investment in new technology that is less polluting and more efficient (e.g. CFC free refrigeration technology)
d) Influence the supply chain to adopt more sustainable and inclusive practices
e) Procure better quality raw-materials to reduce downstream pollution (e.g. using coal with less sulfur content reduces sulfur dioxide emissions)

f) Recover resources from waste and either reuse these resources or develop innovative by-products (e.g. Tata Steel using scrap to manufacture steel, slag to manufacture cement and waste gas to manufacture power)

g) Use CSR funds to invest in new subsidiaries/ product lines that address new challenges of responsible business (e.g. Tata Swach, a subsidiary of Tata Chemicals, which manufactures low cost water purifiers using nano-technology targeted mainly at rural areas with drinking water quality problems (Tata Swach, accessed 15th September 2014)

8.0 Conclusions and Recommendations

The state of poverty as well as the trends in global warming and depletion of natural capital in the Asia-Pacific region warrants urgent attention of governments as well as the private and public sector companies. The response from the corporate world, which is largely driven by the profit motive, is both slow and inadequate.

The paper traces the evolution of three different approaches adopted by corporate businesses to address these challenges (CSR, SRI and social business) before arguing for an integrated approach that exploits the potential synergies between these approaches. An integrated framework for creating socially more responsible business is presented. Under this framework, it is suggested that CSR money could be directed towards SRI as well as BDS and linked to social businesses that are in fact making the biggest change by directly addressing the challenges of inclusive sustainable development.

The paper also presents a typology of socially responsible business that comprises of social business as well as conventional business that is trying to reorient itself and progressively move towards the goals of sustainability and inclusiveness. Social business is further classified into four different categories depending on its mission. The paper clarifies that ecopreneurship or green business is as much a part of socially responsible business as inclusive business. Inclusive business cannot hope to be

sustainable without being eco-friendly or at least benign. In the same way green business that is exploitative cannot hope to be acceptable in society for long. The most desirable situation is one in which business is simultaneously inclusive and eco-friendly. A number of examples from the Indian context have been provided which would be of relevance in other Asia Pacific countries that are struggling with similar issues of poverty eradication and environmental sustainability. The importance of building social capital of communities of poor producers and partnering with them to build pro-poor value chains is highlighted.

Eco-friendly thinking can be popularized through promotion of simple heuristics (thumb-rules). Among the most popular heuristics of ecopreneurship are the 3Rs of reduce, reuse and recycle. However, as shown in a recent study, ecopreneurs are known to use more than a dozen such heuristics including relocate, reincarnate, remanufacture, redesign, recover, retire and revive. These need to be popularized not only amongst entrepreneurs but also amongst consumers, investors and the general public (Pastakia and Joshi, 2013).

Societal values of equality, justice and fraternity enshrined in the Constitution of India and in those of other Asia Pacific countries need to be reinforced through educational institutions and systems. This would go a long way in the creation of more inclusive societies.

The importance of building bridges between the worlds of the ‘have-nots’ and the ‘have-lots’ through strategic partnerships between social business and local institutions owned and managed by the communities of poor producers is highlighted. Examples and experiences of building “pro-poor value chains” are few and far between. More research is needed to learn from these experiences so that they could be replicated in a bigger way and in sectors where poor producers are actively engaged.

There is a need for governments and international organizations to facilitate the creation of an eco-system for supporting social business start-ups, which may include social

incubators, social venture capital and angel funding for social enterprise. Large corporations need to be sensitized to gradually shift their portfolios to include more social businesses.

The ecosystem for social business in India and other Asia-Pacific countries would benefit greatly from replicating and adapting the SEED Initiative jointly supported by IUCN, UNDP and UNEP in order to accelerate the pace of social business in their countries.

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Endnotes

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[ii] The paper provides four categories. However, 'regulating' and 'supporting' services have been merged into one category for our purpose as the distinction is largely technical.

[iii] A productivity weighted area is used to report both the bio-capacity of the earth and the demand on the bio-capacity. The 'global hectare' is normalized to the area-weighted average productivity of biologically productive land and water in a given year.

[iv] Personal communication

[v] Personal communication with Prof. Anil Gupta; the author was among the founding members of Honey Bee network.

[vi] Personal communication with members of SRISTI; the author is involved in process documentation of the initiative as an external consultant.

[vii] The boundary shown in the diagram is only illustrative and would change from country to country and over time. The position of Tata Steel within an illustrative boundary for India is again based on the perceptions of the author and not based on any empirical study.

[viii] The idea of industrial ecology suggests that the waste of one industrial unit could become the resource of another, thereby minimizing the overall waste and pollution in a given cluster of industrial units. It was first propagated by Robert Frosch and Nicholas Gallopoulos in 1989 in an article in *Scientific American*.