
“IS SOCIAL FINANCE A KEY TO PROMOTE SUSTAINABLE DEVELOPMENT”

Mrs. Barkha Rajeev Doulatramani

Global Business School & Research Centre (GBSRC) Dr. D.Y. Patil, Vidyapeeth, Pune.

(2nd International Research e-Conference) December 2020

Specialisation: Financial Management

Dr. Harshal Raje

Global Business School & Research Centre (GBSRC) Dr. D.Y. Patil, Vidyapeeth, Pune.

(2nd International Research e-Conference) December 2020

Specialisation: Financial Management

Abstract

It is high time that the societal goals, namely environmental protection, social impact and economic development move hand-in-hand to achieve the ultimate objective of Sustainable Development. The focus concern is about the need to care of Human, Social, Environmental and Economic resources of the developing nations. Financial Management is one of core platforms in building up strategies and approaches to create a positive impact on the society, environment and corporate governance. This research highlights the key approach in this direction under the financial management - ‘**Social Finance**’. Social Finance approach is capital and investments that yields economic as well as social gain. Social Finance does not mean philanthropy, donations and grants. Social Finance is a recently emerging concept and a step forward to behavioral finance after the traditional finance. It includes investments which fetch economic gain and help create environmental and social impact as well. This is a challenge for the developing nations to influence corporates as well as the individuals, with respect to their investment pattern, to invest in such instruments and avenues which are tailor-made to improve the society, at large.

A thoroughly-researched fact, on the way to be on the path of sustainable development, is poverty alleviation; keeping up of clean environment as well as building social impact, that need root-remedies. Our government has been taking appreciable efforts in this direction by organizing and implementing various programs, schemes and projects to address these problems, but still a lot needs to be done to eradicate poverty, manage climate-change and attain the sustainable development. Sustainable Development has tremendously huge socioeconomic implications that require a serious concern.

For sustainable development of developing economy, a sufficiently balanced growth is of utmost significance. Hence, the resultant transformation from developing to developed country and further sustain that development, will require a holistic approach that encompasses sustainable solutions and not just the economic ones. In this research paper, the researcher proposes a framework that can facilitate the sustainability for exponentially speedy developments for the country as well the sustainable strategies for social impact, at large. These strategies might deliver developmental rewards, create positive impact on the society at large, and protect the environment as well.

Social Finance helps to create economic benefit as well the social impact on the society, at large. It is with regards to the investment strategies, tools, avenues and instruments in the financial sector, that are a mix of philanthropy and economic gain. So, let us see whether Social Finance approach can prove to be meaningful? This Research Paper discusses and suggests an exploratory path to resolve socio-economic disruptions with social and environmental perspective that help to lead and equitable development of our country.

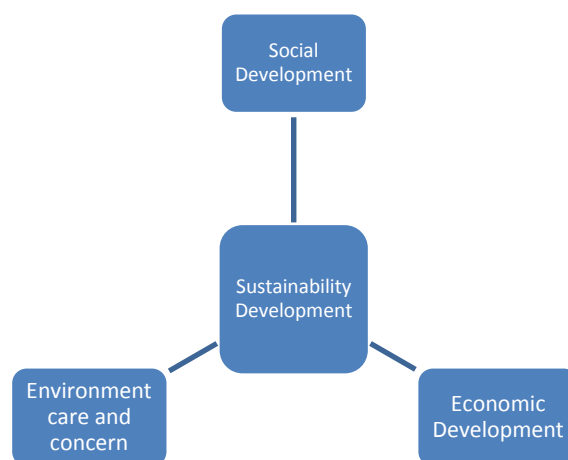
Key Words: Sustainable Development, Social Finance, Socio-economic disruptions, Corporate Social Responsibility, poverty alleviation and poverty eradication

Introduction

Sustainable Development

Sustainable development is overall growth and prosperity without harming the environment and without destroying the ecosystem. Moreover, it is taking care of the resources for the present as well the future generations. It is the optimum utilization of scarce and valuable resources and yet continuing the process of development. Ultimate aim is to bring economic well-being and improve the quality of life of a nation, region and the local community.

The fundamental aim is to “ensure that all human beings should enjoy prosperous and fulfilling lives and that social, economic, environmental, and technological progress is in alignment with nature.” This means we cannot continue using current levels of resources as this will not leave enough for future generations to survive and develop.



Now, to bring overall development of a nation, the main challenge is to keep a healthy and sustainable future and bring about sustainable development. The common constraints on the path to sustainable development are unemployment, poverty, inequalities of income, unbalanced economic growth and lack of environmental concerns.

Socio-economic disruptions

The challenge is mainly the immense risk of unbalanced and insufficient development due to lack of education and affordable living, unemployment and poverty, India's population, growing at a faster pace, would need Government efforts and business-driven innovative solutions to take care of the overall growth of the country. The most challenging task is of balance of growth. Social Finance in its extensive sense is the key solution, specifically, the overall socio-economic development. The same drive-pace to boost developmental effort can be utilized to improve even the affordable living and societal needs of the over-growing population. Gap needs to be identified between economic development and socio-economic development. Now to facilitate this bridging of gap, the researcher proposes a specific framework to address the above-mentioned issues using an ethical aspect that targets to initiate an innovative and meaningful conversation instead of specific economic resolutions. Though a considerable research has been undertaken to achieve the goal of Sustainable Development, a systematic coverage of literature and research on social finance will outline the possibilities of future avenues on the topic.

Aim: To provide meaningful suggestions to resolve socio-economic disruptions to achieve sustainable development with innovative tools and strategies.

Objectives:

- To study various aspects involved in achieving sustainable development.
- To know the socio-economic disruptions on the path to sustainable development.
- To be aware about the challenges faced in achieving the goal of sustainable development.
- To arrive at possible innovative tools and strategies to resolve the socio-economic disruptions.

Review of Literature and Theoretical Background:

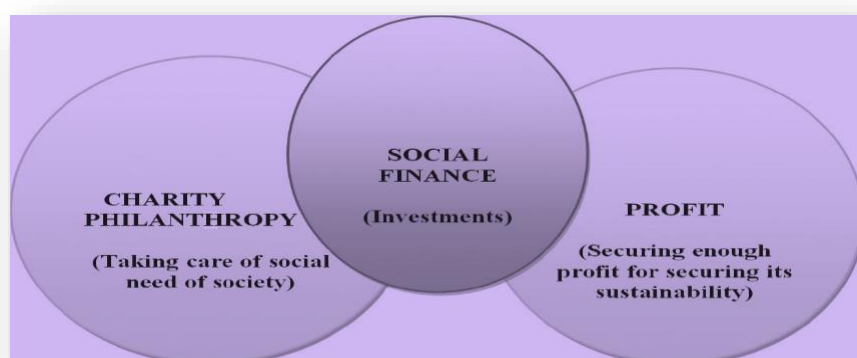
Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a broad concept which emphasizes that businesses can benefit society while boosting their brands and economic gains. CSR stresses the need for the businesses to take care of the society; due to which these exist or rather where these thrive.

As CSR is important for the community, it is equally valuable for a business. CSR activities can help the stakeholder like employees, customers, shareholders, Government and others connected, directly or indirectly in the society, at large. Moreover, this helps to take care of society and environment as well. For a quiet long time, increasing attention has been paid to the ethical, environmental and social dimensions of business, very often under the CSR heading. Much of the early literature goal was to specify the concept and the various components of CSR, as it emerged in the latter half of the 20th century.

The International Business (IB) literature has addressed social responsibility issues in the past 50 years, highlighting key developments and implications from a historical perspective. Social Finance is the required direction for transformation which provides a holistic approach to decide developmental strategies and actions by nation's corporate sector and individuals.

Social Finance: Social Finance approach leads to value addition to the society, at large, by intentional creation of social or environmental impact. A large number of entrepreneurs and investors who are working for the cause of creating social good, have focus to create social and environmental transformation through infusion of funds/investments in projects, programs and co-operatives, whose main aim is to work for the social-issues. In simpler terms, Social Finance is the finance for investment and funds for allocation of capital for social, environmental as well as financial returns. The Government grants, loans, rebates and donations are too meager as compared to the vast levels of socio-economic challenges, issues and disruptions prevailing in any nation.



Social Finance in USA and UK: Social Finance is in practice and integrating environmental, social and governance factors in USA and UK for nearly last three and a half decades. It is gradually becoming known and gaining importance in India as well. It is come in the limelight, basically, because of the urge to resolve the high-alarm concerns of inequalities, imbalance and disruptions being created by the exponential development in the economy. The wealth distribution within the countries as a result of the industrial and technological revolution is not equitable, certainly not at the global level. The

resultant drawback of inequality has become one of the key challenges along with climate change and other sustainability issues. The fast pace with which the Earth's resources are being depleted, for the sake of economic development, has created an epic global social-economic challenges. Hence, the concept of sustainability development has arisen and has sharply attracted global attention as most-wanted resolutions. The United Nations global initiatives have exhibited a strong message to be committed to social and economic development to achieve sustainable development.

The approach of social finance denotes the process of ethical investing, responsible investing, CSR, sustainable investing that leads to a sustained positive transformation of the society, at large. Social Finance is well defined as a sustainable ethical solution for the ever-alarming socio-economic challenges which society faces – one which is more efficient, more effective, more equitable or more sustainable compared to existing practices. Social finance may respond to both the newness and improved responses to societal needs. Social Finance deals with sustainable solutions to job-loss issues, poverty alleviation, health insurance, environmental problems, and new learning models. Social Finance is emerged currently as a promising resolution to tackle the inefficiency of the existing policies, strategies and models of traditional finance, targeting the most attention-oriented global socio-economic issues such as chronic health disorders, climate changes, and inequalities.

Research Methodology:

The research has been carried out based on the secondary data identified through literature review (of knowledge websites, research papers, journals, news items and industry reports). Primary data inputs are derived from Finance/Bank professionals and advisors through interviews and on-line communication channels. The scope of this research is limited to the stream of Finance Industry, due to the constraint of time and money. It suggests role of Financial Sector in the Sustainable Development. The research is a combination of exploratory and descriptive in nature. Primary data as well the secondary data gathered for discussion and conclusions is qualitative and at simple random. The discussion, suggestions as well as the conclusions are based on financial/industry/banking expert opinions.

Observation and Discussion:

The solution to socio-economic problems, leading to sustainable development, revolves around three pillars that are ethics, rights and responsibilities.

There is a need to emphasis a clearer understanding of what the social aspect of sustainable development means and how it relates to the overall development. This research paper contributes to understand this process by presenting a conceptual framework that identifies four important social-finance concepts and links them to environmental imperatives. These important concepts are: knowledge of social finance, financial avenues and instruments for investments, corporate as well as individual participation with responsibility, and social impact. The framework is built on concepts and policy objectives outlined in research on sustainable development indicators and the social sustainability literature. The social aspect can be inclusive to include environmental, international, and intergenerational dimensions. This framework can then be used to understand how states and organizations understand the social aspect and its environmental links.

Most of the recent discussions suggest India's goal of sustainable development 'challenging' but yet 'possible' to achieve. This will make India a global economic super powerhouse and a developed nation, as well. Moreover, India desires to become a less poor nation with reduced intensity of inequalities of income. Hence, poverty alleviation or poverty reduction needs a concern through various approaches. Social Finance is one such approach targeted at meeting the financial needs of the societies, social corporates, and welfare programs to bring a social impact and thus, achieve the goal sustainable development.

Various strategies, avenues and tools of Social Finance to achieve this goal are:

- Ethical Investing
- Socially Responsible Investing (SRI)
- Micro financing
- Crowd funding
- Social Impact Bonds (SIB)
- Social Impact Investing (SII)
- ESG Bonds/Investing

Thus, while considering as to how economic progress can be achieved is to resolve the socio-economic problems, we must view sustainable development through a social perspective too. It, fundamentally, limits the barriers for society and businesses for investment and wealth creation which, as a result, improves the personal surrounding and professional environment, for a better world.

Fast changing and challenging technology also helps facilitate the new socioeconomic paradigm that makes the Internet and data as well, a way to create meaningful-connectivity for people and societies and not serve only as a communication channel. Well-known social relationships are changing beyond recognition for strong connectivity with ethical concerns in finance area, as we are shifting from business-to-consumer relationships to unknown-to-known modes.

Government Initiatives:

As per the data as on April 2020, around 12.4% of the total population of our country is living below the poverty line. A few programs initiated by our Govt. are as under:

- Pradhan Mantri Gramin Awaas Yojana
- Integrated Rural Development Program
- National Rural Livelihood Mission
- Jawahar Gram Samridhi Yojana
- National Old Age Pension Scheme
- National Maternity Benefit Scheme
- Annapurna

These Government initiatives provide free education, free school meals for children, loan/debt relief to small farmers, free healthcare facilities for poor, etc. mainly, for affordable housing to improve the economic condition of the poorer/weaker sections of the society.

Social Finance Approach:

The discussion of social finance in the context of sustainable development is extensively important to happen, now at least, to address the alarming concern of any possible negative externalities on environment and society at large. This is becoming significant because of the increasing chances of socio-economic disruption.

Poverty alleviation and balanced growth of the economy can be better dealt with Social Finance Approach. Many not-for-profit organizations, welfare projects and co-operatives will be able to resolve the issues of unemployment, poverty, health-related concern, and basic education, affordable housing for better living based on the investments/funds/capital infused by the Corporates and individual who intend to bring social impact and create a better world.

The advanced technology, Internet of Things, (IoT) can also be utilized for positive social impact to raise capital as well as funds through crowd funding, spread of ethical good and spread the awareness of social finance approach for a better New India.

Conclusion:

This exploratory research work aimed to develop an understanding of the socioeconomic aspects of the ‘Sustainable Development’ by demonstrating how the interaction between economic development

and social as well environmental care can resolve current socioeconomic concerns with a focus on sustainability. Society at large should benefit from such socioeconomic transformation.

This research study confirms the importance of the trinity between social and economic and environmental concerns, which can be attained hand-in-hand while on the path to Sustainable Development under the social finance umbrella. In totality, the actual sustainable development of the entire country will be social progress, environment care and economic benefits.

Social Finance approach, on the way forward to sustainable development, can help avert many socio-economic disruptions and lay a fundamental foundation for a better world. Social Finance Approach can get the grip of the scale, scope and complexity of the economic development to influence our financial behavior and investment pattern. This will help in maintaining a balance among the Social, Economic and Environmental concerns of the globe.

The research findings direct to incorporate the following:

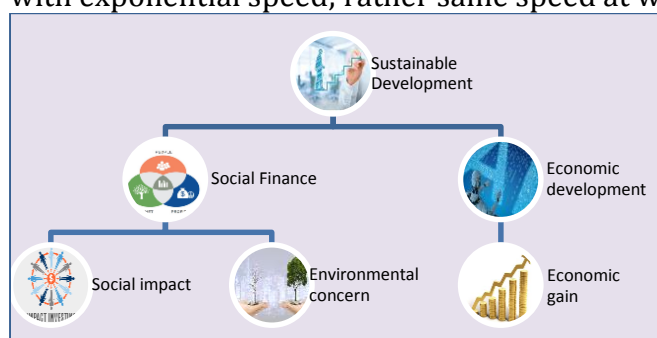
- Quality Education
- Decent work and Economic Growth
- Industry Innovation and Infrastructure
- Climate Action
- Good Health and Wellbeing

Path to Sustainable Development:

Sustainable development is the combination of two terms, ‘sustainable’ and ‘development’ that exhibit a pattern of growth that unfolds both the national potential to care of its people with regards to the scarce resources of the earth. It is a constructive relationship between people, their social surroundings, economic well-being as well as environment-care. It signals a warning that human being can not push development which is against nature. Sustainable development has a few following fundamental and broad based objectives which are beyond any caste, color, language and regional barriers:

- to respect diversity for relevant development policies
- to raise the standards of affordable living for the largest portion of population with equity and justice
- to preserve and protect earth’s natural resources and ecosystem from depletion and wasteful overuse.
- to innovate new tools, technology and scientific techniques for example social finance approach under financial management, which function in alignment with the laws of nature and not against it.

Suggestions: New financial strategies, financial avenues, financial products and services on the platforms of social, economic and environmental good – based on ethical values - need to be established to enhance the purposefulness of mankind. Also, these need to be reached to the Society with exponential speed; rather same speed at which the natural resources are being depleted.



Sustainable Development = Social Finance + Economic Development

Social Finance = Social Impact + Environmental Concern

Economic Development = Economic Gain

To provide/strengthen the access to funds and capital for weaker/poorer section of the Society, at large, International Labour Organization (ILO)'s Social Finance Program (SFP) has been boosting various Social Finance Projects and Programs. Social Finance includes cheap finance, savings, credit facility and insurance to help the poor to cope up with the financial risk. It encourages seeking advantage of income-generating opportunities for affordable and decent living.

Some strategies accentuated are:

Initiating green jobs: Social corporates/societies help arrange finance for Decent work with reasonable salary i.e. green environment friendly jobs in the area of renewable energy, recycling, green buildings, sustainable forestry management, agroforestry, organic farming.

Community Development: Community development emphasis on economic development and job creation in a more equitable and balanced way to bring social impact in place.

SFP works in the direction of knowledge generation and dissemination that proves how the financial sector can contribute to social justice. Social Finance approach also helps in 'Microfinance for decent work' as well as 'Micro-insurance Innovation Facility', Financial Education for decent work. Ultimately, economic development will lead to progress and Social Finance approach will help reduce the inequalities, bring about a balanced growth and demonstrate a meaningful transformation of the society under sustainable development.

References:

1. International Journal of Scientific and Research Publications, Volume 3, Issue 5, May 2013, ISSN 2250-3153 "A Conceptual Study of Sustainable Development in the Era of Globalization" by Archana K
2. Journal of World Business Volume 51 Issue 1, January 2016 "The social responsibility of international business: From ethics and the environment to CSR and sustainable development" by Ans Kolk
3. Sustainability: Science, Practice & Policy Journal Volume 8, Issue 1, "The social pillar of sustainable development: a literature review and framework for policy analysis" by Kevin Murphy, October 2017
4. International Journal of Recent Technology and Engineering, ISSN:2277-3878, Volume 8, Issue 2S3, July 2019, 'A research on Sustainable Development in India' by Sajjan Choudhuri.
5. The International Labour Organisation (ILO), ilo.org, 2019, 100th Anniversary Article.
6. Simon Cornée, Marc Jegers, Ariane Szafarz, 'A theory of Social Finance', HAL Id: halshs-01717167, 2018.
7. Priyanka Priyadarshani, 2017, "impact of microfinance on social, economic and capability well-being of families below poverty line, with special reference to deoghar district in Jharkhand".
8. International Conference on Global Business, Economy, Finance and Social Sciences, ISBN:78-I-941505-22-9, February 2015 'Sustainable Development Efforts in India – A study' by B.Jayarama Bhat.
9. Davis Pluess, J.; Govan, S.; Pelaez, P. 2015. "Conditions for Scaling Investment in Social Finance" BSR Report
10. Stevens, R., Moray, N., Bruneel, J. (2014). The Social and Economic Mission of Social Enterprises: Dimensions, Measurement, Validation, and Relation