

Niche as Mainstream: Locating Sustainability as the Center of India's Emerging Markets

Harshal Singh

Modern School Barakhamba Road, singhharshal06@gmail.com

ABSTRACT

Sustainable entrepreneurship plays a prominent role in achieving increased environmental consciousness and influencing sustainable consumer behaviour. Given the large young population and increased awareness with globalization, India is positioned as a key site for the growth of sustainable business globally. This is also bolstered by the global trend of change in consumer behavior and changing business strategies in response. This paper examines these global trends and the growth of sustainable entrepreneurship from an Indian lens. While highlighting the positive trends in growth of this field, this paper also sheds light on the key barriers for the growth of sustainable entrepreneurship in India, especially for small and medium enterprises, such as financing short-fall at a growth-stage, and low financing to transition into sustainable enterprises. The paper then poses policy recommendations and key areas for intervention and improvement, such as impact investing, and multi-stakeholder approaches to support the growth of the sustainable economy.

Introduction

The concept of sustainable entrepreneurship has been defined as: “the realization of sustainability innovations aimed at the mass market and it is opportunity oriented, aiming at generating new products, services, production processes, techniques, and organizational modes which substantially reduce social and environmental impacts and which increase the quality of life.” (Schaltegger, 2013).

On a global scale, the Millennial and GenZ market has overtaken the older population (The Washington Post, 2019). As estimated in data available in 2017, the major wealth in the United States of America is held by the older generation, however, analysts predict that some \$30 trillion of that capital will transfer to millennial pockets over the next 30 years as the boomer population declines (CNBC, 2017). The consequence of these trends is that millennials are majorly more socially and environmentally conscious than their predecessors and are more likely to turn on a business that is not aligned with their ideals and values (PR Daily, 2020). The businesses in the given marketplace are starting to realize the changes in the consumer behaviors and are taking many steps to be more sustainable. Current global trends predict high growth in the coming decades for sustainable entrepreneurship and products caused by the increased purchasing power of a younger consumer base, with companies deliberately turning their product development and marketing to sustainable solutions (Marsh, 2020).

This same trend can be seen in the emerging market of India. India, which is currently the 5th largest economy in the world, with a GDP of USD 3.2 trillion, (wisevoter, n.d.) can be called a ‘Youth’s Nation’ since “India has the world's largest youth population” (The Economic Times, 2014). From the year 2021 a new rise of social and environmental awareness can be seen in Indian citizens. In a recent survey, it was shown that the number of consumers who believe we still have time to save the planet if we act now has risen from 51 per cent to 56 per cent between 2021 to 2022. 77 per cent of Indians say doing things that benefit the environment makes them feel happy, while a further 49 per cent say they have researched their annual carbon footprint. The Indian consumer sustainability method is largely based on a method of simplicity and for instance, buying fewer new clothes (46 per cent), recycling packaging (39 per cent) and buying products certified to be less harmful to the environment (37 per cent) are the top sustainable behaviors.” (Brand Equity, Economic Times, 2022).

Given the above, it is crucial to examine the growth of sustainable entrepreneurship and consumption as the future of Indian markets. This paper will interrogate this essential component of the success of emerging markets, which includes ethical practices, environmental consciousness and corporate social responsibility.

BACKGROUND

Sustainability is defined in the report 'Our Common Future', released by the United Nations, as, "Development that meets the needs of the present without compromising the ability of the future generation to meet their own needs" (United Nations, 1987). Sustainable entrepreneurship plays a crucial role towards this sustainable development. The question still remains as to how an organization can be more sustainable while gaining profits, and abolish practices of unethical use of raw material and unfair trade practices at the input stage. Entrepreneurship can be viewed as a key driver of sustainability goals, such as through the employment of workers from marginalized sections of society or giving them proper access to education. Other methods include adopting environmentally friendly supply chain practices such as using less plastic and having a good waste disposal system. As discussed above there are end number of ways through which organizations and entrepreneurs can be more sustainable development (Kaul and Chawla, 2022). According to a recent survey, "...at least 60% of consumers in India are willing to buy higher price for a sustainable product while 62% of urban India expected increase spending on planet friendly brands" (Times of India, 2022). In the same survey, it was clearly demonstrated that in the Indian context, sustainability is becoming a key concern for consumers, with younger and urban consumers willing to pay a premium for sustainable products. However, the key barriers towards the growth of the market for sustainable products such as lack of awareness, high prices, and availability issues, among others (Suniet, 2023). Another survey conducted in 2023 indicated that companies faced a positive effect on their branding and image, and in turn brand equity, when engaging in sustainable marketing. A brand's enhanced equity comprises a good brand image and awareness, which affects consumer behavior to some degree. The survey showed that 77 per cent of Indian consumers are willing to invest time and money supporting companies that do good, while 66 per cent have stopped buying products and services that have a negative impact on the environment and society," adding that "in fact 74 per cent are already factoring in sustainability concerns, at least once in a while, when making purchase decisions" (Suniet, 2023).

From the statistics presented above, sustainable entrepreneurship has a two-fold set of advantages. Firstly, it further enhances the social cause of sustainable development and secondly, it serves to attract a larger consumer base, hence making this a path to profitability. With this context in mind, the following section will examine how it is key to evaluate the environment of institutional support for sustainable entrepreneurs and challenges faced.

DISCUSSION

There have been several positive developments for sustainable entrepreneurship in the Indian economy, in recent years. During this economic development, there has also been a significant rise of small and medium size enterprises (SMEs) as sustainable entrepreneurs and leaders with respect to environmental change (Gangadharan, 2021). According to this report, the 42.5 million SMEs in India employ about 40 percent of India's workforce and contribute around 30 percent of the country's GDP (Gangadharan, 2021).

Entrepreneurship is key to the achievement of the UN's Sustainable Development Goals 2030. In particular, financial impact investments are necessary for the further growth of these sustainable enterprises. These sustainable enterprises, pose a unique opportunity for global impact investment, with the robust ecosystem of enablers such as research firms, incubators, social scientists and analysts (Pai and Pathak, 2023; Gangadharan, 2021). This is a crucial area for policy intervention, given that many organisations struggle to access the required capital for their needs. In a survey of social enterprises conducted in 2019, 57% of the respondents identified access to debt and adequate funding as a barrier to growth and adopting sustainable practices (Ravi et al, 2019). According to data from the World Economic Forum, impact investing in India has more than doubled in the last five years due to several factors such as increase in population, impact oriented business models which generate return, and the business opportunity which lies in the need for addressing environmental and social changes such as climate change, poverty and access to food (Pai and Pathak, 2023).

While the trends are positive, the key gap lies in the SME market, for whom formal finance remains elusive and therefore leading to a financing shortfall (Klapper and Beinker, 2017). Addressing the gap in the growth of sustainable entrepreneurs requires an interdisciplinary approach to donor support, and ensuring global investors that the capital is reaching its intended beneficiaries (Ravi et al, 2019). This will also ensure that SMEs can achieve global standards and join the global value chain, which are increasingly governed and enforced by sustainability standards either through

world bodies or national governments – such as using environmentally friendly materials, increasing wages, using more expensive non toxic materials, etc. Such compliant businesses also get better access to markets, increased demand for their goods or services and are therefore more profitable, due to the increased consumer awareness as detailed in the above sections of this paper (Klapper and Beinker, 2017).

Therefore, approaching funding for sustainable enterprises from a holistic perspective is crucial, and there is a need to adopt multiple interventions for the scaling of sustainable startups from the ground-up. This includes addressing barriers such as the lack of availability of green technology, and the cost of research and development for sustainable products and innovations which includes the high cost of obtaining intellectual property protection (Bhatnagar, 2022). Some measures in this regard which have been suggested in the literature are such as specialised support for deep scientific and technological startups through special entrepreneur support organisations, centers of excellence, and increased academic-industry cooperation. Sustainable SMEs and startups also require assistance in creating market ties, with firms acting as secondary buyers and the government acting as the primary buyer. On the financial front, longer fund tenures, grants, and blended capital are needed. At a macro level, supportive and progressive laws and regulations are needed to support and encourage environmental growth, activity, and products (Bhatnagar, 2022).

India is the largest investment destination in the emerging countries, with excellent investor confidence, but investment interest is still far lower than it could be. Focus has thus far been on early-stage investments in non-scalable technologies (Pai and Pathak, 2023). A "missing link" in the market hinders impact firms from progressing beyond early venture funding: there are no growth-stage impact funds with a focus on India. To scale solutions to a point where they can have an impact on the entire planet and contribute to the SDGs, growth-stage finance is required (Pai and Pathak, 2023).

CONCLUSION

The insights and findings as detailed above, demonstrate that there is a shift in consumer behavior and businesses have become more sustainable as a result. Consumers now want to support businesses which meet their ideals of sustainable development. In India, a growing percentage of the consumer base is also willing to pay a premium for environmentally friendly products and services. This has led to positive indications for the future scope of sustainable entrepreneurship. However, it is crucial to note the challenges which continue to be present, as mentioned above. The foremost of these challenges is a lack of a supportive funding and investment ecosystem which allows SMEs in this arena to effectively scale and incorporate themselves as a part of the global supply value chain, construct networks of value, stay people-focused, and place societal concerns at the center of business goals.

To truly capitalize on India's growth potential, it is necessary to implement a multi-stakeholder approach in which consumers, the government, industrial participants, research institutes, non-profit organisations, entrepreneurial ecosystems, and academic institutions all contribute to the circular economy and sustainability ideas. A new class of entrepreneurs is emerging who are prepared to test out novel business models as a result of the rising awareness that business may have an impact on social issues and environmental degradation while also being profitable (Khokhawala and Iyer, 2022). Drawing from global examples of effective strategies, certain key ways to improve the impact investment ecosystem for sustainable entrepreneurs and SMEs such as offering better terms to suppliers in exchange for improving their environmental practises by big corporations and customers. Offering financial incentives to suppliers in the form of bigger orders or higher prices can be a powerful motivator for these businesses to make investments in stricter sustainability standards.

Moreover, lenders and investors should think about evaluating credit eligibility using sustainability performance. It makes sense that sustainable businesses should be better able to repay loans given the evidence that it increases firm productivity and profitability. In order to receive certification from fair trade or other sustainability initiatives, SMEs frequently need to provide extensive documentation. That sustainability information could be used by lenders to evaluate creditworthiness (Klapper and Beinker, 2017). As the ecosystem for funding improves, this will significantly reduce barriers to growth and scaling, and adopt a multi-pronged approach to dealing with social causes. It is also necessary for future research in the field to investigate what inspires entrepreneurs to develop sustainable innovations, how they use social connections to form significant networks, and to determine the best practises used by the sector, while also carrying out rigorous empirical analysis in local cultural contexts to support the theoretical foundations of sustainable entrepreneurship (Khokhawala and Iyer, 2022).

REFERENCES

- [1]. “60% in India willing to pay a premium for sustainability products, reveals survey”. *Times of India*. June 06, 2022. http://timesofindia.indiatimes.com/articleshow/92030126.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst
- [2]. BE Staff. “Indian consumers’ sustainable behaviour focuses on simplicity and frugality”. *Economic Times Brand Equity*. August 19, 2022. <https://brandequity.economicstimes.indiatimes.com/news/research/indian-consumers-sustainable-behaviour-focuses-on-simplicity-and-frugality-report/93658160>
- [3]. Bezbaroowa, Suniet. “Sustainable Marketing In India: How Well Do Brands Listen To Consumers?”. *BW Marketing World*. 02 March, 2023. <https://bwmarketingworld.businessworld.in/article/Sustainable-Marketing-In-India-How-Well-Do-Brands-Listen-To-Consumers-/02-03-2023-467528/>
- [4]. Bhatnagar, Mukul et al. (2022), “A wave of green start-ups in India—The study of green finance as a support system for sustainable entrepreneurship”. *Green Finance Vol 4. Issue 2*. <https://www.aimspress.com/article/doi/10.3934/GF.2022012>
- [5]. CNBC, 2017. [Online] Available at: <https://www.cnbc.com/2017/05/17/advisors-prepare-young-clients-for-30-trillion-transfer-of-wealth.htm>
- [6]. Gangadharan, Sindhu. “How India’s Eco-Entrepreneurs Are Leading The Sustainable Business Charge”. *Forbes*. November 10, 2021. <https://www.forbes.com/sites/sap/2021/11/10/how-indias-eco-entrepreneurs-are-leading-the-sustainable-business-charge/?sh=1b11e97274eb>
- [7]. Kaul, Nehal and Chawla, Devika. “Entrepreneurship as a driver of sustainability”. *Invest India*. August 04, 2022. <https://www.investindia.gov.in/team-india-blogs/entrepreneurship-driver-sustainability>
- [8]. Khokhawala, S. M., & Iyer, R. (2022). Sustainable Entrepreneurship in India: A Comparative Case Study of Social, Economic and Environmental Outcomes. *South Asian Journal of Business and Management Cases*, 11(1), 10–26. <https://doi.org/10.1177/22779779221082766>
- [9]. Kitterman, Ted. “Report: 83% of millennials want brands to align with them on values”. *PR Daily*. December 28, 2020. Available at: <https://www.prdaily.com/report-83-of-millennials-want-brands-to-align-with-them-on-values/>
- [10]. Klapper, Leora and Beinker, Natascha. “Smaller businesses lack the financing to be sustainable. Here's how we can help”. *World Economic Forum*. November 08, 2017. <https://www.weforum.org/agenda/2017/11/smes-need-financing-to-improve-their-sustainability-practices-here-s-how-we-can-help/>
- [11]. Marsh, Andy. “With A Younger Consumer Base, Companies Are Turning To Sustainable Solutions”. *Forbes*. April 14, 2020. <https://www.forbes.com/sites/forbestechcouncil/2020/04/14/with-a-younger-consumer-base-companies-are-turning-to-sustainable-solutions/?sh=1a92c38e5855>
- [12]. Pai, Ramraj and Pathak, Devansh. “Impact investors are now looking at India as a compelling opportunity. Here's why.” *World Economic Forum*. March 15, 2023. <https://www.weforum.org/agenda/2023/03/impact-investors-india-new-research/>
- [13]. Ravi, Shamika, et al. “The promise of impact investing in India”. *Brookings*. July 1, 2019. <https://www.brookings.edu/research/the-promise-of-impact-investing-in-india/>
- [14]. Schaltegger, Stephen. (2013). Sustainable Entrepreneurship. In: Idowu, S.O., Capaldi, N., Zu, L., Gupta, A.D. (eds) *Encyclopedia of Corporate Social Responsibility*. Springer, Berlin, Heidelberg. https://doi.org/10.1007/978-3-642-28036-8_742, https://link.springer.com/referenceworkentry/10.1007/978-3-642-28036-8_742#citeas
- [15]. Searing, Linda. “The Big Number: Millennials to overtake boomers in 2019 as largest U.S. population group”. *The Washington Post*, 2019. [Online]. January 27, 2019. Available at: https://www.washingtonpost.com/national/health-science/the-big-number-millennials-to-overtake-boomers-in-2019-as-largest-us-population-group/2019/01/25/a566e636-1f4f-11e9-8e21-59a09ff1e2a1_story.html
- [16]. The Economic Times, 2014. [Online] “India has world's largest youth population: UN report”. *The Economic Times*. November 18, 2014. Available at: <https://economicstimes.indiatimes.com/news/politics-and-nation/india-has-worlds-largest-youth-population-un-report/articleshow/45190294.cms>
- [17]. United Nations, 1987. *Our Common Future*. s.l.:World Commission on Environment and Development.
- [18]. Wisevoter, n.d. [Online] Available at: <https://wisevoter.com/country-rankings/largest-economies-in-the-world/>. [Accessed 2023].