Social Sustainability

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This article is based on **"Investments for Social Sustainability in India"** which was published in Economic and Political Weekly on 22/02/2020. It talks about the need for social sustainability for inclusive growth.

The **Sustainable Development Goals** (SDGs) were launched with a transformative approach from earlier **Millennium Development Goals,** as they include the issues of human rights, inequality, gender empowerment and concessional finances (low interest rate loans) for inclusive development. Further, the objective SDGs strongly entwine the dimensions of the **Triple Bottom Line (combining 3Ps: Planet, Profit, People).**

They promise a strong commitment to deliver environmental and social sustainability along with economic growth. Social sustainability is the enabling platform for inclusive economic growth. With the rising importance of social sustainability, the **United Nations Commission for Social Development (UNCSD)** decided to prioritise rising inequalities and focus on challenges coming through social protection net, labour market efficiency and fiscal policies.

India has launched many welfare schemes for ensuring social sustainability. However, social infrastructure (skills, education, health, income, etc.) in India is inadequate, which leads to dismal performances in social development.

Note:

- The **United Nations Global Compact** (UNGC) states that "social sustainability is about identifying and managing business impacts, both positive and negative, on people.
    - Social sustainability entails stakeholder engagement, company–community cooperation, a people-centred approach to business impacts and inclusive social development.
- The **Triple Bottom Line** (TBL) is a framework or theory that recommends that companies commit to focus on social and environmental concerns just as they do on profits.

- **Social development** can be gauged by two parameters.
  - One is the **social allocation ratio,** defined as the ratio of social sector expenditure to the total expenditure.
  - Second one is a **development expenditure indicator** defined as the ratio of social sector expenditure to the Gross Domestic Product (GDP).

Some Facts About Social Infrastructure

- The overall public expenditure on social infrastructure, which includes priority areas like health and sanitation, skill development and education, remained **around 6-8% in the past six years.**
- It is the lowest among the Brazil, Russia, India, China and South Africa (BRICS) nations. In terms of per capita health expenditure, **India has 70% lower expenditure than that of the average of BRICS nations.**

- Further, there have been conspicuous improvements in quantitative indicators such as physical infrastructure and completion rates, but lack in terms of social impact and qualitative indicators.
    - For example, **according to the National Health Profile 2018,** there are some noteworthy improvements in health indicators such as infant and maternal mortality rate.
    - However, the doctor–population ratio has remained **10 times less than the World Health Organization (WHO) recommendations,** and there is also a lack of medical qualifications and quality surveillance.
- The increasing gap between the growth rates in the agriculture, manufacturing and service sectors is widening the inequality between the 44% of the population engaged in agriculture, and the remainder engaged in manufacturing and services.
- India is fifth largest economy in the world, but continues to lag behind some of its South Asian neighbours in the **Human Development Index.**

Issues Pertaining to Expenditure in the Social Sector

- **Pro-cyclical Nature of Fiscal Policies:**
    - A procyclical fiscal policy can be summarised simply as governments choosing to increase government spending and reduce taxes during an economic expansion, but reduce spending and increase taxes during a recession.
    - **India tends to follow pro-cyclical fiscal policies. However, it is during the slowdown the welfare schemes are most needed.**
- **Fiscal Vulnerability:**
    - The biggest challenge faced by social sustainability in India is with regard to the fiscal measures.
    - The increasing vulnerability in fiscal status due to **increasing Current Account Deficit** and high **Fiscal Deficit, are** limiting public spending on social development.
- **Lack of Access to Finance for Social Enterprises:**
    - Social enterprises function as the bridge between social development and businesses. There has been growing recognition and creation of social enterprises to address the pressing social challenges.
    - Social enterprises have the potential to extend India's growth story to the poor and deprived communities. However, such organisations lack adequate finances.
- **Biases in Corporate Social Responsibility (CSR):**
    - The deployment of **CSR** funds is concentrated to industrial regions mainly; some states and some sectors.
    - The reasons for this lie in the weak regulatory framework, lack of commitment towards environmental conservation, market pressures and minimal consumer awareness.

Note:

> Social enterprise development means creating and nurturing businesses that aim for positive social or environmental outcomes while generating financial returns.

Way Forward

Promotion of Impact Investment

- The **Global Impact Investing Network (GIIN) defines impact investments** as the investments made into companies, organisations, and funds with the intention to **generate social and environmental impact alongside a financial return.**
- The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, clean energy, microfinance and affordable and accessible basic services including housing, healthcare, and education.
- India is one of the **most promising markets globally for impact investment,** as a large population at the bottom of the pyramid with lack of access to basic services and low public spending on the social sector.
- Alignment of impact investment with social enterprises is extremely necessary to facilitate sustainable development. Thus, policy advocacy is extremely necessary for increasing the financing for social inclusiveness.
- According to UNGC, India has a potential of market **opportunities of $1 trillion for companies** working in sustainable development spaces and will generate employment for around 72 million people by 2030.

Enhanced Role of States:

- The **Fourteenth Finance Commission** has given more discretion to the states to utilise their untied resources from the share of central transfers.
- Therefore, the role of states has become more instrumental in financing the priority areas for social sustainability.
- Further, to achieve the objectives of social sustainability, India needs to augment public social sector spending with private sector participation.

The economic growth story of India is marred by its present environmental and social conditions. Thus, financing of the SDGs will help to reduce the systemic risk and will give a higher financial rate of return. In order to confront the challenges of social sustainability, India needs to complement environmental and social priorities with development finance.

Drishti mains Question

Discuss the importance of social sustainability in India's growth story.