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Case for Impact Investment in Heritage and Development Needs of India

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Abstract (150 words, Font 12):

The sway of impact investing is growing and the phenomenon is gradually gaining grounds, specifically in countries like India where the development needs are extremely disparate and therefore a uni-focus of investment exclusively considering economic returns shall fail to achieve overall development. The gradual trickle of impact investing in India is still focused on traditional sectors like manufacturing and agriculture while a latent industry which holds immense potential to make a holistic impact on social and environmental aspects apart from economic returns is the culture and heritage. Tourism and allied industries would be a direct beneficiary which would help in generating employment, preserving tangible and intangible heritage manifestations and inculcating a sense of pride and cohesion. The current article presents a case for impact investing in India with a specific focus on the culture and heritage sector.

Keywords: Impact Investing; India; Culture and heritage

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Abstract:

The sway of impact investing is growing and the phenomenon is gradually gaining grounds, specifically in countries like India where the development needs are extremely disparate and therefore a uni-focus of investment exclusively considering economic returns shall fail to achieve overall development. The gradual trickle of impact investing in India is still focused on traditional sectors like manufacturing and agriculture while a latent industry which holds immense potential to make a holistic impact on social and environmental aspects apart from economic returns is the culture and heritage. Tourism and allied industries would be a direct beneficiary which would help in generating employment, preserving tangible and intangible heritage manifestations and inculcating a sense of pride and cohesion. The current article presents a case for impact investing in India with a specific focus on the culture and heritage sector.

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Development needs of a country like India is unique because of the disparate needs of the country across all quarters – social, economic, environmental and cultural. Hailed one of the fastest developing economies in the world (Dhasmana, 2016)¹, India is also stricken by evils like poverty and its allied issues like hunger, malnutrition, poor medical aid and vast gap between the rich and the poor. Socially, issues of gender disparity, corruption and discrimination on the lines of caste and religion while on the environment front the country is faced with fast depleting natural resources and deteriorating environmental conditions. Culturally, the country has a deep historic legacy with abundance of natural and man-made heritage but most lie neglected or brutally abused by community and social groups. An underlying reason to all these problems is lack of financial aid to initiate action and support programs which can sort solutions to these issues and challenges. A limited and myopic view of finance, constrained within the bounds of maximizing profits seems to consider these issues beyond its realms and non-governmental/ non-profit organizations are fund-drained and therefore incapable to making a meaningful impact. Family/ individual backed philanthropic trusts and foundations have personal agenda's in terms of areas of work and therefore fail to make a large-scale impact. The current article analytically views the steps taken by various agents towards using social investment as a tool to further development and discusses culture and heritage as a large untapped domain where impact investing will help in

making a broad impact across various aspects of human life including economic development of latent fields like tourism and allied industries.

To partially address this concern and co-opt mainstream, profit oriented business entities into the process of sustainable development, the Government of India(GoI), through the Companies Act, 2013², made corporate social responsibility (CSR) mandatory for all organizations with a net-worth of Rs. 500 crores or more, turnover of Rs. 1000 crore or more or a net profit of Rs. 5 crores or more to spend a minimum of 2% of average net profits towards socially responsible activities listed in the Act. Needless to say, that these activities are targeted towards sustainable development. But the scope of CSR in making a conspicuous impact on the over-all development process is limited and therefore the need to find targeted and more effective solutions is imperative. Organizations with a primary objective to achieve societal and environmental goals and profit orientation as a by-product hold the key to the problem of sustainable development.

With large-scale potential growth opportunities, presence of a mammoth spread of small and medium enterprises, a large young workforce and a dynamic national leader, on one hand and blatant social and environmental challenges on the other, India offers itself as a fertile ground for Impact financing. Rockefeller Foundation (2012)³ has been working in the area of Impact Investment (ImpInvest) and have produced seminal literature discussing ImpInvest, as “investments intended to create positive impact beyond financial returns,” and gradually with specific measurement parameters designed to map social and environmental development, ImpInvest, has taken a firm rooting, the definition of the term has evolved and Grabenwarter and Liechtenstein (2016)⁴ in their report define it as ‘any profit-seeking investment activity that intentionally generates measurable benefits for society’. Therefore, ImpInvest seems to be the panacea to the multi-pronged issues which come about as hindrances in the holistic sustainable development of India.

Therefore, to usher in holistic sustainable development which holds opportunities of growth and development across the bandwidth support and aid from various quarters is needed. Policy-makers need to create rules and regulations which ease the process of doing business, civil society and non-governmental organizations needs to identify issues and flag concerns which impede the process of development, mobilize opinion and chart activities which generate solutions to challenges and promote inclusion, business organizations need to broaden their horizons of defining returns in measure it beyond economic gains and be innovative in the ways through which they generate profits.

Impact investment has begun to flow in India, and as reports indicate, service sector has been the torch bearer of the growth numbers in India while the manufacturing and the agricultural sectors have been slugging. The services sector is typically marked by providing opportunities to the educated, urban youth whereas the manufacturing and the agricultural sector engage the poor, rural and often illiterate populace who form a majority of the marginalized lot who have been sidelined in the process of uni-focused economic

development process. So, understandably statistics detailing and discussing the ImpInvest flow in India reflect that direct foreign investment (DFI) has been 17.3% in manufacturing, 15.9% in renewable energy, 15.6% in financial services (including microfinance), 9.1% in non-renewable energy, and 8.1% in agriculture and food processing. On the other hand, two-thirds of capital deployed to date by non-DFI investors has been into the financial services sector (including microfinance). Non-DFI players have invested approximately 14.7% of total known impact capital into the manufacturing sector. Agriculture/food processing companies and enterprises in healthcare have received close to 6% each⁵. One domain which distinctly lies ignored is heritage and culture.

India holds a treasure of tangible and intangible heritage which have been a treasure to the nation because of the long historical and culturally varied activities which the nation has experienced over thousands of years. Hospitality and tourism industry is an affiliate sector of culture and heritage and as per the Press Information Bureau, (GoI)⁶, 'Tourism in India due to its vast cultural holding is the second largest net foreign exchange earner by way of invisible exports. Tourism creates more jobs than any other sector for every rupee invested. It has a major role in promoting large-scale employment opportunities due to which the government has given it the status of an industry.' Paul⁷ puts it succinctly, '...compared to other industries, it has a superior capacity to distribute wealth and promote regional development, 2. it has a high multiplier effect, 3. it generates a varying consumption of goods and services'.

Apart from the economic value it adds to the lives of those engaged with culture and heritage, it defines the identity of the people and enhances and enriches the lives of those engaged in them directly and indirectly. It encourages participation and offers a sense of oneness and cohesion. Bickering, social isolation and discrimination are deep rooted social maladies and as Bortolotti and Giovanna (2015)⁸ put it, 'Culture and cultural expressions are taking a new meaning in the context of economic globalization, as witnessed by their key role attributed in the achievement of the UN 2030 Sustainable Development Agenda.' The environment is a positive beneficiary of the investment in this sector because national parks and reserve sanctuaries helps in maintaining the flora and fauna and preserving eco-diversity of the region. Rising tourist footfall may have a negative impact on the cultural and environmental attributes making it even more pertinent for impact investment to consider funding investments in culture and heritage because mainstream investors will only focus on maximizing the economic returns which may happen at the cost of cultural and environmental loss.

All such culture and heritage activities in India are currently funded and managed by either the government backed institutions like Archeological Survey of India or private philanthropic organizations like the Aga Khan Trust for Culture but there is a complete absence of large-scale privately funded activities in this domain. Therefore, the rich treasure of heritage serves as a prudent economic investment option where heritage assets need to be preserved and worked with to create and nurture a broad eco-system of economic activities that stem out of each stage of heritage protection, conservation and

consumption. Funds can help to generate and promote tourism and allied industries with the help and support from civil bodies, non-for profits organizations and individual activists and connoisseurs.

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