CHAPTER – 2

LITERATURE REVIEW
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2.0 Introduction
The Literature Review chapter categorizes research studies into different sections. First, it introduces the concept of inclusive growth as defined by prominent authors and their interpretation of the same. It also discusses the pattern of inclusive growth for the state of Gujarat. The measurement of inclusive growth, its parameters and the challenges in achieving it is also discussed. The next section discusses about the scenario of grassroots innovations in India and how it can supplement the sustainable inclusive growth agenda. With this, the literature next discusses about significance of social entrepreneurship in today’s era. The subsequent section discusses about various perspectives of creating partnerships and their engagement mechanism among government, private sector and citizens. The last section throws light on the role of formal and informal sectors in building up the capacities of grassroots innovations. Each of the above section mentions the literature review gaps at the end of the section and concludes the same. Considering all the available studies, the view of the researcher is put forward in analysing the gaps and presenting the importance of research subject.

In developing countries like India, China, Brazil and South Africa, one of the most important goals of socioeconomic development is inclusive (or harmonious) development. Inclusion can be conceptualized by serving the needs of poor, by means of wide-spread public interventions aimed at utilizing their skills for inclusive development. This would improve their skills in a way that can help them gain employment in private or public enterprises, or help them to take up entrepreneurial ventures.

Some of the methods identified for implementing inclusive strategies is to consider people of the disadvantaged sections as: 1. Targets of policy decisions in terms of resource support and aid, 2. Consumers of low cost products made by huge manufacturers, private or public, 3. A raw skill base that can be further developed by enabling them to produce what they are capable of, 4. Innovators who can be trained
to utilize their innovations either in the same form or through value addition by means of strategic partnership with the industry or experts, 5. Clients for major research and development organizations, who can offer them optimal benefits in exchange for their idea or innovation, 6. Innovators whose innovations have the potential for being developed into new products and/or services that can be eventually marketed through commercial or non-commercial channels for aiding their inclusion. Thus, one of the most important means of expanding inclusion is to expand the access of people to the public domain.

The idea of this research is to treat poor and disadvantaged as having the potential for inclusion, without external assistance or aid. In this research, the disadvantaged are treated as potential customers of a mass market that can meet their needs without exploiting their resources. Also, the poor, as is considered here, are potential source of ideas, innovations and traditional knowledge that can generate innumerable opportunities for meaningful employment and a greater contribution to the society at large. The poor can also be providers, as observed in research, contrary to the idea of them being on the receiving end. However, all people cannot be creative or innovative in a way capable of solving their problems in the best possible manner. But, for those that hold enough potential for growth, innovation can be the best possible turning point towards their inclusion into a greater societal fabric.

The entire discussion and debate between growth and equality is something that’s age-old. For the first 43 years or so of India’s history, the country was focused on equality and not quite so on growth and, as a result, growth levels remained down. Upon liberalization, a period of reforms started in the field of development, particularly in terms of growth. At that time, pro-poor policies were sometimes dismissed as being populist. Now, India is trying to find the right balance – at which it should continue to grow while at the same time no-one should be left out. The idea was to bridge the divide between the rich and the poor by making the growth more inclusive and sustainable.
2.1 Inclusive Growth

The word ‘inclusive growth’ is the new goal of major discussions taking place at national and international policy circles, such as United Nations Development Programme (UNDP), World Bank, Asian Development Bank (ADB), Planning Commission of India and the academia at large. Though, named differently, the concept of inclusive growth is a much debated issue in economics. Irrespective of the school of thought, from Karl Marx to Keynes and Milton Friedman, people have persistently stressed upon the need for equality of economic opportunities available to all members of a society. However, given the multidimensional nature of the concept, the exact definition of inclusive growth is still an unsettled issue in literature. A number of studies have been pursued to understand inclusive growth by assessing societal progress with regards to socioeconomic indicators like education, health and poverty across religious social groups. Sen (2000) conceptualised the idea of social exclusion as exclusion from common facilities or benefits that others have. According to him, social exclusion can be a significant handicap that has the capacity to impoverish the lives of people. As a result, he critically examines the idea of social exclusion, particularly in the context of deprivation of capabilities and poverty.

An ideal way to eliminate the problem of social exclusion is to plan and implement inclusive growth strategies. The World Bank (2006) has come out with a ‘redistribution with growth’ strategy, where inclusive growth is defined as expanding regional distribution of growth, expanding equity in the opportunities and the growth should reach the poor, the bottom half of the population. Asian Development Bank (ADB) mentioned the term ‘inclusive growth’ in 2007, to promote the idea of accessibility of economic opportunities for all, especially the poor. On the same note Ali (2007, 2007a) conceptualised inclusive growth in terms of provision of equal access to opportunities, so that everyone in society can participate in, contribute to, and benefit from the new opportunities. Ali and Son (2008) argue that fundamental institutional and governance reforms aimed at addressing market, policy, and institutional failures would be required to achieve inclusive growth. Affirming these statements, the United Nations Development Programme (UNDP), in 2008, defined
inclusive growth as the process and outcome where all groups of people participate in
the organisation of growth and are benefited from it.

In terms of inclusive growth, both the pace and pattern of growth is perceived as
being connected and hence need to be addressed together. Both these elements are
important for achieving sustainable growth and poverty reduction, consistent with the
findings of the Commission on Growth and Development (2008). It has been noted
that inclusiveness, which encompasses equity, equality and protection from market
level parameters, is an irreplaceable component of any successful growth strategy.
The aim of inclusiveness to offer an equality of opportunity in terms of better access
to markets, resources and an unbiased regulatory environment for business and
individuals is strongly emphasized. Any systematic inequality of opportunity
perceived, as observed by the committee, can be toxic for growth process of the
country as it will make greater room for political conflicts an vested interests

An approach that aims at inclusive growth takes long-term vision, since the focus
remains on productive employment rather than on direct redistribution of income, for
enhancing the incomes of excluded or communities. Governments can use income
redistribution in the short run, so as to attenuate the negative impact on the poor, of
policies that promise to jump-start growth. However, in the long run such schemes
cannot answer the inherent cause of income inequality well, while also burdening the
national economy, in a manner that cannot be sustained.

Such schemes can impose huge burdens on economies of poor countries that have
already stretched budgets. Also theoretically it is noted to be an impossible mode of
reducing poverty, especially when the average income falls below 70 dollars per
annum. According to OECD, redistribution schemes cannot be the only response even
in case of developed countries, even if the response is aimed at certain sections
experiencing rising poverty rates.

Inclusive growth can be defined in line with pro-poor growth. As per the exact
definition, growth can be pro-poor as long as the poor benefit in absolute terms,
which can be observed in some universally agreed upon parameters of poverty measurement (Ravallion & Chen, 2003). Contrary to this, as per the relative definition, growth is considered to be pro-poor only when the incomes of the poor grow faster than that of the population as a whole, i.e. when inequality declines. Absolute pro-poor growth can also be caused by redistribution schemes, however for growth to be truly inclusive it is essential that the productivity of this population is improved and new employment opportunities be created for them. Hence, inclusiveness is about raising the pace of growth while simultaneously enlarging the size of the economy, by leveling the playfield for investment, business and employment (Kang, 2015).

Although well-accepted as a key economic goal for developing countries, there are variations in the definition and characterization of inclusive growth. The term includes and extends pro-poor growth. Moreover, it is assumed that growth which is beneficial for a large majority of population in developing countries is more likely to be sustainable both economically and politically. Birdsall (2007) relies on a definition of inclusive growth that is ‘conducive to increasing the size and economic command of the middle class’. He explores the possibility of tensions or tradeoffs between policies for growth that are pro-poor, inclusive and oriented towards middle-class. Moreover, sound fiscal and monetary policies that are pro-poor are likely to benefit the middle class as a whole. However, there may be possible trade-offs, in certain contexts, in terms of specific tax, expenditure and transfer policies. The paper outlines macroeconomic policies that are generally important for inclusive growth (GSDRC, 2010):

- **Fiscal discipline:** It helps limit volatility (in commodity prices, foreign capital inflows etc.) that might undermine inclusive growth. The poor and middle class tend to gain less during economic booms (when those rich in real and financial assets tend to gain most) and are the first to lose jobs during downturns. Fiscal discipline includes a record of public savings made during periods of growth, so as to allow for temporary counter-cyclical deficit spending, meant for protection of the poor and middle class during times of downturn.
• **Fair tax and redistribution system:** Inclusive growth can be promoted through tax systems that are progressive and other expenditures that include greater spending on health, education and public infrastructure.

• **Business-friendly exchange rate:** An increase in manufactured exports resulting from competitive exchange rates tends to significantly contribute towards inclusive growth, since exports are associated with investment in new enterprises leading to the creation of jobs for the semi-skilled.

McKay (2008) stressed on the importance of promoting broad-based growth which is more likely to result in sustained growth. Some of the barriers that the poor face while participating in growth opportunities (GSDRC, 2010):

• Economic insecurity and high levels of vulnerability mean that the poor are less likely to engage in risk-taking activities, making it potentially more profitable;
• Many of the poor live in remote areas, many times they may be members of disadvantaged groups, that have least access to public policies and growth opportunities;
• A lower level of assets, including human capital, limits the scope of participation of poor in the process of growth

As per this paper there are three ways in which policymakers can redistribute the benefits of growth (McKay & Sumner, 2008; GSDRC, 2010):

• **Redistributive public expenditures to break the intergenerational transmission of poverty:** Policies can redistribute the benefits of growth through pro-poor public expenditure, for example through broad-based expenditure on education and health.

• **Increasing the rate of job creation from growth:** This method of redistribution can provide opportunities to people so that they can benefit from higher education levels and move out of agriculture.

• **Broad-based sectorial growth, supporting food crop agriculture:** Since job creation may not benefit the poorest directly, it is important to adopt a pattern of growth which is broad-based in terms of its coverage of sectors, regions or
population, including the agricultural sector, if that is the sector in which the poor are represented disproportionately.

In 2009, a review of ADB literature, by Rauniyar and Kanbur, highlights the following factors as essential for inclusive growth and development (GSDRC, 2010):

- **Broad-based growth:** Equal and sustained growth across different sectors and geographies (for example, creating employment for poor and vulnerable groups) is essential to inclusive growth.

- **Infrastructure:** Quality of infrastructure is an enabling factor that drives inclusive growth. Government needs to invest in physical infrastructure.

- **Agriculture:** Agriculture and the rural economy is at the core of inclusive growth in many Asian countries, where large percentages of the population are rural-based and depend on agriculture for a living. Rural infrastructure and agricultural technologies are essential to developing the rural economy and providing rural populations with access to markets, basic services, employment and income opportunities.

- **Social protection:** Targeted social protection schemes are necessary to address the extreme deprivation of disadvantaged groups. They may also provide such groups with more economic security, which may allow for greater risk-taking.

- **Legal identity:** Legal identity is an important dimension of inclusive development. It is necessary for the vulnerable communities are able to access the opportunities that are offered by public resources.

- **Capacity building:** Support for human capital and the strengthening of capabilities is important for inclusive growth and development.

- **Rule of law and enabling environment:** Government should also develop and maintain an enabling environment for business and investment in technology and innovation; and for equal participation. Effective legal institutions and rule of law are essential in guaranteeing the rights of people to participate in economic growth.

- **Partnerships between government and the private sector:** Government should work with civil society actors that contribute to equity and inclusiveness, including NGOs that operate in rural areas to promote inclusive rural development.
Ali (2007) highlights the problem of rising income and non-income inequalities in Asia and the need for inclusive growth in order to mitigate the rise in inequality. Income inequality stems in part from higher demand and thus higher wages for skilled workers, due to the rising importance of new technologies and foreign direct investment. In addition, non-income inequalities have risen with the decline in effective delivery of public services. The paper outlines that promoting inclusive growth requires:

- Creating opportunities, including addressing economic, social and political constraints in generating opportunities;
- Equalizing access to opportunities generated by growth, by addressing the disadvantages of circumstances (e.g. strengthening human capabilities to enable individuals to qualify for productive and decent employment); and
- Providing social protection schemes in order to reach the chronically poor who may still be unable to access such opportunities and participate in growth.

The paper also stresses the importance of measuring inclusive growth and the extent and degree to which inclusiveness is attained. This has received less attention than policy formulation. Measurement should focus on average opportunities and distribution of opportunities; and can be carried out for individual components, e.g., employment, access to education, access to health facilities, etc.

Markets can promote economic growth and can provide a range of benefits to those able to access and participate successfully in them. The ability to engage with markets, however, varies across groups. An article by Mendoza and Thelen (2008) outlines the barriers that poor people face in accessing and participating in markets as producers and consumers; and remedies provided by private sector actors. As producers, poor people can be excluded from access to labour and various product markets due to:

- lack of access to credit;
- limited investment in their human capital (including skills and entrepreneurship training); and
- geographic obstacles, such as their location in rural areas.
Facilitating access of the market to poor does not necessarily result in successful engagement with markets and attainment of positive developmental impacts. Even though the poor may be able to access markets, in certain situations, they may be vulnerable to the effects of market failures. However, it is necessary that attention be paid to both access and quality of participation. In order to achieve this, several private sector actors have emerged in recent times. Two key trends in this direction are as given below (Thelen, 2008):

- Business that are aimed at making profits (notably those providing access to information and communication technologies (ICTs) and financial services) are drawing on opportunities to serve more of the low-income population, in some cases serving the poor by providing goods and services that enhance human development. Many of these businesses are located in southern countries (e.g. Globe Telecom and Smart Communications in the Philippines and ICICI Bank and ITC in India).
- Not-for-profit actors and NGOs (notably microfinance institutions) are also drawing on a variety of product and process innovations that serve low-income markets in financially viable ways.

2.1.1 Interpretations of Inclusive Growth: Ex-post or Outcome Measures

Given the importance of the concept of inclusive growth and its ambiguous definitions, scholars have tried to explain inclusive growth from different dimensions. In a study by Bolt (2004), he argues that agriculture and the rural economic development play a crucial role in achieving inclusive growth as a third of the population of Asia thrives on rural economy and is intricately involved in agriculture for survival. Research has found that accelerating development as well as agriculture in this sector will rejuvenate the economy, thus contributing as a significant step towards inclusive growth. More specifically, Fernando (2008) highlights the importance of rural infrastructure in fostering inclusive growth and stresses upon the fact that rural infrastructure is the key to providing the accessibility of the rural people to markets and other essential services, including an effect on employment and income. The definition of inclusive growth is not merely providing equal
opportunities but ensuring the equal access to the opportunities. Following this definition, Ali and Son (2007) have analysed inclusive growth through social opportunity function in terms of equal job opportunities, education, health and infrastructure.

The policy imperative on achieving inclusive growth in India has given rise to studies evaluating the process of achieving this. Studies by Mody (2005) and Dev (2008) stand to be the curtain raisers for stressing upon the need for inclusive growth while identifying key thrust areas. This is because studies pertaining to an evaluation of the process of inclusive growth have come down recently. However, there are mixed opinions on India’s inclusive growth, while few argue that growth has not been inclusive, the other group opines that growth has been inclusive in nature.

Suryanarayana (2008) proposes to define inclusion/exclusion with reference to an outcome scenario for broad-based growth, as reflected in estimates of production, income, and consumption distribution. This facilitates a sketch of occupational, social and regional profiles of the included/excluded and hence, appropriate policy design or strategy for the inclusion of the excluded in the mainstream growth process. This study, therefore, makes an attempt to provide a perspective, towards the measure of inclusion, and finally an evaluation based on the available estimates of consumption. Chandra (2010) evaluates the performance of Indian economy in the neo-liberal regime in terms of its performance in external sector i.e. current account and capital account balance. Further, he evaluates the trends in government spending on social expenditure, education, social security and employment guarantee scheme. The author argues that there has not been much increase in expenditure on education and social security and that the weak credit facilities have been allocated to priority sectors such as agriculture and small scale industries as an impediment to the inclusive growth. Thus, author concludes that inclusive growth slogan is merely a façade as no substantial measures in that direction were initiated. In Dreze and Sen (2013), they asserted that, while India had shown unprecedented growth performance in the 1990s that did not result in the growth of social development indicators. They compared India’s growth and development with south Asian countries and found that while the
growth performance of India is higher as compared to the other countries, the development indicators such as growth in per capita income, human development have worsened in relation the other south-asian countries. Hence, they conclude that, India’s growth process has not been inclusive. Similarly, Singh (2014) highlights the persisting regional and income inequalities and dismal performance in India’s social development during the phase of high growth, thus stressing the need for inclusive growth.

On the contrary, Bhalla (2011) argues that growth has been inclusive. In light of high growth, in the post-liberalisation period, the author examines inclusiveness of growth in terms of regional growth, inequalities and poverty. He argues that in the post-liberalisation period, poor states grew faster than the rich states, which is an indication of participation of poor states in the growth. By estimating the inequality in growth, the author argues that growth has taken place in the bottom 20 per cent, and grown far higher than the upper 20 per cent, and that inequalities in the aggregate level remained constant. Thirdly, he argues that poverty has been declining across all social groups and the reduction in poverty has been highest in social groups Scheduled Castes and Scheduled Tribes (SC and ST). Therefore, the author concludes that growth has been inclusive. Thorat and Dubey (2012) too have examined changes in poverty across social groups during post-liberalisation period (1993-94 to 2009-10) and their analysis shows that the rate of decline in poverty has been highest in the minority and Scheduled Tribe communities during the period. Hence, they argue that growth has been socially inclusive.

2.1.2 Major Challenges before India’s Journey to Inclusive Growth

**Challenge I: The Great Indian Poverty Debate**

There has been growing contestation around poverty estimates particularly in the period of economic reforms. Some of them are as follows:

- There are persistent disagreements among economists on the rate of poverty decline after economic reforms and
The shift to targeted rather than universal welfare schemes has witnessed the use of poverty estimates, to decide on the number of households eligible to gain access to Poverty Alleviation Programs (PAPs)

**Challenge II: Cost of Subsidy**
There is subsidy in fertilizer, food grains, milk, and diesel, kerosene, which have been accumulated over the years, with the objective of helping the poor and marginal sections of the society. The huge outlay which government spends on these subsidies bring major fiscal burden and shrinks the government’s ability to finance PAPs (Poverty Alleviation Programmes). Food grains are heavily subsidized through the PDS (Public Distribution System) network, but the ineffective and corrupted practices in the PDS made the purpose of subsidy meaningless. The need of the hour is to plug out the loopholes in the subsidy system, especially in case of fertilizers and food grains, to avoid leakages in the multi-crore pro-poor activities.

**Challenge III: Identification of the poor towards whom the pro-poor public policies need to be targeted**
Yet another challenge faced by policy makers lies in the identification of the poor, so as to ensure that public welfare schemes reach the marginal sections without leakages. It is here that the UPA Government’s revolutionary UID – AADHAAR initiative will play a significant role in identifying the marginalized and poor who desperately need the government’s support system.

**Challenge IV: Food Inflation**
In the context of the nation’s food security, decreasing agricultural output and productivity is a matter of great concern. The urgent need is to bring a trade-off between food inflation and agricultural growth rate. The surging food prices in recent times made policy makers ponder over the need to accelerate agricultural output and productivity. A slow and stagnant agricultural growth is the biggest threat to a nation’s path to food security. How can one accept to witness the unfortunate scenario of food grains worth crores of rupees getting spoiled at the FCI godowns, while million starve for want of food grains. This can happen only in India, where policy makers never coordinate the buffer stock, food price, PDS and agricultural growth.
They have made a real mess of the price mechanism – with the issue price, minimum support price and market price contaminating each other and the system yielding to deep cracks in the administrative pricing mechanism. Therefore, there is an urgent need to repair the existing system of food pricing. Government’s unwanted intervention needs to be minimized.

**Challenge V: Expanding Unorganized Sector**

The Minimum Wages Act (MWA) has never been enforced wherever it is applicable, with the worst part being the unorganized sector that has been continuously neglected by policy makers. Most recommendations of the National Commission for Enterprises in the Unorganized Sector (NCEUS) have never been implemented.

**2.1.3 Inclusive Growth Pattern in Gujarat**

In India, the inclusive growth approach got its deserved importance ever since the launch of the 11th five year plan, and it is quite likely that the approach is going to stay as a critical strategy of development, driving the future growth and sustainability of agriculture in India. While the approach paper of the 11th five year plan (2007-08 to 2011-12) prepared by the Planning Commission had aimed at achieving faster and more inclusive growth, the 12th five year plan (2012-13 to 2017-18) aims at achieving faster, sustainable and more inclusive growth. The emphasis on achieving inclusive growth faster and wider has hence become the key agenda for the fastest growing state of India, Gujarat.

Table 2.1 reveals the demographic profile of Gujarat. Located over the western side of India, Gujarat shares its borders with Rajasthan, Maharashtra, Arabian Sea and Pakistan. Spread over 2,03,800 sq. km Gujarat is distributed into 26 districts with Gandhinagar as the capital city. Kutch has the highest geographic coverage with 45,652 sq. km and is the largest district in India whereas The Dangs have minimum geographic coverage of 1764 sq. km. Gujarat consist of 5 percent of India’s population and is home to 6.04 crore people as per 2011 Census report. The decadal growth rate in population has dropped from 21.53 percent to 17.64 percent from
1991-2001 to 2001-2011 census. The summarised version of the demographic profile of Gujarat state with that of India is presented in the following table:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Gujarat</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (2011)</td>
<td>6,03,83,628</td>
<td>121,01,93,422</td>
</tr>
<tr>
<td>Gender Ratio- Females Per 1000 Males (2011)</td>
<td>918</td>
<td>940</td>
</tr>
<tr>
<td>Percentage of Children in Overall Population (2011) (%)</td>
<td>12.41</td>
<td>13.12</td>
</tr>
<tr>
<td>Population Density-Persons Per Sq.km (2011)</td>
<td>308</td>
<td>382</td>
</tr>
<tr>
<td>Level of Urbanization (2011) (%)</td>
<td>42.50</td>
<td>31.10</td>
</tr>
<tr>
<td>Decadal Growth Rate (2001-11) (%)</td>
<td>19.17</td>
<td>17.64</td>
</tr>
<tr>
<td>Decadal Growth Rate-Urban (2001-11) (%)</td>
<td>35.80</td>
<td>31.80</td>
</tr>
<tr>
<td>Decadal Growth Rate-Rural (2001-11) (%)</td>
<td>9.23</td>
<td>12.18</td>
</tr>
<tr>
<td>Percentage of SC Population (2001) (%)</td>
<td>7.09</td>
<td>16.20</td>
</tr>
<tr>
<td>Percentage of ST Population (%)</td>
<td>14.76</td>
<td>8.20</td>
</tr>
<tr>
<td>Literacy Rate (2011) (%)</td>
<td>79.31</td>
<td>74.04</td>
</tr>
<tr>
<td>Male Literacy Rate (2011) (%)</td>
<td>87.23</td>
<td>82.14</td>
</tr>
<tr>
<td>Female Literacy Rate (2011) (%)</td>
<td>70.73</td>
<td>65.46</td>
</tr>
<tr>
<td>Urban Literacy Rate (2011) (%)</td>
<td>87.58</td>
<td>84.98</td>
</tr>
<tr>
<td>Rural Literacy Rate (2011) (%)</td>
<td>73.00</td>
<td>68.91</td>
</tr>
<tr>
<td>Number of Districts</td>
<td>26</td>
<td>640</td>
</tr>
<tr>
<td>Number of Talukas</td>
<td>224</td>
<td>5,924</td>
</tr>
<tr>
<td>Number of Towns</td>
<td>153</td>
<td>3,894</td>
</tr>
<tr>
<td>Number of Villages</td>
<td>18,225</td>
<td>6,40,867</td>
</tr>
</tbody>
</table>

**Table 2.1 - State Demographics**

**Source:** State Economic Review 2012-13, KPMG Analysis
Gujarat is running ahead of other states and hence seen as the potential change maker.

The following Table 2.2 reveals economic performance of Gujarat with that of India. Gujarat constitutes almost 5 percent of national population, 6 percent of national geographic area and contributes 7.39 percent to Gross Domestic Product of India.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Gujarat</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP in INR Cr (At Current Prices-2012)</td>
<td>6,11,767</td>
<td>83,53,495</td>
</tr>
<tr>
<td>Net Domestic Product in INR Cr (At Current Prices-2012)</td>
<td>5,33,390</td>
<td>74,76,764</td>
</tr>
<tr>
<td>Per Capita Income in INR(At Current Prices- 2011)</td>
<td>89,668</td>
<td>61,564</td>
</tr>
<tr>
<td>Monthly Per Capita Consumer Expenditure in INR (NSS 66th Round)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>1,065</td>
<td>953</td>
</tr>
<tr>
<td>Urban</td>
<td>1,914</td>
<td>1,856</td>
</tr>
<tr>
<td>Population in BPL Category (NSS 61st Round)</td>
<td>16.80%</td>
<td>27.50%</td>
</tr>
<tr>
<td>Primary Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cropped Area(h.a)</td>
<td>11,571</td>
<td>1,95,104</td>
</tr>
<tr>
<td>Net Irrigated Area(h.a)</td>
<td>4,238</td>
<td>63,196</td>
</tr>
<tr>
<td>Area Under Horticultural Land(h.a)</td>
<td>1,054</td>
<td>20,875</td>
</tr>
<tr>
<td>Total Livestock in 000s</td>
<td>23,515</td>
<td>5,29,698</td>
</tr>
<tr>
<td>Fish Production in 000 tonnes(2009-10)</td>
<td>771</td>
<td>7853</td>
</tr>
<tr>
<td>Value of Mineral Production in INR Cr(2009-10)</td>
<td>13,701</td>
<td>1,87,717</td>
</tr>
<tr>
<td>Secondary and Manufacturing Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Factories(2010-11)</td>
<td>21,282</td>
<td>2,11,660</td>
</tr>
<tr>
<td>Output Value in INR Cr(2010-11)</td>
<td>8,06,783</td>
<td>46,85,213</td>
</tr>
<tr>
<td>Industrial Employment in Lakhs (2010-11)</td>
<td>19.12</td>
<td>287.10</td>
</tr>
<tr>
<td>Services and Tertiary Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Scheduled Banks(2012)</td>
<td>5,076</td>
<td>92,960</td>
</tr>
<tr>
<td>Total Road Length in km</td>
<td>1,46,630</td>
<td>30,47,783</td>
</tr>
<tr>
<td>Total Railway Length(2008)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ports 42</td>
<td>5,328</td>
<td>63,273</td>
</tr>
<tr>
<td>Ports</td>
<td>199</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.2 State Economic profile

Source: Directorate of Economics & Statistics, Government of Gujarat
Looking at the contribution of some of the major sectors in the economy, the following picture can be obtained. The primary, secondary and tertiary sectors have contributed 14.9 per cent, 36.6 per cent and 48.5 per cent respectively to the total Gross State Domestic Product (GSDP) (4,526.25 billion INR) in 2013-14 at constant (2004-05) prices. The below Table 2.3 and Figure 2.1 shows that the share of primary, secondary and tertiary sectors has been reported at 22.1 per cent, 34.1 per cent and 43.8 per cent respectively, to the total GSDP (7,656.38 billion INR) in 2013-14, at current prices (Development Programme 2015-16, Government of Gujarat; Business Standard, July 2, 2014).

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>19.5</td>
<td>36.5</td>
<td>44</td>
</tr>
<tr>
<td>2008-09</td>
<td>18.6</td>
<td>37.4</td>
<td>44</td>
</tr>
<tr>
<td>2009-10</td>
<td>17.9</td>
<td>39.5</td>
<td>42.6</td>
</tr>
<tr>
<td>2010-11</td>
<td>21.9</td>
<td>35.4</td>
<td>42.7</td>
</tr>
<tr>
<td>2011-12(P)</td>
<td>22.2</td>
<td>36</td>
<td>41.8</td>
</tr>
<tr>
<td>2012-13(P)</td>
<td>19.2</td>
<td>36.4</td>
<td>44.4</td>
</tr>
<tr>
<td>2013-14(Q)</td>
<td>22.1</td>
<td>34.2</td>
<td>43.8</td>
</tr>
</tbody>
</table>

Table 2.3 GSDP by broad Sectors – Sectoral Contribution (%)

Source: Socioeconomic Review, Gujarat State, 2014-15

Figure 2.1 Sectoral composition of GSDP at current prices

Source: Socioeconomic Review, Gujarat State, 2014-15
As per Table 2.4 and Figure 2.2, the per capita income has been identified at 1,06,831 INR in 2013-14 against 93,046 INR in 2012-13 (an increase of 14.8 per cent) during the year (Development Programme 2015-16, Government of Gujarat).

<table>
<thead>
<tr>
<th>Year</th>
<th>At Current Prices</th>
<th>At Constant (2004-05) Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>32,021</td>
<td>32,021</td>
</tr>
<tr>
<td>2008-09</td>
<td>55,068</td>
<td>43,685</td>
</tr>
<tr>
<td>2009-10</td>
<td>64,097</td>
<td>49,168</td>
</tr>
<tr>
<td>2010-11</td>
<td>77,485</td>
<td>53,813</td>
</tr>
<tr>
<td>2011-12(P)</td>
<td>85,979</td>
<td>56,634</td>
</tr>
<tr>
<td>2012-13(P)</td>
<td>93,046</td>
<td>59,157</td>
</tr>
<tr>
<td>2013-14(Q)</td>
<td>1,06,831</td>
<td>63,168</td>
</tr>
</tbody>
</table>

**Table 2.4 Per Capita Net State Domestic Product (Rs.)**

**Source:** Socioeconomic Review, Gujarat State, 2014-15

**Figure 2.2 Per capita Income (INR), 2004-14**

**Source:** Socioeconomic Review, Gujarat State, 2014-15

Measured in terms of GSDP, at factor cost as per constant and current prices, growth and the structural changes in the economy have been studied. State Domestic Product (SDP) numbers, over a period of time, tend to indicate changes in economic development. SDP helps in understanding the position of several sectors in the economy over the years that helps in decision making necessary for spreading overall
economic development. The present base year for GSDP estimation, at constant prices, is 2004-05 (Jain & Singh, 2013). As per the Gross State Domestic Product (GSDP), at factor cost, at constant (2004-05) prices, in 2013-14 saw a growth of 8.8 percent from that in 2012-13. GSDP at factor cost, at current prices, in 2013-14, grew by 16.3 percent from 2012-13 (Directorate of Economics and Statistics, 2015). Hence, the above data proves that Gujarat’s economy is growing; however, the rate of differential growth between urban and rural areas needs sound attention. The potential of the state needs to be recognized with the right set of actions by both government and its citizens.

2.1.4 An Attempt to Measure Inclusive Growth

There have been several attempts by economists to measure inclusive growth. Ali and Son, 2007 proposes a very simple methodology of quantifying inclusive growth by means of a social opportunity function. This is similar to a social welfare function. Both are proportional in a way proposing that an increase in inclusive growth leads to an increase in social opportunities. However, they depend on the following two factors:

1) Average opportunities, that are available to the population, and
2) The manner in which these opportunities are shared within the population.

The social opportunity function can be defined as follows:

\[ O = O(y_1, y_2, y_3, \ldots, y_n) \]

Opportunity can be defined in terms of the various services; for example, access to primary education, primary health services, etc. \( y_i \) can take binary values 0 and 100. Hence, it takes the value of 0, when an \( i^{th} \) person has no access to certain opportunity, and takes the value of 100 if the \( i^{th} \) person has access to an opportunity. The average opportunity for a given population can then be defined as below:

\[ y = \frac{1}{n} \sum_{i=1}^{n} y_i \]  \hspace{1cm} (1)

More weight can be assigned to the poor segment, thus greater poverty will result in greater weight. If opportunities can be transferred to the poor, the social opportunity factor would increase, enabling inclusive growth. Thus, it must
1) Not only create new economic opportunities and expand the average opportunities of a given population, but also
2) Improve equal distribution of the so-called newly created set of economic opportunities, particularly to the poor, to the best possible extent.

Inclusive growth therefore should not only expand the average opportunities of the population, while enhancing opportunities for distribution. Hence, if policies for development are based primarily on increase in average opportunities, then as per equation the researcher is ignoring the distribution of opportunities. So there is a need to bring in the distribution considerations, which requires the social opportunity function to fulfil the transfer principle.

2.1.5 Significance of Inclusive Growth
Inclusive growth is important for very salient reasons:

- For ethical considerations of equity and fairness, growth must be shared and should be inclusive across different segments of populations and regions. Economic and other shocks hurt the poor and vulnerable people the most, also growth that results in high disparity is unacceptable.
- Growth with persisting inequalities within a country may endanger social peace, force poor and unemployed people into criminal activities, make women more vulnerable to prostitution, force children into undesirable labour, and further weaken other disadvantaged and vulnerable sections of population—resulting in a waste of vast human capital that could otherwise be used productively in creating economic outputs for sustainable growth.
- Continued inequalities in outcomes and access to opportunities in a country may result in civil unrest and violent backlash from people who are continually deprived, derailing a sustainable growth process. This may create political unrest and disrupt the social fabric and national integration, undermining the potential for long-term, sustained growth.
**2.1.6 Gaps in Literature**

- Enough research has been conducted on understanding and defining inclusive growth from various perspectives. But still there exist no single theoretical framework that supports the analytical work on inclusive growth. Hence there exists lack of integration between theoretical and analytical context of inclusive growth.

- Inclusive growth has gained highest priority in the 11th and 12th five year plans and it has gained lot of attention in recent years. Government have taken measures to reduce inequality in the past and present. But the allocation of resources was either found to be incomplete and some ministries did not even kept proper schemes to include disadvantaged section into the growth process. For e.g. NREGA was allocated funds by Ministry of Rural Development but it does not address the asset creating scheme for the scheduled class and scheduled tribes. Also ICDS receives resources from Ministry of Women and Child Development but there focus is not on their developmental aspects. Hence there exist lack of integration between the inputs provided by the government and the output that must come out of it.

- Inclusive growth has been defined from various context but an holistic economists definition is missing. For e.g. the income growth rate of bottom two deciles must equal be double the national growth rate. Such absolute definition to measure the extent of inclusive growth achieved is not seen.

- Most of the discussion and debates about inclusive growth is focused upon the outcome measures. Hence there exist no clear consensus upon what consist of inclusive growth and which are the key thrust areas to address.

- Government has brought inclusive growth into limelight and is spending resources for redistribution and upliftment of the excluded. But the literature brings out lack of trust and confidence in the government by the disadvantaged section due to high level of corruption and splendid resources spent after high profile dignitaries. Hence the literature brings attention to the lack of transparent system.

- Limited literature is found to relate effects of different types of growth on different measures of inclusive growth.
2.1.7 Conclusion
Taking into account the literature review and the gaps that emerged out of it, the current research has made an attempt to bring out the inclusive growth agenda in more holistic and prioritised manner. Also the inclusive growth parameters were addressed in a way that considers combination of efforts from combination of actors to bring holistic perspective.

Considering extensive literature on inclusive growth, the summarised version of it must address the following aspects:
- reduce poverty faster
- must be broad based
- labour intensive
- reduce inequalities across regions and socioeconomic groups
- opportunity provider and
- consider marginalised/disadvantage section as partners in growth process.

It is well understood that the achievement of inclusive growth is not through the single indicator and has to cover various other aspects. But an attempt is made to provide focus on priority areas where not only the need for inclusiveness is highest but also the outcome can also come faster. Based on this understanding, it can concluded that inclusive growth is taking place
- when it takes place in the sectors in which the poor work (e.g., agriculture),
- occurs in places where the poor live (e.g., relatively backward areas),
- uses the factors of production that the poor possess (e.g., unskilled labour) and
- reduces the prices of consumption items that the poor consume (e.g., food, fuel and clothing).

If the above criteria are addressed upon there are better chances of bringing the excluded into the growth process faster and then make them partners in the growth process to spread inclusiveness wider. Reason being if more people are involved in delivering growth than just receiving its benefits, the growth process will become more inclusive.
2.2 Grass Root Innovation: Introduction

Novelty and leadership in the market are considered penchants. However, in case of formal organizations, the scientists and engineers were considered to be path-makers of innovation the leaders in the process. However, later both control and a drive for efficiency began to direct this process. Organizations were more focused on developing new businesses from new products, thus promoting a sustainable framework of growth. But today the situation is far more decentralized and innovation, as seen today, is a process that involves multiple players and is more customized in nature.

2.2.1 Grassroots Innovation: Definitions

In academic discourse, Grassroots Innovations have been studied from the perspective of technology (Schumacher, 1973), innovation induced by scarcity (Srinivas & Sutz, 2008), creativity at the grassroots level (Gupta, 1996), innovations led by community (Seyfang & Smith, 2007), innovations based on TK (Dheeraj, Basant & Gupta, 2003; Gupta, 1998), rural innovation (Jain & Verloop, 2012; Seyfang & Smith, 2007), innovation base out of empathy (Gupta, 2010; Rajan, 2013) and informal models (Erika & Watu, 2010). Grassroots innovations are induced by scarcity (Srinivas & Sutz, 2008) and conceived to be able to meet the need that has long been ignored by the mainstream population (Monaghan, 2009). For a long time there has been lack of knowledge regarding grassroots innovations (De Keersmaecker, Kandachar, Parmar, Vandenbempt & Baelus, 2013). Research here aims to understand GI in terms of scientific and technological development, enabling creation of novel products and services, developed through the skills of rural Indians meant to solve the problems of their community.

GRI has been identified in other countries as well. For example, Gambiarra in Brazil, Systeme D in France, Zizhu Chauangxin/folklore innovation in China, independent/user or Do-it-yourself innovation in US, jua kali in Kenya, etc. (Kumar & Bhaduri, 2014). Research on grassroots innovation and creativity as well as marginalized communities is rooted in the social sciences. Studies like these focus on
the development and sustainability of grassroots innovations in communities. These studies discuss the development, growth and sustainability of grassroots activities and communities. Scholars have discussed the importance of grassroots innovations in terms of their placement in the economic scenario and their moral importance for sustainable growth (Church, 2005; Dutz, 2007; Gupta, Sinha, Koradia, Patel, Parmar, et.al., 2003; Seyfang & Smith, 2007). In spite of research in the field accelerating in the last 20 years, it still continues to be an area that has not been explored sufficiently (De Keersmaecker et al., 2013; Gupta, 2003; Onwuegbuzie, 2010).

Grassroots refers to activities that are constrained spatially (Davies, 2012; Seyfang & Smith, 2007). They are for the most part based out of the informal sector (Erika & Watu, 2010; Cozzens & Sutz, 2012), while indicating a complicated mix of social, political and economic goals of the people, who then for the sake of improving their lives depend on their skills and experience (Bhaduri & Kumar, 2011). Most innovations in this regard are based out of necessity, meant to enhance livelihood of the innovators and those who use it, both located usually in the same geographic territory (Pathak, 2008; Rajan, 2013). Defined as informal (Cozzens & Sutz, 2012), based out of needs, user directed and proactive (Onwuegbuzie, 2010) grassroots innovations tend to meet needs and solve problems by means of traditional knowledge, skills and tools (Gupta, 1998; Jain & Verloop, 2012).

One of the distinguishing aspects of GRI is that people from the lower socioeconomic strata are the creators of innovations. They develop, consume and produce them through support received from NGOs and research laboratories (funded publicly) (Gupta, 1996). It is a socio-technical mechanism and a process co-production (Torri, 2010) providing solutions to problems that plague the community (Rajan, 2013). Innovators can be users of the innovation as well, and it is this tendency that separates it from other kinds of innovations.

 Classified as pro-poor, GRI has attributes that are intricately associated with other types of innovations like frugal, social, agricultural and ecological innovations. In Table 2.3 enlists authors of GRI and their points of focus. GRI is generally considered
to be synonymous with the innovations, but the difference between them has been clarified in Table 2.4.

According to available literature, frugal innovations incur less cost, provide high quality products for emerging markets and serve an important purpose of creation of value for a market that has long been underserved (Bhatti, 2012; Radjou, Prabhu & Ahuja, 2012; Krishnan, 2010). People in the grassroots strata are the consumers (Paunov, 2013; Bhatti, 2012), and GRI is adopted, developed and produced by huge corporations or people belonging to non-marginalised segments, so as to increase market accessibility in emerging economies.

GRIs are not meant to generate profits or for mass consumption. In spite of not being of the highest quality, they are cost-effective and affordable regarding requirement of resources (Gupta, 1996; Seyfang & Smith, 2007). These innovations have a tendency to enhance productivity of the local industries (Cécora, 1999; Dutz, 2007; Pathak, 2008), to contribute towards development of the region (Cécora, 1999; Church, 2005) and to enhance the social capital at the bottom of the pyramid (Ansari, Munir & Gregg, 2012).

GRI’s have intimate bonds with social, ecological and agricultural innovations. But there are differences, especially in regards to their source. As for example, social innovations are directed by NGOs to meet social needs of the population and to bring about a social change (Butkevičienė, 2008, Mulgan et al., 2008). GRI has the ability to improve the social systems of production and consumption, by making them more sustainable (Monaghan, 2009; Seyfang & Smith, 2007), thus bringing in social change in the process (Butkevičienė2008) and lead to sustainable development (Church, 2005; Dutz, 2007; Onwuegbuzie, 2010). But, most GRIs are not social innovations, since their aim is not to change anything in the social fabric of society.

Green innovations meet the environmental needs, while maintaining sustainability (Davies, 2012; Longhurst & Seyfang, 2011; Seyfang & Smith, 2007). GRIs, however, may or may not be sources for green solutions. Similarly, an agricultural innovation aims at technological, financial and other forms of innovation, especially in the
agricultural sector, led by people who are most affected by them as well as other supporting organizations (Assefa et al., 2009; Cooke, 2001; Rogers, 2003; Röling, 2006). Agricultural innovations tend to be created for farmers and laborers, belonging to the marginalized sections, by those in the un-marginalized categories of society (Assefa et al., 2009). However, it is largely an undertaking meant to solve local problems and to empower people in the rural areas, thus differentiating it from other kinds of innovations. Table 2.5 provides overview on various innovation categories as recognised by respective authors:

<table>
<thead>
<tr>
<th>Categories of Innovation</th>
<th>Author(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural innovation</td>
<td>Assefa et al. (2009)</td>
</tr>
<tr>
<td></td>
<td>Knickel et al. (2009)</td>
</tr>
<tr>
<td></td>
<td>Hall (2007)</td>
</tr>
<tr>
<td></td>
<td>Röling (2006)</td>
</tr>
<tr>
<td></td>
<td>Rivera, Qamar &amp; Mwandemere (2005)</td>
</tr>
<tr>
<td></td>
<td>Rogers (2003)</td>
</tr>
<tr>
<td></td>
<td>Cooke (2001)</td>
</tr>
<tr>
<td>GRI, indigenous or TK-based innovation</td>
<td>Paunov (2013)</td>
</tr>
<tr>
<td></td>
<td>Rajan (2013)</td>
</tr>
<tr>
<td></td>
<td>Jain &amp; Verloop (2012)</td>
</tr>
<tr>
<td></td>
<td>Onwuegbuzie (2010)</td>
</tr>
<tr>
<td></td>
<td>Torri (2010)</td>
</tr>
<tr>
<td></td>
<td>Pathak (2008)</td>
</tr>
<tr>
<td></td>
<td>Dutz (2007)</td>
</tr>
<tr>
<td></td>
<td>Srinivas &amp; Sutz (2008)</td>
</tr>
<tr>
<td></td>
<td>Seyfang &amp; Smith (2007)</td>
</tr>
<tr>
<td></td>
<td>Gupta (1996)</td>
</tr>
<tr>
<td>Social innovation</td>
<td>ButkevičienH (2008)</td>
</tr>
<tr>
<td>Ecological (Green)</td>
<td>Davies (2012)</td>
</tr>
<tr>
<td></td>
<td>Seyfang &amp; Smith (2007)</td>
</tr>
<tr>
<td></td>
<td>Longhurst &amp; Seyfang (2011)</td>
</tr>
</tbody>
</table>

**Table 2.5 GRI and Associated Innovations**

**Source:** Joshi, R. G. (2015)
Other than GRI, most innovations do not prioritize solutions to local problems. As stated by Kumar and Bhaduri (2014), innovations in the informal sector generate knowledge, sources of revenue and socio-psychological benefits. Conceived by the poor and directed at problems in the local perspective, GRIs are conceptualized, experimented with and implemented by means of indigenous technologies, and for the most part without receiving any help from the state (Bhaduri & Kumar, 2011). Each of these innovations are different in terms of their perspective and purpose of approaching the grassroots sector. Table 2.6 indicates these dimensions and depicts their difference in terms of purpose, focus and the actors involved.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Agri-innovation</th>
<th>Social innovation</th>
<th>Green/eco innovation</th>
<th>Inclusive innovation</th>
<th>Frugal/BoP innovation</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Focus</strong></td>
<td>Agricultural goods and services to fulfil food and livelihood needs</td>
<td>Enhance access to basic social needs and eliminate social problems</td>
<td>Environment and ecological conservation and development</td>
<td>Socio-economic well-being of all marginalised groups</td>
<td>Provision of low-cost, high-quality products and business models to emerging markets</td>
<td>Needs and interests of the poor and marginalised. Socio-technological solutions to local problems</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>Increase agricultural production/yield</td>
<td>Social change and well-being of citizens</td>
<td>Products and processes that decrease adverse environment effects</td>
<td>Inclusion of those left out of mainstream development</td>
<td>Create value for underserved market</td>
<td>Solve local problems or necessity-led issues</td>
</tr>
<tr>
<td><strong>Actor</strong></td>
<td>Multiple</td>
<td>NGO, activists and social entrepreneur</td>
<td>Multiple</td>
<td>Private and public firms, international development agencies, government, civic bodies</td>
<td>Private firms and multi-national corporations</td>
<td>Marginalised and poor people India and Grassroots Innovation</td>
</tr>
</tbody>
</table>

Table 2.6 Dimension of GRI and Associated Innovations

Source: Joshi, R. G. (2015)

An informal, frugal and systemic form of GRI tends to aim at solving problems experienced by individuals and/or the community of the innovator, without intention for profit generation or mass consumption. Although it may not have the highest quality, it is cost-effective, inexpensive and requires less resources. GRIs are created
out of experience and informal knowledge systems, involving unparalleled social and technical phenomena embedded in the community. Moreover, it is driven by need and ideologies of the community that assumes higher priority as compared to personal economic motives of the innovators (Seyfang & Smith, 2007).

2.2.2 Grassroots Innovation in India

India is an emerging economy with 1.2 billion people with a GDP of US$4,077 (Cornell University, INSEAD & WIPO 2014). Census of India (2011) mentions that 68.84 percent of the population resides in 6,38,000 villages (Office of the Registrar General and Census Commissioner 2011). Some 42 million people fall below the poverty level (Chataway, Hanlin & Kaplinsky, 2014). Access to food, health, housing, etc. are some of the challenges that has been persistent. Challenges related to food access, health, housing, farming equipment and education persist. Hence, in order for the country to grow socially and economically, it is necessary that pro-poor innovations generated from grassroots communities are encouraged (Dutta, 2012; Dutz, 2007; Gupta, 2010).

Predominantly an agrarian society, India has an agricultural economy which contributes a mere 14 percent to the country’s GDP. However, it happens to be the primary source of income for more than 58 percent of the population in the rural areas (National Sample Survey 2011). It is the rural way of life that have given birth to many GRIs, especially those related to agro-technology. GRIs tend to be scarcity-led, informal, need-based and bottom-up mode of innovations (Srinivas & Sutz, 2008; Pathak, 2008; Onwuegbuzie, 2010; Cozzens & Sutz, 2012) that frequently meet the needs and problems by means of traditional knowledge (Gupta, 1998; Jain & Verloop, 2012). Mahatma Gandhi identified GIs as being of great importance for the country. He initiated People’s Science Movement in India by demonstrating that technologies such as the spinning wheel offered self-reliance in the rural sphere (Abrol, 2005), which also aided in the formation of Scumacher’s (1973) notion of the most appropriate technology for the purpose of development. In 1990s, Anil Gupta, who was at the helm of grassroots revolution, emphasized the significance of the traditional knowledge that was key to GRIs.
2.2.3 Inclusive Development via Grassroots Innovation

By means of knowledge in formal as well as informal sectors, inclusive growth can be achieved. However, it seems that innovation in informal setting has not received enough attention (Cozzens & Sutz, 2012). According to Bhaduri and Kumar (2011), GRI functions in settings that are informal and filled with ill-defined problems, regulatory frameworks and incentives. Such a setting, as stated by Cozzens and Sutz (2012), is a place where vulnerable communities live and earn their livelihoods. It constitutes their economic activities of those that are positioned in both formal as well as informal sectors to earn their bread (Cozzens & Sutz, 2012).

GRI, in case of India, uses traditional knowledge or modern technology, as adapted from elsewhere, especially since they are inexpensive for low-income groups (Gupta, 1996; Jain & Verloop, 2012; Pathak, 2008). But such knowledge can also be defined in terms of the communities beliefs and practices (Ganguli, 2000). Usually, GRI would result from an attempt to seek alternative solutions to problems, and the resulting actions taken by the deprived to meet needs long-ignored by the rest of the society (Monaghan, 2009). Examples of such innovations are the amphibious bicycle, bicycle-based sprayer that can be used in watering small farms, pulley (modified) for drawing water from wells, a plough that can be driven using a motorcycle, refrigerators made out of clay, etc. (Gupta et al., 2003; NIF 2004–2011).

In management literature, inclusive innovation is a fast-evolving concept (George, McGahan & Prabhu, 2012). Both individuals and communities that are trapped in a perennial cycle of poverty have been identified to be living at the very bottom of the pyramid (BoP) (Prahalad & Hart, 2002). Inclusive innovation is an attempt to enhance socio-economic well-being of the poor by giving them solutions that are innovative and easy to access, without compromising on the quality so as to close the gap between the rich and poor in terms of standard of living. This can be attained by creation of outreach programmes that offer livelihood opportunities for the poor (Utz & Dahlman, 2007; Paunov, 2013; Ansari, Munir & Gregg, 2012; George, McGahan & Prabhu, 2012). It is closely related to a breakthrough in the business model, enabling participation of poor in high-profit (George, McGahan & Prabhu, 2012).
Also, innovations need to be inherently inclusive in nature for achieving comprehensive development of the economy.

In recent years, innovations from the BoP are rapidly becoming a source of inclusive growth (Cozzens & Sutz, 2012). GRIs are low-cost, material rich, availability of skills and labour, affordability, job creation, avoidance of patent norms and a neglect of a need for western education (Smith, Fressoli & Thomas, 2014; Kumar & Bhaduri, 2014). Innovators can be both promoters as well as providers of innovation and development, since it can have an immediate impact on their own livelihoods and that of others in their communities (Pathak, 2008).

In the past twenty years, creativity at the grassroots level has taken priority in terms of sustainable models of socioeconomic growth and alleviation of poverty, especially in developing countries (Gupta, 1998; Kohli & Bhutani, 2011; Warren, 1996). Fritz Schumacher, an economist, proposed pro-poor innovation much before the others, specifically technologies that served a social purpose. By placing emphasis on people, more than the market, he insisted that mass production needs to be modified into production for the masses (Schumacher, 1973). Developing economies, he believed, should especially refrain from adapting technologies from the developed nations since it tends to further pushes them into poverty and unemployment (Schumacher, 1973). Schumacher’s theories always challenge existing design and models of innovation and development in a way that support inclusive grassroots movements. Mostly, this is caused due to difficulties in finding stakeholders, proposing new modes for proactive knowledge creation and participation, seeking funding and identifying problems that can be solved (Fressoli et al., 2014). So as to ensure productivity and development, emerging economies need to assess their own capacities and harness the potential that lay latent in the people at the grassroots level. In order to do this, it is necessary that a bottom-up understanding is attained for GRIs and its essence and behavior is embraced.

Innovation of the pro-poor has been a topic of interest for over two decades. Various authors have devised models and services for the informal sector (Prahalad & Hart, 2002; Srinivas & Sutz, 2008; Kaplinsky, 2011; Chataway, Hanlin & Kaplinsky,
2014). These innovations have been classified as bottom-of-the-pyramid (BoP) innovations, below the radar innovations, jugaad and emerging innovations (Prahalad & Hart, 2002; Kaplinsky et al., 2009; Radjou, et al, 2012; Jain & Verloop, 2012). However, there seems to be fine differences existing among them. Pansera (2013) has stated that innovations either bridge the formal and the informal parts of the economy or enable a dynamic market to help eradicate poverty. By examining the challenges posed towards innovation in the mainstream by the pro-poor, Pansera (2013) has identified the determinants that shape the below-the-radar innovations. This seems to indicate significant differences between the two (Table 2.7). Despite this the determinants seem to fail in terms of understanding the spirit of grassroots innovations.

<table>
<thead>
<tr>
<th></th>
<th>BOP</th>
<th>GRI</th>
<th>Inclusive Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Needs</td>
<td>√</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Resource Constraints</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market affordability</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional voids</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Environmental concerns</td>
<td></td>
<td>√</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.7: Determinants of below-the-radar innovations

Source: Pansera (2013)

2.2.4 Particularities of Grassroots Innovations

Different kinds of socio-ecological conditions favour the emergence of the innovations by people without any outside help. The questions that remains to be answered, is it the stress or sufficiency in resources which is vital, or, is it the strong institutional environment or weak one which leaves space for local innovations to emerge? It seems that weaker the process of public technology generation or extension institutions in a given region, greater the compulsions for local innovations to emerge. But then this is also not uniformly applicable. In some areas of institutional weakness, the apathy and stressful local livelihood environment might not trigger many innovations. But in other places, even with stronger institutions, there may be specific areas of technological change where the institutions might contribute much. Agri-engineering is one such area, where formal institutions have contributed perhaps
much lesser compared to many other disciplines. Table 2.8 summarises the particularities of GRI:

![Table](Image)

<table>
<thead>
<tr>
<th>Grassroots innovators</th>
<th>Access to expertise and knowledge</th>
<th>Access to financing</th>
<th>Market conditions</th>
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<tr>
<td>• The process is driven by users of innovation</td>
<td>• Financial resources determined by means of market trends, while investment opportunities depending on the personal conditions of the innovator</td>
<td>• The innovator’s informal status:</td>
<td></td>
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<tr>
<td>• Capacity of the innovator is based upon the experiential knowledge of the innovator</td>
<td>• Volatility can be substantial and investments are needed to improve personal living conditions. As a result, subsistence-driven activities may reduce willingness to experiment and take risks.</td>
<td>- Access to public services becomes difficult</td>
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<td>• There is a limited knowledge of technologies and capacity for absorption of the innovation within the population, while at the same time opportunities for tapping the knowledge network is very less</td>
<td>• The innovator’s informal status:</td>
<td>- Contracting is influenced by the informal conditions and an increase in cost leads to less optimal deals</td>
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<tr>
<td>- The inventor of the Jayaashree Industries sanitary napkin-making machine (India) experienced difficulties in obtaining information from firms in the formal sector, delaying the development of his product</td>
<td>• The lending conditions are challenging because:</td>
<td>- Provides limited opportunities for protecting inventions, exposing innovators to a greater risk of theft and desire to keep inventions secret, thereby reducing opportunities for scale; possible side-selling can also lower uptake (if lower-quality alternatives are provided).</td>
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<td>- Informality makes contract enforcement difficult, and thus reduces credit opportunities.</td>
<td>- Entails higher exposure to infrastructural constraints, increasing supply costs.</td>
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<td></td>
<td>- Product uptake is longer/riskier, since these innovations often create new markets.</td>
<td>• For the poorest groups, time available for</td>
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<td></td>
<td>- The potentially low scale of many future markets, combined with the</td>
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<tr>
<td>Access to expertise and knowledge</td>
<td>Access to financing</td>
<td>Market conditions</td>
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<tr>
<td>Access to expertise and knowledge correspondingly low loan requirements and opportunities, limits the potential for standards loans. - Opportunities for non-standard financing include impact investment (financial resources for inclusive innovation), but future opportunities should be explored.</td>
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**Differential policy approaches for inclusive innovation**

- Support intermediary institutions and other means of knowledge exchange to provide technical expertise to grassroots innovators and information on the needs of the poor to pro-inclusive innovators.
  - The China Innovation Network, established in collaboration with the Honey Bee Network and the Tianjin University of Finance and Economics, aims to support grassroots innovations.
  - Stimulate/support research institutions that foster inclusive innovation.
  - The MIT D-Lab supports inclusive innovation from development to commercialisation by identifying opportunities for small-scale activities, avoiding volatility and moral hazard; this points to a close connection with microfinance models.

- Identify opportunities for small-scale activities, avoiding volatility and moral hazard; this points to a close connection with microfinance models.

- Investigate policy approaches relative to the informal sector aiming to better integrate informal activities by enhancing access to services, exploring opportunities for IP and addressing infrastructural constraints.
  - The MFI Swayam Krishi Sangam (SKS) (India) partnered with Nokia and Bharti Airtel (services provider) to provide mobile phones, jointly with a microloan to pay for them in areas with no mobile phone penetration.
  - Explore novel social financing models for inclusive innovation that ensure efficient operational costs.

- The Oro Verde co-operative (Colombia) supports traditional gold and platinum miners and helps them reach international markets at premium prices thanks to their ecological practices. Oro Verde uses IP to protect and promote its brand specificity.
<table>
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<th>Access to expertise and knowledge</th>
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<tr>
<td>supplying technical expertise (e.g. the Creative Capacity Building programme for pro-inclusive entrepreneurs and open-source technologies for grassroots entrepreneurs). The Techpedia project of the Honey Bee Network (India) promotes links between technology students and innovators in the informal sector. • Train the poor to build absorptive capacities.</td>
<td>financial operations. • Major risk of uptake, combined with information challenges and the costs of supplying markets, requires support and funding beyond the initial product development stages (traditionally seen as the most critical phase). The India Inclusive Innovation Fund pledged to spend 50% of its first investment on SMEs.</td>
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Table 2.8 Particularities of grassroots innovations

Source: OECD (2015)

2.2.5 Gaps in Literature
After studying extensive literature on grassroots innovations the following gaps emerged:

- Very minimal literature was found for grassroots innovations where scale is an issue. In other words scale has become necessary condition for the grassroots innovation to get highlighted and picked for further development. Hence a innovation that meets needs of small community or its current applicability is minimal is given lesser importance.

- People from marginalized sectors have exhibited impeccable creativity since long, indicating their potential to enhance rural economies. However, little is understood about their experiences, which needs to be understood from a humane and bottom-up perspective usually absent in literature related to grassroots innovators.

- Not enough attention is given to traditional knowledge and creativity of the grassroots innovators as compared to the buzzing technological world. Considering
the odd and rural places from where innovators belong with their weak educational backgrounds and language barriers has resulted into undervaluing their creativity potential.

- There exists a hard need for micro venture finance to upscale the grassroots innovations to the next level. As micro finance is widely accepted throughout the world as an aid for sustainable development, there exist very few institutions that pick up the micro venture fund for grassroots innovators.
- Documentation of the innovators profile and the intricacies of the innovation needs very close attention as it is widely ignored. A complete and concrete database of innovators can serve as platform for various stakeholders with different forms of agendas.
- There exists lack of government policies in scouting, managing and developing grassroots innovations. It has still not reached the hit list as a tool for sustainable inclusive growth.

2.2.6 Conclusion
Grassroots innovators have the drive to bring about socioeconomic change by being active members of the development process. It is highly recognized for its empowering potential and the enhancement of the lives of people it may touch upon. But, it is the discussion of the innovation that still remains a major hurdle when it comes to the local market. A capacity to empower innovators by making them producers cannot be achieved without growing the systems of intermediation and redirection that would eventually give them the competitive advantage of being a sole producer of the product (Abrol & Gupta, 2014).

The current research is bridging important gaps in the way one conceptualise the evolution of innovations in informal sector by formally untrained minds so to say (GRI). There are gaps in meeting needs of disadvantaged communities which formal system of S&T has not been able to address in cost effective and affordable manner so far. While GRI cannot provide solutions for all problems, they can indeed provide solutions for some problems. The conceptual basis or the heuristics underlying these innovations can sometimes extend the frontiers of science or improve the efficiency in the mainstream larger technological systems. This is in addition to meeting the local
needs. But, incentives for developing technologies which will have limited diffusion because of socio-ecological conditions are very difficult to institutionalise. The result is that such niches remain unserved. If difficult regions with poor market and bureaucratic infrastructure have to remain outside the developmental impulses, the social harmony is unlikely to be maintained. Sustainability then will become suspect.

2.3 Entrepreneurship: Some Definitions

Some of the key understandings of entrepreneurship were contributed by the well-known economist Joseph Schumpeter, of the Austrian School of Economics. He states that an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. The process of entrepreneurship induces creative destruction across markets and industries, by simultaneously creating new products and/or business models. In this way it is responsible for the kind of dynamism of industries and long-run economic growth, as observed in an economy. Traditional microeconomic theory has little space for entrepreneurs in its frameworks (theoretical), whereby it is believed that resources will eventually find one another through the price mechanism existing in the market (Article in *The Economist*, 2006).

Although entrepreneurship and small businesses are related, they are not synonymous. Entrepreneurship is a behaviour that is aimed at opportunities rather than towards resources (Stevenson & Gumpert, 1991). This, as has been observed, can happen in case of both large as well as small businesses. However, smaller businesses can be vehicles for both Schumpeterian entrepreneurs, who introduce new products and/or processes that has the potential to change the industry and people preferences, and those that pursue a business purely for the sake of survival (Wennekers & Thurik, 1999). The latter belong to the economic core (Kirchhoff, 1994). Both forms of entrepreneurship hold significance, as already known, but what really matters is the point where they overlap. The past few decades have seen small businesses as a vehicle for entrepreneurship as well as an important source of employment and income. Times when the large firms struggled to gain their previous dominance of 1960s and 1970s, it was small businesses who supplied not just employment, but were also key sources of social and political stability. Today upcoming small businesses are
playing this role, contributing to innovation and competitiveness, across the globe (Wennekers & Thurik, 1999).

The focus has thus shifted from small businesses being merely for the social good to the situation where they are important for maintaining the growth of entrepreneurship, predominantly for their contribution to the global economy. The current trend suggests that entrepreneurship, more than any other parameter, will be a vital determinant of economic growth of any nation (Audretsch & Thurik, 2001). This positive relationship between the two have been verified across units of observation like, the establishment, enterprise, industry, region and country. While small businesses have always mattered to policy makers, right now they matter even more. Being confronted with rising concerns of unemployment, job creation and economic growth, policy makers have responded with mandates to promote the creation of new businesses (i.e. entrepreneurship) (Reynolds et al., 2000).

The concept of ‘social entrepreneurship’ has been rapidly emerging in the private, public and non-profit sectors over the last few years, and interest in social entrepreneurship continues to grow. Currently, the non-profit sector is facing intensifying demands for improved effectiveness and sustainability in light of diminishing funding from traditional sources and increased competition for these scarce resources. At the same time, the increasing concentration of wealth in the private sector is promoting calls for increased corporate social responsibility and more proactive responses to complex social problems, while governments at all levels are grappling with multiple demands on public funds.

In light of this, social entrepreneurship is emerging as an innovative approach for dealing with complex social needs. With its emphasis on problem-solving and social innovation, socially entrepreneurial activities blur the traditional boundaries between the public, private and non-profit sector, and emphasize hybrid models of for-profit and non-profit activities. Promoting collaboration between sectors is implicit within social entrepreneurship, as is developing radical new approaches to solving old problems.
2.3.1. Social Entrepreneurship

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Social entrepreneurship has a strong intuitive appeal, Social entrepreneurship has always had an elusive definition since it represents a wide spectrum of things and changes with respect to the vantage point from which the enterprise is being looked upon. However, enterprises may be considered either social or otherwise, irrespective of the case in point. The problem lies in pinpointing the difference between the two. For example, social entrepreneurship can be described as a behaviour with social ends rather than purely profit-based objectives, or in a different sense, the profits generated are used for the benefit of some disadvantaged group of the society at large. Such definition enables one to see that the stand about profits is rather agnostic (Leadbeater, 1997). Dees (1998) has listed five attributes of social enterprise namely, 1) adoption of a mission that creates social value, 2) pursuit of opportunities that serve the chosen mission, 3) innovation, 4) lack of discouragement due to lack of resources, and 5) accountability to constituencies. Most definitions of social enterprise place profits as the secondary/incidental element of the cause/problem that is being
addressed. Yunus and Weber (2009) have propagated a different concept of social business, whereby enterprises are meant to run as profit-making businesses, however the profits are redeployed in furthering the enterprise’s mission, rather than paying the investors. According to them, an enterprise’s mission should be to address a larger social problem. An elegant definition of social enterprise is of organizations seeking business solutions to social problems (Thompson & Doherty, 2006).

The definitions discussed here have the common idea of finding solution to a social problem, whereby the solutions are sought in the economic sense. A review of 41 definitions conducted by Roy (2010), show that social enterprise aims at finding solution to social problems that have not been sufficiently addressed by the markets. However, none of the definitions are aimed at generating profits from such enterprise. Also, the aim is to benefit a large number of people whether or not the business generates profits.

In spite of innovation being a constant struggle between the individual entrepreneurs and the social inertia which they experience, it is supplemented by uncertainty to a large extent (Schumpeter, 1934; Fagerberg, 2012). On similar lines, Tzeng (2009) has proposed three schools of innovation: 1) capability, 2) corporate entrepreneurship and 3) cultural influence. Considering the economic dimension of the innovation process, the school of capability advocates that innovation is a process of decision-making, pursued while constantly evaluating the technological change of the innovation (Tzeng, 2009). The school of corporate entrepreneurship talks about the inherent social perspective of the innovation journey and its emergence with respect to the innovator’s sense of identity (Tzeng, 2009). The school of cultural influence indicates that innovation is a product of a sense of temporality and is a craft that is driven by vision, relationships and identification (Tzeng, 2009). All three schools suggest that innovation is an economic, social and a cultural endeavor, than a mere process of technical or scientific pursuit with a unique benefit.

The behavior of an innovator is at the core of his/her entrepreneurial actions and drives them strongly. Hence, at the time of starting a new venture, that aims to implement novel ideas, it is the entrepreneurial creativity that channels it (Amabile &
Conti, 1997). The pre-requisite of entrepreneurial creativity is the novelty that has functional value in the real world. The individual must be attentive to real-world problems and demands, and to the passion felt for the novel idea they have conceived (Amabile & Conti, 1997). As entrepreneurial creativity involves significant novelty in marshalling support or effectively implementing novel and appropriate business ideas, it requires a larger skill and experience-set than any individual typically possesses (Amabile & Conti, 1997). Entrepreneurial creativity may need more of team effort than just an individual’s (Amabile & Conti, 1997). Outcomes of such a process might be guided by both an individual as well as collective access to resources, including an ability to channelize them and convert them into investment, while simultaneously keeping intact both social and ethical capital (Gupta, 2013).

Some of the necessary conditions for an entrepreneurial venture are perceived opportunity and an intent to pursue it (Audretsch, 2012). Entrepreneurs, as Krueger and Brazeal (1994) believe, are those that chase after opportunities without concern for an access to resources. Thus, a potential entrepreneur can be defined as an individual whose potential is latent, causal and temporal and may not have an intention for business. They are made of a perception driven and proactive process that eventually shapes them as an entrepreneur (Krueger & Brazeal, 1994).

The decision-making that is involved requires seizing and making use of the contingencies that are available in an environment with limited resources. Even the behavior in this case needs to have aspects of organizing, creation and the commercialization of the opportunity that is at hand (Audretsch, 2012). This effectuation process, according to Sarasvathy (2001), enables potential entrepreneurs to undergo realization of possible effects and to construct and shape goals within an environment that is predominantly uncertain and full of contingencies.

The antecedent of entrepreneurship is the behavior that depends on the propensity to act self-efficacy and an intention to influence such behavior (Krueger & Brazeal, 1994). This model allows for an identification of the entrepreneur’s belief system and attitude in a typical environment. Also, people with this kind of potential tend to take an initiative by accepting the attractiveness of the opportunity that has been presented
Both innovators and entrepreneurs are active agents that affect the process of development. However, Hartmann (2012) argues that there is a need for the Schumpeter’s economic development and Sen’s people-oriented development to be introduced, since it is known that such an innovation-driven change of the socioeconomic scenario of an innovator tends to affect their capabilities. Such new dimensions of freedom do not conclude with just the innovation process, but rather extend towards networking, learning and actively engaging in action (Hartmann, 2012). It is perceived that GRI is a part of social economy since it drives both social needs and ideologies that tend to supersede personal economic motivations (Seyfang & Smith, 2007). The process can also act as a useful guide towards reorienting the mainstream policy of innovation (Smith, Fressoli & Thomas, 2014), especially GRI, so as to effectively promote pro-poor innovation and inclusiveness (Dutz, 2007; Hartmann, 2012; Gupta, 2013).

### 2.3.2 Significance of Social Entrepreneurship

Social entrepreneurship as a phenomenon has gained increasing attention from mass media and the commercial and academic worlds over the last couple of decades, according to Nicholls (2008). However, it still lacks a universal compilation of current thinking on the topic (Nicholls, 2008). Indeed, Mair and Marti (2006), for example, identify the need for more empirical studies exploring opportunities for social entrepreneurs and how these opportunities affect the entrepreneurial process. Nicholls (2008) suggests that more studies that look into policy, practice and other academic research in social entrepreneurship are needed. The definition of social entrepreneurship lacks clarity and is often challenged (Nicholls, 2008). This is mainly because of social entrepreneurship’s dynamic flexibility (Nicholls, 2008).

It was Banks (1972) who mentioned the term “social entrepreneur” first. When analysing different management approaches, the author suggested that managerial skills could be used when tackling business challenges as well as addressing social issues (Nicholls, 2008). Ever since then, social entrepreneurship has been positioned
amongst other subjects. For example, Mair and Marti (2006) question whether and how social entrepreneurship is different from actions done by politicians or social activists, as they all share the same goals. Nicholls (2008) implies that social entrepreneurship falls in between the two recognised fields of non-profit management and business and economic studies. However, in taking inspiration from both it is starting to create its own direction as a separate subject (Nicholls, 2008).

According to Murphy and Coombes (2009), social entrepreneurial opportunities arise from various social circumstances, including long-lasting inefficiencies in communities, emergent needs in developing world, complicated environmental and economic issues, natural disasters – and also from new technologies. Although conventional entrepreneurship opportunities also derive from various shortages or inefficiencies, they have significant differences. Social entrepreneurship’s main goal is to create social change and unlike traditional entrepreneurship, it does not focus on maximising stakeholder economic value (Murphy and Coombes, 2009). Essentially, according to Murphy and Coombes (2009), social enterprises use different kinds of resources (economic, social and environmental) to achieve their mission.

The difference between business sector entrepreneurship and social entrepreneurship is not the for-profit or not-for-profit orientation, but rather in the priority that is given to creating social wealth in social entrepreneurship as opposed to economic wealth in business sector, where social value is just a by-product (Mair and Marti, 2006). In other words, economic and social aspects are both embedded in the “value creation” in social enterprises: the main focus is given to social value while the necessary economic value ensures financial viability (Mair and Marti, 2006).

Market orientation is also an important factor in understanding social entrepreneurship. On the one hand, as Dees (1998) argues, markets cannot work well for social entrepreneurship as it becomes hard to assess social improvements. On the other hand, market orientation is important for a social enterprise to be self-sustainable (Barinaga, 2012). Social enterprises “offer the promise of financially sustainable organisations that can respond to the world’s most pressing problems” (Howorth, Smith & Parkinson, 2012). Through creativity, efficiency and using
business models, social enterprises solve social problems such as improving human welfare (Howorth, Smith & Parkinson, 2012).

Dees (2012) contrasts two cultures of social entrepreneurship: charity and problem-solving. While charity, a selfless action to benefit another, usually a stranger, is a virtue, problem-solving on the other hand is a skill that can be used for good or ill (Dees, 2012). Charity does not take into consideration the consequences of the act, whereas problem-solving is actually judged by results or the usefulness of the process (Dees, 2012). Dees (2012) implies that social entrepreneurship is “a more recent extension of this analytic problem-solving thrust. It simply acknowledges the insight that entrepreneurial efforts can add value to this process by decentralising the innovation, experimentation and learning process, forming a kind of ‘learning laboratory’” (Dees, 2012, p.322).

However, frequently when social entrepreneurs start off they are supported by charities that essentially are driven by the same motives (Dees, 2012). Being extraordinary people they are driven by a strong feeling of caring about tackling problems or working in areas that are considered to be hopeless (Dees, 2012). These people in some cases come up with solutions and innovations that catalyse social change and make an unexpected difference (Dees, 2012). Sharot (2011) implies that people who come up with breakthroughs sometimes happen to be those who are perceived to be wasting their time in doing what they do and also the ones that are motivated by irrational optimism or a strong feeling of caring.

Montgomery et al. (2012) argue that social entrepreneurs collaborate with other actors and organisations as a way to overcome obstacles that cannot be successfully tackled while working alone. Montgomery et al. (2012) define this as collective social entrepreneurship – “collaboration amongst similar as well as diverse actors for the purpose of applying business principles to solving social problems” (p.376). Collaborative social entrepreneurship can take the form of social movements, community cooperatives and cross-sector collaborations, but they are all intended to provide help sharing and bringing together ideas and viewpoints, mobilising
supporters and essentially collaborating to create social change (Montgomery et al., 2012).

2.3.3 Gaps in Literature

The social entrepreneurship literature has been observed to have significant gaps. A few have been cited numerous times, while others are ambiguous and not easily visible. The absent literature offers opportunities for future research in the area.

- The field have been explored inadequately in terms of social entrepreneurship journey including formation, growth, functioning, effectiveness, decline and closure of the social entrepreneurial ventures. The creation of such organizations with a social motive rather than a monetary one offers a great potential for further research.

- It also came into light that social entrepreneurs who are problem solvers for social issues are not much recognised in setting policy agendas.

- The literature was not found rich enough in understanding the culture of social entrepreneurship as compared to profit churning businesses. This is considered significant gap as there exist business opportunities for serving the social needs that is currently ignored.

- There exist no standard operating principles addressed to social enterprises for someone to replicate or take as reference point to move to the next level of social entrepreneurship journey.

- The output of social entrepreneurship is to solve a social problem. Hence the viability of any social entrepreneurship can be judged only when the social problem is served. There exist no scale to measure the intent and purpose of starting the social enterprise. The literature discuses more about the output generated rather than measuring the quantum of inputs needed for such enterprises.
2.3.4 Conclusion
At a macro level, the purely theoretical nature of existing research is apparent, while at the same time it is surprising to see that the field is more or less dominated by practitioners than researchers. It would be interesting to see the emergence of a collusion between theory and practice related issues in research and theoretical frameworks.

2.4 Role of three set of actors: Introduction
Indian economy has experienced remarkable transformation in the past six decades. Its current phase is marked by a high rate of expansion and inclusive growth. Studies sponsored by organizations like the United Nations, World Bank, Asian Development Bank and several other NGOs (Non-Governmental Organizations) have consistently focussed on inclusive growth. Each successive government of the country has initiated certain milestone projects like the Jawahar Rozgar Yojana, Integrated Rural Development Program, Rural Housing Scheme, Swarnjayanti Gram Swarozgar Yojana and the National Rural Employment Guarantee Act; the aim being to promote inclusive growth at a national level. However, it is essential that the private sector plays a key role in the process. One such notable initiative is the ICICI Foundation, set up for the purpose of promoting inclusive growth. It is high time that the public and private sector join hands to bring about a unified approach to surge in a new wave of inclusive growth by means of systematic and planned collaboration that extends to cover the population concerned, in ways that are innovative and dynamic.

2.4.1 Various Perspectives
It has been noted that strengthening of capabilities in the form of human capital is key to encourage inclusive growth and development initiatives (Ali & Son, 2007). Another concern on the same lines are the need for provision of an effective and efficient social protection system that addresses the extreme deprivation of the disadvantaged (Ali, 2007). To achieve this, interventions are called for in three major areas, namely education, health and other social services; these include basic facilities like water and sanitation that can lay the foundation for effective expansion of the capacities of the disadvantaged. Such attempts however, will remain ineffective unless the government takes the necessary steps to provide social safety nets to such
people, meant to mitigate effects of both external and transitory shocks, while meeting primary needs of the poor. Social safety mechanisms might penetrate market policies and social insurance initiatives that cater to employee health, disability, work-related injuries, old age, etc. Other forms of these can be welfare of the society that consists of vulnerable sections consisting of single parents, disaster victims, etc. So as to address social inclusion, it is suggested that both the central as well as the state governments should play a key role in their responsibilities in terms of investments in these key sectors. It is the role of the government to make sure that funding, infrastructure and policy frameworks are applied equally across all sectors, to guide governance towards the right direction. The government must also provide policies that ensure consistent monitoring of services that have either been supplemented by the private sector or complemented by them (Ali & Zhuang, 2007).

All attempts to address the social dimension consist of an increase in access of poor households to health, education and other special programs that help them participate more in the process of development. It is the job of such effective social safety nets to help address challenges faced by the poor, especially the women (Fernando, 2008). However, addressing any kind of health-related inequalities must be the government’s top priority (Tandon, Zhuang & Chatterji, 2006).

2.4.2 Creating Partnerships

There is need to create partnerships between the government, private sector and the civil society to ensure inclusivity of growth (Ali, 2007). However, it is also true that community based organizations can significantly contribute and be partners in the promotion of equity and inclusiveness. For example, they can participate in resource allocation exercise in case of rural development by being vigilant against fund misuse, corruption, lack of transparency and accountability and the lack of accessibility to public services in remote locations where people inhabit. The reason for this being that NGOs have been found to operate more efficiently in the rural areas, especially in promoting inclusive growth and development (Fernando, 2008).

Partnerships of this kind can play a key role in inclusive development. Nonetheless, it is the government that can foster an environment of people-participation for an all-
round growth of the nation. To achieve this institutions like ADB, who predominantly work with governments, is key. For example, restructuring and strengthening of the rural cooperative system in five states of India. The civil society helps reaching the poorest and those that have been isolated from the rest of the society. Even the NGOs have been found to be in a position wherefrom they can exercise their capacity to break into cultural obstacles. Interestingly, the private sector too can be of help in terms of funding and provision of high quality information (Nag, 2007).

The transformation that takes place at the grassroots level is primarily due to networking among various innovators that can be segmented, polycentric and co-ordinated (Gupta et al., 2003). The multi-dimensional networks that are existent in Asia, tend to facilitate the combination of western science and indigenous knowledge (Wilson et al., 2006; Berkes, 2009). The network is engaged in co-production of knowledge, building trust, assimilation of learning, collaboration both on the vertical and horizontal aspects and resolution of conflicts (Berkes, 2009). These are innovation networks that consist of skills that are specific to the context, the actors involved, the practices, routines and institutional policies. Innovators work towards capacity building and application of knowledge in response to the challenges and opportunities that evolve over time both in the context of technical knowledge and institutional context (Hall, 2005). In spite of grassroots innovations being channeled through such networks, their accessibility depends upon factors that are technological as well as cultural in nature. Information dissemination related to the former, while the willingness to share this knowledge and exhibiting it in the public domain is influenced by the latter (Sen, 2005).

Networks for innovations represent that eco-system in which GRI operates. India’s GRI eco-system consists of science and technology policies, the individual innovator and institutions that are part of the NIS (national innovation system) (Joshi & Chelliah, 2013). NIS is an embodiment of the institutional mode of analysis (Nelson, 1993) whereby all aspects of economic and institutional structure affects learning and research (Lundvall et al., 2002). It facilitates an understanding of the interdependent context in which stakeholders, the rules of exchange and other relationships and policies that aid in fostering GRI. Figure 2.1 depicts dependencies that are relational
in nature and are needed for mobilizing and diffusing grassroots innovations. For example, an institution that works for development can scout innovators, provide them access to markets and provide R&D support or adding value to their innovations. Agency networks can help in governance, validation, value-addition and planning of the enterprise, including IPR, licensing, etc. (Dheeraj, Basant & Gupta, 2003; George, McGahan & Prabhu, 2012, Gupta et al., 2003).

The systems that support innovations are institutional networks in both public as well as private sectors whose activities tend to initiate, import, modify and diffuse new and upcoming innovations (Freeman, 1987, p. 1). Such systems have contributed in identification and creation of commercial platform that can boost the success of innovations in the marketplace. The actors in this context tend to be bound by personal and social commitments (Polyani, 2001; Coleman, 1988; Granovetter, 1985). Eco-systems for innovation facilitate its development and diffusion of GRI by sharing both implicit as well as explicit network relations. The various actors within such a system tend to range from scientists, agencies to private companies. The actors involved build the network with innovators and others who have traditional knowledge, so as to effectively mobilize GRI. But, an ongoing process of networking might affect the behavior and social relations of both institutions and other economic agents (Granovetter, 1985). Figure 2.3 on Innovation network for mobilizing and diffusing GRI by Joshi & Chelliah provides better perspective on functions to be deployed to various actors.
In announcing that 2010-2020 would be the "Decade of Innovation," the Government of India formally recognized the power of innovation to transform the country's economy and society. A core component of this historic effort is using innovation to achieve inclusive growth by bringing into the economic mainstream the country's vast low-income and geographically remote populations.
Revival and inclusive growth cannot be achieved by government alone. Figure 2.4 shows that government is only one of the three pillars of the below model in the post-reform world.

![Governance Model](image)

**Figure 2.4 The Governance Model**

*Source: Self Compiled*

### 2.4.3 Engagement mechanism by various actors

Figure 2.5 discusses the ecological, micro-level approach rooted in the notion that the private sector is intrinsically innovative and that businesses ceaselessly present solutions to their target consumer base, solutions stemming from a profound understanding of its needs and wants. So, the underlying assumption of this research is that by presenting a more profound assessment of the barriers people affected by poverty face, the private sector can more successfully formulate innovative solutions with and for them—as well as strategically help select and effectively implement poverty reduction initiatives that more accurately reflect their needs and aspirations.
This model is unique in its definition of poverty as an interrelated and interacting accumulation of disadvantages, which together represent a series of barriers that can perpetuate a life in poverty. Complementing this definition is a unique vision of the private sector’s role, which goes beyond the creation of shared values, jobs and economic opportunities to target the causes and consequences of disadvantages. As this research will show, the inventiveness and dynamism of the private sector is increasingly being directed towards social purposes, helping break down many of the barriers while simultaneously achieving commercial sustainability. The research highlights these successes and points to new areas for growth and collaboration. Table 2.9 next discusses the role of Government, International Organizations and Academia with respect to Corporate Social Responsibility, Social Enterprise, Inclusive Business and Mainstream Business.
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<th>INCLUSIVE BUSINESS</th>
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<td>• Incentivize firm CSR performance</td>
<td>• Establish public-private partnership laws and procurement laws facilitating social enterprise involvement in public services and encouraging social innovation</td>
<td>• Develop standards for reporting of developmental impact of social enterprises</td>
<td>• Identify and support sectors that contribute the most to poverty reduction in the national context</td>
</tr>
<tr>
<td>• Develop standards for reporting of development impact of CSR</td>
<td>• Recognize social business—specific legal status and tax exemption</td>
<td>• Engage with stakeholders on behalf of governments in fragile states, to ensure transparency and compliance with funding requirements of official development assistance donors</td>
<td>• Ensure that there is an appropriate regulatory environment that allows for formalization of businesses with potential to grow</td>
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<tr>
<td>• Engage corporate sector in strategic planning such as infrastructure and workforce needs</td>
<td>• Introduce social entrepreneurship training in high-school curriculum</td>
<td>• Incentivize social enterprise performance</td>
<td>• Simplify processes and bureaucracy of starting and licensing a business</td>
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<tr>
<td>• Define national development goals to provide overarching framework for CSR activities</td>
<td>• Support advisory services for social entrepreneurs and help them take their ideas to fruition</td>
<td>• Develop standards for reporting of developmental impact of social enterprise</td>
<td>• Promote compliance and adherence to sound business practices through a transparent regulatory environment</td>
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<thead>
<tr>
<th>GOVERNMENT</th>
<th>INTERNATIONAL ORGANIZATIONS AND DEVELOPMENT AGENCIES</th>
<th>ACADEMIA</th>
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<tr>
<td>• Partner with private sector and other stakeholders (government and nongovernmental organizations) to support and facilitate CSR initiatives that are based on best practices that can result in measurable impact in communities</td>
<td>• Conduct research into development-oriented CSR criteria and best practices</td>
<td>• Document, develop action research and evaluate social innovation in situ, through participatory methods that build local capacity for decision-making, use multimedia to capture and promote activities and achievements</td>
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<tr>
<td>• Share knowledge of best practices in other countries that can be replicated and scaled</td>
<td>• Continue to support the development of codes of conduct like the UN Global Compact</td>
<td>• Conduct research to analyze the ecosystem of entrepreneurship in a country or region with identification of the main players</td>
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<tr>
<td>• Conduct research into development-oriented social enterprise criteria (tripling bottom line)</td>
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<td>• Improve the circulation of innovative ideas within the system—for example, NIF, SRTI, Honeybee Network</td>
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<tr>
<th>SOCIAL ENTERPRISE</th>
<th>INCLUSIVE BUSINESS</th>
<th>MAINSTREAM BUSINESS</th>
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<tr>
<td>• Link different actors across development processes to support social enterprise development</td>
<td>• Support local businesses through programmes such as Australia’s Enterprise Challenge Fund; coinvest in business development; foster relationships between multinational organizations and governments through inclusive business models</td>
<td>• Convene public and private stakeholders and disseminate knowledge on best practices to promote collaboration and catalyze business growth</td>
</tr>
<tr>
<td>• Implement projects through social enterprises on a contractual basis</td>
<td>• Provide financing</td>
<td>• Support local businesses through programmes such as Enterprise Challenge Fund; coinvest in business development; foster relationships among companies, multinational organizations and governments</td>
</tr>
<tr>
<td>• Provide resources and facilitate training in entrepreneurship</td>
<td>• Act as a consultant to regional organizations</td>
<td>• Analyse case studies on the base of the pyramid to showcase opportunities for mainstream businesses, and engage with them at industry conferences and initiatives</td>
</tr>
<tr>
<td>• Assist with evaluation of the developmental impact of social enterprise work</td>
<td>• Provide technical assistance and expertise to companies to help them scale or reach new market segments</td>
<td>• Undertake environmental studies, business analysis, regional benefits and feasibility studies critical for business success</td>
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<tr>
<td>• Set goals and targets for social enterprise in sectors and countries</td>
<td>• Provide an open database for spending of base-of-the-pyramid populations to help companies lower the upfront cost of identifying inclusive business opportunities or replicate their models in different countries (such as Global Consumption Data)</td>
<td>• Provide local, cultural, social and economic information to inform business decision-making</td>
</tr>
<tr>
<td>• Work to promote social enterprises in sectors and countries</td>
<td>• Provide grants to social enterprises and facilitate access to patient capital</td>
<td>• Support local businesses criteria (tripling bottom line) and best practices</td>
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<tr>
<th>Inclusive Business</th>
<th>MAINSTREAM BUSINESS</th>
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<tbody>
<tr>
<td>• Develop standards for reporting of developmental impact of inclusive businesses</td>
<td>• Work from multiple case studies; identify best practices for success and innovation</td>
</tr>
<tr>
<td>• Engage with stakeholders on behalf of governments in fragile states, to ensure transparency and compliance with funding requirements of official development assistance donors</td>
<td>• Develop innovative products to expand operations in lower income countries such as leadership schools to generate future knowledge of domestic labour market</td>
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<tr>
<td>• Incentivize inclusion of marginalized groups—for example, the Indian government has introduced job quotas for certain classes that have been exploited</td>
<td>• Provide local, cultural, social and economic information to inform business decision-making</td>
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<tr>
<td>• Establish financing programmes (subsidies for agricultural inputs, loans for education or housing) to expand access to goods and services to lower income individuals</td>
<td>• Conduct research into development-oriented inclusive business criteria (tripling bottom line) and best practices</td>
</tr>
<tr>
<td>• Include capacity building for departments and ministries involved in public-private partnerships</td>
<td>• Research the effects of connecting development-world consumers of goods and commodities with base-of-the-pyramid producers</td>
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<tr>
<td>• Establish public-private partnerships or contract the private sector to deliver last-mile water, energy or health services</td>
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<tr>
<td>HIGH GOVERNMENTAL ORGANIZATIONS</td>
<td>INNOVATIVE INCLUSIVE FINANCING AND INVESTING</td>
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| • Establish specific community targets for CSR programmes  
  • Partner with corporations to ensure best practices in aid and development work  
  • Assist with evaluation of the developmental impact of CSR work  
  • Broader links between government and the private sector  
  • Use non-governmental organizations to introduce and pilot new socially beneficial technologies and products such as solar power lights, thus demonstrating market potential  
  • Link the private sector and communities to identify the needs of the community and present them to the private sector for action  
  • Work with the private sector to help it understand and develop a social licence to operate in communities  
  • Facilitate the actual implementation of private sector CSR initiatives in communities as a trusted and on-the-ground stakeholder in the community  
  • Help implement CSR projects with the facility of mobile company by providing expertise and resources | • Bring external CSR efforts to scale. For example, if companies establish an entrepreneurial training academy within their sector, financing can support the aspiring entrepreneurs  
  • Use information technology to form employee-to-employee and business-to-business CSR partnerships between either high and low income settings (where high income is devoted to supporting and helping low income) or low to low income settings (supporting each other by engaging in internal and external CSR)  
  • Help provide access to the Internet and assist people at the base of the pyramid with developing critical ICT skills  
  • Develop a new field communication system to disperse microloans  
  • Establish product portfolio and create online platforms for women entrepreneurs to sell and market their products  
  • Use social media for CSR projects including social messaging, target population identification and outreach  
  • Explore technology as a method of enabling the organization to interact with poorer communities  
  • Use ICT to overcome skills and knowledge gaps  
  • Hypothesizing technologies in developing countries can stimulate innovative processes, rapid response measures and flexible earning options  
  • Develop affordable models of technology products for resource-constrained contexts, such as extra-cell phone battery attachments for reduced prices | • Adapt technology solutions to meet local needs—for example, solar cell recharge stations for mobile phones and devices  
  • Use technology to lower market entry costs, lower operating costs and make otherwise unaffordable business models more feasible  
  • Cheap ICT technology can facilitate the study of an entrepreneur’s social impact  
  • Mobile technology allows for new business models in developing and post-conflict countries, such as mobile telecommunication firms like Roshan in Afghanistan, which provides millions with telecom access and mobile financial services  
  • Pilot business models and delivery channels to provide access to renewable energy and other green technologies, such as solar and rechargeable lanterns, improved cookstoves, solar kits and solar home systems  
  • Big data and social media analytics can be used to better understand and respond to the needs and vulnerabilities of the local association, let alone social enterprises identify possible opportunities for products and services |

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<tr>
<th>SOCIAL ENTREPRENEURSHIP</th>
<th>INNOVATIVE INCLUSIVE FINANCING AND INVESTING</th>
<th>TECHNOLOGY</th>
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| • Non-governmental organization projects may create business opportunities, such as new SMS services or content-specific equipment for low-income populations  
  • Non-governmental financing projects for small and medium entrepreneurs may create new possibilities for the expansion of micro-financing projects  
  • Provide access to low-income communities, working with poor through philanthropic and charity trusts to meet social goals  
  • Partner with corporations to ensure best practices in aid and development work  
  • Assist with evaluation of the developmental impact of social enterprise work  
  • Social enterprises rely on impact investing capital to finance and operate services. As impact investors seek opportunities to harness the positive power of enterprise for social good, there is significant overlap with the social enterprise sphere  
  • Impact investing funds can be tied to requirements that social enterprises and inclusive businesses adhere to international best practices and reporting standards  
  • Smaller-scale social enterprises need to be investment-ready and impact investing needs to have a longer duration before the venture becomes profitable | • Help implement community development programmes; provide training and capacity building; help with implementation of last-mile services  
  • Provide local legitimacy and connection for inclusive business opportunities, local knowledge of stakeholders provides access for engagement  
  • Partner with corporations to adhere to best practices in aid and development work  
  • Assist in particular with evaluating the development and impact of inclusive business work  
  • Broker links between government and the private sector  
  • Produce low-cost products targeting barriers (water filters, solar lanterns, toilets) and disseminate them among the poor. There might be a lack of demand or reliance of products unless there is prior educational work conducted by non-governmental organization—for example, mosquito nets were used as fishing nets in some African villages  
  • Help make alternative financing available  
  • CrowdFund  
  • Promote risk-sharing facilitators that mitigate perceived risk in investing in inclusive business, particularly those that extend credit to the base of the pyramid (such as farmers)  
  • Patient capital, which allows for longer term and lower than-market rate returns  
  • Examples of impact investment funds in the inclusive business space include BGF, Leapsfrog, Root Capital or FIRST fund | • Foster connectivity tools like video demonstrations for training, call centre support and online support help expand access to knowledge  
  • Develop apps to help farmers identify specific weather conditions affecting crops, prices for a commodity and timely and reliable inputs with possible data to other local businesses of relevance  
  • Use technology to lower market entry costs, strengthen supply chain commitments and build alternative supply routes  
  • Mobile payments enable unbanked populations to have access to financing and banking—for example, an inclusive mobile money provider offers a wide range of services to facilitate financial transactions through mobile phone-based “electronic wallet” (such as PayPalPayment), other companies that employ this type of technology offer both microfinance loans disbursement and payments (such as Remit in Afghanistan) |

Table 2.9: Role of Institutions with respect to Business

Source: United Nations Development Program (UNDP), 2014

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2.4.4 Gaps in Literature

Though there has been rise in the participation of government, private sector and citizens themselves in spreading inclusive growth faster and wider, the literature reflects certain gaps that need to be addressed:

- The role of different actors in contributing towards inclusive growth has seen rise but it is directionless. In other words, the efforts by different actors are not seen complimentary in nature and hence the output derived does not look worth the efforts.

- There is no clarity on role definition of different actors because of which duplication of actions are seen in one scenario and complete disregard in another scenario. Hence there exist role mismatch.

- Inclusive growth considers various parameters to bring the excluded class back in the growth process. Whereas the role played by various actors seems concentrated towards certain sectors. Such limited exposure to priority sectors only does not help in achieving inclusive growth.

2.5 Capacity Building: Introduction

Today, policy makers are confronted with the difficult challenge of boosting economic growth while simultaneously making it socially inclusive. It is critical, at this moment, to address the prevailing high levels of poverty. It is well known that innovation is a key driver of income growth, which under certain conditions has the potential to benefit all sections of the society, while also reinforcing social exclusion. However, innovations by themselves can directly improve the well-being of the various groups that are a part of society.

In a sense, those projects that promote inclusive innovations are directed towards the welfare of low-income communities directly. This is also because they often modify these products or services to meet the needs of the communities better. Still inclusive innovations can be successful only in situations where they are able to reach a larger segment of the marginalized population. Scaling these innovations need initiatives that are built in terms of: 1) sustainable and financially viable business models, and 2) participation of the excluded groups (OECD, 2015; Mukherjee, 2016).
2.5.1 Capacity Building: Definitions

The aim of capacity development is sustainable human development. It is a tool that empowers people to realize their true potential and better use their capabilities, thus assuring ownership and sustainability of development programmes. Looking at it from a broader perspective, capacity development is an emerging concept. It goes beyond training or systems and works towards structural improvements of formal organisations. It works towards a society-based approach, by building consensus around national goals and programmes, by using existing capacities, and by focusing on people and through incorporation of characteristics of good governance.

It is a requirement to help communities plan, to prioritise their needs, to determine strategies to address these needs and concerns, and to ensure that both communities and local governments partner effectively to address these needs. Capacity building can be seen as a tool that empowers the poor and particularly women.

Capacity building has various definitions, however, from the perspective of grassroots networks, the following components form the core of capacity building: Human resources development that builds people’s information base, decision making capacities, negotiation and articulation skills, technical know-how, managerial skills, and finally their capacity to reflect and evaluate the process of development. It is necessary to create an environment that enables the formation of appropriate policy and legal frameworks so that grassroots communities can participate and influence the development processes, promote the institutional development of communities, and especially the development of women (Purusothaman, 1997).

Inclusive innovations have strong potential to support inclusive development. Policy has a role to play in releasing untapped potential of inclusive innovations, addressing some of the challenges that have restrained the further development and wider scale of such innovations. Possible areas for policy support are multiple: They include efforts aimed at connecting the variety of actors holding capacities for inclusive innovation: this includes public research institutes (and universities, the private sector as well as financial institutions and non-governmental organisations. Policies aiming
at alleviating financial constraints are also important as access to capital for inclusive innovations remain insufficient. Moreover, providing access to knowledge and technical expertise can be a transformative tool to support grassroots innovations and fostering it should be a central part in policies supporting to inclusive innovations. Finally, science technology and innovation play a central role for economic development and wide benefits can be obtained from international S&T co-operation. This answers how innovation policies can best support different types of inclusive innovations at different stages of development.

The development of the ‘capabilities’ (Sen, 2000) on the part of the rural population if looked upon with the perspective of entrepreneurship practices, will bring to fore every sociological aspect which has been studied and stated with the motive of social as well as the market Development. If an organization lets the development of the avenues for the development of the ‘capabilities’ (Sen, 2000) of its customers it implies that they want its customers to experience ‘freedom’ (Sen, 2000) and that is what is suggested by the age old scriptures and this what is embedded and imbibed in the cultural ethos of the Indian society.

2.5.2 Institutional Economics for Capacity Building

There are several key institutional factors that could influence social entrepreneurship. The selection of variables is by no means exhaustive. The researcher is well aware that the process of new social venture creation is highly complex and that no one institutional factor can determine the evolution of this process.

Before starting the analysis of the environmental factors that could influence social entrepreneurship, it is important to mention that a clear distinction between formal and informal institutions is often difficult to achieve because both institutional factors are mutually dependent.

While formal institutions provide the legal framework and create new opportunities for social entrepreneurs; informal institutions legitimate the social entrepreneurial activities within a society, fostering a positive attitude towards this phenomenon.
Therefore, the researcher identifies role of formal institutions as: public spending; access to funding, education, and minimum capital requirements; and role of informal institutions as: self-perceived capabilities, entrepreneurial attitudes, social orientation and innovativeness. Following section describes in-depth all of these set of institutional factors.

2.5.3 Role of Formal Institutions

A. Public spending
In both developed and developing countries, there has been a systematic retreat by governments from the provision of public goods to new political ideologies that stress citizen self-sufficiency and give primacy to market-driven models of welfare (Leadbeater, 1997). As a result, in many countries, the 'supply side' of the resources available for public goods has remained static or diminished over time (Sharir & Lerner, 2006). Cornwall (1998) stresses that in countries where the provision of social services (health, cultural, leisure and welfare) is scarce and mainly undertaken by public institutions; the emergence of social entrepreneurs is significant. But, Friedman and Desivilya (2010) argue that the work carried out by governments and social entrepreneurs is complementary, since although the public sector has been able to mobilize massive efforts across periods, they have been unable to maintain their efficiency and effectiveness by means of policies. In a way, efforts of social entrepreneurs provide efficient and effective models in terms of performance. In spite of this, recent empirical evidence indicates a negative impact of public expenditure on the emergence of new social enterprises (Alvord et al., 2004; Austin et al., 2006; Cornwall, 1998; Boyle & Harris, 2009). Thus, low levels of public spending are expected to increase the rate of social entrepreneurial activities (Ferri, 2011).

B. Access to funding
Capital availability is important to social entrepreneurs since it lays the very foundation for a social organization (Grimes, 2010). Literature, across several countries, shows that individuals are sensitive to capital constraints in terms of their decision to take key entrepreneurial positions and self-employment in particular (Blanchflower & Oswald, 1998; Holtz-Eakin et al., 1994). Currently, there is no
difference between the importance of access to funding, available to social entrepreneurs, and the importance to commercial counterparts (Alvord et al., 2004). However, literature on the emergence and development of social entrepreneurial activities highlights the existence of specific barriers relating to the financial constraints that social entrepreneurs must cope with, in order to carry out their social mission (Bacq & Janssen, 2011; Certo & Miller, 2008; Di Domenico et al., 2010). Many non-profit organizations consider social enterprise as a way to reduce their dependence on charitable donations and grants, while others view the business itself as a vehicle for social change (Borzaga & Defourny, 2001). Hence, as mentioned in relation to entrepreneurship firms with economic goals (e.g. Gnyawali & Fogel, 1994), the author suggests that a reduction of barriers to financial access and with greater access to credit, will positively promote the emergence of new social enterprise projects, reducing the risks of budget uncertainty and dependence on public grants or aid.

C. Education
The entrepreneurship literature states that people's behavior is usually guided by their knowledge and skills. Specifically, recent research studies show that, in general, higher levels of education have a positive effect on the probability of an individual creating a firm (Arenius & Minniti, 2005; Davidsson & Honig, 2003; Delmar & Davidsson, 2000). Similarly, several authors in the social entrepreneurship field note that high levels of education are common denominators between the social environments. However, there is no evidence that this knowledge should focus on the field of business management (e.g. Nga & Shamuganathan, 2010; Shaw & Carter, 2007). In short, the background of social entrepreneurs is critical for triggering the desire to launch a social enterprise. Thus, this takes into account that individuals may be more inclined to make a decision to start a business if they believe they have the skills to carry out the activity successfully (Arenius & Minniti, 2005; Chen et al., 1998; Davidsson & Honig, 2003; De Pablo, 2013; Nga & Shamuganathan, 2010).

D. Minimum capital requirements
Finally, the last formal institution that could influence social entrepreneurship is the minimum capital requirements. In this sense, potential social and commercial
entrepreneurs may be discouraged from starting a new initiative if they are faced by many financial barriers. In fact, previous studies have reached the consensus that larger minimum capital requirements are detrimental to entrepreneurship (Dreher & Gassebner, 2013). This is why some governments and institutions focus attention upon lowering the entry barriers to the formation of new firms, including cutting the statutory minimum capital (Van Stel et al., 2007). As noted by Braun et al. (2013) and Becht et al. (2008), the amount of equity funding those owners must pay or promise to pay when they establish a firm lead to opportunity costs as well as increased financial constraints for entrepreneurs. Thus, the cost of starting a new business (capital requirements) has been shown to be negatively correlated with the prevalence of entrepreneurship (Armour & Cumming, 2008; Klapper et al., 2006).

2.5.4 Role of Informal Institutions

A. Self-perceived capabilities
Regarding to informal institutions, the researcher starts with the self-perceived capabilities which refer to the belief in one's ability or competence to bring about intended results. This category is composed by several variables such as, fear of failure, perception of entrepreneurial skills, and opportunity to start-up, risk-taking and role model. According to previous literature, it is expected that a lack of this attribute could influence social entrepreneurial activities. In this sense, self-perceived capabilities are also an important factor explaining social entrepreneur participation (Mair et al., 2006; Thompson, 2002). Harding and Cowling (2004) find that social entrepreneurs on average are less confident about their own skills to start a business than their commercial counterparts. Hence, if a country's population possesses more entrepreneurial capabilities, it is likely to have a higher rate of entrepreneurship.

B. Entrepreneurial attitudes
Another informal institutional factor that could affect social entrepreneurship is the entrepreneurial attitudes which include: the entrepreneurial culture, entrepreneurial social image and the media impact. As noted by the OECD (2010), promoting entrepreneurial awareness and positive attitudes towards commercial and social entrepreneurship are high on the policy agenda of several economies. Their study
suggests that the formation of different cultural values in different societies influences the decision to create new businesses (Bruton et al., 2010); therefore, not all societies foster entrepreneurial activity (social and commercial) with equal effectiveness. Shapero and Sokol (1982) observed how business formation rates vary from society to society. They argue that these differences occur due to different cultures holding different beliefs about the desirability and feasibility of beginning a new project or organization. Positive views on these measures can influence the willingness of individuals to become entrepreneurs. Consequently, this positive social image could foster more people to start new social organizations. However, it is important to note that differences in the socio-cultural context may influence, among other things, the status and social recognition of social entrepreneurs, promoting or inhibiting entrepreneurial career choice (Jaen & Linan, 2013). Finally, another institutional factor that could affect social entrepreneurial activity relates to media attention paid to social entrepreneurs. Stories reported by the media can play a critical role in the processes that enable new businesses to emerge. Therefore, the intention to start a new social entrepreneurial project is underpinned by the perceptions society holds of entrepreneurs; consequently, if the media positively represents social entrepreneurship's role in society it could foster more people to desire to become social entrepreneurs.

C. Social orientation
As has already been noted, the primacy of the social mission over all the other organizational objectives is the first key determinant of a potential social entrepreneurial venture (Dees & Economy, 2001). Despite the differences between the various definitions of social entrepreneurship, there is agreement on the emphasis on the social mission as the reason for the emergence of a social enterprise. In this sense, the social orientation dimension includes being a member of a social organization, post-materialism values, and altruism. In this sense, the social mission focus equates to the identification of an unmet social need or a new social value creation opportunity (Mair & Marti, 2006). In this sense, Cornwall (1998) and Wallace (1999) define social entrepreneurs as entrepreneurs who take on the social responsibility to improve their communities. On the other hand, the current resurgence of social entrepreneurship is a renewal of spirit that promotes the foundations of the non-profit
sector, is independent and is built by individuals who see it as their responsibility to act to ameliorate social problems (Mair et al., 2006). Thus, their involvement with the social sector allows social entrepreneurs to recognize new opportunities as well as to turn themselves into altruistic and more sensitive citizens who are dissatisfied with the status quo and are motivated to act with social responsibility (Corner & Ho, 2010; Zahra et al., 2008). In sum, it is claimed that social attitudes represent an important informal factor in the social entrepreneurship process, affecting the perception of social ventures as a good way to achieve social missions.

**D. Innovativeness**

Lumpkin and Dess (2001) have proposed that the concept of innovativeness can be defined as a predisposition to engage in creativity and experimentation by means of introduction of new products and services as well as processes. In addition, entrepreneurship literature suggests that entrepreneurs are more creative than others (Kirby, 2004; Timmons, 1989; Whiting, 1988), tend to think in non-conventional ways, challenge existing assumptions, and are flexible and adaptable in their problem solving (Kirby, 2004; Solomon & Winslow, 1988). Social entrepreneurship is an ideal field in this case, whereby some authors (Chell et al., 2010; Mair & Marti, 2006; Peredo & McLean, 2006) have noticed that due to the multidimensional origin of social problems, social entrepreneurs have various potentials to exercise innovativeness tools or strategies, so as to achieve their social mission. Alvord et al. (2004) note, in particular, that scarce resources can also stimulate social entrepreneurs to become more creative, and think of better ways to tackle their social problems; thus producing more innovativeness. The author can, thus, regard innovativeness as an important dimension in the process of studying social entrepreneurial behavior (Lepoutre et al., 2013; Lumpkin et al., 2013; Nga & Shamuganathan, 2010).

**2.5.5 Gaps in Literature**

It has been known from the literature that capacity building of grassroots innovators is the key to convert a small idea into innovation that can finally contribute to inclusive growth. There exist certain gaps that need to be addressed so as to make the capacity building attribute more concrete.
• The literature provides more insights on individual aspects of capacity building rather than the comprehensive package needed to convert idea into innovation. Hence there exist dearth of literature that provides more understanding on the holistic capacity building requirements from ideation to commercialization.

• Another important aspect that reflected from literature was capacity building in the form of technology and information infrastructures, legal framework, business support services, human resources and financial infrastructure etc- is supplemented based on the potential of the underlying innovation. It means it is not practically available for all innovations across the scale.

• The concept of capacity building with respect to grassroots innovations is evolving as more requirements open up with every new variant of innovation. On the other hand, the current literature has adopted more concentrated approach rather than being open ended.

### 2.6 Conclusions

The literature review has provided exhaustive insights from various perspectives of inclusive growth, grassroots innovation, role of different actors, social entrepreneurship and capacity building. The gaps in the literature review at the end of every section provide the scope for future research. It has been widely believed that inclusive growth is the foremost requirement for India to sustain its rising economic growth. In support of this, the grassroots innovators have become gradually active and their innovations carry the potential for making the growth more inclusive. There is a need to support such innovators and push them to the next level by building up necessary capacity. Based on literature review the objectives and methodology were decided for the present study, which have been presented in the following chapter.