British International Investment

Evaluation

Insight

Understanding who we reach: a deep dive into our portfolio in India

Practical thinking on investing for development

Insight is a series of practical and digestible lessons on the issues of private sector investment and development. They're based on our experiences, knowledge and research and are aimed at investors, businesses, development professionals, and anyone with an interest in private sector development.

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"I am proud of the inclusive, life-changing investments found across our India portfolio. India is a young, diverse, and thriving country, but is also still home to hundreds of millions of people living in poverty. It is therefore a critical partner for BII in delivering on our mission to support productive, sustainable and inclusive development.

Our commitment to inclusive investments demands an in-depth understanding of both who we are reaching and by how much we are impacting their lives. This deep-dive report is the first of its kind for BII at this scale. In it you will read first-hand accounts that represent thousands of lives transformed, families supported, and futures improved. It has shaped our understanding of what inclusive development looks like and has helped us to raise the bar in how we achieve it. As we conduct similar exercises in other markets we will continue to learn and grow, getting ever better at providing patient, flexible capital in ways that have the maximum possible impact on the lives of those who most need it."

Nick O'Donohoe
CEO, British International Investment

01

Foreword

With a population of 1.4 billion, India is one of the largest, most diverse and rapidly growing countries in the world. It also has one of the largest populations living in poverty.[1] With a current portfolio value at over $2 billion invested – directly and indirectly – across over 300 companies, India is our largest single country portfolio. British International Investment (BII) therefore thought it was critical for us to understand not only who we are reaching through our investments, but also what impact they are experiencing.

Historically, we have prioritised investing in states in India where investment was hardest and our core focus was on creating jobs. Our current strategy – which runs from 2022 to 2026 – has three impact objectives: productive, sustainable, and inclusive development. Our definition of inclusion is multifaceted, but its core goal is improving the lives of those with lower standards of living.

This study takes a deeper look at the portfolio we built in the previous strategy, to better understand the socio-economic characteristics of the people we were reaching, but also to gain a more nuanced assessment of the impact they experienced. And because we are always looking for ways to improve and maximise our impact, we also asked how our investees could better meet their needs. The insights we drew were invaluable in helping us to better define what we mean by inclusive investments and how we can be most effective in reaching low-income people in our current strategy.

This was an extraordinary exercise, which involved dozens of companies and fund managers, and thousands of suppliers, employees and customers willing to share their own experiences. We couldn't have done this without their input and the help of our measurement partner, 60 Decibels, which worked tirelessly to hear from those most impacted by our investments and gather their views. As the largest impact dataset on our India portfolio, the data provides a rich and nuanced picture of our impact. It reveals opportunities for inclusive investments across sectors and types of stakeholders. It shows our investments have a real-life impact on people, improving their quality of life and incomes. And it enables us to hear the voices of those whose lives we are seeking to change.

The data has also been instrumental in defining how we think about inclusivity in this strategic period. It is also improving our decision-making for how we maximise this aspect of our strategy which will enable us to continue enhancing our impact in the coming years. This report highlights the main insights from this study and key opportunities for investors who, like us, are looking to deliver impact through investments in inclusive businesses. We are sharing this study for others to learn from our experience, and hope it will help strengthen approaches to inclusion across the impact investing community.

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Rob Davies
Director of Development Impact – Investments,
British International Investment

1 World Bank Poverty and Inequality Platform

Contents

300+

companies in our portfolio in India.

$2bn

our portfolio value in India.

Acknowledgements
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For questions please contact **enquiries@bii.co.uk**

02

Introduction

Our 2022-2026 strategy sets three strategic development impact objectives that respond to the opportunities and challenges we see in the countries that we serve.[2] We want our investments to deliver:

- Productive development – by raising the productivity of an economy so that it can support a decent standard of living for all.
- Sustainable development – helping transform the economy to reduce emissions, protect the environment and adapt to the changing climate.
- Inclusive development – sharing the benefits of higher productivity and greater sustainability with poor and marginalised sections of society.

Each of these objectives is critical to the delivery of the UN's 2030 Sustainable Development Goals (SDGs) and meeting commitments under the Paris Agreement. While the focus of this report is on inclusion, some of our investments are primarily targeted towards sustainable and productive outcomes, and these can be just as impactful in different ways.

Our mission is to have a lasting impact on peoples' lives. One way we do so is by investing in businesses that create decent jobs and increase real incomes by producing new and better goods at lower prices, such as access to clean energy. An important aspect of this is *who* these businesses are reaching and *how much* they ultimately benefit people.[3] In terms of our inclusive development objective, the largest impact returns are to be had from those investments that disproportionately reach those who are lower income and have a meaningful impact on their lives. It is therefore crucial that, wherever possible, we understand who we are reaching and the depth of the change they experience.

We want our investments to deliver productive, sustainable and inclusive development.

2 For more information, see our strategy here: Productive, Sustainable and Inclusive Investment: 2022–26 Technical Strategy.

3 'Who benefits?' and 'By how much?' are two of the Impact Management Project's five dimensions of impact and are core principles of our approach to impact.

This study represents our largest single exercise to build such a picture. We worked with a sample of investee companies across India to engage over 3,500 individual stakeholders.[4] Our partner 60 Decibels undertook telephone surveys to gather data on consumption, incomes, demographics, stakeholders' experiences of the investee company and any changes it has brought about, and other impact-relevant information. This information has been analysed to both enhance our understanding of our portfolio as well as guide our wider approach to inclusion across BII (for more information on the methodology, see Annex 1).

An important caveat is that this exercise only covers a subset of investments in India that we wanted to learn more about, so it should not be considered as representative of inclusivity in the portfolio as a whole. Not all our investments are intended to have an impact on the workers or customers of the business that has received our capital. Many create impact by enabling other businesses, which create jobs and provide goods and services, for example when we invest in the infrastructure supplying electricity to firms. These investments enable many firms to become more productive, hire more workers and serve more customers, and their impact on people is dispersed across economies and markets. It is not possible to survey all the individuals who are ultimately impacted by this type of investment, and so they were not included in the sample for this exercise. We also did not include our investments in microfinance institutions (MFIs) because we already have strong evidence of the extensive reach of MFIs to low-income households (see page 12).[5]

We chose to focus on India initially as it is the single largest country in our portfolio, and we have a variety of investments across sectors and business models. This gave us the opportunity to see how investments with various characteristics contribute to differing levels of impact. While India is one of the higher income markets in which we invest (with gross domestic product (GDP) per capita close to $2,000), it also has one of the highest numbers of people living in poverty of any country in the world. We concluded that India held great potential for learning. We are, however, conducting similar assessments in other markets and look forward to sharing these soon.

Finally, this exercise applies a contemporary lens to our historical portfolio. These investments were all made during our previous strategy periods, which focused on creating jobs in low-income states rather than reaching low-income people. Nonetheless, we wanted to look at these investments through the lens of inclusion so we could draw meaningful lessons to inform our new strategy.

3,500+

stakeholders from 25 investee companies took part in this study.

"I am independent now and can support my family ... My life has totally changed after coming here. I am able to manage home expenditure and pay my children's school fees."

Employee, Investee 10

4 Throughout the study, the term 'stakeholders' refers to the customers, employees and suppliers impacted by our investee businesses (which group depends on the nature of the business).

5 Based on our current portfolio, the selected subset (all investments excluding MFIs and infrastructure) account for approximately 85% of the total number of BII investments in India. Therefore, while the relevant investment population covered by this study is not representative of the full portfolio, it reflects a significant share

> *"My life has gotten a lot better than before. I got this loan when I needed it most and it helped me in growing my business and growing financially."*
> ***Customer, Investee 25***

What to expect from this report

This report focuses on the voices of the people who our investments aim to serve. It both builds a picture of who we reach and what impact we have, and draws insights on how impact investors can best direct capital to maximise inclusion.

The 25 companies featured in this report reflect our varied portfolio. They cross the range of our focus sectors, including food and agriculture (6), financial services (5), healthcare (6) and manufacturing and consumer and business services (8), and they represent both direct investments (13) and those made by the funds we invest in (12).

The information gathered represents the lived experiences of our stakeholders. It captures who they are – their gender, their household income and size, their poverty profile, their location, and their age – but also how their experience with our investee companies has impacted their lives. We asked them to what extent and how their quality of life has changed due to the company and whether they have experienced challenges with it.

From the rich database of information this study provided us, we extracted eight impact-focussed insights to share. These insights include data points which other investors can use as benchmarks, but also lessons learned on how investors can look to maximise the impact of their portfolio, both in terms of enhancing their reach low-income populations and deepening the impact on their lives.

What we mean by inclusion

Inclusion at BII is multi-dimensional. We consider investments to be more inclusive when they target the poorest countries and reach those who are often disadvantaged based on gender or race (our commitments on gender and diversity are here). But the other key dimension to inclusion, and the key focus of this report, is about positively affecting the lives of low-income populations, regardless of the country they live in. All else equal, our inclusive impact is higher when the people benefiting from an investment are poorer. For the purpose of our Impact Score and monitoring we define low-income as people living below the international poverty line of $6.85 (PPP, 2017) a day.[6] We adopt that definition in this report.

We interviewed 3,574 stakeholders randomly sampled across 25 investments, some of whom were estimated to be low-income and some were not. Unless stated otherwise, the insights below relate to the full sample of stakeholders across the income distribution. We already had a good dataset from investments in companies where our intention had been to reach low-income populations, such as MFIs; this was the first time running these surveys across a much more diverse set of companies. We made these investments during our 2017-2021 strategy period, when our priorities were creating jobs and investing in certain Indian states, rather than reaching low-income populations. As we expected, the results showed our investees reached very different sets of stakeholders (see Figure 1), with some companies focused on serving urban dwellers with more disposable income and others focused on some of the poorest rural farmers. This gave us a richer dataset we could draw insights from and to help inform our origination efforts during the current strategy.

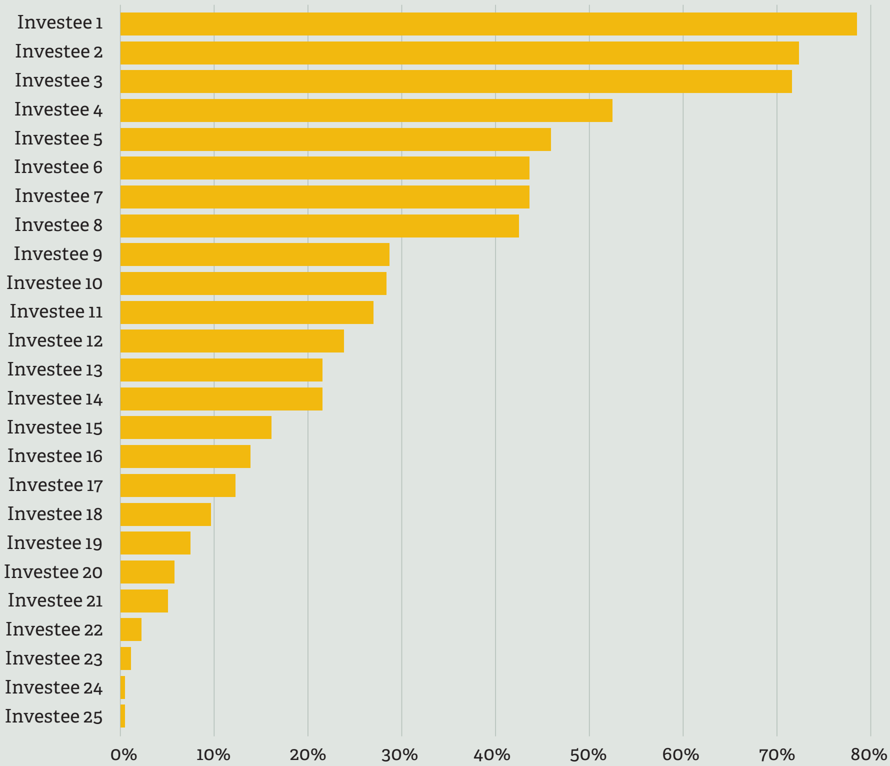
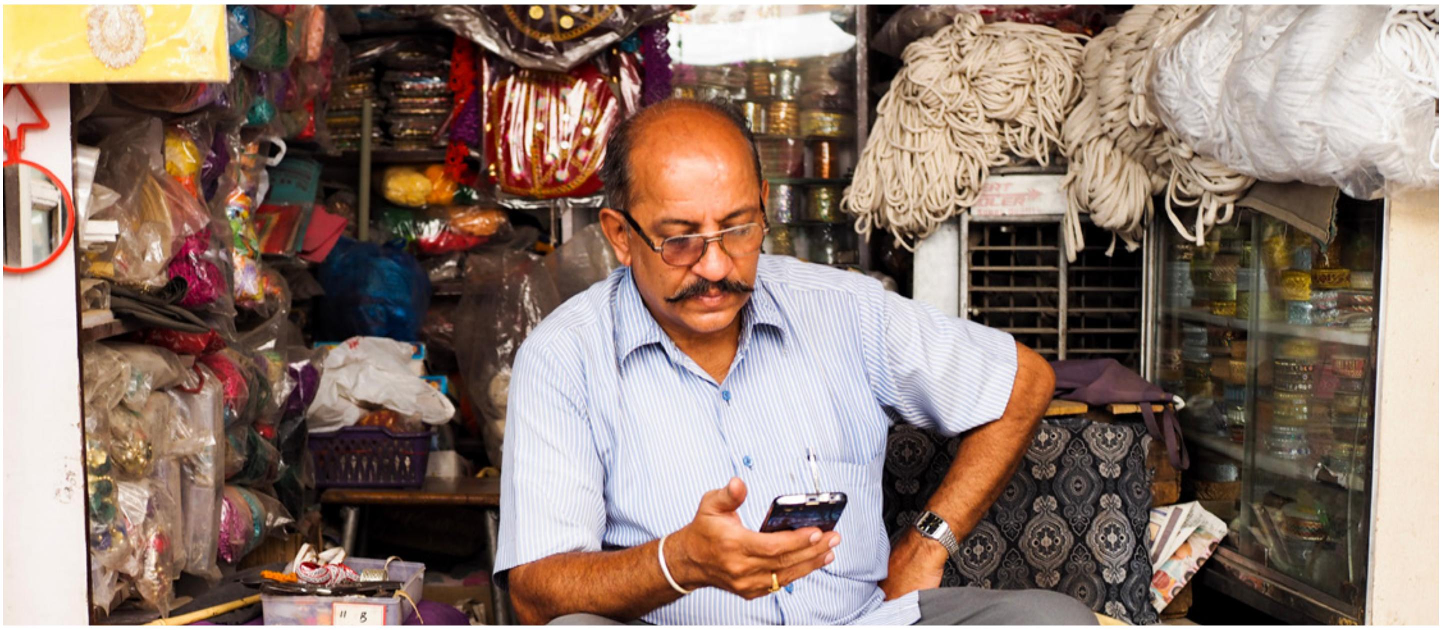


Figure 1: Percentage of stakeholders interviewed who were estimated to be low-income

"You can consider me as the happiest customer of {investee 8} ... I am now able to build my own house which is only possible due to high production of crops. Earlier we are living in old mud house so I can definitely say my lifestyle has very much changed."
Customer, Investee 8

6 $6.85/day is an international poverty measure as defined by the World Bank. It is based on 2017 purchasing power parities (PPPs). When we carried out this study, we used the previous equivalent World Bank poverty line of $5.50/day based on 2011 PPP. Our portfolio Impact Score is explained here: https://www.bii.co.uk/en/news-insight/insight/articles/managing-the-impact-of-our-portfolio-our-impact-score/. Our choice of the $6.85 2017 PPP line as the benchmark against which to test the inclusivity of a business (which at that time was $5.50 using 2011 PPP) is explained here: https://www.bii.co.uk/en/news-insight/research/why-use-the-5-50-poverty-line-as-a-benchmark-for-inclusion/.



03

Our insights

The eight impact insights discussed in this report are:

1. Our investments are more likely to reach low-income households as **suppliers and employees**	**2.** Inclusive businesses are most likely to be in the **food and agriculture sector**, followed by manufacturing
3. Inclusive outcomes can be **achieved anywhere**	**4.** Our investees are providing unique products and services to an **underserved market**
5. Our investees make a **meaningful positive difference** to people's quality of life	**6.** Our investees are **creating jobs that improve household incomes**
7. Impact was **deeper for women than men**	**8. Risk mitigation and value-added activities** are both key for deepening the impact on stakeholders

Insight 1: Our investments are more likely to reach low-income households as suppliers and employees.

We wanted to learn about how our investments most effectively reach low-income populations to inform our origination efforts.

The 3,574 respondents interviewed broadly belonged to three stakeholder groups: customers, employees, and suppliers. We disaggregated the data by these groups and learned that an estimated 55 per cent of the suppliers were low-income, compared to 33 per cent of employees and 22 per cent of customers (see Figure 2).

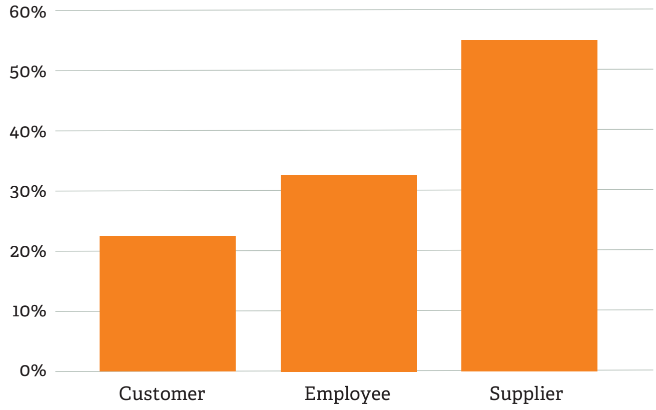


Figure 2: Estimated share of low-income by stakeholder type

Reaching low-income populations as customers is challenging. To be able to afford even basic products or services, some disposable income is required. Therefore, targeting low-income populations as *customers* is generally much harder for formal businesses. And while grant-funded organisations and programmes might exclude higher income people from receiving their services, a business serving low-income customers will typically also sell to higher income customers. Businesses most successful in selling to low-income segments were using government subsidies or an internal cross-subsidy model – with some products reaching higher income populations and other lower-cost products geared to low-income customers. We are also increasingly seeing businesses that are leveraging technology to reach scale while keeping margins low and prices affordable, or are lowering their costs and therefore their prices.

"When the market price is low we get a good price here. It brings me satisfaction as a farmer."

Supplier, Investee 6

"I was a labourer on farms who cut sugarcane... now after 3-4 years I am a farmer with my own crops and land. {Investee 8} gives me inner confidence that I can grow on my own... my life quality has very much improved."

Customer, Investee 8

> *"Due to this job, I am easily fulfilling the basic needs of my family."*
> ***Employee, Investee 13***

Companies were more successful at reaching low-income populations as suppliers. Three of our most inclusive businesses provided market access to independent producers, namely farmers, but also urban dwellers such as waste pickers. Osam Dairy, for example, sources milk from dairy farmers in rural Bihar. Of these, an estimated 72 per cent are low-income. While direct procurement from many smallholder farmers can be relatively expensive, the company leverages technology to do so efficiently, while at the same time supporting farmers with inputs and advice to improve their productivity. A 2020 impact study revealed Osam's innovative direct procurement model resulted in average payments to farmers over 46 per cent higher than a conventional procurement approach.

Our data suggests investee companies can effectively reach low-income populations as employees and increase their labour income. About 33 per cent of the employees we interviewed were estimated to be low-income; however, when we asked about their incomes before joining the company, that percentage increases substantially to 57 per cent. In some cases, incomes were reported to have doubled (see Insight 6). Creating jobs and increasing incomes are the most important contributors to changes in poverty. In recent years, around 40 per cent of the global drop in poverty came from increasing the earnings for the work done by the poor.[7]

Creating jobs and increasing incomes are the most important contributors to changes in poverty.

Insight 2: Inclusion is greatest in the food and agriculture sector, followed by manufacturing.

On average, our most inclusive businesses were those in the food and agriculture sectors: an estimated 52 per cent of stakeholders of investees in this sector were low-income (see Figure 3). This is not surprising given poverty is concentrated in rural areas where most poor people still depend on farming for their livelihoods.

On average, our most inclusive businesses were those in the food and agriculture sector.

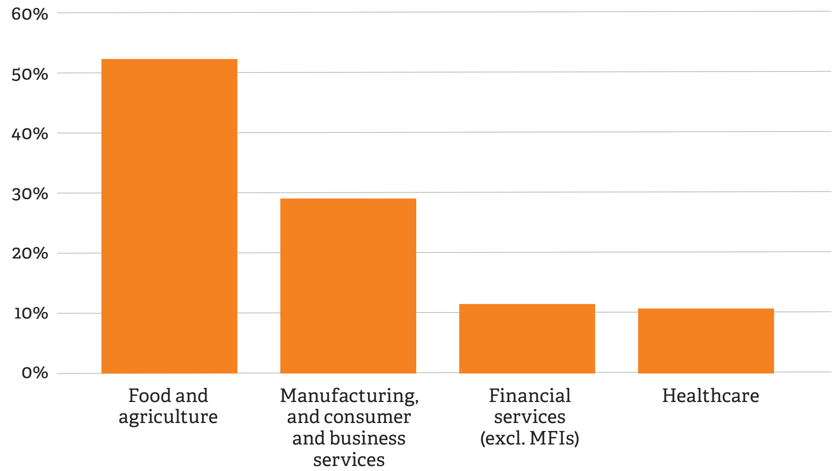


Figure 3: Estimated share of low-income stakeholders by sector

7 World Bank (2013).

Food and agriculture investments have traditionally been trickier for investors, but we see more and more innovative companies that are effectively improving agricultural systems and positively impacting low-income people while proving commercially viable. These businesses are more likely to reach low-income as suppliers (see Insight 1, above) but can also do so more successfully when reaching customers. For example, Cropin is a company that supports farmers, an estimated 78 per cent of which are low-income, by using geospatial mapping and artificial intelligence (AI) to optimise agricultural practices, improve access to finance, climate resilience and minimise waste.

But inclusive development requires us to not only reach the poor where they typically are (working in agriculture in rural areas), but supporting their movement into more productive, higher-paid jobs with better long-term prospects in other sectors like manufacturing and services. By investing in these types of businesses, we are creating opportunities, including for lower skilled and poorer workers: an estimated 30 per cent of stakeholders in the manufacturing and consumer and business services sector are from low-income households. This insight is particularly useful for investors because, while agriculture remains a relatively higher risk sector, investments in the manufacturing or business services sectors tend to be less risky and can also typically absorb greater amounts of capital.

An important caveat to this report and its conclusions is that we did not include MFIs in the study. We have invested in a number of Indian MFIs, and there is already plenty of research about the profile of MFI borrowers. A report by 60 Decibels, for example, based on almost 18,000 MFI clients found that MFIs typically reach unserved and underserved populations, that microfinance loans help some businesses grow (with women reporting greater income increases than men), and that 88 per cent of clients report an improvement in their quality of life. Indian financial regulations also stipulate borrowers must be "low-income" in order for a lender to qualify as a MFI.[8] Given that this study was, first and foremost, an opportunity to gather data that could tell us something new, we looked at different types of financial institution, namely those lending to small- and medium-sized enterprises (SMEs) or more niche parts of retail finance (e.g., housing finance). Furthermore, the stakeholders surveyed for some financial services investees were the owners of the SMEs, not their workers or customers, which gives only a partial view of who is impacted.

30%

of stakeholders in the manufacturing and business services sector are from low-income households.

"It's a life-changer for all the farmers."

Customer, Investee 1

8 See Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022.

"My salary has increased quite a bit and also work has become far easier compared to earlier years ... I couldn't have supported my family if I had not left my previous job."

Employee, Investee 4

Under our previous strategy, we invested in private healthcare providers to strengthen the overall healthcare system, including the provision of new medical technologies and training, and expansion of hospitals into poorer regions. A wide range of actors recognise the importance of private providers in reaching the SDG4 objective of universal health coverage, and the role of the private sector is often a strong feature of national development plans in developing countries. India's 2017 National Health Policy includes provisions to "enable private sector contribution to making health care systems more effective, efficient, rational, safe, affordable and ethical". To maintain financial viability without compromising access and quality, the cost of healthcare often needs to be met through insurance, although its reach remains limited among low-income customers even when subsidised by the government (despite a government target of reaching 75 per cent of the population with publicly-financed health insurance by 2022-23).[9] The results of this study found that our healthcare portfolio had relatively lower reach to patients and employees on low incomes.[10]

Insight 3: Inclusive outcomes can be achieved anywhere

Across all states of India, incomes vary widely. While some states are, on average, richer than others, low-income people are found across the whole country. Inclusive investments can be found in the richer states.

Our data shows that 40 per cent of respondents from the poorest five states live on less than INR 20,000 per household, per month, compared with 24 per cent of respondents from the richest five states (see Figure 4).[11] So, while on average there is a greater share of people at the bottom of the income distribution in investments operating in the poorest states, investments can still reach these segments of the population in the richer states. At the same time, there are also people in the poorer states towards the top of the income distribution.

9 Strategy for New India

10 Of the six healthcare investments in the study, five focused on stakeholders as customers (patients) and one on stakeholders as employees (healthcare workers). The relatively skilled work involved in healthcare means that where the direct stakeholders are employees, they are also less likely to be on low incomes.

11 Poorest and richest states determined by ranking the states in the sample by Net State Domestic Product in US dollars at PPP.

“[Due to the loan from {Investee 11}] I was able to buy land for myself. I am the first woman in my family who has owned land in my own name.”

Customer, Investee 11

These findings highlighted two important implications for inclusion:

a) **People on low incomes are not found exclusively in poorer states** and we can reach them in all parts of India.

b) **Working in poorer states does not guarantee reach to low-income** (although it may be a good predictor of their current level of access to a product or service (see Insight 4)).

In short, evidence from this study suggested we could improve inclusion by moving beyond a state-level approach to focus on reaching people on low-incomes wherever they may be.[12]

In our ongoing strategy period, we use the Impact Score where inclusive reach is scored partly on the basis of the reach of investments to low-income population (where this is known), regardless of their geographic location.

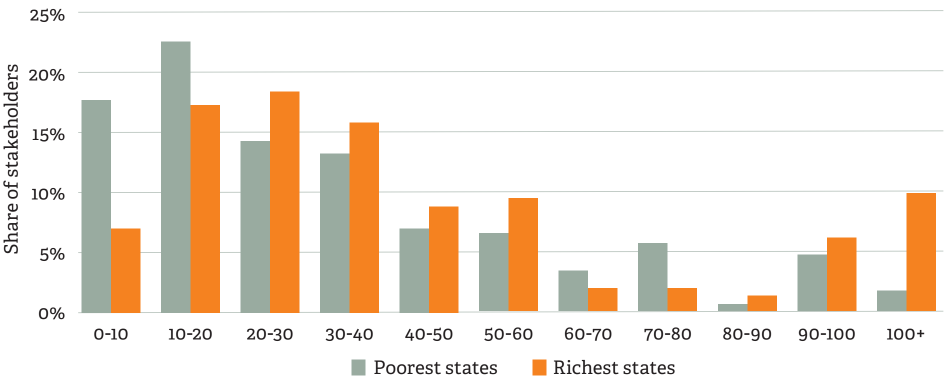


Figure 4: Distribution of estimated monthly household income for stakeholders in the poorest and richest five states in the sample, (INR, thousands)

12 This finding was important in upgrading our approach to assessing impact. In our previous strategy period, we used the Development Impact Grid to prioritise investments, where the poorest states, such as Bihar, were considered difficult to invest 'A' states, and the richer states, such as Karnataka, Telangana, and Delhi, were considered easier to invest 'B', 'C', or 'D' states, respectively.

Insight 4: Our investees are providing unique products and services to an underserved market

Knowing the extent to which we are reaching low-income populations was an important motivation for this study, but to us inclusion is more than reach: it is about knowing that our investments are having a positive impact on people's lives. One of the questions we asked was whether our investments are providing customers with first-time access to products or services, or to products and services where they lack alternatives.

We learned that 59 per cent of the respondents had not previously accessed a similar product or service to that provided by our investee companies (see Figure 5), and 52 per cent of the respondents could not find alternatives to our company's product or service in the market. For example, out of 150 customers of Investee 7 – a provider of tech-enabled agricultural services – only nine (6 per cent) reported having access to a good alternative.

59%

of respondents were accessing products or services for the first time through our investments.

Did you [own/have access to] a [relevant product/service/employment] before this purchase?
% reporting 'No' (n=3574 respondents across 25 companies)

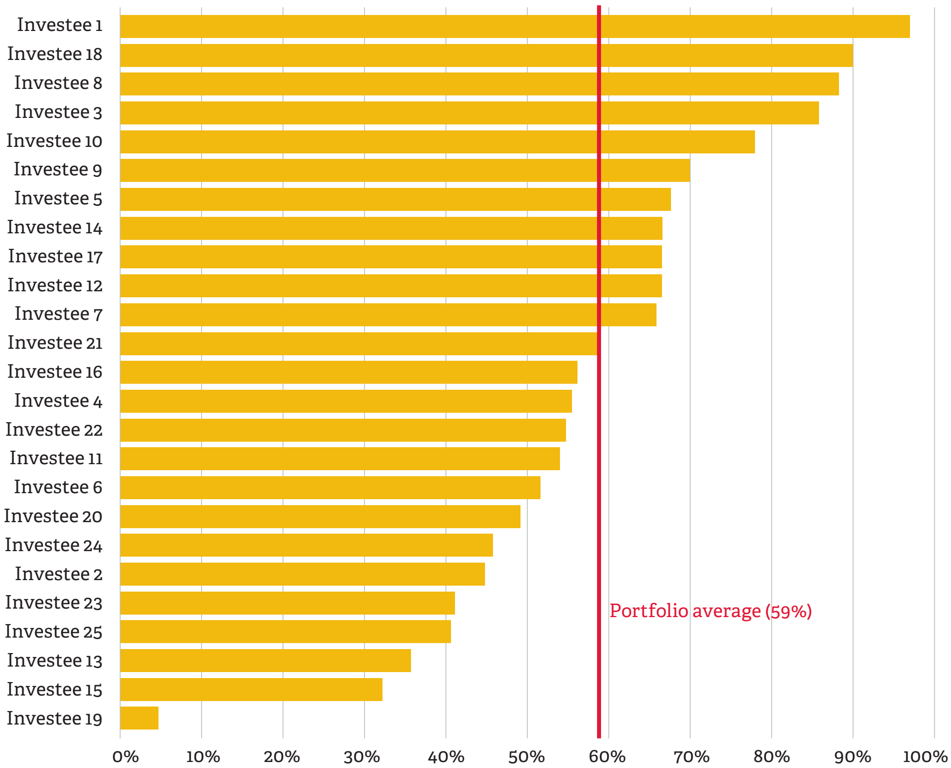


Figure 5: Share of stakeholders reporting first-time access

"For this locality this is a good place to work, there are no other good options around here."

Employee, Investee 4

For the 48 per cent that reported having access to alternatives, respondents often still reported first-time access, suggesting available alternatives may be too expensive or undesirable for other reasons. This implies our investee companies are providing a valued product or service in a relatively underserved market.

Even though location may not be a good proxy for reach to low-income people (see Insight 3), it may be a good predictor of first-time access. Respondents residing in the poorer states were more likely to report they were accessing a product or a service for the first time, and that they didn't have access to similar alternatives. Also, first-time access is greatest when using innovative, tech-based business models rather than traditional ones – 63 per cent and 56 per cent, respectively.

These findings are important because sometimes companies can crowd into promising new markets, such as digital credit, and be effective at serving a low-income population, but are offering a product people can already access from other suppliers. While this may provide greater choice to a set of low-income stakeholders, it can overlook those who, because of their location or other characteristics (such as gender, caste, or religion), may remain unserved. Therefore, understanding just how underserved stakeholders are – and whether they are accessing a product for the first time – is a key dimension of inclusion. Our agricultural technology (ag-tech) investee companies focus on smallholder farmers in underserved states such as Bihar, where we find most of the stakeholders report first-time access and a lack of access to alternatives.

Insight 5: Our investees make a meaningful positive difference to people's quality of life

As an impact-driven investor, we want to understand how and to what extent our investments are leading to meaningful improvements in people's quality of life.

We asked stakeholders how and to what extent their quality of life had changed because of engaging with the company's product or service. We found this to be a powerful way to understand the experiences of stakeholders and their perceptions of impact. They were able to communicate the direction and intensity of change in quality of life, as well as describe the nature of change in their own words.

Of those we asked, 71 per cent of stakeholders reported improvements in their quality of life, with 27 per cent reporting it as "very much improved" and 44 per cent reporting "slightly improved" (see Figure 6). This depth of impact varied across sectors and stakeholders, with employees and stakeholders of manufacturing investments most likely to report improvements. Upon explaining how their lives had improved, Table 1 shows the key impact themes across sectors.

Sector	Most reported impact	2nd most reported impact	3rd most reported impact
Financial Services	Improved business (60%)	Increased ability to pay for expenses (35%)	Improved financial inclusion (20%)
Food & Agriculture	Improved farming (31%)	Increased income (29%)	Improved lifestyle (17%)
Healthcare	Health issues resolved (56%)	Positive health outcome (51%)	Improved self-confidence (8%)
Manufacturing, Consumer and Business Services	Increased purchasing power (33%)	Skills development (26%)	Financial independence (25%)

Table 1: Most reported impacts by category of impact and sector

71%

of respondents reported improvements in their quality of life, and

27%

reported their quality of life as 'very much improved'.

Has your quality of life changed because of [company] product/service?
% reporting 'slightly improved' and 'very much improved' (n=3486 respondents across 25 companies)

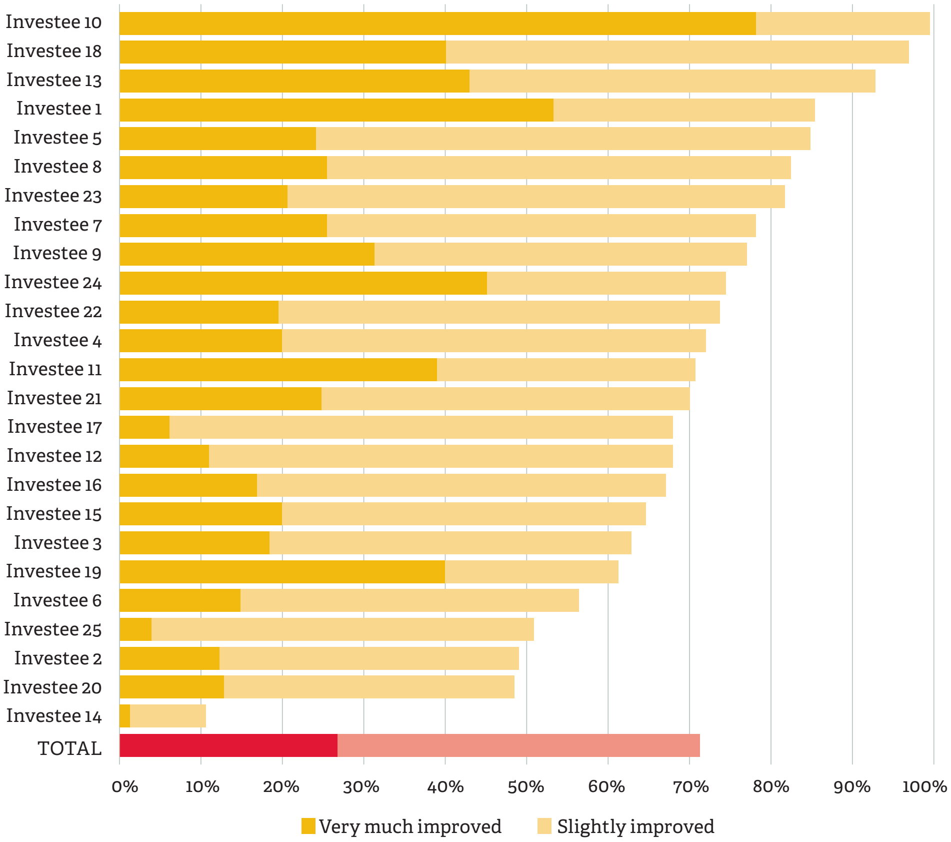


Figure 6: Share of stakeholders reporting improved quality of life due to investee

Insight 6: Our investees are creating jobs that improve household incomes

A critical principle in building a picture of impact is understanding the *change* in living standards experienced by stakeholders. Most of the data we collected for this study gave us a snapshot after people had engaged with an investee (for example, *after* they were hired and had worked at the company for some time). But to understand how a business is having an impact you need to know what their lives were *before* they engaged with the company. We decided to capture the change in incomes people were experiencing and asked employees about how their income had changed since they began working for the investee company.

Of the employees who were able to estimate the impact on income (n=1052), 74 per cent reported that their incomes had increased. Of those who were able to estimate the magnitude of this change (n=585), the average increase was 42 per cent. Importantly, these results were consistent across sectors and stakeholders. We hope that this impact further deepens over time as respondents continue engaging with our companies.

iMerit, a data solutions company that upskills low-income stakeholders as part of its delivery workforce for manually annotating data, is a good example of a company thinking of ways to deepen income impact for stakeholders consistently over time. Nearly all iMerit workers reported improvements in their income by an average of 73 per cent, the highest across all our companies. iMerit has also introduced a 'leadership journey' initiative that trains workers to move into managerial positions within the organisation, to allow for further opportunities of upward economic mobility.

74%

of respondents employed by our investees reported that their incomes had increased since working for the company.

"I never thought my dreams of earning would become true as I am not very educated, but here I am earning good money and I can save for the future. My life has improved very much."

Employee, Investee 18

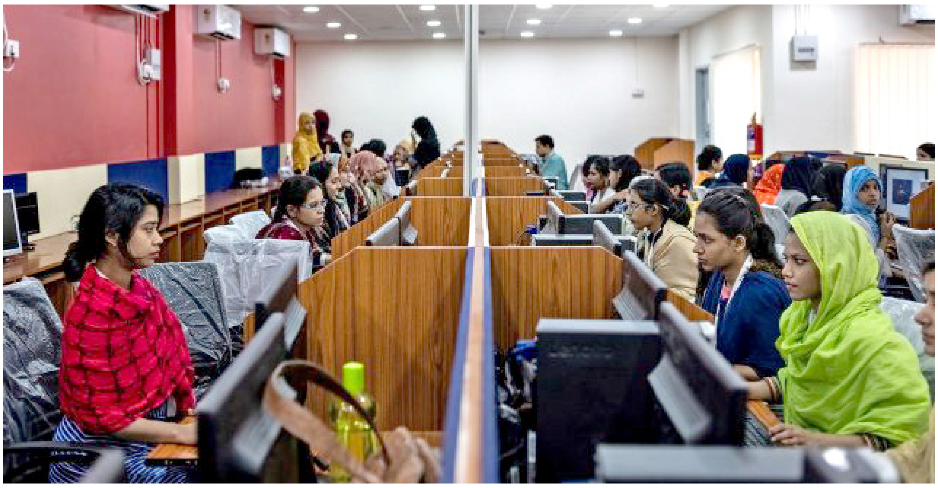


Figure 7 shows the estimated per-person incomes of those that responded to this portion of the survey, framed in terms of 'before' and 'after' flows.[13] Among those respondents that reported an improvement in incomes, there was an average increase of INR 10,000 per household, per month, or 2,400 per person, per month. Figure 7 shows the change in income before and after, grouped by per household member, per day levels of income. Some 15 per cent of households saw a sufficient increase to move from 'low-income' to 'non-low-income', as proxied by our $6.85 low-income threshold which equated to roughly INR 150 per person, per day in 2020.[14] A further 40 per cent of households moved closer towards escaping low-income status by increasing their incomes, so while they still may be considered low-income, they have also experienced a positive change in living standards.

15%

of households saw a sufficient income increase to move from 'low-income' to 'non-low-income'.

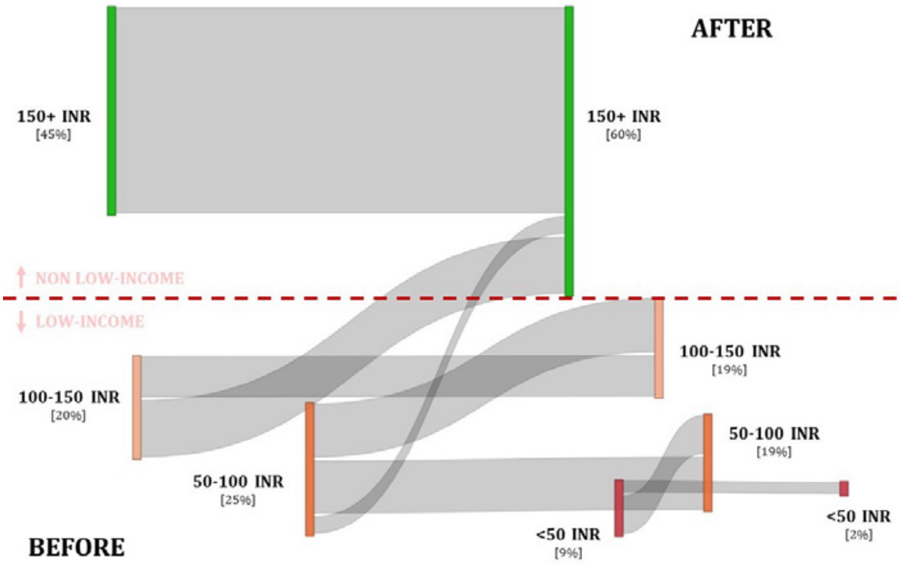


Figure 7: Movement of employee households by income groups (INR per-person, per-day) before and after

13 The international poverty lines set by the World Bank offer a universal standard for measuring. They establish monetary thresholds based on the amount of goods and services that are required to meet a basic standard of living relevant to the living standards typically found in different countries.

14 The World Bank's 2020 PPP conversion factor was used as the most recent available at the time the analysis was conducted

“I belong to a poor family but {Investee 10} changed my life totally... In my locality there are a lot of restrictions for girls but this job provided me freedom.“
Employee, Investee 10

“Being a woman, I like this company very much. There is a rule in the company that if any girl face harassment or any kind of problem they can easily convey to the higher authority and they will take action.”
Employee, Investee 10

Insight 7: Impact was deeper for women than men

The contribution of women to India's GDP (which excludes the value of home production) is 17 per cent, one of the lowest in the world.[15] Women's labour force participation rates are well below both the world and low- and middle-income country averages and have been falling since 2005 – something that the government of India sees as "a worrying trend" for its economic future.[16] Women also tend to have less access to goods, services and markets. We recognise the barriers that women in India and across our markets face, and we are committed to using our role as an investor to help close the gaps between men and women. We not only want to back companies that are working towards minimising the gender gap, but we also want to help our existing companies get there through our value-add initiatives.

The data reveals that women's experiences with our investee companies' products, services or employment differed to men's (see Figure 8), with women more likely to experience an improvement in their quality of life and be more satisfied.[17] This is likely because, compared to men, women lacked previous access to similar products and services or alternatives. Quality of life improvements were particularly significant where women were employees of investee companies: 93 per cent of women employees reported an improvement, highlighting the importance of creating economic opportunities for women in maximising impact.

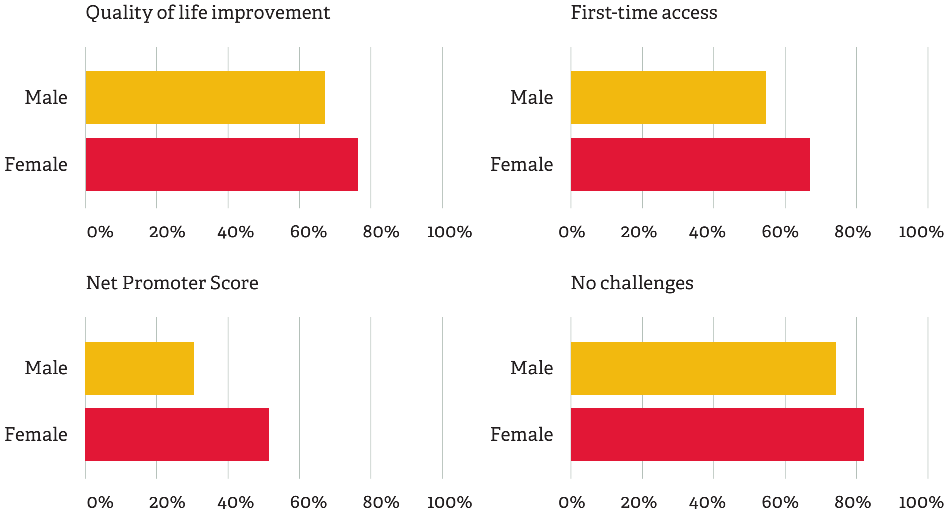


Figure 8: Depth of impact by gender

17%

of India's GDP is contributed by women – one of the lowest rates in the world.

15 Bloomberg '90% of Women in India Are Shut Out of the Workforce', 1 June 2022.

16 Data from the ILO and Indian government concerns expressed in Strategy for New India at 75.

17 Satisfaction is proxied by Net Promoter Score (NPS), which is a widely-used measure to gauge views on a company. Stakeholders were asked on a scale of 0-10 how likely they were to recommend the company, product or service to a friend or family member. 'Promoters' were assumed to be those with a score of 9 or 10, while 'detractors' are assumed to be those with a score of 0 to 6.

“The salary is higher than my previous job and I have learnt new skillsets. I am less stressed and more comfortable now.“

Employee, Investee 15

“We are getting a good amount of money which help us to feed our family and fulfill their basic needs.”

Supplier, Investee 7

"Before I used to be housewife, Now I'm working with {Investee 13} and getting paid. Now I'm supporting my husband financially in terms of my children's school fees."

Employee, Investee 13

A good example of this is our work with Ecom Express, a nationwide express delivery business in India.[18] During our due diligence, we identified an opportunity to work with Ecom to increase women in employment: women's workforce representation was below average for the sector at only 2 per cent. To do so, we first helped identify the gaps, opportunities, and benefits of developing a more diverse workforce. This information was used to develop a gender strategy and timebound Gender Action Plan, which included actions such as gender sensitisation training, integrating gender considerations into hiring practices, employee surveys, and training and mentoring programmes for women. As a result of these activities and a strong commitment from Ecom's leadership, it doubled the percentage of women in the workforce within two years. This took place at a time of high growth for the business, so the absolute number of women employed by the business was growing significantly.

Insight 8: Risk mitigation and value-added activities are both key for deepening the impact on stakeholders

Our contribution to development impact extends beyond the capital we provide to the way we support our businesses in improving their practices. Any positive impact our companies create can be severely undermined in the absence of risk assessment systems. As a responsible investor, we work in partnership with our investee companies, providing hands-on support to help them achieve better environmental, social and governance (ESG) and business integrity practices. These standards in turn affect the lives of stakeholders through the protection of labour standards, health and safety in the workplace, human rights, and other topics.[19] While we ensure all our investees comply with our Policy on Responsible Investing, the example below showcases how greater engagement with investees can lead to higher overall satisfaction among stakeholders.

We worked with one of our investee companies to develop an ethics policy and framework to protect its employees. The framework makes mental health counselling available to employees on demand, provides workers the right to refuse work on a project without facing adverse consequences, and introduced a mechanism to receive grievances or policy violation reports. It also includes a project rating system, which has allowed the company to target opportunities that have positive social impact, work with partners that promote best practice, and ensure staff members are not required to engage in the delivery of services in conflict with their cultural norms and values. These measures of worker-centricity resulted in the company having a Net Promoter Score (NPS) of 77, which is considered excellent against standard benchmarks.

18 https://www.bii.co.uk/en/story/ecom-express/

19 See the BII ESG Toolkit for more information.

04

Conclusions

This study was the first of its kind for us. It provided data we could not have otherwise obtained on the inclusive outcomes of our portfolio and our previous strategy. It also delivered insights about how to raise the impact of our investments, which informed our new five-year strategy, our origination, and our portfolio construction.

Across our investee companies, the positive outcomes for women appear to be greater than for men, suggesting our focus on gender is a powerful channel for maximising impact, and that we are supporting the drive for much-needed women's economic empowerment in India. However, more work needs to be done in improving our reach to people on low incomes, particularly in certain sectors.

It is not only income-based indicators of poverty that matter, but equally the lived experiences of those we aim to serve.

Our investee companies enable people to access particular goods, services, or employment for the first time, and the lack of alternatives for most suggests we are creating markets where they are most needed.

Crucially, our portfolio is changing lives for the better. Of the stakeholders we heard from, 71 per cent said their quality of life has improved due to the investee company, indicating that our investments are creating meaningful positive impact for those who benefit. In particular, our investee companies are helping to create jobs that improve people's incomes, which is essential to help families out of poverty.

There are also indications that our role in adding value beyond capital is also helping to maximise impact.

This data, and the insights this study provides, only matter if we and others use it to better direct capital where it can make the greatest difference. And while it provides positive indications that we are delivering on our inclusive objectives, it also helps inform ways in which we can further maximise our impact. The outcomes of this study have already shaped our strategic approach to inclusion for our current five-year strategy, and it is helping to shape more inclusive future investment decisions. We are looking to soon publish a similar insight across Africa, and these lessons will further inform our activities.

Annex 1: Methodology overview

We commissioned 60 Decibels to run stakeholder surveys across 25 investee companies in India. The companies were selected to reflect our varied portfolio, covering different focus sectors and representing both direct investments and those made by the funds we invest in. We did not include MFIs as we felt MFI inclusivity is well covered by available literature and data. Companies shared details of up to 1,000 contacts from which 150 were selected at random for phone interviews.

We conducted phone surveys with 3,500+ customers, suppliers and employees across 19 states (in local languages), providing a sufficiently large dataset for drawing insights. The survey response rate was approximately 70 per cent on average. Based on the sampling approach, the results are likely to have an 85 per cent confidence level with a 6 per cent margin of error. It should be noted there are inherent limitations in conducting phone surveys, including time constraints, coverage and non-response bias.

We asked interviewees a series of questions to capture demographic information (including gender, age, location, and household size). We also asked about their asset ownership and consumption patterns to help estimate their poverty levels. We used two methodologies: the Poverty Probability Index (PPI) an international tool developed by Innovations for Poverty Action, and an India-specific tool, which uses a similar methodology to estimate the likelihood of people belonging to a particular wealth quintile. We used both methodologies as the PPI tool had not been updated since 2011, so we were less confident about its accuracy. We then mapped the distribution from the wealth quintiles to international poverty lines.

After the data was collected, it was quality assured to ensure there were no anomalies due to human error. We then analysed the data and shared tailored and anonymised reports with the investee companies so they could see their own performance against other companies.

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