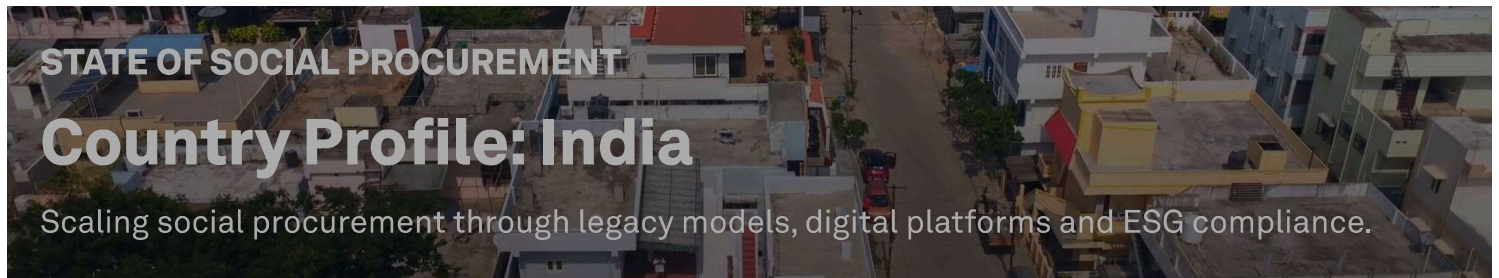




Global Alliance  
for Social  
Entrepreneurship



**\$8 bn**

**market potential for social enterprises**

**7M**

**collectives**

**40M**

**MSMEs**

## Overview

India is a country deeply rooted in small businesses and community enterprises. With 86% of farmers classified as smallholders, 7 million collectives comprising 75 million women members across 700,000+ villages, and over 40 million registered Micro, Small, and Medium Enterprises (MSMEs) offering diverse products and services, Social Procurement naturally integrates into existing supply chains. The cooperative movement of the early 20th century laid the foundation for inclusive business practices with community-led enterprises such as Anand Milk Union Limited (AMUL) demonstrating shared prosperity models that are scalable. Despite these strong foundations, India's predominantly informal enterprise ecosystem presents challenges in discovery and integration within mainstream supply chains. While the country lacks a distinct legal framework for social enterprises, the market potential for such purpose-driven yet profit-oriented enterprises is projected to reach USD 8 billion (€7 billion) by 2025.

## Environment and context

The Indian government has played a critical role in embedding social responsibility through the CSR law under the Indian Companies Act 2013, which mandates companies meeting certain financial thresholds to spend 2% of their average net profit on social impact. Over the nine years of CSR implementation, more than INR 1.84 lakh crore has been cumulatively spent by over 30,000 companies. CSR allocations have steadily grown at a compound annual growth rate (CAGR) of 8-10%, with 56% of companies often exceeding the prescribed 2% spend. An emerging trend witnessed over the last few years has been the increasing number of corporates utilising CSR as catalytic capital to strengthen impact in geographies, areas and communities connected to their business. The regulatory framework has also evolved, making provisions for companies to build capacities and capabilities of social enterprises that can be integrated into companies' procurement models.

A growing focus on Environmental, Social, and Governance (ESG) has also propelled Social Procurement in India. Corporates are increasingly using their procurement strategies to meet ESG targets, aligning with global standards, SDG goals and Business Responsibility and Sustainability Reporting guidelines (BRSR). This shift has encouraged businesses to incorporate social enterprises, micro, small, and medium enterprises (MSMEs), and community-based organisations (CBOs) into their supply chains, fostering inclusion, sustainability, and long-term impact.

## Current State of Social Procurement

India's social procurement landscape has been significantly shaped by targeted government programs and corporate initiatives that embed inclusivity and sustainability into supply chains.

**The Public Procurement Policy for Micro and Small Enterprises (MSEs)**, 2012 has been instrumental in creating opportunities for small businesses. It mandates that 25% of procurement by central government agencies and PSUs must come from MSEs, with a special 3% reservation for women-led enterprises.

Platforms like the **Government e-Marketplace (GeM)** have accelerated public procurement by digitising access to procurement opportunities. Since inception more than 9.7 lakh micro, small and medium enterprises have registered on GeM, receiving orders of over Rs. 4.19 lakh crore or around 40 per cent of the total. This digital platform has enhanced transparency and streamlined processes, making public procurement more accessible and inclusive.

India's recent policy focus on **Digital Public Infrastructure (DPI) and Digital Public Goods (DPGs)** built on the unique digital identity in the last 10 years has further led to multiple platforms that enable the strengthening of the supply side. The Open Network for Digital Commerce (ONDC), for example, is a DPI that provides small businesses with an affordable platform to build their digital markets, while the Open Credit Enablement Network (OCEN) unlocks financing for small enterprises that has traditionally been tough to obtain.

Over and above policies and mandates, a rich legacy of Indian corporates that have embraced social responsibility in their ways of building businesses, even pre-dating the CSR Law, has led to the demonstration of inclusive models that can further be scaled in diverse ways. Companies like ITC, Tata Group, Mahindra Group, Godrej Group and Hindustan Unilever, have integrated underserved communities into their supply chains by sourcing from smallholder farmers, women entrepreneurs, and social enterprises.

## Sector-specific approaches

In agriculture, over 10,000 Farmer-Producer Organisations (FPOs) actively participate in supply chains, with companies like ITC sourcing directly from smallholder farmers. ITC's e-Choupal connects 4 million farmers directly to its supply chain, ensuring fair pricing and improving farmer incomes.

In the textiles sector, collaborations with women-led enterprises for handloom and sustainable innovations have supported millions of workers, with key efforts led by firms like Arvind Ltd. and Welspun India.

The renewable energy and construction sectors have also seen inclusive procurement practices, with companies such as Tata Power and Saint-Gobain partnering with MSMEs and skilling underserved groups to create sustainable supply chains.

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## Outlook

The growing emphasis on ESG compliance, driven by BRSR reporting and global supply chain mandates, combined with increasing CSR investments, is paving the way for social procurement in India. Early data underscores its potential to drive economic inclusion, sustainability, and business value, even as evidence of long-term impact continues to emerge. To drive social procurement forward in India, a multi-pronged approach is essential.

There is a need to **identify and onboard marginalised enterprises**, such as women-led micro and small enterprises (WMSEs), tribal entrepreneurs and other social enterprises, onto digital platforms that can integrate with corporate procurement systems. DPIs such as ONDC can be critical in scaling this effort.

**Frameworks can be developed** to credential social enterprises, and co-created with procurement leadership to ensure they align with corporate standards. Codifying global supply chain standards into simpler quality standards that small businesses can follow can further strengthen their discovery and delivery of quality products and services.

**Strengthening the supply side at the ecosystem level** is crucial. This includes capacity-building initiatives, aggregation models, and logistics support, particularly in sectors like agriculture,

textiles, & renewable energy, where social enterprises can thrive.

**Market-building innovations** are also vital, with corporates coming together to co-demonstrate procurement from smaller suppliers, showcasing success stories that can inspire broader adoption.

Finally, a **strong emphasis on measurement and evidence-building** is needed to demonstrate the connection between social procurement and key outcomes such as sustainability, economic empowerment, and business growth.

## Regional case studies

### Mahindra Group: Advancing Social Procurement Across Diverse Businesses



### Saamuhika Shakti– Bottles to Buttons initiative



In 2020, the H&M Foundation launched Saamuhika Shakti, aimed at empowering informal waste pickers in Bengaluru, the capital city of Karnataka in India. This initiative seeks to lift waste picker communities out of poverty while contributing to the global fashion industry's transition to a circular economy. The project's second phase, running until 2026, brings an additional \$11 million in funding to expand its partnerships, scope and impact.

The initiative has established a circular value chain where reclaimed materials, such as PET plastics and aluminium collected by waste pickers, are turned into high-value products like garment buttons and jewellery for global fashion brands. These buttons, partly made from recycled plastic, are fully traceable, offering transparency about the origin of the waste and ensuring workers' conditions, salaries, and social security are documented.

The project has positively impacted over 32,000 people by addressing key challenges identified by the waste pickers themselves, including improving working conditions, access to social services, education, healthcare, water, sanitation, and upskilling for alternative livelihoods. Phase two introduces new focus areas, including textile waste. Waste pickers will be upskilled as the initiative's collaborative approach continues to evolve, with integrated key performance indicators ensuring scale and sustainability.

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