

THE NEED FOR SUSTAINABLE BUSINESS MODELS FOR INCLUSIVE GROWTH

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Abstract

It is increasingly evident that traditional socio-economic actors in market economies create market distortions, resulting in marginalized groups lacking equal access to opportunities. Most multilateral organizations accept inclusive business as a concept with a tendency toward commercially viable enterprises that enable marginalized groups to participate productively in the economy. This paper aims to provide a synthesized conceptual delineation of inclusive business models and their impact on inclusive growth.

The study primarily employs a qualitative approach through scientific methods: analytical-synthetic method, comparative research approach, case study; and data collection methods: surveys (questionnaires), interviews, etc.

Keywords: inclusive business models, inclusive growth, inclusive education, inclusive employment

Definition of the Inclusive Business

Concept Inclusive business refers to a business model that integrates marginalized groups as suppliers, distributors, clients, employees, etc., by implementing strategies for mutual benefit between the company and the community. Inclusive business models aim to improve the condition of marginalized and vulnerable people through productive integration into the market economy (Fukuda-Parr & Hulme, 2011; German et al., 2020; Schoneveld & Zoomers, 2015). In 2016, the term “inclusion” was associated with the United Nations (UN) when establishing the Sustainable Development Goals (SDGs) with the slogan “Leaving no one behind.” The UN defines social inclusion as a process of enhancing conditions for participation or integration into society by improving access to resources, voice, and rights, especially for disadvantaged individuals (United Nations, 2016). Consequently, the World Economic Forum emphasizes the need to respond to unequal development: “Slow progress in living standards and rising inequality have contributed to political polarization and erosion of social cohesion in many advanced and developing economies” (WEF, 2018). According to the World Bank, job creation, enhanced agricultural production, technology transfer, and access to knowledge are assumed means to improve the lives of the poor (World Bank, 2018). The International Finance Corporation (IFC) highlights inclusive business as a key way for the private sector to help end poverty by 2030, addressing 4.5 billion people living on \$8/day or less. Inclusive businesses employ market-based solutions to provide better access to goods, services, and livelihoods (IFC, 2023). Inclusive growth emphasizes equal opportunities regarding access to markets, resources, and regulatory frameworks for business operations (Dinda, 2011). Three key elements of inclusive growth are: employment and productivity; human capacity development; and social safety nets and targeted interventions (Ali & Hyun, 2007).

The Need and Justification for Inclusivity

The COVID-19 crisis reinforced the goals of inclusive growth. According to Oxfam (2020), during the pandemic, the wealth of the five richest people doubled, while nearly five billion people became poorer. IFC notes the pandemic created economic challenges for low-income households, pushing an additional 90 million people below the extreme poverty line in 2022. Business benefits of implementing inclusive business models include improved access to workforce and human capital, sustainable supply chains, access to new markets and investors, stronger brand image, risk management, investment capital access, and demonstration of corporate values (IFC, 2023).

Inclusive Education and Bridging the Education

Gap Inclusive education is crucial for achieving inclusive growth. It refers to education for the poor to bridge the gap to equal learning opportunities. The educational gap arises from unequal resource distribution. Children from low-income families attend underfunded schools with limited resources, restricting access compared to wealthier peers. Quality education enables upward social mobility, empowering children to break the cycle of poverty. Inclusive models must address barriers such as health, work obligations, inadequate learning conditions, and malnutrition, ensuring children can keep pace with peers from higher-income families.

Inclusive Employment Marginalized individuals face barriers to quality employment, including political influence, nepotism, limited education and skills, lack of formal experience, discrimination, and legal/administrative obstacles. Inclusive employment refers to practices that improve job quality, provide better livelihood opportunities, and ensure equal access. Recommended practices include targeted recruitment, worker safety, anti-discrimination measures, barrier removal, access to benefits and finance, fair wages, self-employment opportunities, clear terms, and recognizing potential without stereotypes.

Inclusive Business Models for Inclusive Growth

The concept of social business, advocated by Nobel laureate Muhammad Yunus, closely aligns with inclusivity. Social business is self-sustaining with a social mission, aimed at solving social and environmental problems rather than maximizing profit (Yunus, 2009). Yunus proposes two types: companies creating social benefit, and profit-generating companies owned by the poor, distributing dividends to reduce poverty (e.g., Grameen Bank).

Principles of social business include poverty alleviation goals, financial sustainability, reinvestment of profits, environmental consciousness, gender equality, market-based labor conditions, and passionate work.

Kim Alter (2009) categorizes inclusive business models as fundamental methods (entrepreneurial support, market intermediation, employment, membership fees, low-income clients, cooperatives, market linkage, service subsidization, organizational support), combined models, and embedded models (franchise, private-nonprofit partnerships). In practice, combinations of models are used, particularly where legislation is absent, to facilitate growth, increase revenue, and expand social impact (Alter, 2000). Embedded models enhance operational scalability, e.g., franchise models, or partnerships between profit and nonprofit entities. Other frameworks include Masseti's social-entrepreneurial matrix combining social and business missions (Masseti, 2011).

Presentation of Results Using Haugh's matrix (2006), the study presents results from the therapeutic community "Pokrov," a long-term rehabilitation program for drug, alcohol, and gambling addiction in North Macedonia. Outcomes are categorized as direct economic, social,

environmental; and indirect economic, social, environmental:

Outcomes	Individual Level	Enterprise Level	Community Level	Regional Level
Direct Economic	Financial compensation	Reinvestment and development funds	Employment for marginalized treated individuals (14 employees + 14 contractors)	Employment for marginalized groups in Southeast Region, North Macedonia (14 employees + 14 contractors)
Direct Social	Treatment, reintegration, resocialization	Cultural identity creation	Contribution to social capital through problem-solving and quality of life improvement	Contribution to social capital through quality of life improvement in Southeast Region
Direct Environmental	Healthy living conditions	Cultural identity creation	Environmental protection through organic products	Environmental protection through organic products
Indirect Economic	Individual economic stability	Financial self-sustainability	Employment for stakeholders (suppliers, etc.)	Economic development in Southeast Region
Indirect Social	Change in negative identity/lifestyle	Social capital creation through networking	Social inclusion promotion	Social change through social inclusion promotion
Indirect Environmental	Environmental awareness contribution	Cultural identity creation	Environmental improvement	Promote Southeast Region as healthy environment

The results illustrate the role of inclusive business models in revitalizing socio-economic systems at individual, enterprise, community, and regional levels. Key impacts include economic dynamism, mitigation of market failures, enhanced social equality, job creation, local economic development, and strengthened social cohesion (Borzaga et al., 2008; Kim & Lim, 2017).

Concluding Remarks

Inclusive growth is increasingly influential in academic circles, with inclusive business models recognized as essential tools for sustainable inclusion. Market failures limit poor population inclusion, and traditional government measures may be insufficient. Inclusive business concepts (social business, social entrepreneurship) provide alternative mechanisms to ensure social security and access to market opportunities. National strategies and frameworks for

inclusive business models are crucial to achieve a triple bottom line, linking human development with economic growth and enabling marginalized groups' access to resources and opportunities.

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