

Procurement as a Tool for Social Equity



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Over the past decade, India Inc has spoken frequently about inclusive growth. Corporate social responsibility and philanthropic giving have expanded, yet one of the most powerful levers for impact remains largely overlooked: the procurement department. Social procurement-sourcing goods and services from enterprises that address social challenges can unlock livelihoods, strengthen community-rooted businesses, and reshape supply chains. But it often clashes with conventional procurement logic, making it an underused strategy.

Take the example of a global retail company that began sourcing from Indian social enterprises nearly a decade ago. Quality, timeliness, and price competitiveness were non-negotiable, but the approach to supplier engagement was different. The company extended preferential payment terms, helped enterprises access formal credit by leveraging purchase orders, and shortened payment cycles to 30 days instead of 60. This was a strategic investment in supplier growth. Procurement teams also offered mentorship and continuous feedback for 18 months. Social enterprises were treated not as CSR beneficiaries but as long-term partners. Onboarding processes were redesigned, evaluation frameworks widened, and teams incentivised to work with smaller, high-potential suppliers. The lesson was clear. Inclusive growth requires rethinking procurement, not lowering standards.

Yet for most buyers, social procurement still feels like uncharted territory. Identifying who qualifies as a social enterprise is challenging. Labels can mislead, and documentation rarely captures mission and intent. Assessing genuinely mission-driven enterprises-particularly those led by women, tribal entrepreneurs, or underrepresented communities-requires deeper, time-intensive engagement. Few corporations have the bandwidth for this. Supply also remains patchy, with visibility concentrated in food processing, packaging, and textiles but scarce in technical services, logistics, or electronics. Structural hurdles run deeper. Procurement systems prioritise risk minimisation and predictability. Vendor selection often depends on credit

histories, rigid payment terms, and compliance thresholds, which exclude younger, smaller enterprises. Without deliberate tweaks such as phased compliance, smaller starting orders, or faster payments, many never clear the first hurdle. Internal incentive structures pose another barrier. Procurement success is usually measured by cost savings, quality, and delivery speed, with little emphasis on supplier diversity. Unless sourcing from social enterprises becomes a key performance indicator, initiatives risk being sidelined. And yet, when integrated into core procurement, the impact is transformative. In Andhra Pradesh, a women-led enterprise producing eco-friendly sanitary napkins secured a contract with a national hospitality chain. Similarly, a tribal producer company in Madhya Pradesh is now a registered vendor for a major FMCG firm, supplying non-pesticide grocery products. These stories underscore a powerful truth that does not ask corporations to lower standards. It calls for systems that nurture capability, shifting from a binary view of vendors as compliant or not, to a continuum where enterprises can grow. For India, where thousands of small businesses emerge from historically excluded communities, this approach is a pathway to equitable economic participation.

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