

Social Entrepreneurship

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Abstract: Social enterprises are the organizations which aim their efforts toward improving the general welfare of society and they apply market-based strategies to achieve a social purpose. The movement includes both non-profit and for-profit organizations with non-profit organizations using business models to pursue their mission and for-profit. Organizations incorporating a social agenda into their business model. The focus of the article is to address the Growing trends of social entrepreneurs in Indian business including the history of social entrepreneurship in India and the new initiatives taken by various social entrepreneurs. However, many of India's social entrepreneurs continue to struggle as the social venturing landscape lacks appropriate sources of financing, proper regulations, Societal recognition and suitable information systems. Therefore, it's the right time for various non-governmental organizations (NGOs), governmental organizations and social entrepreneurs to come forward to encourage further development of social entrepreneurship in India.

Keywords: Organization innovative and commitment

1. Introduction

Social entrepreneurship is a practice that integrates economic and social value creation which has a long heritage and a global presence. The global efforts of Ashoka, founded by Bill Drayton in 1980, to provide seed funding for entrepreneurs with a social vision; the multiple activities of the Grameen Bank, established by Professor Muhammad Yunus in 1976 to eradicate poverty and empower women in Bangladesh and the use of art to develop community programs in Pittsburgh by Manchester Craftsmen's Guild, founded by Bill Strickland in 1968; these are all contemporary manifestations of a phenomenon that finds its historical precedents in the values of Victorian liberalism. Entrepreneurs are innovative, highly-motivated, and critical thinkers. When these attributes are combined with a drive to solve social problems, a social entrepreneur is born. Social entrepreneurs and social enterprises share a commitment of going ahead with a social mission of improving society. Bruton et al (2010) discuss in their study that the nascent field of social entrepreneurship is growing rapidly and getting immense attention among many sectors. There are several reasons behind the popularity of social entrepreneurship. Something inherently interesting and appealing about entrepreneurs is 'Why', 'How' and 'What' they do. Social enterprises are social mission-driven organizations which apply market-based strategies to achieve a social purpose. One well-known contemporary social entrepreneur is Muhammad Yunus, who was honored with the Nobel Peace

Prize in 2006. He is the founder and manager of Grameen Bank and his work echoes a theme among modern day social entrepreneurs that emphasizes the enormous synergies and benefits when business principles are unified with social ventures. In India, social entrepreneurship has been gaining ground in various sectors of the economy with more and more youth evincing interest in the field, including those from prestigious Indian Institutes of Management (IIM) and Indian Institutes of Technology (IIT). The focus of this paper is on the growing trends of social entrepreneurs in Indian business. The objectives of this paper are:

- To study the differences between social enterprises and nonprofit organizations.
- To analyze the historical perspective of social entrepreneurship in India.
- To study and examine the role of social entrepreneurs in the sector of health and power generation and various initiative taken by them.
- To carry out an analysis on sources of funds for financing the social entrepreneurs.
- To study various challenges faced by social entrepreneurs in India.

It is clear from this study that our belief in the power of social innovators lays not only in the direct impact of goods and services their organizations deliver, but particularly the role they play as catalysts for broader transformation.

2. Social Entrepreneurs vs. Non Profit Organizations

Social enterprises traditionally lean towards a non-profit business model, as they are society-oriented organizations. For the social enterprise, their social mission is an explicit and central objective. This obviously affects their perception and assessments of opportunities. They purely focus on the social impact of their business activities, businesses are of a view that they are fulfilling various social needs along with their business motive to earn maximum profits, but social entrepreneurs are completely different from them. The social impact is the primary motive of their business. Nowadays, the main aim of social enterprises is to generate a profit in order to pursue their social and environmental goals. The profit from a business can be reinvested with an aim to expand its service area for the welfare of the society. Similarly, the profit of a social entrepreneur can also be used to support a social cause, such as funding the programming of a non-profit organization for social purpose. In fact, there is a great difference between social

entrepreneurs and non-profit organizations on the basis of their goals and objectives. Social entrepreneurs are driven by social as well as financial goals whereas non-profit organizations work purely for social purpose. The primary source of funds for social ventures is their earnings while non-profit organizations rely on donations, and charitable contributions. Frumkin (2002) indicates in his study that the recruitment policy of social entrepreneurs is different from non-profit organizations, because in non-profit organizations, people participate voluntarily, whereas in social enterprises people are selected on the basis of their skills and performance. The performance of social entrepreneurs is measured on the basis of social value delivered along with financial returns, while a non-profit organization is evaluated merely on the basis of social value they have delivered. Social enterprises are run in an entrepreneurial setting, using marketing tools of commercial and social advertisements for selling their products and services in a sustainable manner, whereas non-profit organizations are run much like most organizations relying on a social plan, fund raising, social outreach etc., selling services and products for free, all of which increase the risk of non-sustainability. Grameen Bank, SKS Microfinance, Rang De, Arvind Eye Care are recent examples of social entrepreneurs in India, whereas help age India, CRY, AID etc. are recent examples of non-profit organizations.

A. Historical Perspective of Social Entrepreneurship in India

To understand the contemporary status of social entrepreneurship in India, we will have to take into consideration the socio-cultural and historical context in which it exists. Various studies have highlighted that in the Indian psyche one's place in the society has a moral perspective, in which one's duty towards the society plays a significant role. Chakraborty (1987), for instance, found that an orientation of 'giving' and the need to fulfill one's duty towards the society (as opposed to fulfilling individual needs) is deep-rooted in Indian social values and identity. Srivastava and Tandon (2002) in their study on "Participatory Research in Asia" (PRIA) reveal insights on the nature and magnitude of the proliferation of non-profit voluntary organizations in India. Their survey states that there are 1.2 million non-profit organizations in India, which engage nearly 20 million people as paid employees or on a volunteer basis. Over twenty-six percent (26.5%) of these NPOs (Non-Profit Organizations) were performing religious activities, the rest were secular bodies focusing on social development issues such as education, healthcare and community development. The estimated receipts of funds by these NPOs were \$ 3.58 billion (1999-2000). However, eighty percent (80%) of this was generated from local activities of community contribution and donations;

Among these fifty-one percent (51%) were self-generated, while nearly thirteen percent (12.9%) came from donations – and over seven percent (7.1%) from loans. McClelland (1975) found that Indians have a social achievement motivation,

which is characterized by a desire for contributing to a collective well-being and achievement of super-ordinate goals. Dees and Anderson (2006) discuss in their study "Enterprising Social Innovations" that entrepreneurship is an outcome of innovations that blend methods from the worlds of business and philanthropy to create social value that is sustainable and has the potential for large-scale impact. Social entrepreneurs emphasize social change instead of profits. They emerge as a reaction to businesses which have adopted a bottom-line oriented tendency to seek short-term profits at the cost of long-term benefits to the society. The credit for coining the term "social entrepreneurship" goes to William Drayton, founder of Ashoka, the world's first organization to promote social entrepreneurship. Drayton, on his visit to India during a summer break from Harvard during the early 1980s, received an inspiration from Vinoda Bhavé's "Land Gift Movement". The Land Gift Movement aimed at breaking the poverty cycle by persuading rich people to surrender their land for a more equitable redistribution to the less fortunate and poor people. Experts like Kallol Borah, CEO, Head Start Foundation, feel that social-focus startups will continue to thrive in India.

B. Growth and Initiatives of Social Entrepreneurs in India

Initially, the concept of social entrepreneurship used to be associated with corporate social responsibility and the provision of funds to charitable institutions to run philanthropic organizations on a small scale. Of late this concept has undergone transformation and has given birth to a large number of social enterprises. Similarly, the growth of some of the social entrepreneurs in the fields of health and power generation and their contribution to the welfare of society is briefly discussed in the following text.

1) Health Sector

This tradition still exists, particularly in the tribal pockets of the country. Healthcare is one of India's largest sectors, in terms of revenue and employment, and the sector is expanding rapidly. During the 1990s, Indian healthcare grew at a compound annual rate of sixteen percent (16%). Today the total value of the sector is more than \$34 billion. This translates to \$34 per capita, or roughly six percent (6%) of GDP. Various social entrepreneurs in the private health sector like Narayana Hrudayalaya Hospital of Cardiac Care, Arvind Eye Hospital, Shantha Biotech Lab and Water Health International play an important role. The Narayana Hrudayalaya is the Wal-Mart of cardiac care. Dr. Devi Shetty founded the hospital where up to twenty-five (25) heart surgeries are performed in a single day. It is one of the largest healthcare centres in Asia – simply because it has restricted the surgeon's job only to surgery and not to the entire patient process. The hospital executives describe the strategy which has enabled Dr. Shetty to offer heart surgeries at a cost as low as \$1300 compared to \$30,000 at other hospitals – and this is taking place even when 70 percent of the treatments are provided below the cost or free. Similarly Arvind Eye Hospital, setup by Dr. Goindappa Venkataswamy, set a

milestone in the field of medical science and also contributed hugely in the development of the country. In 1977, Arvind was set up with thirty beds that was increased to 100 beds in 1978 and then further expanded to 400 beds in 1984. The social strategy of Arvind in 1988 was for 135 paying and 400 for-free patients. In 1991 their facility in Madurai was extended to accommodate 280 paying and 1100 free patients. In 2007 Arvind started a new state of the art manufacturing facility by inaugurating the manufacturing of intraocular lenses, sutures blades & other products used in eye care and setting up an Arvind Managed Eye Care Service Division to manage eye hospitals in other parts of the country. Arvind eye hospital is currently doing 286,000 surgeries a year and Dr. Arvind is talking about scaling this to one million by 2015. Similarly Arvind hospital is committed to provide standardized quality services at the lowest cost.

2) *Drishtee*

Rural India has always been targeted by greedy intermediaries who deny villages an easy access to trade, business, wealth and other government services. Drishtee is a for-profit social enterprises that came in to being in the year 2000 to solve the problem by implementing a sustainable, scalable platform of entrepreneurship for enabling the development of rural economy and society with the use of ICT (Information and Communication Technology). This initiative of social entrepreneurs aims to facilitate the public awareness about the required information related to their field of occupation. Through a tiered franchise and partnership model, Drishtee provides access to information and local services to the rural community at a nominal price. The business model is driven by village entrepreneurs, who own the village node to operate a self-sustaining, profitable kiosk. The kiosk provides access to information like government records, agricultural data, and health insurance; help in filing applications for licenses, certificates, compensations, and benefits; commodity product rates in different markets; educational courses e.g. computer training, and spoken English programs. Drishtee has successfully implemented this concept with over 1000 kiosks in different states of India. Each kiosk caters to approximately 1200 households, the majority of which have an aggregate income of less than \$ 2 a day.

3) *Project Shakti*

Project Shakti was launched with the initiative of Hindustan Lever Ltd. (HLL) in the year 2001, in consonance with the purpose of integrating business interests with national interests. The basic objective of Project. Shakti is to create income-generating capabilities for underprivileged rural women, by providing a sustainable micro enterprise opportunity, and to improve rural living standards through health and hygiene awareness.

Following the pioneering work carried out by Grameen Bank of Bangladesh, several institutions, NGOs and government bodies have been working closely for nearly five years to establish Self Help Groups (SHGs) of rural women in villages

all over India. Their experiments clearly indicate that micro - credit, when carefully targeted and well administered can alleviate poverty significantly. A crucial lesson learnt was that rural upliftment depends not only on successful infusion of credit, but on its guided usage for better investment opportunities. This is how HLL's Project Shakti is playing a role in creating profitable micro enterprise opportunities for rural women. These are just a few recent social entrepreneurship ventures, which form a part of a vast social enterprises network spread over the length and breadth of India.

C. *Sources of Finance for Social Entrepreneurs in India*

Social venture funds (SVFs) measure their investments on social, environmental and traditional financial returns. Sharma states that SVFs like the Acumen

1) *Acumen Fund*

Acumen Fund is a non-profit global venture fund that uses entrepreneurial approaches to solve the problems of global poverty. The fund was incorporated on April 1, 2001, with seed capital from the Rockefeller Foundation, Cisco Systems Foundation and three individual philanthropists. Since then the network of investors and advisors has grown to include a wide range of individuals and organizations who share their belief in using entrepreneurial approaches to solve the problems of global poverty. The primary focus of this fund is on healthcare, housing, water, energy and agriculture. The capital commitment of the Acumen fund for an individual social venture is \$300,000 to \$2,500,000 with a payback or exit in roughly five to seven years. In India, the Acumen Fund finances various social ventures like D.Light Design, Drishtee, Environment Planning Group Limited, Global Washy Water Products, and Husk Power Systems. Ayur Vaid etc.

2) *Aavishkaar India Micro Venture Capital*

Aavishkaar Venture Management Service is a Mumbai-based organization which aims to harness the entrepreneurial spirit at the bottom of the societal pyramid and promote economic activities that improve the standard of the local community by providing employment opportunities. These entrepreneurs not only have the potential to create widespread impact on local communities by boosting local production and creating livelihood opportunities but also to provide attractive commercial returns. To date Aavishkar has made sixteen (16) investments in different industries which include renewable energy, waste management, information and communications technology, agro-based technology, handicrafts etc. with funding ranging in size from \$50,000 U.S. to \$500,000 U.S.

3) *Gray Matters Capital*

Gray Matters Capital Foundation is a charitable, social investment company in Hyderabad that seeks to invest in visionary people, with an emphasis on microfinance and education. GMC finances various social ventures that Provide quality education and financial assistance to the under-served population. The total amount of funds invested by this foundation is \$15 million U.S. with a mission to invest in various developing countries. Some of the social projects

financed by this foundation include Affordable Private Schools, Dartmouth Humanitarian Engineering Projects (Help) and the International Association of Microfinance Association.

4) *Lack of Education in Entrepreneurship:*

Entrepreneurship in India is still encumbered by the traditional educational system of the country. As education is the main source for promoting entrepreneurship in the business sector of the economy, there is still a lack of specific curriculum on entrepreneurship development in the Indian education system. Due to the increasing demand of this sector, currently, the entrepreneurship education is a “new cup of tea” limited to graduates of business schools and management institutes, whereas for other streams of education like the sciences and arts there is not a single course on entrepreneurship in the curriculum. Due to this gap in the Indian education system the country’s entrepreneurial sector is still under-developed and struggling. Even business schools that have developed curriculum on entrepreneurship are lacking in terms of social entrepreneurship. This lack of social entrepreneurship knowledge presents a major challenge for social enterprises in finding competent and skilled promoters. Lack of Financial Assistance: Lack of financial sources is a major challenge for the Indian entrepreneur. Generally, the social entrepreneurs run their business with their own funds or by raising funds from the local money lenders at a high rate of interest, which sometimes becomes a financial burden on them. The reason behind this is the bank’s avoidance to providing loan facilities for social entrepreneurs given the various social complications attached with them. Hence the social enterprises have to deal with the challenge of facing a hostile reaction from financial institutions and governments as far as funding is concerned. This forces social entrepreneurs to take, what can be, a more difficult path of approaching venture capitalist and philanthropic organizations. Social and Cultural Effect: In India, the social and cultural perception of social entrepreneurship sometimes becomes a challenge for social entrepreneurs in running their business activities. As in the case of Water Health International, the major focus of this social venture was to awaken the people about various water diseases and how they can be cured, but people were still skeptical about how, and why, WHI is providing the purified water at such a low cost. This impression shows the lack of knowledge or foresightedness of the local community in distinguishing a social business from a normal profit-driven business.

5) *Comparative disadvantages to business:*

Social entrepreneurs mainly deal with the difficult task of improving the welfare of the society and they are always keen to find affordable solutions to various societal problems. But every activity of social business carries a cost, which is mostly borne by the owner out of his own pocket or by taking loans from money lenders. Social entrepreneurs are not necessarily working in a lucrative market; they identify a problem within society and try to find affordable solutions for them. Once they find the way to earn some profit after providing the best low

cost solution to the needs of the society, more traditional businesses will enter the market competing with a similar solution and technique, increasing transaction costs and competition for social entrepreneurs and hampering their future growth. Lack of Government support: Lack of government support is a major hindrance for social business development in India. Currently, the government is not providing any kind of assistance for promoting these social cause ventures. The government’s policies and regulations for social entrepreneurs are very complex and strict, with no tax incentives or subsidies being provided for a social business, the combination of which acts as major impediment to the growth of social businesses in India. Lack of Skilled Manpower: Social enterprises have to get competent manpower from a variety of sources; professionals, volunteers, laborers and community participants. To align the motives of all these groups with the long term growth of the organization is a challenge for the founders. In order for social enterprises to fulfill their mission in a holistic manner they must typically employ manpower from the under-privileged sector of the society, leading to increased training and developmental cost as these people are typically uneducated and unskilled. The organizations have to attempt to fulfill the aspirations of all these divergent groups and still come out with the best results. Social entrepreneurs in India face a variety of challenges and problems in their day to day operations and while many of them have come a long way in meeting these challenges, there remains a long journey ahead in terms of satisfying their social mission.

3. Conclusion

The Indian scene is full of possibilities and challenges. The country possesses capable human resources, and has made good progress in achieving scientific and technological capabilities. The economy has been witnessing rapid growth since the onset of liberalizations from 1991 onwards. Unfortunately social and environmental problems of the country are increasing year after year (Christie & Honig, 2006) which necessitates the extensive application of multidisciplinary approaches and entrepreneurial energy in the social and environmental sectors. As discussed earlier, India is experiencing an increase in social entrepreneurship and attempts by social entrepreneurs to find affordable solutions to various social problems of society. With changes in technology and increasing competition, social entrepreneurs have to become more dynamic.

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