

# Social Entrepreneurship: A Growing Trend in Indian Economy

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**Abstract - Social entrepreneurs can help get better various issues like nutrition, education and health care and many are still blighted by unemployment and illiteracy by helping those less fortunate towards a worthwhile life. Rather than leaving societal needs to the government or business sectors, they can solve the problem by changing the system. Social entrepreneurship is expected to be the next big thing to influence India as the country juggles to achieve a balance between a growing GDP growth, ensuring inclusive growth and attempting to address issues ranging from education, energy efficiency to climate change. This paper attempts an analytical, critical and synthetic examination of "social entrepreneurship" in India.**

**Key words: Social venture, inclusive growth, and social problems.**

## I. INTRODUCTION

Social entrepreneurship is the recognition of a social problem and the uses of entrepreneurial principles to organize create and manage a social venture to achieve a desired social change. While a business entrepreneur typically measures performance in profit and return, a social entrepreneur also measures positive returns to society. Thus, the main aim of social entrepreneurship is to further broaden social, cultural, and environmental goals. Social entrepreneurs are commonly associated with the voluntary and not-for-profit sectors, but this need not preclude making a profit. Social entrepreneurship practiced with a world view or international context is called international social entrepreneurship.

A well-known modern social entrepreneur is Muhammad Yunus, founder and manager of Grameen Bank and its growing family of social venture businesses, who was awarded a Nobel Peace Prize in 2006. The work of Yunus and Grameen echoes a theme among modern day social entrepreneurs that emphasizes the enormous synergies and benefits when business principles are unified with social ventures. In some countries - including Bangladesh and to a lesser extent, the USA - social entrepreneurs have filled the spaces left by a relatively small state. In other countries - particularly in Europe and South America - they have tended to work more closely with public organizations at both the national and local level.

In India, a social entrepreneur can be a person, who is the founder, co-founder or a chief functionary (may be president, secretary, treasurer, chief executive officer (CEO), or chairman) of a social enterprise, or a Non Profit, which raises funds through some services (often fund raising events and community activities) and occasionally products. Today, nonprofits and non-governmental organizations, foundations, governments, and individuals also play the role to promote, fund, and advise social entrepreneurs around the planet. A growing number of colleges and universities are establishing programs focused on educating and training social entrepreneurs.

With the current economic climate, it is very likely that social needs will increase and, consequently, the number of people committed to addressing them will increase. Definition of social entrepreneurship has changed over time. From corporate philanthropy to non-profit and now to self-sustainability, Social Entrepreneurship has evolved and will keep evolving with time and needs of the world( See fig 1.1 & 1.2). Social entrepreneurship is expected to be the next big thing to influence India as the country juggles to achieve a balance between a growing GDP growth, ensuring inclusive growth and attempting to address issues ranging from education, energy efficiency to climate change.

## Social Entrepreneurship Model

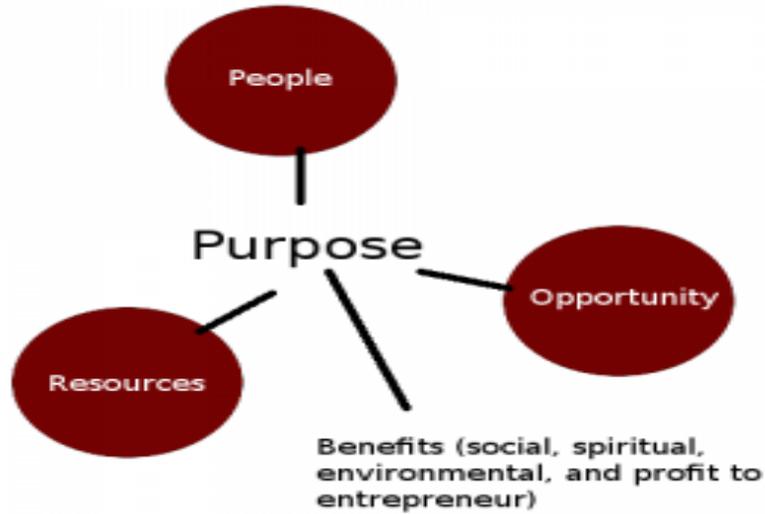


Figure 1. Social entrepreneurship models

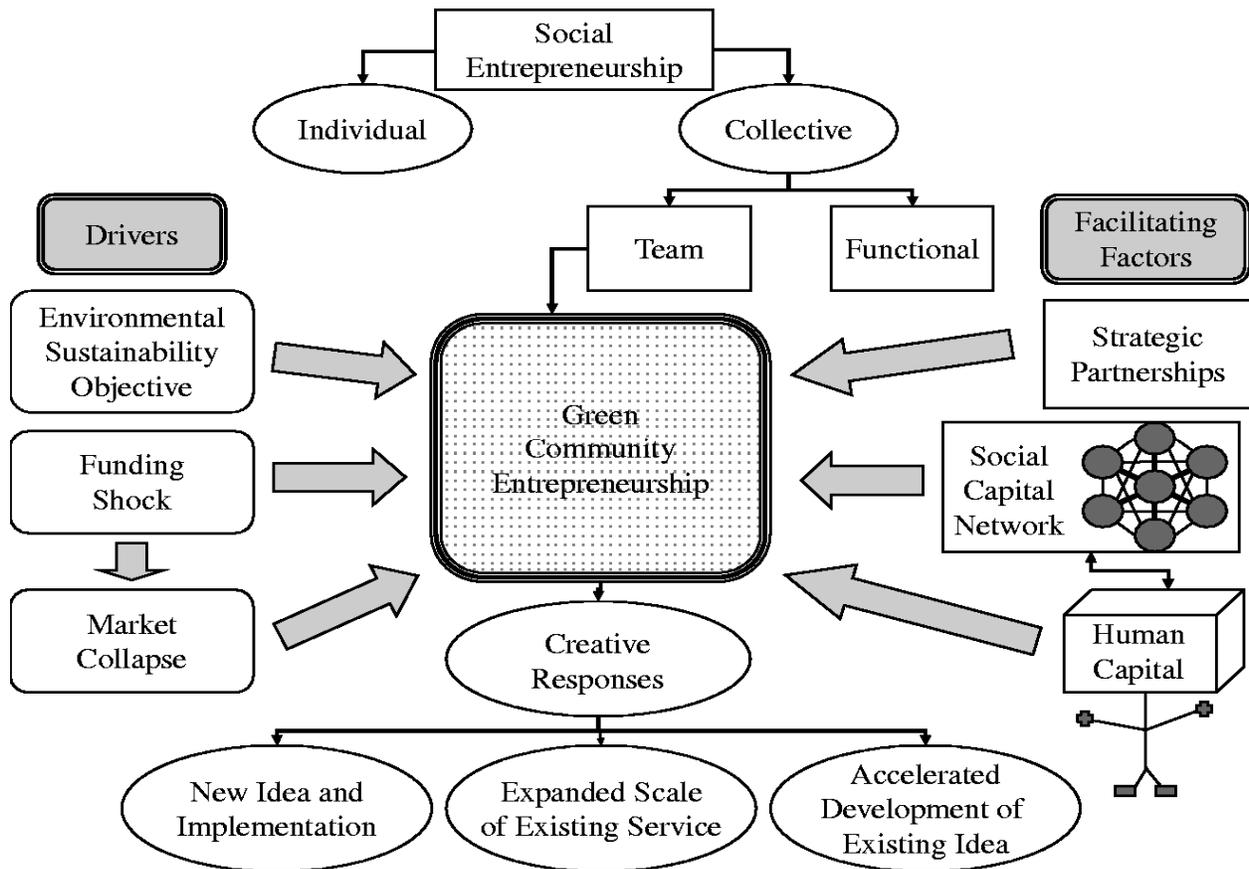


Figure 2. Social entrepreneurship Model

## II. SOCIAL ENTREPRENEURS IN INDIA

Social entrepreneurship is quietly revolutionizing the less privileged sections of India. The break-up of the more prominent social entrepreneurs in India is as under:

- Self-Employed Women's Association (SEWA) started by Ela Bhatt in 1972 provides financial, health, insurance, legal, childcare, vocational and educational services to poor self-employed women, who comprise its members.
- Technology Informatics Design Endeavour (TIDE) run by S Rajagopalan and Svati Bhogle supports the development of financially rewarding and environmentally-friendly methods invented by leading research institutions into thriving enterprises.

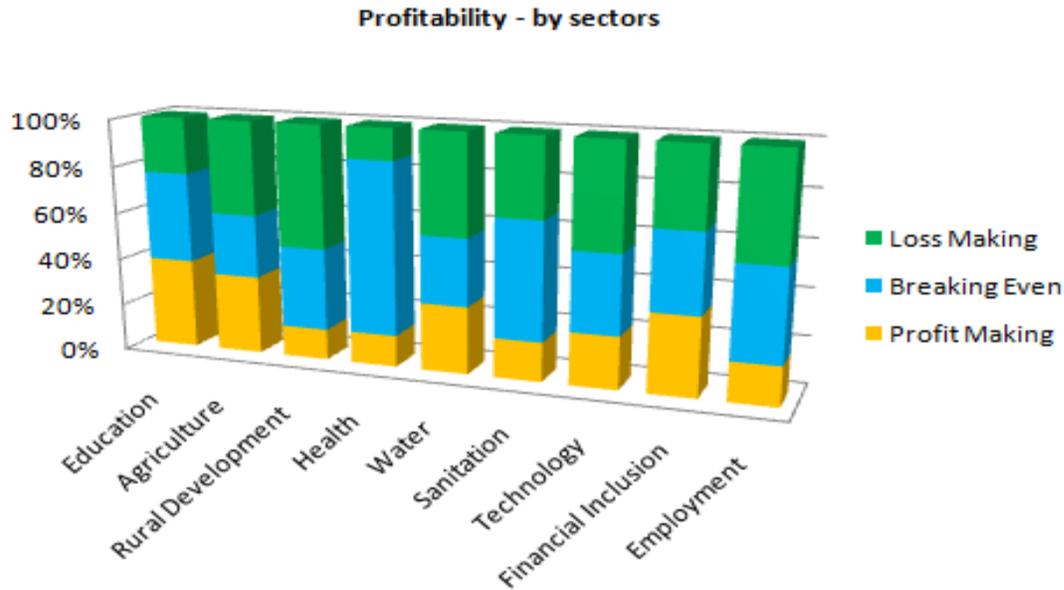
Company	Activities	Impact	Future Plan
Narayan Hospital India	Delivering affordable healthcare to the masses worldwide	5000 bed facility completed in phase 1	Health city with 30,000 bed facility by 2016
A little world	Empowering micro business through micro banking	Customer base crosses 3 million	Touch a billion people through innovative technologies
Barefoot College	solar energy, water, education, health care, rural handicrafts, people's action, communication, women's empowerment and wasteland development	1,000 Barefoot experts in 1,000 villages, reaches 500,000 people with basic services such as drinking water, health care, and education	10,00,000 people by the end of 2016
Childline	Country's first toll-free tele-helpline for street children in distress	9.6 million calls, 3 million children, 73 cities, 10 years	600 + districts by 2013
BASIX India	Sustainable livelihoods to the rural poor and women	Over a million and a half customer	-
Crafts Bridge	A bridge between customers worldwide and crafts persons, designers	N/A	To tap 6 million village people associated with the handicrafts sector
Arvind Eye Hospital	Eliminating needless blindness by taking its services to rural India	In last year alone 2.5 million patients were treated and over 3 lakh surgeries were performed	To replicate it in all states of India

COMAT	Empowering rural citizens by creating local economies and enabling access to information and services	Deliver Citizen records and Government benefits to over 50,000 rural citizens every day	75,000 by the end of 2011
D light	High quality solutions for families living without reliable electricity	10 million	50 million by 2015
IDE India	Providing long-term solutions to poverty, hunger and malnutrition	19 million	Ending poverty in the developing world
RangSutra	Sustainable livelihoods for artisans and farmers, by creating top quality hand-made products based on the principles of fair trade	Approximate 2500 artisans	Employ 5000 by 2015
Lijjat Papad	Women Empowerment	4600 women employed	Plans to employ 6000 by 2010
Selco Solar India	Sustainable energy solutions and services to under-served households and businesses.	95,000 villages covered	Bring down the cost of solar equipment by 75% by 2012
Unltd India	Angel investor and incubator for social entrepreneurs	Each of the projects has, on average, created 1.6 new jobs in the economy	World where individuals take action to bring about positive social change
SKS Microfinance	Small loans without collaterals	5.3 Million Customers	Take Micro finance to every village
Suminter India Organics	Internationally certified organic agricultural produce	Premium crop price to more than 7000 farmers	Scale this model nationally
Vortex Engineering	Rural Solar Powered ATMs	750 ATM	One ATM/ Village i.e 6,50,000 ATMs

### 1.1 Funding and Profitability of Social Entrepreneurship in India

The other prominent change is the involvement of mainstream financial institutions in social entrepreneurship. Various venture capital firms are investing in for-profit entities with social objectives. Interestingly, specialized social investors provide capital, networking, marketing and business expertise to such ventures. As per Beyond Profit survey, Forty-five percent of respondents obtained funds from commercial sources whereas 21 percent of respondents source their funds from personal connections such as family members and friends; another 21 percent

rely on grants and donations from charitable organizations. Arranging finances for a social enterprise in India is still very difficult. And knowing in which sector to finance is even more difficult. In bar diagram mentioned below is a mention of profitable sectors and a trend which clearly states areas to divert funds.



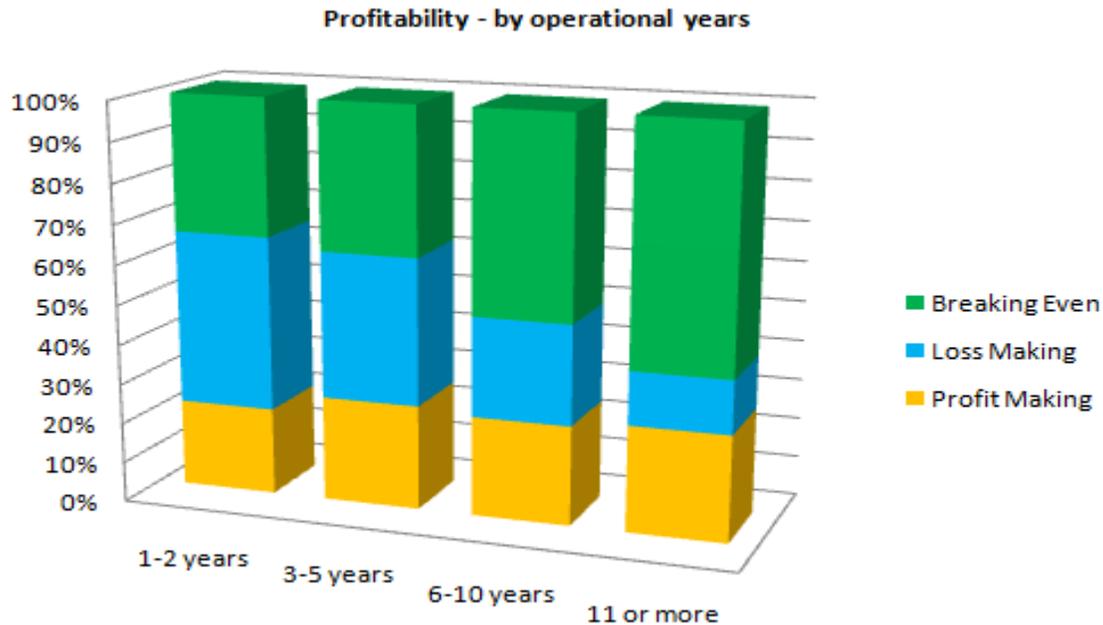
**Education:** The Education sector has shown a marked degree of financial stability and growth potential. There are two key elements. First, the sector represents the highest number of profit-making enterprises (38%) among others, and also has one of the lowest numbers of loss-making entities (24%). Second, the observation says that there is a good growth potential; 38% of education enterprises are breaking even — which means the number of profit-making enterprises in this sector could increase in the coming years.

**Rural Development:** Sector to watch out for future growth: Despite the fact that the largest number of social enterprises are in this field, it is the biggest loss-making sector at the moment. However, Rural Development demonstrated the largest revenue increases last year, so there could be more surprises in store.

**Health:** Sector with large growth potential: Although the sector currently produces a very small number of profit-making entities, it has the lowest percentage (13%) of loss-making enterprises. Most importantly, at 73%, the Health sector has the largest segment of break-even businesses. If/when these enterprises begin to turn a profit; the Health sector could sustain a multitude of successful, profit-making enterprises.

There are more enterprises that are loss-making (34%) than those earning a profit (25%). And 41% percent of enterprises are currently breaking even. The analysis of profitability by measure of years in operation, states that making profit through social enterprise is no easy task.

The percentage of loss-making enterprises steadily goes down as the companies get older. But there is virtually no disparity in the number of profit-making entities across age categories. Many enterprises stop making losses as they grow older but do not begin to turn a profit; they merely start breaking even. Surprisingly, even after 11 years or more of operations, the percentage of profit-making enterprises is only 27%.



Social entrepreneurship in India is emerging primarily because of what the government has not been able to do. The government is very keen on promoting social entrepreneurship – not necessarily by funding it or by advising on it or enabling it. Whereas in some countries, when someone takes it into their own hands to start a facility for education or healthcare or empowerment, the government often puts in place barriers to prevent this from happening.

### III. EXPERIENCES OF THE CHINESE SOCIAL VENTURE SURVEY

- The 95 percent of the survey respondents started to get involved in social entrepreneurship after 2006. A major driver was the Sichuan earthquake of 2008 which boosted the creation of social enterprises even further.
- The current interest in social enterprises is also reflected by the youthfulness of the sector. 54 percent of the surveyed enterprises are under three years old and only 38 percent are older than five years. The survey also found that the percentage of mature enterprises is on the rise. While social enterprises older than five years constituted 15 percent in 2011, this number rose to 38 percent in 2012. Overall, the sector is still limited in scale and economic impact, mainly due to its youthfulness.
- The 71 percent of surveyed social enterprises are still very small and generate less than 500,000 Yuan (approx. 75,000 USD) in annual revenues and while they are growing in size over time, even older social enterprises are still quite small in scope.
- The 63 percent of surveyed social enterprises operate on a village or city level only and are therefore limited in geographic scope. 13 percent operate on provincial level, 17 percent on national level and only 8 percent on international level.
- Social entrepreneurship in China is very centralized. Beijing and Shanghai have become major hubs, hosting two-thirds of the headquarters of surveyed social enterprises. Just a handful of social enterprises operate out of China's smaller cities.

### IV. THE CHALLENGES FOR SOCIAL ENTREPRENEURS

The problems that social entrepreneurs face can be similar to the problems their counterparts in the business world face when it comes to the challenges of starting, running and sustaining a business. Before entering a market with a

new business idea, a social entrepreneur should have a clear understanding of the problems and issues they may face so that they can make informed decisions.

Some of the major challenges are outlined in the following text:

1. The first challenge has to do with governments. The majority of them have yet to recognize social entrepreneurship as a legitimate field of endeavor. This recognition is the sine qua non for finding ways to promote it through fiscal and legislative incentives, including the review of tax laws, the elimination of burdensome regulations, arbitrary decision-making and other onerous requirements and inefficient practices that hamper social entrepreneurs.
2. 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 underdeveloped 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.
- 3.
4. The next challenge is to encourage businesses to discover the competitive advantages offered by working in partnership with social entrepreneurs. From a financial perspective, reaching untapped markets can be greatly facilitated by linking with social entrepreneurs who have spent decades designing, implementing and refining innovative ways of bringing previously excluded groups into the marketplace. From a human resources perspective, the ability to attract top talent is a major challenge for companies. But the best and the brightest today are looking for more than impressive salaries and stock options. They want something more – something that gives meaning to their work and their lives. Supporting social entrepreneurs in different ways shows that companies care about more than the bottom line. Finally, corporate social responsibility is not about setting up separate corporate foundations to reach excluded populations through top down programs that compete with social entrepreneurs. Nor is corporate social responsibility about relegating the “social” work to the corporate foundation while the corporation carries on its business as usual.
5. Lack of capital 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.
6. Over the last decade there has been a strong call for their reform to render these organizations better equipped to respond to the challenges of the 21st century. Strong criticism has been leveled at multilateral financial institutions, particularly those responsible for finance, development and trade, for their failure to engage civil society and interest groups in consultations on their policies. Some institutions have responded by devoting time and energy to dialogue with non-state actors. But more needs to be done. We are in an interesting phase of new thinking and experimentation, and this is where these institutions have a vital and catalytic role. They should embrace risk as a key opportunity for global renewal, and make it a priority to

spot and legitimize those who have the capacity to imagine and the ability to implement what they imagine through disciplined innovation.

7. 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.
8. The third challenge for social entrepreneurs relates to foundations and philanthropists who should be the ones catalyzing social transformation by supporting the social innovators. Foundations and high net worth individuals are certainly well placed to engage in that process, as they are free of two forces that dominate the decisions of governments and business respectively.
9. 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.
10. 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 underprivileged 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.

#### V. CONCLUSIONS AND RECOMMENDATIONS

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 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. Some suggestions for Indian social entrepreneurs in achieving their objectives are as under:

- Social entrepreneurs should help higher education institutes in India in developing curriculum that create social entrepreneurship habits in their students so that high quality managers and promoters can be produced.
- Social ventures should educate the consumer and set market standards by following network approach. This may increase demand for their products.
- Regional disparities or imbalance should be removed by the growth of social entrepreneurship in the country. Balancing the growth of social entrepreneurship in the country can solve the social problem of large population and health of the country.

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