

# GALVANISING GROWTH THROUGH SOCIAL ENTREPRENEURSHIP

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**Abstract :** *Social Entrepreneurship involves studying the unmet needs of the poor and providing solutions to them using innovative technology and making such products and services available at affordable prices that reach out to large number of the poor (bottom of the pyramid) by involving them in this process not only as consumers but as producers as well improving their standard of living making such businesses sustainable. The NGOs, Philanthropists and the Government did little in the area of poverty alleviation. On the other hand Corporates may encourage Social Entrepreneurs in the name of CSR creating a large impact & scale. Since today's students will be tomorrow's game changers, a study was done to assess the awareness of SE among Commerce & non Commerce students. The findings state that they have moderate extent of awareness on SE. The scope for Social Entrepreneurs is high as little has been done to reach out to large sections of people.*

**IndexTerms -** *Social Entrepreneurship, bottom of the pyramid, poverty alleviation, local entrepreneurs and social, economic & environment impact.*

## I. INTRODUCTION

Social Entrepreneurship (SE) is a sector that is fast opening up and has already generated around three trillion dollar turnover globally. People, government, corporations and funding agencies worldwide have realised that this is the way to achieve sustainable and inclusive development and have started encouraging social entrepreneurs and innovators. Even as Social entrepreneurship is set to play a major role in enabling India achieve a balance between the objective of rapid GDP growth and that of ensuring inclusive growth and attempting to address issues ranging from education, health care, energy efficiency to climate change, it is going to be a challenging field for innovators and leaders.

### 1.1 Social Entrepreneurship -Meaning

Social entrepreneurship is the process of meeting the unmet social needs of the poor by operating ventures on business principles and by applying innovative technologies to provide affordable products and services to the "bottom of the pyramid".

### 1.2 Role of a Social Entrepreneur

Business entrepreneurs and social entrepreneurs focus on profitability, margins and returns on investment. However, social entrepreneurs go a step further, and follow the "double bottom line" not only aiming to use their business activities to benefit society, but also involving society's poorest members in efforts to reduce poverty and raise standards of living. They pursue a "mission related social impact" as opposed to normal businesses that are more concerned with such issues as competition and product differentiation.

According to Fisher and Starr, in order to have sustainable impact, a social program should have one or more of the following characteristics:

- *The project should leave in place a business model and supply chain, which will continue to provide the required goods and services at a profit.*
- *The project should hand-over the provision of goods or services and ensure its continued support.*
- *The project should leave in place a self-sustaining community process to provide a solution to a local problem with no external source of funding.*
- *Finally, the project should work to permanently eliminate the problem it is trying to solve.*

### 1.3 Need for and Importance of Social Entrepreneurship

In recent years, the government has decreased its role in responding to social problems. NGOs too have failed to make a difference to the lives of the less fortunate, hampered as they are by lack of funds and ideas. Financial pressures are exacerbating existing social problems such as poverty and unemployment, illiteracy and lack of medical facilities. Social entrepreneurship is therefore necessary to mitigate the financial repercussions on the most vulnerable in society. Because many social and environmental issues are time sensitive, failure to recognize the importance of social entrepreneurship and provide adequate support for such efforts would be a serious mistake.

Most anti-poverty programs have failed largely because planning is top down. This approach administered by governments, international agencies, and NGOs rarely works because it is vulnerable to government corruption and bureaucratic inaction. The distance between the planners and the supposed beneficiaries along with distrust and a lack of interest on the part of people who live at the grassroots make the programs ineffective. Also, plans are made by people who are not familiar with the conditions of life among the poor. Traditional methods have achieved only modest results and have not always been sustainable because instead of working *with* poor people they have only employed *indirect* methods

- Promising governmental efforts and those of NGOs to end poverty have not reached scale because they lack the incentives of the market to attract massive resources.
- The micro-loan setups have been inadequate, development money has been misused, and development work has been abandoned.

- Philanthropy has not brought people out of poverty. Giveaways only breed dependence and self doubt instead of social change.
- Corporate Social Responsibility has been cosmetic.

A developing country's deep-seated and multi-faceted problems need more than the intervention of government, non-profits and international agencies. This is where social entrepreneurs, with a dual promise of financial and social returns (sometimes includes environmental benefits) leveraging the power of market forces, could do some of the heavy-lifting in combating a country's crippling issues. Social entrepreneurs provide innovative products and services at affordable price points, create livelihoods, and also engage the economically disadvantaged as producers and clients. Moreover, the modest profits the social enterprise generates are used to expand the company's reach, improve the product or service or in other ways subsidize the social mission.

## II. SOCIAL ENTREPRENEURSHIP AND POVERTY ALLEVIATION

Approximately 3 billion people around the world live in poverty. Despite the fact that the global economy has grown 17-fold over the past six decades, about three out of every eight people in the world exist on \$2 per day or less. The United Nations and Foreign aid from wealthy governments have not solved the problem of global poverty.

### 2.1 Business as the solution to Poverty Alleviation

In 2004 C.K. Prahalad, an Indian-born academic at the University of Michigan, published a bestseller, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. In his book he describes an untapped market consisting of poor people who have not yet been targeted by major companies. According to Prahalad, this market of an estimated five billion people globally earning less than US\$2 a day can be reached by creative entrepreneurs offering affordable products and services. In doing so, both the entrepreneur and the poor benefit immensely, creating wealth and reducing poverty.

### 2.2 Reasons for big Business not entering the market for the bottom of the pyramid

- Think it is not profitable
- Cannot design products and services that are affordable
- No models yet for "last mile distribution".

### 2.3 New Business model for Poverty Alleviation

There have been many studies on understanding reasons for poverty and models to help the poor. However, very little has been done to share the prosperity models with the poor. The best "solution to poverty," involves a combination of social impact and business enterprise. Paul Polak and Warwick have recently suggested such a model.

While Polak admits to being influenced by Prahalad, his vision is broader as he sees the poor as participants in all aspects of the business rather than as mere consumers.

Polak has been a social entrepreneur for years, and Warwick has extensive experience in both business and philanthropy. Together, they show how their design, principles and vision can enable unapologetic capitalists to supply the very poor with clean drinking water, electricity, irrigation, housing, education, health care, and other necessities at a fraction of the usual cost and at profit margins comparable to those of businesses in the developed world.

The crucial role that markets and companies can play in economic development has been ignored too often in the past. Business solutions aimed at poverty alleviation allow for talented entrepreneurs to design with scale in mind, so all stakeholders succeed and entrepreneurs make the kinds of profits that will entice mainstream investors. They help tap the capital markets to fund large-scale, global enterprises that address the basic needs of the BoP. Business treats poor people as workers and customers, empowering them to stand on their own feet. The hands-on participation of poor people is required to gain access to the world's natural resources. Also the elite constitute a very small market in underdeveloped countries and the middle class is being served successfully. It is the Bottom of the Pyramid (BoP) that has been ignored.

Paul Polak and Warwick in their book "The Business Solution to Poverty" recommend "early stage multi-national companies" providing products like water, energy, housing and healthcare designed using "zero-based design" principles. This involves starting from scratch from a position of "assumed ignorance". They believe that by employing these principles in an integrated, bottom-up design process, one can fashion an enterprise that will truly help millions of severely poor people move out of poverty. The underlying idea is to ensure affordability for hundreds of millions. They also discuss "Achieving Scale at the Bottom of the Pyramid". They argue that a solution to the challenges of scale is using market-based approaches and building businesses that from the outset are designed to scale and reach up to 100 million \$2-a-day customers.

While talking about a design revolution they highlight the point that designing products that enable poor farmers to boost their income requires a commitment to "ruthless affordability" and, in many cases, simplicity that will make it possible for them to be manufactured locally. They strongly believe that business can feed the hungry and the endless possibilities that can come out of bringing more people into the market economy promise a bright future.

The book highlights two conditions that are needed for a business to succeed quickly in numerous countries on a truly big scale—and thrive into the future. One is an organizing principle. The other is a commitment to "stakeholder-centered management". In a company governed by the latter principle, managers and the board seek to balance the interests of all the company's stakeholders, including employees, customers, suppliers, owners and the communities where the firm does business, as well as the environment. Stakeholder-centered management is good business because innovation flourishes as employees are empowered and inspired to develop their full potential. Companies that practice this can recruit and retain good employees more easily. Also customers prefer brands that represent fair treatment of employees, engagement in their communities and respect for the environment. In a risky and fast-changing environment, companies that cater to all their stakeholders are a safe bet.

The above innovative methods suggested by Paul Polak and Warwick prompted Bill Clinton to comment that it was indeed "one of the most hopeful propositions to come along in a long time – original, ambitious and practical".

### III. AWARENESS OF SOCIAL ENTREPRENEURSHIP

#### 3.1 Research methodology

Awareness and application of models on Social entrepreneurship are of utmost importance. With a view to studying students' conceptual understanding of these models, a simple and practical study was done. A structured questionnaire was prepared to assess their awareness of the general and informed concept of social entrepreneurship.

#### 3.2 Sample size

The sample size was 50 students from commerce and other disciplines. Students were briefed to answer on their awareness and not their perception of social entrepreneurship.

#### 3.3 Results and discussion

Knowledge of factors such as zero based design, equity of consumer, poor as stakeholders, the last mile and affordability was tested.

The study showed that more than 60% of students understood that social entrepreneurs assume high risk and are driven more by social value than wealth. Only 50% of them knew that social entrepreneurship reduces inequality and that it performs a role different from that of NGOs, Governments and charitable institutions. On the whole the general awareness was moderate.

However, the students lacked knowledge about the recent concept of social entrepreneurship. Only 40% discern that the poor were stakeholders, the same being the case with zero based design.

A further analysis to check for difference in awareness levels of commerce and non - commerce students showed that with respect to general awareness there was no significant difference and both sets possessed the same knowledge. Statements pertaining to poor being stakeholders revealed lack of consciousness among both sets of students. To test the authenticity of the responses indirect statements were included in the questionnaire. Answers showed a high level of disparity in awareness between the two sets of students with commerce students being relatively more responsive.

To sum up, students' knowledge of Social Entrepreneurship as a Business solution to poverty is very low. Since the youth of the country are the future change makers it is suggested that Social Entrepreneurship be a part of the curriculum in higher education. Through initiating events, action in the community, internships, and extracurricular projects, students can integrate social enterprise into their own experience and build the foundations of Social Enterprise across their institution. They could identify social issues and look at how these issues can be addressed by applying entrepreneurial solutions. Students should be constantly challenged to consider the ethical and moral implications of entrepreneurship.

### IV. NEW DIMENSION AND SCOPE FOR CORPORATE SOCIAL RESPONSIBILITY (CSR)

This paper also discusses the current Companies Bill, which mandates that companies of a certain size spend 2% of their three-year average annual profit towards CSR. This is a landmark decision as it makes India among the first nations to have social welfare spending as part of company statute by law. An estimated 300 million people in India live below the poverty line - many of whom are from marginalised communities and are dependent on free government services that are often shoddy and poorly delivered, mainly due to incompetence and corruption. The clause in the Companies Bill on CSR is likely to influence the pace of growth and benefit to society.

Around 8,000 companies would fall under the Bill's ambit and this mandate would translate into an estimated CSR spending of Rs 12,000-15,000 crore annually. In order to maximise the impact of their social responsibility, companies need to look beyond the traditional lens of "charity" and develop succinct CSR strategies with potential for large-scale social and economic impact. They need to hire the brightest and most outstanding talent to drive their CSR initiatives.

Social Entrepreneurs will definitely get a lot of encouragement as substantial CSR funds will soon come their way. They will need to develop effective and viable Social Business Projects to seek CSR funding from companies that are keen to participate in this domain.

Activists have long called for the booming business sector to do more for the country's socioeconomic development. The time has come to focus and work on the practical aspects of complying with CSR. Corporates need to ensure that the law does not end up having a mere superficial impact and that funds are prioritised on projects such as those related to health and education. It is also very important that the communities targeted to benefit are given adequate say.

Anecdotal evidence suggests that companies find it difficult to find suitable projects to invest in because they are unable to do a proper social benefit analysis. This leads to suboptimal investments. It is recommended that corporate and social enterprise work together with the corporate contributing to the funds of the social enterprise and the social enterprise finding suitable projects that will benefit the BoP.

#### 4.1 Transferring enterprise to the poor

The goal of "impact investment" is to have a social impact while making the same kind of investment returns that conventional markets have provided. But if the ownership of social enterprises remains limited to the privileged, then it is difficult to imagine that impact investments will ultimately benefit communities, or facilitate any sort of resource transfer from rich to poor. If ownership structures are not addressed, then these investments will be extracting value, repeating the cycle of exploitation.

It is encouraging that a new group of entrepreneurs and investors is emerging that is finding ways of placing community needs first and ensuring that the impact investments they make ensure assets stay within communities. Another encouraging development is the emergence of transformative finance which provides resources to projects that:

- are primarily designed, managed, and owned by those affected by these projects,
- build local assets that support long-term sustainable development on the community's own terms,
- are designed to add, rather than extract value from communities; and
- balance risk and return between investors, entrepreneurs, and communities.

An entrepreneur who has provided transformation finance is Brendan Martin. He is the founder of The Working World, an organization based in Argentina, Nicaragua, and New York, providing innovative financing for worker-owned co-ops based on a co-determined business plan and revenue share that ensures value created stays primarily within the community.

Social enterprises are also getting created by Governments whereby Government services are delivered by robust and sustainable social and mutual enterprises. This is happening in the UK. For these social enterprises to be sustainable there should be a gradual transfer of ownership and influence from the state to citizens. Staff, service-users, citizens and communities need to take ownership of needs and problems, and the means of addressing them. Further, there is a need to have a robust and commercial business plan, which constantly aims

to make a profit, but with a view to securing the future sustainability of the service and a reinvestment of any surplus in the service and the community itself.

## V. POWER OF SOCIAL ENTREPRENEURSHIP TO CHANGE THE WORLD

In this last section we mention a couple of social entrepreneurs who are looking to change the world and who have had enduring social impact through their work.

### Ashoka

**Bill Drayton**, lifelong social entrepreneur and visionary founder of Ashoka is a pioneer within the genre of social entrepreneurship. Ashoka believes that society's most pressing needs cannot and will not be solved through government or business intervention but rather through social entrepreneurship. Since 1981, Ashoka has provided critical guidance to social entrepreneurs who have innovative, sustainable and replicable solutions to society's most pressing social problems.

Through their ventures, Ashoka Fellows have directly and positively helped change the lives of millions around the world.

"Ashoka envisions a world where everyone is a change maker: a world that responds quickly and effectively to social challenges, and where each individual has the freedom, confidence and societal support to address any social problem and drive change."

### Bunker Roy

**Sanjit 'Bunker' Roy** is one of India's first social entrepreneurs who have been engaging with the poor and the marginalized to provide them with models of sustainable living. He founded Social Works and Research Centre (SWRC) in 1972 to find ways to address rural poverty by using new models and strategies. SWRC morphed into Barefoot College. Roy through Barefoot College trains villagers to develop solutions in solar energy, water, education, health care, rural handicrafts, communication, women's empowerment and wasteland development. "The Barefoot College is the only college where the teacher is the learner and the learner is the teacher."

## VI. CONCLUSION AND SUGGESTIONS

Social enterprises hold the potential to make India's spectacular growth story work better for its poor citizens provided the factors contributing to their success are given the utmost attention. First and foremost, major social problems should be continuously publicized and brought to the attention of committed social entrepreneurs who could then set up social enterprises towards solving them. Secondly, social entrepreneurs should be networked, ideally through an academic institution, to share ideas, innovations and best practices. This would have the advantage of successful models of social enterprises being replicated across the country that would save both time and money. Thirdly, local problems are best solved through local entrepreneurs, by virtue of their superior understanding of the local needs.

### 6.1 The landscape in five to ten years' time

The stage is set for social entrepreneurship to take off. Major decisions have been taken by governments all over the world to facilitate social entrepreneurship and there is a groundswell for social entrepreneurship ebbing. Moreover, things are bound to dramatically change in the next 10 years with increase in both social needs and the number of people committed to addressing them. There will be more innovations. Social enterprises will scale up considerably in the time to come and incorporate the BoP as producers in the supply chain. A growing trend observed in the Indian SE space is the transformation of many not-for-profit models into for-profit models, as these are in a better position to secure financing and scale over time. Accordingly, more and more impact investors are entering India's social enterprise space with an interest in supporting businesses with triple bottom line returns—that is, profits (or at least financial sustainability), social and environmental impact. All these developments would lead to a spectacular growth in social entrepreneurship in India.

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## E BOOK- EXCERPT

- [1] The Business Solution to Poverty: Designing Products & Services for Three Billion New Customers, Paul Polak & Mal Warwick.