

SOCIAL ENTREPRENEURSHIP: THE CORE FORCE OF ECONOMIC GROWTH

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ABSTRACT

Social entrepreneurship has become the buzz word in India and around the world. People have found this concept of philanthropy a bit intriguing in nature. It has the best mixture of social service and entrepreneurship; this combination makes it most attractive and so unique in nature. Usually entrepreneurship is related to economic activities and being ruthlessly profit making and ignoring social benefits or societal wellbeing. The economic development of a Nation depends on its industrial development. The industrial development is based on the entrepreneurial competencies of the people. 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 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.

Index Terms: Social Entrepreneurship, Corporate Social Responsibility, Market Based Strategies.

INTRODUCTION:

Earlier, organizations addressing key social issues were assumed to be idealistic, philanthropic with entrepreneurial skills. **Social Entrepreneurship in India** is emerging primarily because the government is very keen on its promotion, not necessarily by funding it or by advising on it but by enabling it. The **Corporate Social Responsibility (CSR)** of the private sector with clearly earmarked funds and full-fledged action teams have played an important role in sprucing up the image of Social Entrepreneurship. The social and economic hardships in India can be overcome through the innovation and promotion of best practices and positive models as well as by spreading good examples of social entrepreneurship and social responsibility. Social entrepreneurship is becoming a popular form of social responsibility and a way to solve a variety of urgent social problems. In order for a society to boost social entrepreneurship, it needs a specific environment where such ideas can emerge and develop into an active business models.

It's an innovative form of business which combines social change with commercial practice. Currently India is trying to find a solution to the different problems that it is facing such as: poverty, changes of economic gender roles, and environmental problems. India being a young nation provides a huge opportunity for social entrepreneurs. Young people are very enthusiastic, passionate to start their own venture as well to make sustainable changes in the society. Social entrepreneurs have very conducive environment as lots of established business organisations and business tycoons want to help and invest in social ventures. Entrepreneurship is the core force of economic growth; the economic development which one experiences is just due the prevailing force of entrepreneurship. The commonality between all the developed nations all around the world is the presence of entrepreneurship. Economic development is totally based upon the growth of entrepreneurship and more the entrepreneurship is grown, infrastructure as well as all the indicators of development has also grown. In very short span of time, government of various states all around the world, have understood and underlined the importance of entrepreneurship. Thus governments have started working on the basic ground work/infrastructure required for the systematic development of entrepreneurship in their respective countries

OBJECTIVE OF THE STUDY:

The present study is based on specific objectives, which it justifies also. The objectives have been selected to keep the importance and rationality of the research title in mind. Following are the objectives which this research study intends to achieve1.

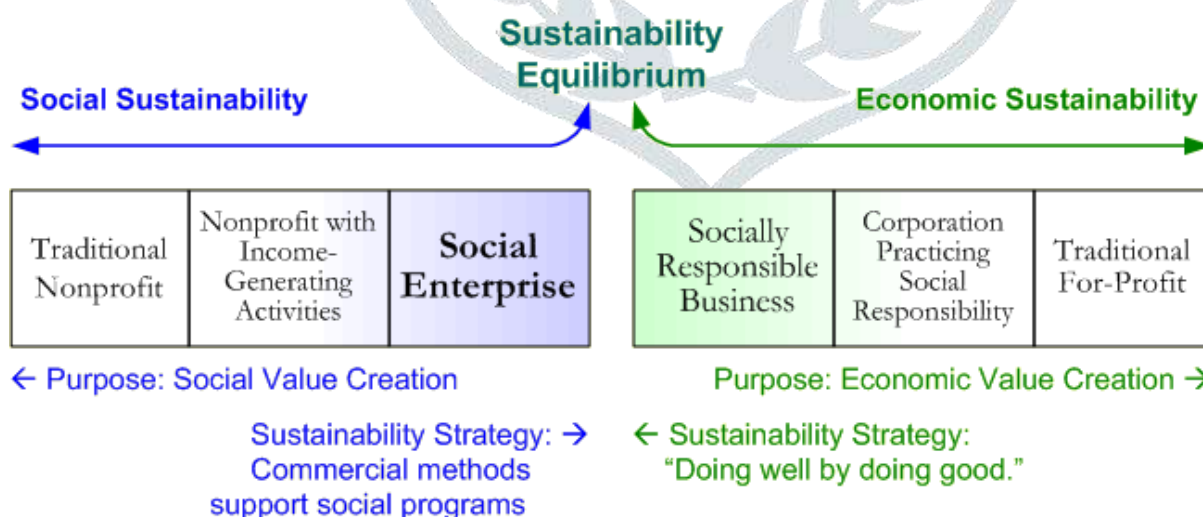
1. To study social entrepreneurship with its basic framework.
2. To list out the challenges faced by social entrepreneurship in India.
3. To give suggestions to face prevailing challenges for social entrepreneurship in India

LITERATURE REVIEW

While entrepreneurial phenomena aimed at economic development have received a great amount of scholarly attention (see Busenitz, West III, Sheperd, Nelson, Chandler, & Zacharakis (2003) for a review of the empirical and theoretical development of the entrepreneurship concept), entrepreneurship as a process to foster social progress has only recently attracted the interest of researchers (Alvord, Brown, & Letts, 2004; Boschee, 1995; Dees and Elias, 1998; Thompson, 2002). The development of social entrepreneurship as an area for research closely resembles the development of research on entrepreneurship itself. Williams (1999) argued that interest in entrepreneurship as a field of study was crucially stimulated by community leaders’ belief that entrepreneurship was a defining trend of the 21st century. Social entrepreneurship research has been characterized as lacking unity with disagreements on the domain, boundaries, forms, and meanings of the term and field (Dacin, Dacin & Matear, 2010; 4 Peredo & McLean, 2006).

Earnest and Young in their report title “Social entrepreneurship-Emerging business opportunities” (2014) states that “Creating value for society in many countries the role of the government in the socio-economic domain is shifting towards privatization of public responsibilities. As a result, charities receive less public funds and social entrepreneurship is gaining momentum worldwide.

.Report by Swissnex India title “Social Entrepreneurship in India- Unveiling the unlimited opportunities” (2015) underlines that “Social entrepreneurship in terms of operation and leadership could be applicable to nonprofit organizations as much as for-profit social enterprises although in terms of activities and legal entity they are very different.”



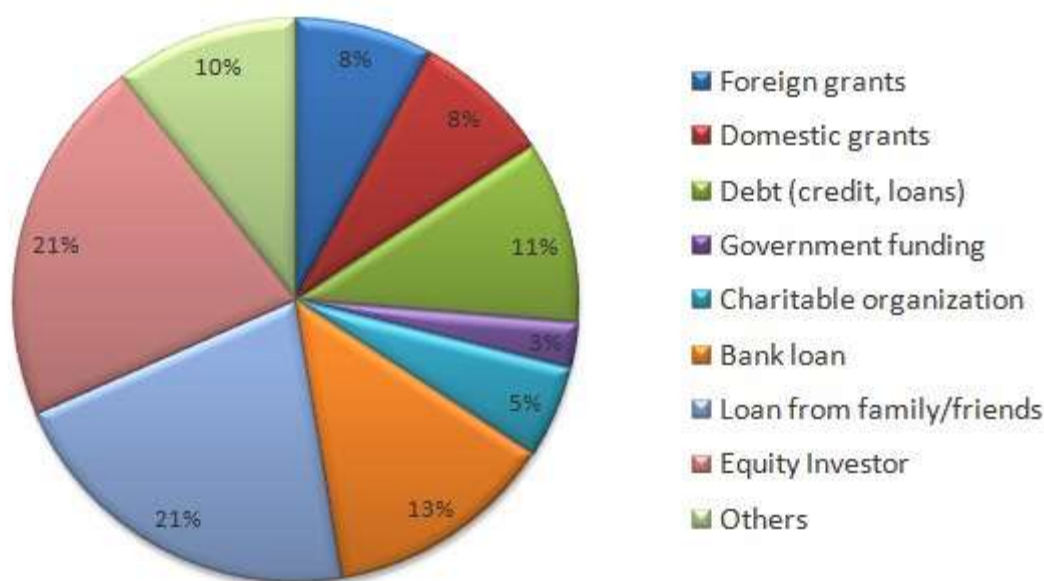
Social enterprises (SEs) have the potential to make India’s spectacular growth story work better for its poor citizens. Currently, India’s rapidly growing economy has not managed to alleviate the extreme poverty of nearly half the country’s population that lives below the \$1.25 per day poverty line. There are several reasons for this, including non-uniform infrastructure, low quality public good provision by the government (especially in health and education), and resource limitations. By employing innovative business models,

SEs are addressing India’s vast development needs, while maintaining sustainability through viable revenue models. Simultaneously, this space is witnessing an increasing number of impact investors who are interested in supporting businesses with triple bottom line returns – that is, profits (or financial sustainability at the least), social impact, and environmental impact. Steyart and Hjorth (2006) stress that research on and development of social entrepreneurship was undertaken, until recent years, by scholars and experts who typically did not belong to the field of entrepreneurship. Several researchers suggest that environmental factors are very important to the emergence and implementation of social actions (e. g Mair & Martí, 2009; Nicholls, 2010).





DIFFERENT TYPES OF SOCIAL ENTERPRISE MODELS AND HOW THEY RAISE FUNDS

SEs that adopt innovative business models with for-profit entities account for three-fifths of all SEs. For-profit models also include collective ownership structures such as cooperatives and producer companies; **Waste Ventures** is one such organization that “incubates solid waste management companies owned and operated by waste pickers.”¹⁸ About one-fifth of SEs adopt not-for-profit structures, such as **Aravind Eye Care Hospitals**, which is registered as a trust, and sustained by charging users for affordable eye care. About 20% of the models can be categorized as hybrid, wherein two or more entities, while not legally bound, work in close synergy with each other, usually because they are both founded by the same individual or individuals. The **Cashpor Group**, which comprises both for-profit and not-for-profit entities, is a prime example of this. 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. This was especially true of non-profits in microfinance, where the revenue model was clear early on. Many leading microfinance institutions (MFIs), such as **SKS and Spandana**, were registered initially as non-profits and subsequently transformed into for-profit companies. An initial assessment of the SE financing landscape indicates that the key sources of capital for SEs are non-institutional debt, equity (mostly self-finance), institutional debt, and grants. The key sources of equity in the SE space are early stage impact investors or entrepreneurs’ capital (both equity and debt). Traditional private equity investments in SEs are rare, and are largely limited to the more developed sectors such as microfinance, health, and agribusiness. This is primarily due to the fact that the markets are developing, business models are just starting to show proof of concept, transaction costs are high for investors, and there is limited data available to help understand the space.

Main Sources of Funding



WEIGHING THE PROS AND CONS OF FUNDING SOURCES

	ADVANTAGES	DISADVANTAGES
 DEBT	Bank debt allows the founder to <u>maintain full control of the business</u> .	Bank debt is mainly about cash—it doesn't provide any of the <u>non-financial benefits</u> of other types of financing.
 EQUITY	VC-backed companies have <u>faster employee growth, greater sales, and faster sales growth</u> .	Misaligned incentives can cause firms to IPO earlier than optimal, or <u>founders to be replaced</u> .
 CROWDFUNDING	Crowdfunding can help entrepreneurs <u>get feedback</u> and determine the validity of their idea.	Crowdfunding may lead entrepreneurs to disclose business details or intellectual property, thereby exposing them to competitors.
 GRANTS	Grants can stimulate R&D and technology commercialization that <u>would not have happened otherwise</u> .	Most grants are very specific. For example, more than two-thirds of SBIR-funded companies <u>had a founder who was previously an academic</u> .

¹ See *The State of Small Business Lending: Credit Access During the Recovery and How Technology May Change the Game* in the "For More Information" section for a discussion about home equity lines of credit.

² The four main types of crowdfunding are: donation-based (e.g., Kiva), reward-based (e.g., Kickstarter), debt-based (e.g., Prosper, Lending Club), and equity-based.

ROLE OF GOVERNMENT AND POLICY FOR SOCIAL ENTERPRISES IN INDIA:

There is increasing recognition within India's central and state governments about the usefulness of engaging or facilitating the private sector to address some of the country's pressing developmental needs, although the specific nomenclature of "social enterprises" is not often used. The Government has been involved in three main categories: Micro, Small, and Medium Enterprises (MSMEs) engagement, government-backed venture capital funds, and policy formulation. **First, the government has initiated various public-private partnerships** in key development sectors, such as health. For example, many state governments have invited private sector players to provide emergency health care services in urban areas. MSMEs have been identified as a priority lending sector. This increases the availability of capital through government provisioning of grants, equity, and subsidized loans for companies in this category. This clustering includes all enterprises with an initial outlay below \$2 million. Since almost all for-profit SEs fall into this category, they will benefit from this policy. Recently, the Prime Minister of India also commissioned a special task force to provide a set of recommendations on further developing India's MSMEs. The task force recommended that the government should spend around \$1.1 billion over the next 3 to 5 years on augmenting infrastructure and technological support for MSMEs; of these funds, around 20% should be earmarked for incubation centers within reputable educational institutions. **Secondly, the National Innovation Council**, set up by the Prime Minister in 2010 to catalyze innovation in India, is considering establishment of a government-backed venture capital fund. The size of this fund will be in the ballpark of \$200 million. The primary focus of this fund would be to address developmental needs in education, health, infrastructure, and sanitation. **Thirdly, the government is involved in formulating and changing policies and regulations** that can affect the SE space. Most recently, the Securities and Exchange Board of India (SEBI), the country's financial market regulator, floated a policy paper suggesting the need to separately recognize and regulate "Social Venture Funds". It outlined that these funds are for investors seeking "muted" returns in their investments in return for social gains. SEBI sought public comments on its note and the final recommendations are yet to be finalized.

CHALLENGES FOR SOCIAL ENTREPRENEURSHIP IN INDIA

1. Lack of a ground up business plan

Social enterprises need to have well thought business plans which help plan their fund flow and organization design. Investments in time, effort and materials are expensive but necessary for growth. By creating and then following a ground up business plan – firms can work towards for profitable growth.

2. Lack of Awareness amongst the general public

Most firms of this nature are well known among folk who are already likeminded and perhaps socially conscious. However the broader population, who is not actively involved in the cause or belief but wants to buy the product or service, is not being targeted through a well thought out communication plan. The problem is further compounded by the firms using mostly digital and social advertising for promotion. Affinity advertising helps gain initial awareness but will not lead to significant new consumers of the product/service.

3. Need for a Proper Sales Team

No matter how amazing the product or service, unless there is a dedicated sales team to push it, it won't sell. Very few products click with the consumer overnight and become a viral success. In the absence of such luck, it is best to hire the right sales folk. This can be an expensive proposition and struggling firms working for a bigger cause often shy away from spending money on resources.

4. Investing in Branding Elements

An attractive website, pretty pack design and relevant advertising goes a long way in selling a product or service that already has a lot going for it. This is a necessary one-time expense. Hiring a brand consultant and working with a creative team that also believes in the cause goes a long way. People are used to buying brands promoted by MNC corporations with deep pockets and smart marketing gurus. By ignoring this aspect of the purchase decision firms make an easily avoidable but big mistake.

5. Process Management and planning for growth

Firms that offer good products and services usually grow and reach an inflexion point. Unfortunately it is here that the need for hiring right people, processes and technology comes in. Several firms who have not planned for growth or have no proper process for evaluating their performance end up missing the bus.

SUGGESTIONS:

A few workable suggestions could help Indian social entrepreneurs in achieving their objectives: Social enterprise should use the network approach with other social enterprises to avail the opportunities in the market. It helps them to educate the consumer and set the market standards. The social enterprises should work together to educate customers about the difference between their product and those offered (possibly at lower Prices) by other businesses. This would lead to increased demand for their products by the people who support their cause. This network approach can also be used in lobbying the government and regulatory agencies to create a business environment supportive of social enterprising. This lobbying can influence the government to provide liberal tax policies and investment regulations for the social enterprises. Social entrepreneurs should assist higher education institutes in India in developing curriculum that instils social entrepreneurship in their students and, in doing so, provides social enterprises with access to good quality managers and promoters. Majority of the social enterprises are operating mostly in the southern and western parts of India. This is primarily due to the jurisdictional focus of many of these enterprises and this leads to a regional imbalance in the growth of social entrepreneurship within the country. These enterprises should try to expand their operations to act as a mentor for similar organizations in the under-served areas of India. Balancing the growth of social entrepreneurship in the country would go a long way in solving the social problems of a large population spread over the width and breadth of the country.

Over the last decade, the scope of SEs and impact investors in India has expanded beyond financial services and agriculture to include other sectors such as energy, sanitation, and health as businesses and entrepreneurs have come to recognize the triple bottom line value created by such enterprises. SEs have adopted different business models across and within each sector. Despite the variations in the sector and business models, there are some design elements that have shown success in multiple SE markets.

Common practices among successful SEs are:

- Customization of product and service to meet the needs of target market

- High product and service quality
- An asset-light infrastructure to minimize capital expenditure and maintenance costs
- Innovative outreach or distribution models to deliver products and services in a cost effective manner
- Usage of appropriate technology in design, production, and service delivery to improve efficiency
- Consumer ability to pay via variable pricing or financing
- Aggregation of multiple suppliers, especially in rural areas

CONCLUSION:

The nascent field of social entrepreneurship is growing rapidly and attracting increased attention from many sectors. The reasons behind the popularity of social entrepreneurship are many. On the most basic level, there's something inherently interesting and appealing about entrepreneurs and the stories of why and how they do what they do. People are attracted to social entrepreneurs like last year's Nobel Peace Prize laureate Muhammad Yunus for many of the same reasons that they find business entrepreneurs like Steve Jobs so compelling – these extraordinary people come up with brilliant ideas and against all the odds succeed at creating new products and services that dramatically improve people's lives. But interest in social entrepreneurship transcends the phenomenon of popularity and fascination with people. The lack of research on the radical changes of human behaviour and environmental changes that caused disruptive effect in the society and the behaviour of individuals was a neglected area in the study of social entrepreneurship. Social entrepreneurship signals the imperative to drive social change, and it is that potential payoff, with its lasting, transformational benefit to society, that sets the field and its practitioners apart. Although the potential benefits offered by social entrepreneurship are clear to many of those promoting and funding these activities, the actual definition of what social entrepreneurs do to produce this order of magnitude return is less clear. In fact, we would argue that the definition of social entrepreneurship today is anything but clear. As a result, social entrepreneurship has become so inclusive that it now has an immense tent into which all manner of socially beneficial activities.

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