



## ROLE OF SOCIAL ENTREPRENEURSHIP IN POVERTY ELEVATION

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### **Abstract**

Over 60% of the Indian population still live on less than 2 dollar a day. In the World Economic Forum's Inclusive Growth and Development Report 2015, India is placed second highest in terms of net income inequality among 34 countries in the lower middle-income group. India has the world's second largest labour force of 516.3 million people and although hourly wage rates in India have more than doubled over the past decade, the latest World Bank report states that approximately 350 million people in India currently live below the poverty line. With an estimated population of 1.2 billion people, this means that every third Indian is bereft of even basic necessities like nutrition, education and health care and many are still blighted by unemployment and illiteracy. Social entrepreneurs can help alleviate these issues by putting those less fortunate on a path towards a worthwhile life. Rather than leaving societal needs to the government or business sectors, they can solve the problem by changing the system.

### **Introduction**

India has made rapid strides in economic growth, but how can it maintain a healthy rise in GDP and also address inequality among its citizens? This will require structural changes and investment in growth-spurring areas, such as human capital. But it will also require equal opportunities for citizens: access to basic nutrition, education, energy and finance, as well as job and entrepreneurship opportunities. Social entrepreneurs are key to delivering basic services and opportunities to India's have-nots. Every year, the Social Entrepreneur of the Year Awards, organized by the Schwab Foundation and the Jubilant Bhartia Foundation, attracts hundreds of social entrepreneurs from all over the country. Some of them employ innovative, cost-efficient and often technology-enabled business models that offer basic services to those who lack access. Others are working hard at removing barriers that prevent access.<sup>1</sup> The degree to which social entrepreneurs pursue social impact as opposed to profitability vary, but in all cases financial sustainability is fundamental. One approach is to create business models revolving around low-cost products and services to resolve social problems. The objective is to create a social benefit that is not limited by personal gain.<sup>2</sup> Social Entrepreneurship is the process of bringing about social change on a major and more effective scale than a traditional Non-Governmental Organisation (NGO). They differ from NGOs in that they aim to make broad-based, long-term changes, instead of small-scale and time-limited changes. Furthermore, a NGO raises funds through events, activities and sometimes products. However, raising money takes time and energy, which could be spent in direct working and marketing processes. Above all, Social Entrepreneurs consider the affected people as part of the solution and not as passive beneficiaries.<sup>3</sup>

### **Social Entrepreneurs**

These entrepreneurs are not only outstanding in the Indian context, but also on a global level. It's something we at the Schwab Foundation and World Economic Forum have seen confirmed time and again. Many of these organizations work at an impressive scale – serving millions of low-income households and transforming their quality of life. Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change.<sup>4</sup> Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps. Social entrepreneurs often seem to be possessed by their ideas, committing their lives to changing the direction of their field. They are both visionaries and ultimate realists, concerned with the practical implementation of their vision above all else. Each social entrepreneur presents ideas that are user-friendly, understandable, ethical, and engage widespread support in order to maximize the number of local people that will stand up, seize their idea, and implement with it. In other words, every leading social entrepreneur is a mass recruiter of local change makers—a role model proving that citizens who channel their passion into action can do almost anything. Over the past two decades, the citizen sector has discovered what the business sector learned long ago. There is nothing as powerful as a new idea in the hands of a first-class entrepreneur.<sup>5</sup>

### **Why "Social" Entrepreneur?**

Just as entrepreneurs change the face of business, social entrepreneurs act as the change agents for society, seizing opportunities others miss and improving systems, inventing new approaches, and creating solutions to change society for the better. While a business entrepreneur might create entirely new industries, a social entrepreneur comes up with new solutions to social problems and then implements them on a large scale.<sup>6</sup> Social entrepreneurship in India has progressed significantly



over the last decade. More and more people are using entrepreneurial skills in building sustainable enterprises for profit and non-profit to effect change in India, says DevalSanghavi, a former investment banker and now president of Dasra. Based in Mumbai, Dasra is a non-profit organisation which bridges the gap between those investing in social change and those spearheading the changes. "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. What they do do, is not disable it," Sanghavi, who brings the rigour and discipline of an investment banker to the social sector, told INSEAD Knowledge on the sidelines of the International Social Entrepreneurship conference held here recently. For example, in Mumbai alone, non-profit organisations educate more than 250,000 children on a daily basis. The government has not told these organisations not to do it, he says. 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. "In India, there is this drive and commitment to take change upon yourself. There are no inherent barriers to begin within India."<sup>7</sup>

### **Objective of the Study**

In recent years, 'not for profit' has been pushed to the back partly because social enterprises are being run more like businesses today. The purpose of this paper is to analyze emergence and growth of social entrepreneurship in India. 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.

### **Research Methodology**

This paper derives necessary information from several case studies. An extensive literature review of secondary data resources is undertaken as relevant to the stated objectives of the study. Social entrepreneurship is an emerging field that offers opportunity to young professionals to create societal/economic value on a sustainable basis.

### **Example**

Aravind Eye Care System in Southern India, which focuses on curing blindness among India's poor. The hospital chain has approximately 12,000-15,000 outpatient visits and 1,500 surgeries each day. Another example is Karuna Trust: its public-private partnership model serves more than 2 million low-income clients by transforming government primary healthcare centres into hubs of low-cost, high-quality healthcare delivery. Nidan, meanwhile, has organized close to a million workers in the informal economy across India into collectives and enterprises, secured their access to markets, technology and financial services, and successfully influenced government policy on their social and economic inclusion. However, seen against the backdrop of social challenges facing the country, their efforts fall short; their impact is often limited to select geographies. How can India build on the wonderful work by these pioneers for social change on a national scale? The answer may not be in identifying more innovations; it may instead be in faster replication and scaling up of social enterprise innovations that we know work. For this, we will need to invest in best practices and capacities, removing barriers to scale, implementing conducive policies and fostering collective action across sectors.

### **The Key Role of India in Social Entrepreneurship**

Some wellknown Indians became aware of the potential of Social Entrepreneurship quite early. Two of them were the Social Entrepreneurs Dr. Govindappa Venkataswamy and Thulasiraj D Ravilla who established the Aravind Eye Hospital in 1976. Since then, they have treated more than 2.4 million patients, often free of charge. Many others have also contributed to the comparatively high levels of Social Entrepreneurship which have been reached in India. As the Swiss Klaus Schwab, founder of the World Economic Forum and of the Schwab Foundation, pointed out in an interview with the Hindustan Times: "India has some of the most advanced and innovative social entrepreneurs. We believe and already see that many of the models developed in India, for instance rainwater harvesting for schools pioneered by Barefoot College, are exported around the world." Thus, India is a key country in developing social entrepreneurs.<sup>8</sup>

### **An Uneasy Truce**

Another shift that has happened over the last ten years is that the Indian government and non-governmental organizations have realized that they not only have to co-exist but to work with each other to effect change, says Sanghavi. India still has a long way to go compared to the West where governments are funding non-profit organizations by outsourcing social sector services. "In India that is not going to happen," he says. "It will be overambitious for us to think that they will be funding all these initiatives but the fact that they allow these organizations to operate within the government structure - albeit with conflict, as they are operating with one hand tied behind their back - is progress. "At the same time the few organizations who have decided to play this role have realized that even with one hand tied behind their back they can effect great change because they have access to hundreds of millions of people that they will never be able to access on their own. "So it's the



shift in the NGO mindset, where we'll never get 100 per cent of what we really want to do but working with the government, if we get 70 per cent that's better than the 20 per cent efficiencies that the government is currently operating.<sup>9</sup>

AIF is a leading international development organization charged with the mission of accelerating social and economic change in India. Since 2001, it has raised over 30 million US-Dollars and awarded grants to education, livelihood, and public health projects in India with an emphasis on elementary education, women's empowerment and HIV/AIDS.

### **Indian Traditions of Social Innovation**

The Skoll's center's comprehensive document on social innovation defines social innovation as 'innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organizations whose primary purposes are social.' (Mulgan, 2007, p. 8) The report rightly suggests that surprisingly little is known about social innovation compared to the vast amount of research into innovation in business and science. The report identifies six different forms of social innovation through social organizations and enterprises, social movements, politics, government, markets and academia. In an otherwise rich sweep of ideas on social innovation, the report has little to speak about social innovation from India.<sup>12</sup> The concept of social innovation needs greater explication in third world contexts. Bornstein's popular book on social entrepreneurship (Bornstein, 2004) shoes how Asoka founder Bill Drayton found inspiration in the ideas of Mahatma Gandhi and Gautama Buddha.<sup>10</sup> Drayton insightfully recognized that despite Gandhi's other-worldly experience, he was fully engaged in the details of politics, administration and implementation. According to Drayton, Gandhi's contribution was in recognizing and practicing a new ethic for the emerging world due to the growing complexity of human society. The new ethics Gandhi believed were to be grounded not in rules, but in empathy.

### **The Elements Necessary for Social Entrepreneurship to Flourish in India**

First there needs to be an awareness of and concern about the social problems and issues to be addressed, and committed entrepreneurs interested in addressing them, says Hans Wahl, executive director of INSEAD's Social Entrepreneurship Initiative. A policy and regulatory framework within which social entrepreneurs can obtain status without compromising their objectives is also very important. "It would be good to have a collaborative network to be used among social entrepreneurs that enables them to share ideas and spread innovations, ideally linked to an academic institution interested in, and committed to, promoting awareness and creating knowledge and insight into the best functioning of social enterprises," he adds. On the ground, Mukherjee says that financial assistance, social legitimacy and acknowledgement are the most important factors necessary to enhance the growth of social entrepreneurship in India. "The process has begun, but a lot more needs to be developed, especially by social, educational and government institutions."<sup>12</sup>

### **The Landscape in Five to Ten Years' Time**

According to Wahl, 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. He sees innovations increasing, especially in the field of examining and applying technology to social needs. For Mukherjee, work in the field of human rights will continue since violations are unlikely to go away. Natural resource management and alternate energy initiatives will gain prominence, as will livelihood and migration. "Social entrepreneurship and social businesses will be mainstreamed substantially, so we will have many opting to follow the course of one or the other which will hopefully impact society positively."<sup>13</sup>

### **Growth in Micro Financing**

In particular, the field of microfinance is a growing one. The BhartiyaSamruddhi Investments and Consulting Services (BASIX) founded by Vijay Mahajan was the first microfinance project to lend to the poor. VikramAkula is another founder of a successful Indian microfinance project. His organization "SKS Microfinance" offers microloans and insurance to poor women in impoverished areas of India. SKS is currently one of the largest and fastest growing microfinance organizations in the world. Furthermore, the Bangladeshi Grameen Bank shall be mentioned as an outsider in the field of microfinance. As Anna Agarwal of the Massachusetts Institute of Technology pointed out, banking and finance are the biggest beneficiaries of technology-enabled social start-ups. There are three reasons why micro financing is so important for the poor: Firstly, they don't possess money to open a bank account. Secondly, they don't have collateral or a credit record to secure a loan and thirdly, they are often unable to complete the necessary paperwork because of their poor standard of literacy. This is why they rarely have access to the formal financial sector and micro financing is an important service in assisting to cope with these issues.<sup>14</sup> In India, self-help groups form the basic constituent unit of microfinance. These groups usually consist of 5 to 20 poor women who pool their savings, sometimes as low as 10 or 20 cents per month, per member, into a fund from which they can borrow when necessary. The group is linked to a bank, where they maintain a group account. After at least 6 months of 'inter-loan' repayments the group is eligible for the loan. The bank lends to the group as a unit, without collateral, relying on self-monitoring and peer pressure within the group for repayment of these loans. Starting with lower multiples (1:1 to 2:1)



the maximum loan amount often is a 4:1 multiple of the total funds in the group account. Many other innovative social entrepreneurs could be named.

### Conclusion

In the developing world, the Millennium Development Goals might provide a valid operationalization of social needs. The Millennium Development Goals refer to the most pressing social problems to be addressed in the immediate future. They include goals such as eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality, improving maternal health, and combating HIV/AIDS, malaria and other for social entrepreneurs might arise, for example, from gaps in the social welfare system. More empirical studies are needed to map the opportunity space for social entrepreneurs and to examine whether and how the nature of social opportunities affects the entrepreneurial process. Research on social entrepreneurship has grown rapidly in recent years. Given its importance for society and today's economy, the subject has received considerable attention in different streams of research.

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