



All about

SOCIAL ENTREPRENEURSHIP

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1- What is Social Entrepreneurship ?

Social entrepreneurship is all about recognizing the social problems and achieving a social change by employing entrepreneurial principles, processes and operations. It is all about making a research to completely define a particular social problem and then organizing, creating and managing a social venture to attain the desired change. The change may or may not include a thorough elimination of a social problem. It may be a lifetime process focusing on the improvement of the existing circumstances.

While a general and common business entrepreneurship means taking a lead to open up a new business or diversifying the existing business, social entrepreneurship mainly focuses on creating social capital without measuring the performance in profit or return in monetary terms. The entrepreneurs in this field are associated with non-profit sectors and organizations. But this does not eliminate the need of making profit. After all entrepreneurs need capital to carry on with the process and bring a positive change in the society.

Along with social problems, social entrepreneurship also focuses on environmental problems. Child Rights foundations, plants for treatment of waste products and women empowerment foundations are few examples of social ventures. **Social entrepreneurs can be those individuals who are associated with non-profit and non-government organizations that raise funds through community events and activities.**

In the modern world, there are several well known social entrepreneurs who have contributed a lot towards the society. The founder and manager of Grameen Bank, Muhammad Yunus is a contemporary social entrepreneur who has been awarded a Nobel Peace Prize for his venture in the year 2006. The venture has been continuously growing and benefiting a large section of the society.

Rang De is another brilliant example of a non-profit social enterprise. Established in the year 2008 by Ramakrishna and Smita Ram, it is an online platform from where rural and urban poor people in India can access micro-credits with an interest rate of as low as 2 percent per annum. Lenders from all across the country can directly lend money to borrowers, track investments and receive regular payments online.

The **George Foundation** is one more nationally recognized social enterprise. The Women's Empowerment Program creates awareness among women by providing them education, vocational training, cooperative farming, business development and savings planning. By employing the principles of social entrepreneurship, these organizations are addressing the social problems and bringing a positive change in the society.

There are several other organizations that are considered as a positive changemakers in the society. **Echoing Green**, The Canadian Social Entrepreneurship Foundation, **Schwab Foundation for Social Entrepreneurship**, The Skoll Foundation, NIKA Water Company, Newman's Own and Ashoka: Innovators for the Public are such organization that aim for bringing social change and continuously improving the existing conditions in the society.

The field of social entrepreneurship is rapidly growing and attracting the attention of numerous volunteers. It has now become a common term in university campuses. The reason behind the increasing popularity of this product is that individuals get to do what they have been thinking for long. The extraordinary people put their brilliant ideas and bring a change in society against all odds.

2- History of Social Entrepreneurship

Social entrepreneurship is a kind of entrepreneurship initiative that aims at taking up a social problem for bringing about a transformation in the same. The person who takes up the challenge is called a social entrepreneur and he / she uses principle of entrepreneurship with the intent of creating social capital and not being essentially profit centered.

The aim of social entrepreneurship is to promote the cause of social and environmental goals that have an impact in either in the present or the times to come. Such entrepreneurs are generally a part of or associated in some way with some nonprofit organisations (NGO's). Although profit making is also as aspect of this concept but it may not be the sole purpose of the organisation.

Andrew Mawson worked extensively upon the concept of social entrepreneurship and extended the same to bring about reform in the community structure. He also laid the foundation of the Bow center in east London. For this he was conferred upon the peerage of Lord Mawson and he works for developing partnerships for regeneration work initiated by him.

Social entrepreneurship is relatively a new term. It came in to notice just a few decades ago. But its usage can be found throughout the history. In fact, there were several entrepreneurs who established social enterprises to eliminate social problems or bring positive change in the society. Vinoba Bhave, the founder of India's Land Gift Movement, Robert Owen, the founder of cooperative movement and Florence Nightingale, founder of first nursing school and developer of modern nursing practices might be included in this category. They had established such foundations and organizations in 19th century that is much before the concept of Social Entrepreneurship used in management.



There were entrepreneurs during nineteenth and twentieth centuries who made efforts to eradicate social evils. Apart from this, there are many societies and organizations that work for child rights, women empowerment, save environment, save trees, treatment of waste products, etc. Apart from addressing the social issues, social entrepreneurship also includes recognition and addressing the environmental problems and financial issues for rural and urban poor.

These days, the concept of social entrepreneurship has been widely used and that too in different forms. The establishment of Grameen Bank by Muhammad Yunus, Ashoka: The Innovators for the Public by Bill Drayton, Youth United by Jyotindra Nath, Rand De by Ramakrishna and Smita Ram, SKS Microfinance by Vikram Akula and Roozi.com by Nick Reder, Brent Freeman and Norma La Rosa has popularized the term.

In fact, **all big brands and companies are adopting the concept of social entrepreneurship** and trying to address the issues in our society by opening schools in far flung areas, educating women for family planning, making it possible for farmers and poor individuals to access low interest credits, establishing plants for waste treatment, planting trees and going green.

The concept of Social Entrepreneurship has also been included as a separate branch of management courses. Even youth is also looking forward to volunteering their services and brilliant ideas to bring a social change through social entrepreneurship.



3- Who is a Social Entrepreneur ?

Entrepreneurs are people who venture into new areas primarily with intent of making profit out of the same. Of course there they socially responsible also and have the obligation of contributing to the well being of the society in which they operate; but this obligation is secondary. In social entrepreneurship this obligation of contribution to social well being is primary and in a way profit takes a back seat or is more or less secondary but essential to the survival!

A social entrepreneur is somebody who takes up a pressing social problem and meets it with an innovative or path breaking solution. Since profit making is a secondary objective, therefore they are people who are passionate and determined about what they do. They possess a very high level of motivation and are visionaries who aim at bringing about a change in the way things are.

By definition social entrepreneurs are great people recruiters who present their ideas or solutions in a way that many people, who are either part of the problem or surrounding it, recognise a need for change and get onboard the change bandwagon. Thus mobilizing the masses for bringing about change is a hallmark of a social entrepreneur.

Social entrepreneurs operate with an aim of changing the face of society. Be it health, sanitation, education, they are present everywhere. There are people even who work on bringing about change in the modern innovations because their impact has been detrimental to human life. They thus work towards improving systems, creating new solutions, laying down fair practices.

Some of the **very famous people who inspire others to take up social entrepreneurship are:**

- **Susan B Anthony:** was the Co-Founder of the first women's temperance movement and a prominent American civil rights leader for women's rights in the 19th century.
- **Vinobha Bhave:** is a prominent figure in Indian modern history and was the founder and leader of the Land gift movement that helped reallocate land to untouchables.
- **Maria Montessori:** a pioneer in education. Developed the Montessori approach to early education in children.
- **Florence Nightingale:** she laid the foundation for the first school of nurses and worked to improve the hospital conditions.
- **Margaret Sanger:** She was the founder and Leader of the planned parent hood federation of America, championed the family planning system around the world.

These are examples of some people who fought for what they believed in and brought about varying degrees of change in their respective spheres of work.

Social entrepreneurship has witnessed a boom in the past few years with more and more people getting attracted to it. There is now a healthy competition and world class graduates are giving up lucrative jobs to work and contribute in meaningful ways towards the society.

As Bill Drayton would say it aptly 'Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the entire fishing industry'. Such is the passion and the commitment required to be called a social entrepreneur that it may not be inappropriate to say that it is more challenging than traditional entrepreneurship!

4- Social Enterprises around the World

With an aim to generate income if not wealth, the social enterprises come up with innovative as well as people-friendly solutions to bring a positive change in the society. What makes them different from the corporate world is their basic aim; they work for the people who live below poverty line and offer flexible working environment to people. Although the concept of social entrepreneurship has been around since 1960s and is promoted by many individuals but the establishment of The Grameen Bank in Bangladesh was the first instance where the concept was thoroughly used. Under the leadership of Muhammad Yunus, it tried to address the issue of people living below poverty line and gradually has evolved as a strong identity.

Echoing Green - USA

Based in New York, Echoing Green is a non-profit organization that operates in social sector investing. For last twenty years, it has been working in this field encouraging and helping young entrepreneurs to launch new organizations.

Schwab Foundation for Social Entrepreneurship

Founded by Professor Klaus Schwab and his wife, the main purpose of Schwab Foundation for Social Entrepreneurship is to promote social innovation. The foundation does not give grants but addresses social problems and provides platforms at the country, global and regional levels.

Grameen Bank - Bangladesh

Social enterprise is not a new concept but it started becoming popular only in 1960s. There may be different rules and regulations for social enterprises around the world but their basic concept remains the same. Their ultimate aim is to serve the people of the society who are at the bottom of the pyramid. In Bangladesh, Muhammad Yunus incorporated the Grameen Bank, a microfinance organization that makes small loans to people living in rural areas without requiring collateral. The bank does not believe in charity but in offering help to people as an initiative to break through the poverty cycle.





5- Advantages of Social Enterprises

Social enterprises tend to operate with a purpose of creating value for the society and also generate income (if not wealth). As a thumb rule, the solutions they offer are supposed to be innovative, unique, people and environment friendly; Cost effectiveness is also a huge consideration. All of these are challenges to the sustainability of social enterprises, but the ones that are able to scale these are the ones that are able to create a huge impact! They are the enterprises that are advantageous to the society, people and the environment.

Since social enterprises typically deal with people who live at the bottom of the pyramid, therefore they are the ones who are benefited to benefit hugely from the former. In other words social enterprises are beneficial to the poor, generally by providing them with a means of livelihood.

Since social enterprises do not work typically the way corporate setups or private firms work, they offer flexible working environment which is as per the liking of many people groups. This employment may be both short term and long term in nature or it may specially targeted to a specific workgroup or a geographic community or to people with disabilities. Self Employed Women's Association (SEWA), for example, offers various kinds of assistance to self employed poor women.

There are **advantages of a social enterprise that are entrepreneur specific** like:

1. Social entrepreneurs find it easier to raise capital. There are huge incentives and schemes from the government for the same. since the investment industry here is ethical, it is easier to raise capital at below market rates.

2. Marketing and promotion for these organisations is also very easy. Since a social problem is being tackled with a solution, it is easier to attract attention of the people and media. The degree of publicity often depends on the degree of uniqueness of the solution.

3. It is easier to garner support from likeminded individuals since there is a social side to the enterprise. It is also easier to get people onboard at lower salaries than compared to other industry.

Similarly there are **advantages that are specific to the environment, society and the people concerned**. Some of them are as under:

1. Services in whichever section they may be offered are customized better to suit the needs of the individual or the problem. This is also designed in harmony with all other systems like the environment, society or the people.

2. Cost effectiveness is another advantage of a social enterprise. The solutions offered by these organisations in the form of either products or services are reasonable than compared to the same service provided by a profit making organisation. No wonder basic amenities like healthcare, education etc have become very affordable to people world over with the help of these institutions. Micro finance, for example, today caters not to the poor but to the poorest!

Although lots of organisations have also made corporate social responsibility an integral part of their business functioning but not many actually mean to create a difference. It is just a means to achieve more profits; there is an increasing need to watch out for the same and help and advocate those who really aim to add value.

6- What is Social Capital ?

Social Capital is a concept that aims at emphasizing the importance of social contacts between groups and within groups. It primarily means that social networks have a value associated and that they are not always detrimental in nature as previously thought of.

The concept of social capital also stresses that social networks lead to increased productivity in individuals, teams and organizations. This increased productivity can be both financial and otherwise. This means that social contacts can lead to increase in confidence, fulfillment by fostering positive relationships. The essence being that just like any other capital form (human, physical, financial) social capital is also important and beneficial to the sustenance of society.

The term social capital has been used in varied forms in various disciplines. World Bank, for example, uses it to define societal and economic development. Corporate pundits similarly use it to mean an approach of organisation development. Judson Hanifan championed the use of social capital. He used it in his discussions of rural school community centers. He promoted the importance of social intercourse among people for building goodwill and sympathy among fellow members and to promote cooperation.

Later on Jane Jacobs, Pierre Bourdeiu and James S. Coleman contributed from time to time in the development of the concept. Robert D. Putnam worked extensively later and it was his work that extended the idea of social capital to research and policy making discussions.



Barriers to Creation of Social Capital

There can be a multitude of reasons that can act as barriers to social capital creation or development. These factors vary across geographies and cultures. For example in developing or third world countries social networks remain nucleated around family and identity. There is little or no social capital creation across families and castes. This is on account of the mistrust between two families or strata that is detrimental to the very idea of social capital.

There is a strong body of evidence that goes to suggest that social capital leads societies and individuals to prosperity economically and allows the development to be stable. World Bank believes that social capital when utilized properly can enhance the efficacy and sustainability of projects. This they believe can be achieved through a collaboration of communities' efforts and its ability to work together. It also promotes greater transparency in the overall system, fosters a better bonding and increases the overall accountability.

Application of Social Capital

The concept of social capital has gained significant ground as a means of enhancing overall quality and effectiveness specially those that involve large scale community action. Many organizations have designed practical constructs to make the idea feasible. World Bank, for example, developed Social Capital Implementation framework (SCIF). This was designed to access how social capital could be made use of in operations.

For social capital to be practically feasible it can be broken down into 5 elements both at practical and operational level. They are:

1. Groups and Networks
2. Trust and Solidarity
3. Collective action and Cooperation
4. Social Cohesion and Inclusion
5. Information and Communication

These elements are important to the development of social capital and provide guidelines in the area at various levels of operation. By effectively breaking down into these 5 layers, each one can be administered separately and incorporated into operations.



7- Negative Effects of Social Capital

Although social capital has been defined in several different ways by different experts, however, most commonly it can be called as the outcome of social relations. It not only comprises of financial benefit but also includes expectative benefits that are derived from the cooperation between various groups and individuals.

The major difference between the financial capital and social capital is that the latter fosters positive relationships and thus enhances the fulfillment and the confidence. Even after having so many benefits, social capital can also produce some unwanted results. Yes, it is surprising but true that when we analyze the other side of social capital, we may find that it can put burdens on the society.

Let us discuss how social capital can be detrimental to the society and can bring about the negative consequences.

Social capital producing negative outcomes is generally called as negative social capital. The potential downsides include restrictions on individual freedom, excess claims on group members and exclusion of outsiders. Additionally, instead of focusing on creating the bond between the two worlds - rich and poor, it emphasizes on bridging the gap between them. The result is that it is deepening the gap between the two. It also puts a barrier in social mobility.

8- Impact of Social Networking Sites on Social Capital

Online social networking sites (SNS) are basically the gatherings of individuals who share similar interests. **Online communities like Facebook, Twitter, MySpace, LinkedIn and Live Journal bring together like-minded people and establish contact between them by providing information about each individual.** It is evident that exponential growth of internet users has resulted in increased interactions among individuals on social networking sites.

The basic aim of individuals registered on these communities is to create personal or professional relationships that can prove to be relevant in some or other way. Apart from these websites, there are several other websites including messaging sites such as IM, chat and address book, social bookmarking sites such as Digg and Delicious and content sharing sites such as Flickr and You Tube also bring like-minded people together.

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While creating an online community is much easier, maintaining client interest for long is very difficult. In this regard, Facebook is considered as the most successful social networking site. Created in the year 2004, it had more than 21 million registered members by the year 2007 and till date, it continues to be the most popular social networking site with around 500 million registered users. It helps people share information about them and generate a connection with other individuals. Although social capital can be defined in various different manners but the basic remains the same. It is usually referred as the resources built up through connections or relationships among people.



The major impact of social networking sites on social capital can be concluded in a way that they have made it easier for people to gather information about each other and establishing a relevant relationship among them. However, it has certain side effects also. Individuals registered on Facebook share so much personal information about them that they may have privacy problems. They can be traced easily. These resources can be used as information against personal relationships or social relationships.

Social capital is generally associated with a variety of positive social outcomes. As people share information about, it creates awareness among them about financial markets, public health, religion, latest technology, diseases, social disorders and many other issues. Additionally, it increases the probability of collective actions against social evils or any other cause. Although social capital can be used negatively but generally it is seen as having a positive impact on society. Along with being a gathering of like-minded people, these social networking sites allow them to share their interests and establish and maintain their relationships with people.

Social capital can be divided in to bonding and bridging. The former is usually refers to the strong ties with family and close friends whereas the latter represents the loose connections between individuals. If seen as creating a bond between two individuals, it has greater positive effects on social capital while loose connections can not result into long term connections. Bonding always reflects strong ties and bridging always refers to weak ties.

Recent researches have shown that internet based links or relationships are important to individuals as they make each other aware of the advancements in the field of technology, politics and finance and current social disorders. This means even weak ties play an important role. But it may not end for a much longer period of time.



9- What is Social Business?

Social business is a business that is aimed at addressing a social cause. The investment made by the investors is entirely with a vision of contributing to the social welfare and not profit entirely. The investor may however get back his money after a certain time and cover all the operational costs of the organisation.

Although social business may be carried out in any area but sectors like healthcare, housing, nutrition, education, financial services to the poor and the down trodden remain the priority. Unlike profit making organisations, success in the field of social business is governed by the amount of impact it is able to create or the positive change it has been able to bring in the existing scheme of things.

As mentioned earlier, **profit takes a back seat, but organisations into social business are not necessarily disallowed to make profits.** Sustainability after all, of both the organisation and the investor, is important and profit makes it possible. There is essentially, but, a cap on the amount of profits the organisation can make and the profits are to be utilised in the business again. Generally, social businesses cannot make profits in excess of the actual investment.

In fact in Social Business, the line between profitability and social contribution is very difficult to maintain and it often so happens that social businesses become profit making organisations after a few years of operation. It therefore calls for renunciation of the corporate ways of thinking, because what may start as a mole may end up becoming a mountain, 5 – 6 years down the line.

The term social business is often confused with social enterprise. Both are similar in many ways, yet distinct in others. In fact social business may be called as a component of social enterprise or one of the ways by which a social enterprise expresses itself. Moreover a social enterprise may receive funds from people, through grants or from the government, a social business cannot.

The concept of Social business was given by Muhammad Yunus, who essentially presented as an alternate model to capitalism. It was meant to overcome the shortcomings and failures of capitalism that focuses only on profit making and ignores or fails to address other sides of business. He created a new system where profit making and social businesses exist simultaneously. Also, the social businesses are not prevented from making profits. They are however not allowed to take dividends and reinvest the money earned as profit in the business to scale operations and give maximum benefit to maximum people.

As opposed to devising means to alleviate poor or a trickle down economic system to alleviate the poor, the concept of social business emphasises an action based system where the poor participates in his / her growth. Prof. Muhammad Yunus used this to create Grameen Bank and disburse money to poor in the form of micro – credit without the condition of giving a property or asset as mortgage. This created opportunity for the poor and allowed for his participation in the free market thereby relieving him of the handicap of relying on the government for grants.

Finally there are two types of social businesses. The first type is the one that purely exists for tackling a social problem. The second type is the one that is owned by the poor and can make profits. The profits can then be distributed between the poor (those who run the business).

10- Principles of Social Business

The idea of social business was given by Prof. Muhammad Yunus of Bangladesh. It was unique because unlike other concepts or businesses that were serving the society for namesake, social business was based on certain principles. These principles are seven in number and are called the principles of social business.

Like any other principle, **the seven principles of social business define the purpose of a social business and its modus operandi.** They outline the priority sectors for any organisation or individual that aims to venture into the field and also define the how the financials would be managed.

1/ The first principle of social business defines the purpose of existence for any social business. It states that the business objective for a social business will be to overcome poverty or deal with some problem like education, nutrition, healthcare, environment and enabling technology access for the downtrodden and not just profit or share holders wealth maximization.

2/ The second principle talks about the financial and economic sustainability. This is both from the perspective of the organisation and those who it aims to serve. Any social business is disallowed to take funds from outside like grants or NGO. Those who run the business are supposed to invest.

3/ The third principle governs the return on investment. Investors in a social business are disallowed to take money beyond their investment. No dividend is given on the investment.

4/ Amount earned over and above the investment is supposed to be reinvested back in for scaling the business and for improvement. Expansion here is aimed at reaching out to more number of people or to improvise the quality of services.



5/ Social businesses are supposed to be responsible to the well being of the environment. They are to play a major role in betterment of the environment either directly or indirectly. Indirectly means through their operations they will ensure that they do no harm to the environment.

6/ Those working with the business as its employees will get a fair compensation, which is in accordance with the industry benchmark. In addition the workforce will get better working conditions.

7/ Since social business is not with the objective of profit maximization. Therefore only those who have a passion for contributing to the society and the environment will run a social business. This means that business will run in an environment of joy and not stress.

These seven principles were given by Prof. Muhammad Yunus in collaboration with Hans Reitz who is also the co-founder of the Grameen creative Lab. These principles are very simple in nature and easy to follow. They are important because they draw a distinction between social business and other businesses carried out in the name of contributing to social welfare.

The seven principles of social business are followed world over by organisations that either promote or run social businesses. Ashoka, the Omidyar network, NIKA water company in U.S, Grameen Bank in Bangladesh are examples of such organisations.



11- What is Social Innovation?

Social innovation is a very wide term that includes ideas, ways and means, strategies and even organizations that works out innovative solutions to meet the demands of the public, especially those who live at the bottom of the pyramid. It may include innovative fields in a wide variety of setups like education, healthcare, community development etc.

The micro credit scheme started by Mohammad Yunus in Bangladesh is a very good example of social innovation. Distance learning methodology similarly is a social innovation that enables people in far fetched areas to have access to quality education. The concept can still more be extended to open source techniques used in software development.

Development of the concept of Social Innovation

The idea of social innovation is not a recent one, though it may have been discussed more often recently. Benjamin Franklin, for example, made references of it in his writings as small modifications that may be brought about in the social structure to solve everyday problems.

Later on certain French workers made mention of the same in their writings. In the recent literature the term social innovation is frequently found in the writings of some management gurus like notably in those of Peter Drucker and Micheal Young. Some other noted sociologists like Karl Marx and Max Weber also worked extensively on social innovation for bringing about social change.

Of late Joseph Schumpeter incorporated it into his concept of creative destruction. He also extended his concept to defining entrepreneurship as a way of creating new product or service by combining the existing elements.

Social Innovation at the Bottom of the Pyramid

Organizations are globally being attracted to the idea of creating and marketing products and services for those at the bottom of the pyramid. As C.K Prahalad rightly notified us about the fortune at the bottom of the Pyramid, increasingly marketers are driven to the idea of tapping this potential hitherto undiscovered.

Nearly four billion people around the world make a living on about two U.S dollars a day and this is magnanimous not only in terms of a business opportunity but also in terms of a reciprocal relationship. Firms cater to the needs of these people and they in turn offer a huge profit opportunity that is dependent on the scalability of the same.

The operation may however not be as simple as it appears on paper. There are barriers not in production but in distribution because low income household markets are price sensitive and highly segmented.

Global FMCG giant P & G, for example, developed PUR (a water purification system) in partnership with US government which was meant for low income consumers. The product was meant to serve a social need which was to provide clean and hygienic water at places where the drinking water was unsafe. The product failed to serve well and after three years of launch, it was found out that the product was a failure!

It clearly appears that cost is not the only factor that acts a barrier to the success of a social innovation. There are yet other examples where out reach (ease of access), distribution channels were ignored and social innovations failed their purpose. The need is of building sustainable models that are operationally well laid out and successful in delivering the goods. Remember cost is not the only factor!

12- Social Entrepreneurship at its best – Microfinance and the Revolution in the Third World

How Small Entrepreneurs face lack of access to capital

In recent years, prominent among the revolutions in personal finance and savings has been the rise of microfinance or microcredit as it is also known as. To understand how this works, picture yourself as a small businessperson (you can be a farmer with a marginal landholding, a woman with a home based business or a group of small businesspeople) who is in need of finance but in amounts that are considered negligible by mainstream banks and financial institutions. What happens is that because of the lack of small credit avenues, you would be forced to borrow from the local moneylender at exorbitant rates of interest which would leave you poorer than richer at the end of the day. Further, considering that most small businesspeople do not have collateral such as titles to their meager property and other forms of assets, even those institutions that are in a position to offer them credit would think twice because neither the borrower has a credit history nor is any asset pledged as collateral.

Microfinance and Microcredit to the Rescue

This is where microfinance and microcredit institutions enter the picture as these agencies often with governmental backing in implicit and explicit forms make it a point to lend the small amounts that such entrepreneurs need. Indeed, as the success of this trend shows, more often than not, all that is lacking for the aforementioned segment is access to small capital which was hitherto denied to them. Not anymore as most Third World countries now have established microcredit institutions for the express purpose of lending to the poor and the marginalized and make it a point to lend only to them. The microcredit revolution has been pioneered by the Nobel Laureate and Bangladeshi entrepreneur, Mohammed Yunus who with his Grameen Bank ensured that those at the “Bottom of the Pyramid” have access to credit in a manner that is easy, without red tape, and on terms that are congenial and favorable to the borrowers.



The Microfinance Revolution in the Third World

Traditionally, governments were unable to find resources especially in the Third World which they could channelize to the small entrepreneurs as well as had to face resistance from established banks and financial institutions who pointed to the abysmal record of repayment. Microcredit has found a way around the criticism that small entrepreneurs default on their loans by ensuring that groups of such small entrepreneurs receive loans wherein each of them stand guarantee for the others. In this way, the microcredit agencies ensure that they are making loans to a pool of borrowers instead of individuals alone. Moreover, microcredit agencies also make it a point to lend for shorter durations as well as encourage repayment by educating and enlightening the borrowers of the advantages of credit repayment and further access to funding.

Some Notable Failures and Lessons for the Future

Having said that, it is not the case that microcredit has been an unqualified success all over the Third World. For instance, in the state of Andhra Pradesh in India, there has been a spate of failures of reputed microcredit agencies wherein because of mismanagement, fraud, and over stretching their limits to force the borrowers to repay, these agencies ran afoul of the regulators leading to a full blown crisis in this sector. The lessons from this debacle are that just like the Central Banks and the Regulators monitor traditional and mainstream banks and financial institutions, they must also regulate the microcredit agencies. Moreover, the government must also ensure that both the credit disbursement and repayment adhere to strict norms wherein the tendency to become over greedy either by the agencies or the borrowers is contained and instead, a balanced approach is adopted.

Suggestions to Improve the System

Despite these failures, microcredit has indeed ushered in a revolution among the poor and the underprivileged in many Third World countries. Some of the suggestions that experts have made to improve this further include broadening the base of borrowers by including artisans, and even medium scale enterprises as well as cooperatives so that following the principle of group lending, there can be an attempt to foster greater discipline as well as tighter procedural norms in the process. Apart from that, the other suggestions include enhancing the skills of the small entrepreneurs so that they do not become stuck in the same skill based work for which they have taken the loans and risk stagnation. In other words, the aim is to ensure that the process becomes scalable, repeatable, and improves with each iteration.



13- The Role of Technology in Social Entrepreneurship

Social entrepreneurs are those who use innovative approaches to social problems such as poverty, lack of access to healthcare in the rural areas, difficulties in bridging the gap between employability and unemployed youth, and problems such as lack of access to credit for women. In these and other cases, technology plays a prominent role as not only is technology inherently innovative but increasingly, it has become cost effective to deploy technology to solve social problems.

Examples of How Technology Powers Social Innovation

For instance, in many Third World countries, farmers need real-time updates on weather patterns as well as sowing schedules so that they can plan their harvest accordingly. Further, fisherpersons in coastal areas need to be intimated of approaching storms and hence, mobile based apps that can do this job are preferred. Apart from this, there are other examples such as having IT (Information Technology) enabled kiosks in rural areas in India wherein those people and the teenagers and the youth in particular can pick up valuable IT skills which would enhance their employability in future. Moreover, through the use of mobile apps, microcredit institutions and the people they finance can keep in touch with each other leading to better credit utilization as well as repayment.

The Mobile Revolution

The instances quoted above are just a fraction of how technology can help alleviate social problems. It is for these reasons that in recent years, social entrepreneurs have been stressing on using technology as part of their efforts at social innovation. Indeed, the fact that the mobile revolution has empowered the poor and the underprivileged more than others has been acknowledged by the UN (United Nations) which recently stated that there are more number of mobiles in the world than toilets or in other words, there are more chances of a person owning a mobile than he or she having access to toilets and sanitation. This means that technology can indeed enable, empower, and encompass the masses in their quest for a decent income and a healthy life.

Bringing Together all the Stakeholders

To continue the points made above, it has been common in many countries for drivers, handypersons, traders, and small businesspersons to use technology to connect with their customers as well as the other end of the spectrum which are their suppliers, owners, and middlepersons. In this way, technology allows the coming together of all stakeholders in the value chain so that everyone ultimately benefits. Though there have been concerns in recent months about technology also leading to safety and security concerns because of the anonymity and the potential for misuse, it needs to be mentioned that technology per se is value neutral meaning that it can be used both for good and bad purposes and it is up to the regulators and the users to monitor and regulate.

Synergies and Economies of Scale

Considering the enabling and empowering role that technology plays, many nonprofits are focusing exclusively in building and creating an ecosystem for innovators, funders, thought leaders, influencers, and the regulators on one hand and the beneficiaries, the intermediaries, the users, and the owners to come together in a giant electronic and digital umbrella where social innovation can take place and value created for all and society in general. The power of technology in these cases is such that it creates synergies wherein the sum of the value created at each link in the value chain is greater than the parts. Further, technology allows social entrepreneurs to enable and empower the underprivileged to rapidly scale up thereby leveraging the benefits of the efficiencies provided by economies of scale. The twin aspects of synergy and economies of scale mean that innovation and innovative solutions can reach more people and create value that individually would take time and more resources.

Email as an Example

For instance, before the advent of email, if you had to contact hundred people for a promotional campaign, you had to send hundred letters which even when they are typed or printed need to take into account the costs of sending them. However, with technology, all you need to do is customize the headers and the names of the persons and then with a single click of the mouse, all the people can be reached effortlessly and efficiently. In addition, you can reach anyone anywhere in the world anytime as well as everyone and everywhere and every time. This is just a basic example of how technology enables synergies and actualizes economies of scale.

Society Benefits

Now consider if such use of technology comes to the aid of an underprivileged person setting up his or her own venture. Using mobile and internet technologies, not only can he or she aspire to reach a global audience thereby cashing in on the scale aspect but also offer a solution that is potentially cheaper and creates more value on a per unit of cost basis. Indeed, the example of entrepreneurs such as the Nobel Laureate and Bangladeshi social entrepreneur, Mohammed Yunus who empowered rural women in his country to finance their small businesses by extending them microcredit who in turn formed groups and reached scale and leading to innovation creating value point to how a combination of technology and social innovation can feed into each other and ultimately benefit society.

Closing Thoughts

Finally, the fact that you are reading this article on a portal that harnesses technology and globalization and is driven by innovation and entrepreneurship can be the best example of how ventures for both social and commercial causes can scale up and create value across the value chain.

14- What is Social Entrepreneurship and Why the World Needs More Social Entrepreneurs

The Dominance of Neoliberal Ideas about Capitalist Businesses and Their Responsibility

By definition, businesses exist to make profits and incorporate any residual concerns about social good as part of their normal profit seeking behavior.

In other words, it is the case that businesses and their owners worldwide are concerned about social good as just being another imperative rather than the reason for their existence. Indeed, the late legendary, Milton Friedman, who is considered as the Father of Neoliberalism, put it, the responsibility of business is business and hence, social concerns come later.

This mantra has been followed over the last two to three decades by generations of capitalists who aver that they are in business for making profits alone and by extension; their businesses are creating social value.

Thus, whether one is a owner or an inheritor of a family owned business, or an executive at a professionally run firm, or for that matter, an up and coming entrepreneur, what they all have in common is a pervasive profit seeking behavior that places social concerns at the bottom despite the increasing tendency world over to make the corporates and business take greater responsibility for their social outcomes of business.

The Rise of Social Entrepreneurship and Why There is a Momentum behind This Idea

Having said that, there is another category of entrepreneurship which exists solely for promoting social welfare.

These entrepreneurs are known as Social Entrepreneurs since they are primarily focused on actualizing social value and social good as opposed to rampant profit seeking.



In other words, social enterprises are those that have the bottom line consideration of positive social good and creating social value instead of existing for profits alone.

It is not the case that these social entrepreneurs do not make profits or do not enjoy the proceeds from their ventures.

Just that their endeavor is to do good for society through their firms and profits generated are usually divided in a just and equitable manner or are reinvested into their firms as part a cyclical process of social welfare.

As can be seen from the discussion so far, social entrepreneurs reflect a growing trend among capitalists worldwide that the time has now come for such people to take society and its welfare seriously.

Indeed, the latest edition of the World Economic Forum in Davos, which is an annual gathering of the business and political elite and movers and shakers in the world, had as its central theme the responsibility of business towards social good and welfare outcomes.

The Pioneer of Social Entrepreneurship: Mohammad Yunus

Some real world social entrepreneurs are Mohammed Yunus of Grameen Bank in Bangladesh who pioneered the concept of Micro Credit or reaching out with money to those who lacked access to formal banking channels.

Through this endeavor, Yunus managed to vastly improve the lives of poor and the underprivileged wherein through provision of credit in small amounts to those lacking established businesses that are needed for documentation and other requirements that are sought by the formal financial sector.

The experiment in social good proved to be so successful that Yunus was awarded the Nobel Prize for his efforts and what more, he became an example and an inspiration for generations of social entrepreneurs to follow his path and work for the betterment of society rather than for individual gratification.

Indeed, this model was adopted by the Government of Andhra Pradesh in India, which launched the SHGs or the Self Help Groups that are outside of the purview of formal credit and instead, were relying on money lenders to borrow for their small businesses.

Thus, it can be said that Social Entrepreneurs reach those who the eminent management expert, C K Prahlad, calls the Bottom of the Pyramid and ensure that society benefits from their ventures.

Bogus Social Entrepreneurs, Technology, and Role of the Government

Having said that, one must also caution that there are many who in the guise of being Social Entrepreneurs often take the system for a ride and make huge amounts of money in the process.

There are countless examples worldwide of so-called social entrepreneurs who racked up massive profits at the expense of the poor and the underprivileged. Of course, we are not saying that Social Entrepreneurship as a concept has failed because of unscrupulous individuals.

Rather, what we are saying is that government's world over must encourage and nurture social entrepreneurs and at the same time, put in place safeguards that would serve as a system of checks and balances.

In recent years, the increasing adoption of technology at all levels and in all fields of society has given a fillip to social entrepreneurs.

As it is easy to scale up and reap the efficiencies from the economies of scale and at the same time, leverage the synergies from integrating business and social good with technology, there is more than ever a consensus that when used properly, technology can indeed serve society better and encourage social entrepreneurs.

Conclusion

Lastly, whether you are student aspiring to serve society or an established professional looking to follow your passion, social entrepreneurship can help you in realizing your vision and actualizing your mission.

With famous rich business legends such as Bill Gates, Warren Buffett, and NR Narayana Murthy willing to provide seed capital for social entrepreneurs, there is no dearth of encouragement and incubating for them.

Moreover, governments are also helping social entrepreneurs in their endeavors and hence, we are at a Tipping Point as far as social entrepreneurship is concerned.

To conclude, the world needs more social entrepreneurs and the ecosystems are also helpful for them to make a difference to society.



Source: www.managementstudyguide.com