

# Significance of Social Entrepreneurship for Social Inclusion

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**Abstract**— The amalgamation of business insight with the social responsibility, generating a positive impact on lives is the concept of the Social Entrepreneurship. The function of Social Entrepreneur is to identify the social problem and use the entrepreneurial principles to solve the same with a long term goal to bring broad-based social change. Despite its infancy in India, the Social Entrepreneurship has made significant contribution against the lethargic government and inefficient bureaucracy towards the many of the societal problems. This potential of the Social Entrepreneurship can be utilized to meet the targets of inclusive policy of the nation. India being heterogeneous in language, race and religion, culture, etc. suffers from the various kinds of social inequalities. Moreover, every third person in India, due to poverty is deprived from the education, employment, healthcare, sanitation, etc. resulting into social exclusion of the people. Successful examples Social Entrepreneurship like, Gramin Bank in Bangladesh, Amul in Gujarat have proved their worth in the process of social inclusion of marginalized people. However, the country needs many of such initiatives. The paper examines the features of Social Entrepreneurship to meet the various indicators of the social inclusion.

**Keywords**— Social Entrepreneurship, Social Inclusion, Poverty, Exclusion of Marginalized

## I. INTRODUCTION

The process of bringing a large scale social change through the entrepreneur skill is the Social Entrepreneurship. The process commences with the identification of the most pressing problem followed by the exploration of the innovative solutions and finally the application of entrepreneurial principles to launch a venture which may lead to the social change. The peculiarity of the social entrepreneurship is in persistent search for the novel idea to endow with the ethical and sustainable solution of the social issue. The ambitious tackling of the social cause through the social entrepreneurship does not only crack the problem but also bring a imperative change in the system and take a society to a new leap. The social mission of the social entrepreneurship may include service to the society, improvement of the social condition of the mass, solution for the community problem, endeavor for the social inclusion of the marginalized people with financial inclusion of poor. Though, the social entrepreneurship is the blend of the business insight with the social responsibility. The nature of the social entrepreneurship may be 'For-profit' or Non-profit' entity, that emphasizes on the objectives to serve the society rather than generating profit. Therefore, unlike the business enterprise of which the performance is measured in profit and returns, the assessment of the social entrepreneurship is made in terms of its impact on the society.

The term 'for profit' social enterprise refers to businesses with shareholder-owners that seek to address social problems by combining the dynamism of capitalized for-profit enterprise with the intentionally pro-social orientation of non-profit organizations. [1]

Since, the operation of the social entrepreneurship includes explicit formation mission to create and sustain social benefit, it involves high degree of economic risk. However, the autonomy in activities hunts new opportunities and explores the hidden resources for the mission. These make the social entrepreneurs visionaries, who could think and do 'out of box'. The synergetic approach to deal with the problem, instead of just the sum of individual idea leads to global collaborations.

## II. FEATURES OF THE SOCIAL ENTREPRENEURSHIP

Social entrepreneurship differs from the business enterprise because of its aim to generate profit. Nevertheless, social entrepreneurship also differs from non-governmental organizations in their aim and operation. The non-governmental organizations, typically, aim to immediate, short-time social change, while the social entrepreneurship, with a visionary approach aims to make a wide spectrum, sustainable, everlasting change. Social entrepreneurship offers innovative ways to break out the stagnant state of the society and provides the momentum so that it comes out of its sociological trap. Whenever, the system fails to bestow the desired results, the social entrepreneurship does not get hang-up with it, rather alters the structure of the system for the anticipated outcome.

Another peculiar feature of the social entrepreneur is about dealing with the target of the process. The victims of the system, who are affected persons, are considered as a part of the solution, instead of treating them as just passive beneficiary as the attitude of the non-governmental organizations. The focus of the social entrepreneurship remains on resources rather than lacuna and the deficiencies. The conference on 'Social Economy in the Central and Eastern European Countries' [2] have identified peculiar characteristics of the social entrepreneurship as follows,

- a) An explicit aim to benefit the community: One of the principal aims of social enterprises is to serve the community or a specific group of people. In the same perspective, a feature of social enterprises is their desire to promote a sense of social responsibility at local level.
- b) An initiative launched by a group of citizens: Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a well-defined need or aim; this collective dimension must be maintained over time in

- one way or another, even though the importance of leadership - often embodied by an individual or a small group of leaders – must not be neglected.
- c) A decision-making power not based on capital ownership: This generally means the principle of "one member, one vote" or at least a decision-making process in which voting power is not distributed according to capital shares on the governing body which has the ultimate decision-making rights. Moreover, although the owners of the capital are important, the decision-making rights are generally shared with the other stakeholders.
  - d) A participatory nature, which involves the various parties affected by the activity Representation and participation of users or customers, stakeholder influence on decision making and a participative management are often important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at local level through economic activity.
  - e) A limited profit distribution :Social enterprises not only include organizations that are characterized by a total non-distribution constraint, but also organizations which - like co-operatives in some countries - may distribute profits, but only to a limited extent, thus avoiding a profit-maximizing behavior.

### III. SOCIAL EXCLUSION IN INDIA

The issue of the social exclusion is too broad. The multiple causes for the social exclusion includes, lack of educational opportunity, malnutrition, derisory health-care, poor access to resources like water, electricity, transport, etc. More often than not, the poverty is been considered as an indicator of the social exclusion. However, poverty is the symptom of the social exclusion. The root cause for the poverty is unemployment and the reason for the unemployment; in most of the case be the lack of education. Even the informal education, viz. technical training, artisan, handicraft, etc. may increase the opportunities for the employment, which in turn eradicate the poverty. The Nobel laureate Mohammad Yunus opined that, "...poverty is an artificial creation. It doesn't belong to human civilization, and we can change that, we can make people come out of poverty (sic). The only thing we have to do is to redesign our institutions and policies." [3] As per the World Bank report, in India, the number of people living below the poverty line is 350 million out of 1.2 billion. i.e. every third Indian is deprived of education, employment and the health-care.

Social exclusion of the people is not just a state but it is the process. Only the process of reversal could upshot the inclusion of such excluded people in to the main stream of the society. The people suffering from the social exclusion are mainly marginalized people. Such marginalized people include jobless workers, destitute women, physically challenged; disable war veterans, ex-offenders, recovering addicts, ex-prisoners, etc. The marginalization is also on the basis of the race-religion, cast-community, trade or profession. In the multi-cultural, heterogeneous Indian society such people in minority are the victims of the social exclusion into a various geographical regions of the country.

It requires a dynamic process of the inclusion to curb the menace of the social exclusion. Various indicators of the social exclusion can be addressed with the specific course of action for the transformation of the marginalized people into a main stream. The street school, evening school, health insurance, mobile clinics, housing, water supply, etc. are the examples of such process. The protections of human rights, gender equality along with equal opportunity in economic and technological progress are the vital factors leading the inclusive growth of the minorities and the marginalized people. However, the state by and large has failed in the implementation of its own inclusive policy. The lack of political will, inefficiency of the bureaucracy and lethargy of the state machinery are the reason for the failure of the various national schemes under the designed inclusive policy.

Many of the non-governmental organizations are doing well in the aforesaid field of work towards the goal of the social inclusion. However, because of the non-professionalism, lack of expertise, myopic vision, routine conventional approach, short term objective, paucity of the fund and resources, the non-governmental organizations have not done better in achieving the targets of the social inclusion in India.

### IV. MODEL OF SOCIAL ENTREPRENEUR FOR SOCIAL INCLUSION

A model of the social entrepreneurship, targeting for the social inclusion is quite important in achieving the desired goal. The social activist need to adopt entrepreneurial mind set and cultivate the entrepreneurial environment. The entrepreneurial culture requires to create internal synergies in the process of decision making and to rely on the cross-functional team which brings to the table all the stakeholders in a given issue. [4] The social entrepreneur ought to possess various qualities like social skills, networking, creative problem solving, opportunity seeking, selling, interviewing, presentations, group leadership; as well as community co-operation, dealing with bureaucracy, local cultural norms and how they affect business.

S.K. Alter has classified the social enterprises into three types of structural model depending upon the organizational structure of the entrepreneurship and seven types of the operational models with the guideline of operational roadmap for the entrepreneur.[5] From among these models, the Embedded Social Enterprise model, being one of the classical in nature is popular in India. In this model the organizational activities are embedded within the organization's operation as well as in its social program. Also, the target population is either the target market or the beneficiary as an employee or an owner. As far as the operational model is concerned, the employment model, service-subsidization model and the Free-for-service model are prevalent in Indian society. The employment model of social enterprise provides employment opportunities to its target population. The employment model follows the Embedded Social Enterprise structure because the social program is at the core of the business. The service subsidization model of social enterprise sells products or services to an external market. The generated income is used to fund its social programs. The service subsidization is an integrated model because in this case the business activities and social

programs overlap, sharing costs, assets, operations, income, and program attributes. The fee-for-service model of social enterprise commercializes its social services and sells these social services either directly to the target population: individuals, firms, communities, or to a third party payer. This is also an embedded model.[6]

One of the most successful examples of social entrepreneurship in India is of Amul, which is structured on the co-operative model. The cooperative model of social enterprise provides direct benefit to its target population or "clients," cooperative members, through member services: market information, technical assistance/extension services, collective bargaining power, economies of bulk purchase, access to products and services, access to external markets for member-produced products and services, etc. The cooperative membership is often comprised of small-scale producers in the same product group or a community with common needs--i.e. access to capital or healthcare. Cooperative members are the primary stakeholders in the cooperative, reaping benefits of income, employment, or services, as well as investing in the cooperative with their own resources of time, money, products, labor, etc. The cooperative model is embedded: the social program is the business. The cooperative's mission centers on providing members' services. Financial self-sufficiency is achieved through the sales of its products and services to its members (clients) as well as in commercial markets. Cooperatives use revenues to cover costs associated with rendering services to its members and surpluses may be used to subsidize member services. They may distribute profits, but only to a limited extent, thus avoiding a profit-maximizing behavior.[7]

The modern versions of the social entrepreneurship common now a day are of Public Limited Company and the small structured proprietorship. The advantage with such venture is freedom to raise the capital from multiple resources as well as the transfer of ownership. Hence, the growth of the entrepreneurship become faster and it gets develop into perpetual organization beyond the founders involvement. Further, the hybrid model of for-profit and non-profit craft the entrepreneurship in a manner, that the for-profit entity is responsible for the core operation while the non-profit entity takes care about the activities of the social issues.

#### V. POLICY AND LEGAL FRAME-WORK

Most of the Social Entrepreneurships found in India are either on the cooperative model of private limited company. Though the government policies are there regarding the corporate social responsibility for business sector, there is no other structure available for the Social Entrepreneurship for the exclusive model of the social cause. On the other hand many of the service area are under the state or the public sector, apparently restricted for private players. For example, in case of an education, all the institutions in the field of the formal education are required to be non-profit organization. Since, there could not be equity investment in the field of an education; the private players are depleted into this potential area of the social inclusion. Realizing the need for the legal frame to encourage the social entrepreneurship, the developed countries have taken lots of initiatives. The various organizational form of the social entrepreneurship with expressed intention of social welfare are been formed in different countries. Few of them include, Low-profit Limited Liability Company (L3C) in US. As per the provisions [8] a business organized as an L3C has to pursue a charitable mission but can also distribute profits to its investors—although generating profit itself may not be a “significant” purpose. Thus, the L3C is an organization with the form of “the for-profit with a nonprofit soul”. It has to meet three requirements namely, the accomplishment of one or more charitable or educational purposes, significant purpose of the company should not be the production of income or the appreciation of property and the company must not be organized to accomplish political or legislative purposes. Thus, the L3C is intended to provide foundations with some assurances that a business will satisfy the tax law’s criteria for program related investment.

The other version of social entrepreneurship is Benefit Corporation. [9] According to its proponents, benefit corporations provide an off-the-shelf organizational form for entrepreneurs to run a for-profit business without the worry of shareholder lawsuits based on a board’s failure to maximize shareholder wealth. This form can also promote transparency by requiring reports on the social mission. The entity does not, however, have any formal or enforceable fiduciary duties to its intended beneficiaries or other non-shareholding stakeholders unless expressly provided for. A benefit corporation must create a general public benefit, and may also identify in its charter one or more specific public benefits. A general public benefit is “a material, positive impact on society and the environment, as measured by an independent third-party,” using transparent standards.

In the similar line the UK has developed the concept of the Community Interest Company. Community Interest Companies have a flexible company structure with a strong identity. They include a compulsory asset lock, and have the ability to raise share and loan capital. They can be a private company limited by shares or guarantee, or a public company. It is mandatory that the applicant must make a community interest statement identifying who the company intends to benefit and in what way. The asset lock means the company’s assets (including surplus profits) must be used for the benefit of the community it was set up to serve, or if transferred to a third party for another purpose then full market value must be attained. An annual report provides for transparency of operation, informing the Regulator of Community Interest Companies and the general public of what has been achieved by the money generated through the year.

India needs to provide legislation in the line of US and UK structures for the Social Entrepreneurship. With the well-designed policy and the legal frame-work the contribution of the social entrepreneurship shall become more significant.

#### CONCLUSION

Apart from the traditional function of the state : law, justice and order, a welfare state has a much expanded role ensuring its citizen public utilities like road, power, water supply, etc. along-with the merit goods such as education and health services, those who have positive externalities. Most of these services have been traditionally provided through in house facilities of the

government financed and managed by them. However, after more than six decades of the independence, the state has failed in the eradication of the poverty and providing basic necessities to its citizen. Hence, it is the high time for the state to invite, encourage and support the private sector including individuals and group of philanthropist for the social entrepreneurship in India. In order to create a trained man-power for the same, business-schools need to sensitize the students and prepare them for such social venture. Fiscal policy of the state needs to be revised for the adequate funding of the social entrepreneur in India. If the new legislation is not made for the purpose, the Micro, Small and Medium Enterprise Development Act, 2006 may be amended facilitating the social entrepreneurship with the exclusive motives of the social inclusion. Low-profit, Limited Liability Company Act and Benefit Corporation Act of US and Community Interest Companies Act from UK legislation may be taken as a blue print for the suitable legislation in India. Such legislative initiative would encourage the hybrid model of for-profit and non-profit enterprise with the requisite goal set for the social inclusion of the marginalized people.

National Innovation Council, Ministry of Social Justice and Empowerment in consultation of the Finance ministry and other department of the state, collectively may work out the modality for the concession to the social entrepreneurship from the respective ministry. These social entrepreneurs may also be placed under the observation of the independent monitoring body to estimate their impact ratio of the social return to the Investments. The collective efforts of the Social Entrepreneurs across the India could definitely attain the goal of the social inclusion and the homogeneous growth of the country.

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