

Social Entrepreneurship: A Sustainable Business Model lesson from Assam based Social Enterprises

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ABSTRACT

A sustainable business model reflects an approach towards doing business which ensures the sustenance of the entity through generation of revenue and project within the framework of the compliance of external and internal factors. Business has to operate in the relay of external factors such as environment and society and internal aspects which relate to the firm itself. These factors undergo change. The business model of an entity has to incorporate there in these changing phenomena. Externalities necessitate the firm to function in such a way not detrimental to environmental cleanliness and social welfare, which provide commitment and opportunities. Demographical changes play a key role on business growth. Internal factors relates to the firm's vision and mission and strategies concerning location, procurement and utilization of resources, production and service process, economies of scale, matching of products and services with the target customers and operational efficiency, costs, revenue and pricing decision influence the commercial viability of the firm. Innovativeness, competitiveness, marketing and personal management including knowledge transfer have to be taken note of availability of products and ease of access, reliability (consistent quantity), visibility, openness in business operation, value chain and supply chain are vital. This paper deals with the significance of these issues and inters- linkages. An entity may be successful when the long- term interests of the stakeholders are considered which should be dovetailed into the business model. This paper examines the different types of business models adopted by firms and their merits and demerits in the context of the changing trends within and outside the firm. Suitable examples of companies operating globally and in the domestic field are given.

1. Introduction

There are many challenges raised by sustainable development in various nations and with in particular organizations. Alike many questions are rising about social actors (social entrepreneurs) of their roles and wish to take proactive approaches of social responsibility. Current development associated with the globalization of economic helped destabilizing the existing economic system, causing socio-economic, ecological and environmental problems particularly in the emerging and developing countries. The growing inequalities among the villages, towns, cities, states and counties are one side and shortage of natural resources are other side, creating the problems of social exclusion, inequality, malnutrition and joblessness among the people. In view of these sea changes, social entrepreneurs are trying their best to pinnacle the root causes for the above mentioned evils practices and problems. Various organizations have applied a different business model consisting of simple reaction towards the pressure external by the economic changes to sustainable development.

However, these enterprises are establishing the connections for cooperation's among the people for available opportunities, but most of the enterprises are rooted in the conservative and age old practices (Elkington & Hartigan, 2008). In a manner unsettling to traditional theory of finance, strategy and economics, these social entrepreneurs often try to crate shared values by pursuing dual objectives (Alter, 2006, Pirson & Malhotra, 2008). The ultimate caveat for the business of each and every organization is financial profit along with creating the value for the customers (Teece, 2010). The enterprises are very much concerned for the commitment of

entrepreneurship rather than challenging the disciplinary knowledge and assumptions (Dacin, Dacin & Matear, 2010, Dart, 2004). In this regard, issues of the emerging business model in the third sector in the term of social entrepreneurship, as a means of solving social problem.

Similarly, the issues of sustainable business models are created vital performance of social enterprises despite all the apparent differences. Social entrepreneurs are adopting entrepreneurial process which is seen from sustainability point of view, and taken foundation of it's from business model innovations. Whatsoever the coinage of organic relationship between social enterprises and business model to the sustainable development, I set out to present the conceptual framework of social entrepreneurship with the help of present study of business model creating by different social enterprise which are bringing sustainable development with help of a case study on Rickshaw Bank, Centre for Rural Development, Assam based social enterprise.

2. Objectives

1. To explore the organic relationship between social enterprise and Business Model (BM).
2. To study social enterprises to reward the sustainability through Business Model.
3. To examine social enterprise role as a change maker for Rickshaw Pullers in the state of Assam.
4. To study the social and financial impact of social entrepreneurship to particular communities (Rickshaw Pullers).

3. Research Methodology

In order to fulfill the aforementioned objectives of the study, a well thought research methodology was adopted. The functions and activities of social enterprise are operating outside and within the state of Assam. Case study were conducted in selected number of social enterprises to have an in-depth study regarding the origin of the social enterprise, the impact of the social problems on the vision, mission, goals, approaches and business models adopted by the social enterprise, the interventions and strategies used by various social enterprise and their respective founder and stakeholders in bringing change in the mind set of the social entrepreneurship concerned and target people, role of stakeholder and their participation in this context.

4. Data Collection

In order to meet the requirement of the research study an appropriate planning was done to collect relevant data both from primary and secondary sources. The Assam state is selected for the purpose of this study.

5. Understanding of Social entrepreneurship

It is difficult to define and to scale the definitions for social entrepreneurship; however social enterprises are associations that are established for a particular social purpose. Social entrepreneurship occupy the prominent ground between conventional non- profit organization (NPOs) and conventional business. Social enterprise differs from conventional enterprise in which the social impact is taken as yardstick to measure the importance for maximizing the profit. For the better understanding to the social entrepreneurship, there is no single universal definitions for social entrepreneurship, thereof many author and policy maker perceive and explain in their own perspectives.

According to the Dees (2001) explain to the social entrepreneurs play a pivotal role in the transformation of social sector, in the following ways:

- ✓ Adopting a mission to create and sustain social value.
- ✓ Recognizing and relentlessly pursuing new opportunities to serve that mission
- ✓ Engaging in a process of continuous innovation, adaptation and learning
- ✓ Acting boldly without being limited by resources currently in hand and
- ✓ Exhibiting heightened accountability to the constituencies served and for outcome created.

From the above convictions the social entrepreneurship underpins social need and issues that pave the positive waves in the engagements of individuals, institutions, social capitals, natural resources, and their funding, selections, adaptations, organizations and executions for creating the value chain, base models and profitable cum canceled outcomes.

6. Social Entrepreneurship and Business Model

Social enterprise has become prominent approach to address societal problems in the third sector (non- profit organizations), government or business sectors to generate social impact. It is important to operate in an entrepreneurial

manner and by adopting the more social enterprise programs, tools methods and processes. Eventually social entrepreneurs proposed interventions through an entrepreneurial way and looking for a performance to bring social impact, based on their objectives, result orientated outputs and financial viability. According to Dacin et al (2010) confined that there is no agreement on the domain, places, boundaries, and forms for social entrepreneurship. Social ventures can alter between social mission and financial mission; both are depending on the entrepreneurial mission (Dees and Elias, 1998). According to the Tan, Williams and Tan (2005) said that social enterprise can take form on a range of descending degree of philanthropy that profit society. Alter (2006) suggested that the social entrepreneurship lies in its ability to combine social interest with business practices to effect social change. Individual social enterprise lies in the specific of its dual objectives: social impact and business model which refers to the degree of financial strength (Pirson, 2012).

The majority of argument suggested about core element of social entrepreneurial activities, refers to identification of opportunity, innovation, acquiring available resources, measuring impact and configuration sustainable business model as a core element of social entrepreneurial activity. It is important for an organization that develops a business model to sustained overtime. The business model was made popular in a Hamel's book-'leading the revolution', which incorporated developing customer relationship, frame a core strategy, promoting strategic resource and creating a value network (Hamel, 2000). The business model provides social entrepreneurship with a tool to communicate the long- term values of the social enterprise. Simme and Robinson state that social entrepreneurs may be involved in both activities for profit and not-for profit. In other side mentioned that social enterprise are pursue dual or triple bottom line objectives. In other hand Hockerts (2006) categorize social enterprise as employing hybrid business model, those pursuing dual objectives. Developing that kind of business model does not mean that social enterprise going towards their social objectives for the sake of financial gain. On the contrary creating the business models become a tool which improves inclusive performance and increases the overall impact of a social entrepreneurial activities.

7. Emerging Model of Social Entrepreneurship

Social entrepreneurs share the same drive to create viable and sustainable business. The social entrepreneur uses his/ her business to find solution to problem in communities. Thus social entrepreneurs focus on creating social value in addition to economic value. Social entrepreneurs are change agent, which act as the driving force behind sustainable social innovation, transforming field such as education, health, environment and enterprise development. It is considerable understanding that despite this focus, social entrepreneurs differ from social activists and advocates. They use entrepreneurial skills and business methods to build and sustainable for profit or non- profit organizations which become the vehicle to achieve their social objectives. It is question of whether or not we can differentiate entrepreneurship from social enterprise and what possibility of operate differently. Earlier, social and business have tended to grant dependent,

non- self sustaining and to employ non- entrepreneurial staff, which put the enterprise in unclear picture of definition and undermine its social value. Chell (2007) study promoted a social and community business based model which leads to entrepreneurial activities. It extended the characteristics of not-for personal profit enterprise to concentrate on social value creation and sustainability of business through reinvestment. Mair & Marti (2006) argue that social entrepreneurship can take place equally well on a for profit basis. Their assessment focused on identification of social needs, resources requirement, capital raising and create ability to capture opportunities in economic value.

In the exemplary explanation of business model of Dr. Hale, who has chosen for the Institute on World Health (IOWH) and the particular need that the organization addressed clearly support the acceptance of a not-for profit operating schemes and in other example, Muhammad Yunus has developed a business model for the Grameen Bank fits well with a for- profit scheme. There is another type of social enterprise except not-for profit and for- profit that highlights pro- social motives that drive the primary mission and emphasizes social outcomes. This is not able to explain to the sustainability that may be reinvested in the enterprise as business. Some social

enterprises that do not follow this model of aid dependence, though the beginning of commercial activities, not- for- profits receive pressure to become sustainable suggesting that there is a possibility for social enterprise to move from purely philanthropic to purely commercial (Dees, 1998). Chell (2007) explained about the survival of social enterprise, for this purpose social enterprises are required to make a surplus, which assured adopting business model by doing entrepreneurial behavior.

Amit & Zott (2001, 2008) give explanations on business model is a convention built around a consider business in which move or less directly a range of stakeholders participate along with the stakeholder who provide the resources and expertise in exchange for what they want from the established relation in term of value. It is refer to important to approach the business model through its three components which are the stakeholder unified around a social project, the resources and skill created, allocated and mobilized by these stakeholders and the value they expect in return for their investment for better understanding about business model in the social entrepreneurship context leads to the following schematic representation.

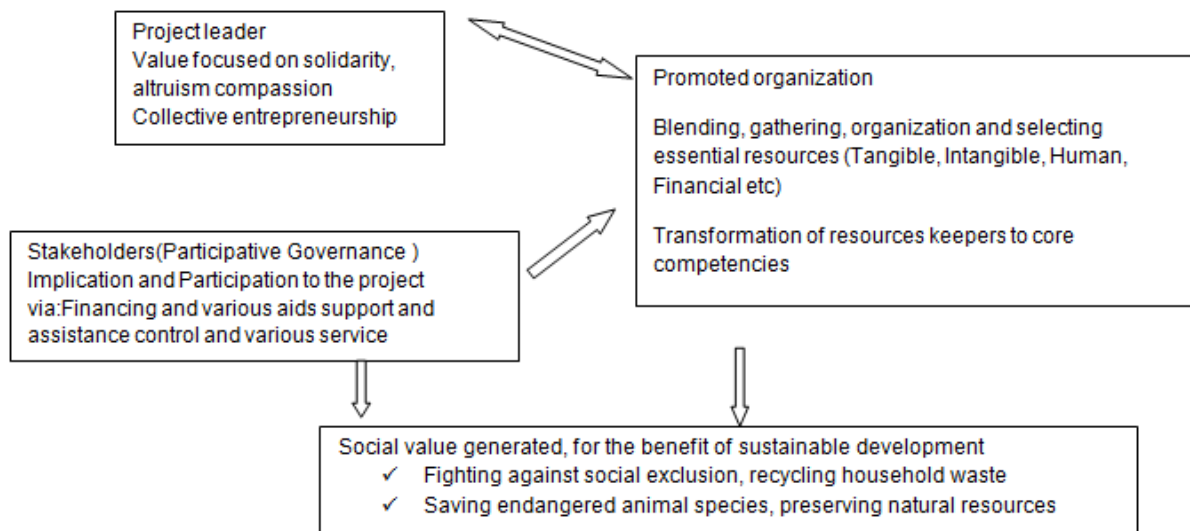


Fig 1: The Business Model: A Model of Conventions (Amit & Zott, 2001)

A business model consists of four interlocking elements that taken together create and deliver social value like value added proposition, principle of profit, required resources and key processes. Therefore, it must be noted that the preference of the social business model is stated by the characteristics of the identified social needs and the required resources such as material, culture and institution etc, mobilized towards achieving the social target (Mair& Marti, 2004).

8. Rickshaw Bank: Lesson from the Assam Based Social Enterprise

One such case we came across from the state of Assam based social enterprise is that of RICKSHAW BANK set up in Guwahati city in the North- Eastern part of the country, by a young veterinarian Dr. Pardip Kumar Sarmah, who claims to

be immensely inspired by Yunus. He observed that several rural poor end up in plying non- pulled rickshaws. These poor people are not able to manage their daily life expenses due to high charges imposed by rickshaw owner. Dr. Sarmah adopted the basic fundamental idea of Grameen Bank, which gave base to organized them and also brought the new ideas for initial investment. Rickshaw Bank provides the opportunities to carry advertisement at competitive rate, for this connection they approached to public sector. The Rickshaw Bank is less charging ₹7000 for carried the advertisement as compare to charges imposed by other advertising agencies, valid for three years. However, the advertising charges are similar to the price of rickshaw. Today he has explained his operations in several other states and runs his social enterprise very profitably.

9. Rickshaw Bank a Change Maker for Rickshaw Pullers

Center for Rural Development (CRD) an NGO working in the development sector came up with an innovative idea of running a rickshaw Bank. The project has been under implementation since November 2004. Dr. Pradip Kumar Sarmah (Executive Director) has observed that the rural population is increasing migrating to urban areas in search of better livelihood opportunities but due to lack of skill they end up facing even more misery. Quite a few of them start pulling rickshaw which they find easy to access. The operational areas of CRD are in North- East India, worked for sustainable development through a holistic approach. The CRD has identified interlinked engagement like agriculture, animal husbandry and fishery. The CRD has kept their top priority to ensure sustainable livelihood for rural poor families, mobilize local resources, and skill up by community participation.

It remarkable survey that there are 80 Lakhs estimated rickshaw pullers in India. Out of these estimation 95 percent rickshaw pullers are suffered of their daily needs as well as less possibility to survive with their dignity. These crises are most because rickshaw pullers are subjected to constrain by accessibility of banking services such as loan, insurance saving and missing the provision of linking with bank. The rickshaw bank addresses each of these concerns by facilitating their access to basic financial services and providing identifies proof to protect them from social stigma and harassment. Apart from these advantages, rickshaw puller can become owner of rickshaw after paying all premiums of loan. This commercially sustained model is applicable in other needy parts of India. Dr. Sarmah approached Rastriya Gramin Vikash Nidhi (RGVN) a developmental finance organization that promotes livelihood of people through community based organization and their initiative, Vet Aid Centre (VAC) for necessary financial support. That was the humble blessing of CRD. Since then CRD has been growing in diverse fields. The governance of CRD comprises by initial sponsor and eminent person with nine members.

10. Facilities for the Rickshaw Pullers

The loan amount was ₹ 13,500 for a rickshaw and the minimum daily installment amount was ₹ 30, in year 2010. CRD issued a passbook where saving and installment recovery status is maintained as well as municipality license and two sets of uniforms are also provided. CRD pays the first annual premium of ₹ 140 for the rickshaw puller, which covers in insurance of ₹ 9000 for the rickshaw ₹ 50,000 for the puller, ₹ 10,000 for the passenger and ₹ 35,000 towards medical insurance, the rickshaw puller is expected to renew the policy himself. Lighter model of vehicle enable the puller to carry more trips leading to more income (₹ 350 per day on an average in May 2010, irrespective of the weather) thus giving them ownership within 15 months. A dignified life and freedom from rickshaw merchant such as social security like insurance coverage, legal assistance, deposit of increased saving in rickshaw Bank, provision of uniform, identity cards, counseling to solve small domestic problems, improvement in overall personality of the puller and customer- friendly behavior.

Under the facilities of CRD, rickshaw Bank wanted to help the Rickshaw puller avail of the eye treatment. Therefore, it collaborated with Sri Sankardeva Nethralaya, Guwahati, this is

the one of the unit of Sankaradev Nethralaya, a not- for profit charitable eye hospital of Chennai, India. In 2005-06, CRD initiated a scheme of clothe distribution to the pullers in collaboration with Goonj, a New Delhi Based NGO. LPG connection was also provided to pullers in weekly installment. Special provisions were made with Assam Oil division of the Indian Oil Corporation Ltd.

All these measures were initiated to help the rickshaw pullers in addition to providing them a good quality rickshaw at a lower rented. However, lot needs to be done to help the rickshaw pullers in combating related to alcoholism, preventing communicable diseases among them and educating them.

11. Business Fundamentals

It is very simple way development can be explained as it should be undertaken through empowerment of local bodies has rightly been identified as an important way to alleviated poverty. One fundamental problem that enables poverty to persist in India as well in many other parts in the world is the unwillingness of banks to extend credit to the poor. Towards this conception Rickshaw Bank have some business fundamentals such as:

- The rickshaw are manufactured locally either in an in-house manufacturing unit operated by the CRD or supplied by local manufactures. These are then taken by a five- member common liability group that acts as the social collateral towards the loan. The products like rickshaw is available for target community, insurance facilities for the rickshaw puller, license for rickshaw puller and their rickshaw, medical- claim, uniform and identity card, fee based benefits are like cylinder gas connection, emergency loan and need based purchase items.
- Designed by the Indian Institute of Technology Guwahati and assembled at CRD's production centre, the Bank rickshaw is more aerodynamic, lighter than the traditional vehicle and has safer seating arrangement.
- Rickshaw puller, who are member of the rickshaw bank, from garages in different parts of the city to manage their saving, repair the rickshaw, update business record and collect rent.
- The repayment is collected on a daily basis due to occupational nature of rickshaw puller. This collected revenue utilized by bank premium cost of rickshaw, insurance, identity card, uniform and operating cost of services.
- Revenue generated on a loan- cum advertisement based model, which is play an important role to reduced the risk in the case of delayed premium from the rickshaw pullers.
- All the facilities provided by Rickshaw Bank can availed cost ₹ 9000 with including modification of rickshaw design as per requirement of rickshaw puller.
- Rickshaw Bank uses a combination of loans and advertisement on the rickshaw to raise funds. Once the ownership of the rickshaw changes, the bank gives 65 percent of the advertising revenue to the

driver 35 per cent for arranging and producing the advertisements.

12. Funding of the Programme

The CRD raised fund from the various public sector companies and corporate like Indian Oil Corporation, Hindustan Leaver Limited and Oil India Natural Gas Corporation for manufacturing improvised rickshaw by advertising then on the rickshaw for the period of 3 years at ₹7,000 per rickshaw. All these three company has paid for their advertisement on hundred rickshaws. Apart from these opportunities some financial institutions has also taken initiatives like ICICI and SBI, which provided loan ₹4 million and ₹3 million respectively. The ICICI bank considered as a team loan, whereas SBI bank supported with tripartite agreement among Rickshaw puller, SBI bank and CRD.

13. CRD with Corporate Partners

Corporate partner such as Hindustan Leaver Ltd (HLL), Oil and Natural Gas Corporation (ONGC) and Indian Oil Corporation (IOC) saw merit in the idea and spend in the project in return for advertising space behind the rickshaws. It is the strength of the partnership that has allowed 500 Assamese youth to take the first step to come out of poverty. India could do with more social entrepreneur like Dr. Sarmah with more corporations like HLL, ONGC and IOC and with more public- private partnership, but to really make social development work in the long run, government support will be required with some urgency. The Small Industries Development Bank of India and the National Bank for Agricultural and Rural Development (NABARD), two government organizations that were created to focus on rural development are setting on top of a pile case that has been highly underutilized. These organizations argue that there is not enough high quality projects to be funded. However example like rickshaw bank, CRD has given enough indication that there are high- quality ideas out there that merit attention.

14. Program out Reach

In Assam, the Rickshaw Bank has reached a target of 390 rickshaw pullers becoming owners and there is another 510 rickshaw pullers, who will soon join the organization from Assam. The Rickshaw Bank has expanded its activities to several other states like Tripura, Tamilnadu, Uttar Pradesh, Gujarat and Delhi. The income of the most of rickshaw pullers has recorded an increase of 60 percent. The Rickshaw Bank are encouraged to save as most of them can now open an account either in the post office or bank with the help of their photo- identity cards.

15. Findings

- ✓ Social entrepreneur where their motivations to achieve social change fuel them to engage in a business- like an entrepreneurial way of conducting their operations in order to transform their products or services in to income for economic sustainability of the communities and the social enterprise themselves.
- ✓ By creating business model in term of product development, marketing, capacity building,

partnership etc. they are not only able to produce products that are market- competition that give financial benefits but also empower them.

- ✓ The major learning from social entrepreneurs means to identify large global problems, defining socially desirable goal and employing effective business model to reach them.
- ✓ Financial organizations trying to become more socially responsible might find it harder than initially expected as that transition often requires a fundamental paradigm shift rather than simple operational changes.
- ✓ Rickshaw bank was created based on the belief that the public sector alone would not solve large- scale problem of poverty. The market can provide the innovative solutions but the public sector is an integral partner when we look to scale what works.
- ✓ Different from traditional banks which consider the poor unbankable rickshaw bank view the rickshaw pullers as future customers that need and deserve banking service like anyone else.
- ✓ Rickshaw bank aim to restore dignity of their struggling members and help them find a dignified livelihood, send their children to school as well as rickshaw pullers.
- ✓ Rickshaw owner could share a pride of ownership. Positive reflection of rickshaw bank on particular rickshaw pullers community said that there had been a remarkable attitudinal change on the part of rickshaws passengers to rickshaw pullers. Instead of using derogatory language, the rickshaw passengers treated the rickshaw bank pullers with some respects.

16. Conclusion

The objectives of this paper are to draw some light on a new business models, but a promising, concept in the context of a linkage between social enterprises and their business models. Whether considered as a means to amend the public service, or to deal with the declining role of the state, social entrepreneurship advocates social welfare and falls within sustainable development strategy through business models. The funding of their entrepreneurial project is the permanent concern of social entrepreneurs who are called to work together to find innovative solution to their society problems. Though this paper, we have attempted to identify one of the predominant business model, which is the mainly in the context of Assam state, India. This has led to the usefulness of mixed business model focusing of hybridization of resources within the context of progressive, collective, entrepreneurial and learning policy.

The proposal case study helps renew the linkage between the social entrepreneurship and innovative business model. This is presented conceptualization and operationalisation mode of sustainable social entrepreneurial business model through rickshaw bank. It is also make possible to boost research in social entrepreneurship oriented towards sustainable development and advocate a theoretical framework for future studies particularly those indulged in designed to social entrepreneurial social business model innovations. In the field of financial value creation through

social enterprise, will help identify their business model and highlight how their approaches to shared value creation

illuminate social responsible financial practices.

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