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## **The Role of Social Entrepreneurship in Sustainable Development in Developing Countries**

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### **Abstract**

Grameen Bank is an excellent example of a social enterprise and for that Mohammad Yunus, the founder, was awarded the Nobel Peace Prize in 2006. Popularity of social entrepreneurship has been growing in the contemporary world as social problems continue to grow and become more complex. In a developing country like India, social entrepreneurship has become a need of the hour as great proportion of the country's population lives in poverty and lacks opportunities.

Currently, there is not sufficient academic literature that explains how the social entrepreneurship is linked with sustainable development in developing economies. This paper aims to signify the role of social entrepreneurship when it comes to economic and sustainable development. The various challenges faced by such entrepreneurs as they try to do better for the society have also been described.

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## Introduction

The process of social entrepreneurship begins when an individual identifies a societal dilemma and utilizes entrepreneurial techniques to create a social venture that will drive a desirable social change. The measurement of success of a typical business venture is through profit and return but in case of a social venture, it's the positive return to society and the public at large. A social entrepreneur further expands his/her social venture by broadening his societal, cultural or environmental objectives. Social entrepreneurship is commonly assumed as not-for-profit sector, however such a venture need not be prevented from making a profit.

## Social Entrepreneurship

There is different market discipline for social entrepreneurs as compared to the one for business entrepreneurs. It is wrong to assume that any and every venture will cease to exist if it does not utilize their resources effectively and efficiently, especially when it comes to social ventures.

Social entrepreneurs wear the hat of change agent when they take charge of creation and sustainment of social value. In pursuit of achieving their social objectives, they relentlessly browse and take up opportunities. They continuously innovate, adapt and learn, just like a business entrepreneur but with different objective in mind. They make bold decisions without feeling demotivated by scarce resources and exhibit high accountability of the resulting outcomes.

## Sustainable Development

The term 'sustainable business' is typically associated with efficient utilization of energy, reduction, recycle and reuse of waste, CSR and charitable activities or to put it all in one broad phrase – 'giving as much as one receives'. Sustainable business courses in universities typically focus on the corporate aspect of sustainability but there are more aspects to it. A lot of start-ups coming up nowadays and even small businesses have started to give more attention to make their business processes align with sustainability. Being sustainable is a part of their mission, as opposed to many companies that are involved in CSR for the sake of their reputation or how it

helps in cutting costs and increasing profits. Such sustainable companies hold a special place in the hearts of those who value people and planet just as much as they value income and profit.

One of the defining traits of entrepreneurs as noted by Jeffrey Timmons, an entrepreneurship educator, is that they are obsessed with opportunities. They are on a constant lookout for opportunities to improve the lives of their existing and potential customers significantly. The same is also true for social entrepreneurs. Another common quality affiliated with the entrepreneurs is their way of implementing an innovation or an idea that may or may not be their own, but they take the initiative to address the issues of pricing, quality, usage, convenience etc. such that the invention is able to meet the needs and expectations of the market. Social entrepreneurs also possess this quality as they deliver to the public and the planet. Lastly, entrepreneurs possess the skill to utilize resources of their investors and generate revenues and returns. To get investors, they must be able to sell their business proposition and so must the social entrepreneurs as they convey their compelling mission to their investors.

### Role of Social Entrepreneur in Sustainable Development

1. Generation of employment opportunities: Job and employment generation is one of the major aspects in which social ventures give back to the society. Not only does a social venture make lives of its customers better but it also sustains households of people employed by it. About 7% of Indian workforce is employed in social entrepreneurship ventures. Not just the employment but the quality of employment that these organizations take up is also something to note. They are equal opportunity employers as they train and employ jobseekers who are at a disadvantage such as the disabled, the homeless, critical youth, long-term unemployed and gender discriminated women. The same can be illustrated with the case of Grameen in which lives of as many as 6 million women were positively affected since the initiative.
2. Invention of new products/services: Goods and services that are essential for social and economic development are created in these ventures. Various issues and societal problems such as fatal diseases, illiteracy, substance abuse and mental health are addressed, and attempts are made to confront these issues in innovative ways. The case of

a Brazilian social entrepreneur, Veronica Khosa can be used to illustrate as she developed a new approach for taking care of AIDS patients in home-based care facilities. Her approach became so popular that changes were made in the Government health policy to transfer the method to the public sector.

3. Social capital: The term means the resources that are built on the foundation of a strong and durable network which comprises of mutual relationships and recognition with the various stakeholders of the organization. Business ventures are usually more concerned about the economic capital they accumulate as they grow but social ventures have pride in the everlasting social capital they have created. The secret behind the developmental triumph of German and Japanese economies is their motivation to build ever-lasting association and cooperation, whether it is for innovation or industrial development or both.

The World Bank has also noted that social capital formation essential for poverty alleviation and sustainable development.

4. Equity Promotion: Social entrepreneurs take initiative to make the society more equitable as they address social problems and attempt to create continuous and sustainable impact. Equality is often an aspect of their mission, and it is considered more important than profit maximization. Grameen Bank is an example of equity promotion. J.B. Schramm is an American social entrepreneur who has helped various low-income high schoolers gain higher education, yet another example of how social entrepreneurs promote equity.

To conclude, social enterprises create a positive socioeconomic change by inventing goods and services to meet the social needs. Social entrepreneurship cannot be considered as a 'one cure for all ailments' because it is limited to socioeconomic framework, but it should still be given the much-needed attention by academicians and policy makers. They are even more important in developing and underdeveloped countries that constantly suffer from financial stress.

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## Challenges for Social Entrepreneur

The challenges faced by social entrepreneurs are very similar to ones faced by business entrepreneurs as they set up their business ventures attempt to sustain it while facing the continuously advancing business world. A social entrepreneur must know of the possible challenges and obstacle that may arise in his/her path to make informed decisions. Such major challenges are described in the following text:

First, governments of various countries have not recognized the social enterprises as an authorized field of undertaking. Such recognition is important to promote social entrepreneurship to masses by giving out incentives and new taxation policies for such enterprises. There is need to eliminate cumbersome regulations and paperwork requirements that stops individuals for starting their social ventures.

The traditional education system in India serves as an impediment to social entrepreneurship in the contemporary times. Education is main medium for promotion of entrepreneurship and instilling qualities to take initiative for social development, but the current system lacks specific curriculum for entrepreneurship related education. Although there is an increase in demand in this sector, entrepreneurship education is still limited to business and management graduates while the science and humanities students never study the subject as a part of their curriculum. This gap between business and the graduates of other streams is the reason why entrepreneurship sector is still struggling. The common folks do not have knowledge of this lucrative avenue. Even if business schools are still teaching entrepreneurship, the aspects of social entrepreneurship are not covered in their program. This is one of the major reasons why the number of competent and skilled promoters in the field of social entrepreneurship is so low as compared to other counterparts.

Another challenge in this field is the lack of collaboration between business and social entrepreneurs where a synergy can bring about competitive advantage that could mutually benefit both the parties. Linking up with the social entrepreneurs can be extremely beneficial for business to reach untapped markets as the social entrepreneurs spend decades in implementing innovative way for bringing the excluded customer segments to the market place. Another



benefit for businesses is how positively a collaboration would help it in attracting the best of talents. Candidates nowadays look for more than just high salary. They want to work at a place that gives meaning to their lives. Working at a business that supports social entrepreneurs reflects that the business does not only care about the bottom line.

Funding is a major concern for the Indian entrepreneurs. Normally, entrepreneurs raise capital through their personal funds or take a loan from unofficial lenders at a high interest rate, but such funding becomes a major financial burden in the later stages. The reason why these entrepreneurs must resort to unofficial money lenders is because banks are not ready to give out loans given the various social complexities involved with such an enterprise. The concern of funding brings the social enterprises possibility of attracting hostile reactions from financial institutions and the government. As a result, they are forced to take a dangerous road by seeking funding from venture capitalists or philanthropists. Several reforms have been strongly recommended to better equip these enterprises as they face such financial challenges in the 21<sup>st</sup> century. Various financial institutions have been criticized for not taking the needs of social entrepreneurs and the civil society at large into account. The institutes have become more sensitive because of such criticisms but it would take a lot more than that. The contemporary times are all about new innovations and experimentations and these institutions have a vital role to play in this process. They need to actively take the risk of funding these social ventures and equate it with opportunity that may result in global renewal. They need to promote such ventures, opening the ground for competent initiators with a mission to achieve social and economic development through their innovative ideas.

Improving the social welfare is the main task that social entrepreneurs attempt to deal with as they try to find and develop affordable and accessible solutions to various social issues. Every business activity carries cost and the same is true for social ventures as well. Usually, this cost is borne by the owner or through high-interest loans. As opposed to business ventures, social ventures do not expect any lucrative returns on their investment as their sole purpose is to solve a social problem through affordable means. On finding a solution to an existing problems, more businesses would start replicating the process with the social entrepreneurs' findings as a foundation and would act as a competition to the social ventures. The downside is these

businesses may price their offerings at a higher rate or lower rate, and in both cases the social venture is impacted negatively.

Another challenge for social entrepreneurs is that they need the support of foundations and philanthropists to catalyze social transformation. High net worth individuals and foundations are well positioned to help social entrepreneurs catalyze social transformation.

To align the goals of the organization with the needs of the various groups, social enterprises need to get the right people from various sources. This process can be challenging for the founders as they have to work together to achieve the goals of the organization. The social ventures usually employ people who are at employment disadvantage or underprivileged in order to meet their objectives more holistically. These people lack the skills so the cost for training them needs to be borne by the enterprise as well.

### Conclusion and Recommendations

The country's economy has been growing at a fast pace since the inception of the liberalization process in 1991. Despite this impeccable performance, the various social and environmental problems that the country faces have still not been resolved. Due to various social problems, India has seen an increase in the number of social entrepreneurs. They are trying to find solutions to these social problems. With continuously advancing technology and growing number of players and competitors in the market, social entrepreneurs must become dynamic and evolving.

The following are a few recommendations for the Indian social entrepreneurs to help them achieve their objectives:

- Social entrepreneurs can help higher education institutions develop social entrepreneurship curriculum so that students can become social entrepreneurs themselves.
- Regional inequalities can be eliminated by the flourishing of social enterprises in the country. It can also solve the social problems of the country's large population.
- Social ventures should create a network of consumers and businesses to promote their products and services. This will help improve the country's social conditions.

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