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Social Entrepreneurship – Creating Value for the Society

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Abstract: *Social entrepreneurship is the use of the techniques by start-up companies and other entrepreneurs to develop, fund and implement solutions to social, cultural, or environmental issues. This concept may be applied to a variety of organizations with different sizes, aims, and beliefs. Social Entrepreneurship is the attempt to draw upon business techniques to find solutions to social problems. Conventional entrepreneurs typically measure performance in profit and return, but social entrepreneurs also take into account a positive return to society. Social entrepreneurship typically attempts to further broad social, cultural, and environmental goals often associated with the voluntary sector. At times, profit also may be a consideration for certain companies or other social enterprises.*

Keywords: *Social Entrepreneurship, Values, Society.*

1. INTRODUCTION

1.1 Defining social entrepreneurship

Social entrepreneurship refers to the practice of combining innovation, resourcefulness, and opportunity to address critical social and environmental challenges. Social entrepreneurs focus on transforming systems and practices that are the root causes of poverty, marginalization, environmental deterioration and accompanying the loss of human dignity. In so doing, they may set up for-profit or not-for-profit organizations, and in either case, their primary objective is to create sustainable systems change. The key concepts of social entrepreneurship are innovation, market orientation and systems change.

1.2 Who are Social Entrepreneurs?

A social entrepreneur is a society's change agent: pioneer of innovations that benefit humanity. Social entrepreneurs are drivers of change. Together with institutions, networks, and communities, social entrepreneurs create solutions that are efficient, sustainable, transparent, and have a measurable impact. A few examples of social entrepreneurs and their systems-changing solutions include:

- Muhammad Yunus' Grameen Bank which spearheaded microfinance globally
- Carlo Petrini's "slow food movement" which currently has 100,000 members in 132 countries committed to rescuing cultural traditions and the preserving biodiversity
- Wendy Kopp's Teach for America which transforms educational opportunities for low-income groups whilst recruiting top university students to work in America's worst-performing public schools.

1.3 Social entrepreneurs are united by their ability to

- Adopt a mission to create and sustain social value (not just commercial value)
- Recognise and relentlessly pursue new opportunities to serve that mission
- Engage in a process of continuous innovation, adaptation, and learning
- Act boldly without being limited by resources currently in hand, and
- Exhibit a heightened sense of accountability to the constituencies served and for the outcomes created.

1.4 Major Organisations

Groups focused on social entrepreneurship may be divided into several categories: Community-based enterprises, Socially responsible enterprises, Social services industry professionals, and Socio-economic enterprises. Community-based enterprises are based on the social ventures of an entire community that uses its culture and capital to empower itself as an entire enterprise. Socially responsible enterprises focus on creating sustainable development through their initiatives that focus mostly on societal gains. Social service industry professionals work specifically in the sector of social services to expand social capital for different individuals, communities, and organizations. Socio-economic enterprises include corporations that balance earning profits and non-profit social

change for communities. In addition, there are organizations dedicated to empowering social entrepreneurs, connecting them with mentors, strengthening their enterprise models, and preparing them for capital investments.

Social entrepreneurship is distinct from the concept of entrepreneurship, yet still shares several similarities with the classic concept. Jean-Baptiste Say, a French economist, defined an entrepreneur as a person who "undertakes" an idea and shifts perspectives in a way that it alters the effect that an idea has on society. An entrepreneur is defined by Peter F. Drucker as someone who "shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." The difference between "entrepreneurship" and "social entrepreneurship", however, stems from the purpose of a creation. Social entrepreneurs seek to transform societies at large, rather than transforming their profit margin, as classic entrepreneurs typically seek to do. Social entrepreneurs use a variety of resources to bring societies into a better state of well-being.

1.5 Types of Social Entrepreneurship

1. **The Leveraged Non-Profit:** This business model leverages resources in order to respond to social needs. Leveraged non-profits make innovative use of available funds, in order to impact a need. These leveraged non-profits are more traditional ways of dealing with issues, though are distinguished by their innovative approaches.
2. **The Hybrid Non-Profit:** This organizational structure can take on a variety of forms, but is distinctive because the hybrid non-profit is willing to use the profit to sustain its operations. Hybrid non-profits are often created to deal with government or market failures, as they generate revenue to sustain the operation outside of loans, grants, and other forms of traditional funding.
3. **The Social Business Venture:** These models are set up as businesses designed to create change through social means. Social business ventures evolved through a lack of funding—social entrepreneurs in this situation were forced to become for-profit ventures.

2. SOCIAL ENTREPRENEUR - MUHAMMAD YUNUS

Muhammad Yunus (born 28 June 1940) is a Bangladeshi social entrepreneur, banker, economist and civil society leader who was awarded the Nobel Peace Prize for founding the Grameen Bank and pioneering the concepts of microcredit and microfinance. These loans are given to entrepreneurs too poor to qualify for traditional bank loans. In 2006, Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize "for their efforts through microcredit to create economic and social development from below".

After his graduation, Yunus joined the Bureau of Economics as a research assistant to the economics researches of Professor Nurul Islam and Rehman Sobhan. Later, he was appointed a lecturer in economics in Chittagong College in 1961. During that time, he also set up a profitable packaging factory on the side. In 1965, he received a Fulbright scholarship to study in the United States. He obtained his Ph.D. in economics from the Vanderbilt University Graduate Program in Economic Development (GPED) in 1971. From 1969 to 1972, Yunus was an assistant professor of economics at Middle Tennessee State University in Murfreesboro.

In 1976, during visits to the poorest households in the village of Jobra near Chittagong University, Yunus discovered that very small loans could make a disproportionate difference to a poor person. Village women who made bamboo furniture had to take usurious loans to buy bamboo, and repay their profits to the lenders. Traditional banks did not want to make tiny loans at reasonable interest to the poor due to high risk of default. But Yunus believed that, given the chance, the poor will repay the money and hence microcredit was a viable business model. Yunus lent US\$27 of his money to 42 women in the village, who made a profit of BDT 0.50 (US\$0.02) each on the loan. Thus Yunus is credited with the idea of microcredit alongside Dr. Akhtar Hameed Khan, founder of the Pakistan Academy for Rural Development (now Bangladesh Academy for Rural Development), whom Yunus greatly admired.

In December 1976, Yunus finally secured a loan from the government Janata Bank to lend to the poor in Jobra. The institution continued to operate, securing loans from other banks for its projects. By 1982, it had 28,000 members. On 1 October 1983, the pilot project began operation as a full-fledged bank for poor Bangladeshis and was renamed Grameen Bank ("Village Bank").

3. REVIEW OF LITERATURE

An attempt has been made to review case studies and the work of individual researchers, magazines, journals, articles pertaining to the concept social entrepreneurship to bring the essentials of creating value to the society.

Entrepreneurship has been a well-defined area within economic theory since Schumpeter published his seminal work in 1911 (Swedberg 2000), but social entrepreneurship was not a core element in such general entrepreneurship theory and was hardly dealt with or even mentioned in textbooks or review articles on entrepreneurship. Steyart and Hjorth (2006) stress that research on and development of social entrepreneurship was undertaken, until recent years, by scholars and experts who typically did not belong to the field of entrepreneurship. Lepoutre et al (2011) point to the fact that research in the field is characterized by case studies and success stories, and lacks a theoretical base and therefore generalizability. Although there are differences between the concepts of "social enterprise", "social entrepreneurship" and "social entrepreneur" (Defourny and Nyssens 2008), the growth of interest in this area is closely related to the fact that social enterprises constitute the fastest growing category of organisations in the USA (Austin et al. 2003), and to the fact that universities and business schools around the globe are currently involved in various education programmes in social entrepreneurship and social enterprise. Thus, there is a fast growing interest in this field among both academics and practitioners in the area (Hulgård 2010). In a recent overview, Hulgård (2010) points at the background and driving forces: Research on social entrepreneurship was, in its initial phase, driven in the USA and Europe by practitioners I Lepoutre et al (2011). Examples of exceptional persons bringing about social change whom we may label today as social entrepreneurs. According to Nicholls (2006), the term "social entrepreneur" was first introduced in 1972 by Banks, who noted that social problems could also be deployed by managerial practices. Even though social entrepreneurship, albeit under different headings, gained practical relevance during the 1970s and 1980s, it was not until the 1990s that the subject attracted attention from both governments and

academia. The Italian government created the first social firm model by adopting a specific legal form for social co-operatives in 1991.

4. NEED FOR THE STUDY

Social entrepreneurship is the use of the techniques by start-up companies and other entrepreneurs to develop, fund and implement solutions to social, cultural, or environmental issues.^[1] This concept may be applied to a variety of organizations with different sizes, aims, and beliefs.^[2] For-profit entrepreneurs typically measure performance using business metrics like profit, revenues, and increases in stock prices, but social entrepreneurs are either non-profits or blend for-profit goals with generating a positive "return to society" and therefore must use different metrics. Social entrepreneurship typically attempts to further broad social, cultural, and environmental goals often associated with the voluntary sector in areas such as poverty alleviation, health care, and community development. At times, profit-making social enterprises may be established to support the social or cultural goals of the organization but not as an end in itself. For example, an organization that aims to provide housing and employment to the homeless may operate a restaurant, both to raise money and to provide employment for the homeless. In the 2010s, social entrepreneurship is facilitated by the use of the Internet, particularly social networking, and social media websites. These websites enable social entrepreneurs to reach a large number of people who are not geographically close yet who share the same goals and encourage them to collaborate online, learn about the issues, disseminate information about the group's events and activities, and raise funds through crowdfunding.

Muhammad Yunus is a Bangladeshi economist who founded the Grameen Bank in 1983 to provide credit to the poor. Access to credit, he believes, is a fundamental human right. Grameen Bank has 1,084 branches in Bangladesh and serves 2.1 million borrowers in 37,000 villages. On any working day, it collects an average of \$1.5 million in weekly installments. Over 94 % of the borrowers are women and 98% of the loans are paid back. He was awarded the Nobel Prize for Peace in 2006. Hence, this paper makes an attempt to study the efforts of Mr. Mohammad Yusuf towards social entrepreneurship and its impact on the society.

5. OBJECTIVES OF THE STUDY

- To study the essence of social entrepreneurship.
- To evaluate the effectiveness of Mr. Mohammad Yusuf in taking the society to a different altitude from a mere domestic level to an international level.
- To appreciate the efforts of Mohammad Yusuf and his social entrepreneurial activities.

6. METHODOLOGY

Information for the study was collected from Secondary sources. It was collected from various online sources, books, and journals.

7. LIMITATION OF THE STUDY

- The study is confined only to Mr. Mohammad Yusuf and his social entrepreneurship activities.

7.1. Grameen Bank

The **Grameen Bank** is a Nobel Peace Prize-winning microfinance organization and community development bank founded in Bangladesh. It makes small loans (known as microcredit or "grameen credit") to the impoverished without requiring collateral. The name Grameen is derived from the word *gram* which means "rural" or "village" in the Sanskrit language.

Grameen Bank originated in 1976, in the work of Professor Muhammad Yunus at University of Chittagong, who launched a research project to study how to design a credit delivery system to provide banking services to the rural poor. Based on his results, in October 1983 the Grameen Bank was authorized by national legislation as an independent bank. In 2006, the bank and its founder, Muhammad Yunus, were jointly awarded the Nobel Peace Prize.

7.1.1. Application of Micro Credit:

Grameen Bank is founded on the principle that loans are better than charity to interrupt poverty: they offer people the opportunity to take initiatives in business or agriculture, which provide earnings and enable them to pay off the debt. The bank is founded on the belief that people have endless potential, and unleashing their creativity and initiative that helps them end poverty. Grameen has offered credit to classes of people formerly underserved: the poor, women, illiterate, and unemployed people. Access to credit is based on reasonable terms, such as the group lending system and weekly installment payments, with reasonably long terms of loans, enabling the poor to build on their existing skills to earn a better income in each cycle of loans. Grameen's objective has been to promote financial independence among the poor. Yunus encourages all borrowers to become savers so that their local capital can be converted into new loans to others. Since 1995, Grameen has funded 90 percent of its loans with interest income and deposits collected, aligning the interests of its new borrowers and depositor-shareholders. Grameen converts deposits made in villages of loans for the needier in the villages (Yunus and Jolis 1998). It targets the poorest of the poor, with a particular emphasis on women, who receive 95 percent of the bank's loans. Women traditionally had less access to financial alternatives of ordinary credit lines and incomes. They were seen to have an inequitable share of power in household decision making. Yunus and others have found that lending to women generates considerable secondary effects, including empowerment of a marginalized segment of society (Yunus and Jolis 1998), who share betterment of income with their children, unlike many men. Yunus claims that in 2004, women still have difficulty getting loans; they comprise less than 1 percent of borrowers from commercial banks (Yunus 2004). The interest rates charged by microfinance institutes including Grameen Bank is high compared to that of traditional banks; Grameen's interest (reducing balance basis) on its main credit product is about 20%. Grameen has diversified the types of loans it makes. It supports hand-powered wells and loans to support the enterprises of Grameen members' immediate relatives. It has found that seasonal agricultural loans and lease-to-own agreements for equipment and livestock help the poor establish better agriculture. The bank has

set a new goal: to make each of its branch locations free of poverty, as defined by benchmarks such as having adequate food and access to clean water and latrines.

Grameen Bank is best known for its system of solidarity lending. The Bank also incorporates a set of values embodied in Bangladesh by the *Sixteen Decisions*. https://en.wikipedia.org/wiki/Grameen_Bank - cite note-22 At every branch of Grameen Bank, the borrowers recite these Decisions and vow to follow them. As a result of the Sixteen Decisions, Grameen borrowers have been encouraged to adopt positive social habits. One such habit includes educating children by sending them to school. Since the Grameen Bank embraced the Sixteen Decisions, almost all Grameen borrowers have their school-age children enrolled in regular classes. This, in turn, helps bring about social change and educate the next generation.

Solidarity lending is a cornerstone of microcredit, and the system is now used in more than 43 countries. Although each borrower must belong to a five-member group, the group is not required to give any guarantee for a loan to its members. Repayment responsibility rests solely on the individual borrower. The group and the center oversee that everyone behaves responsibly and none gets into a repayment problem. No formal joint liability exists, i.e. group members are not obliged to pay on behalf of a defaulting member. But, in practice, the group members often contribute the defaulted amount with an intention to collect the money from the defaulted member at a later time. Such behavior is encouraged because Grameen does not extend further credit to a group in which a member defaults.

No legal instrument (no written contract) is made between Grameen Bank and its borrowers; the system works based on trust. To supplement the lending, Grameen Bank requires the borrowing members to save very small amounts regularly in a number of funds, designated for an emergency, the group, etc. These savings help serve as an insurance against contingencies.

In a country in which few women may take out loans from large commercial banks, Grameen has focused on women borrowers; 97% of its members are women. While a World Bank study has concluded that women's access to microcredit empowers them through greater access to resources and control over decision making, some other economists argue that the relationship between microcredit and women-empowerment is less straightforward.

In other areas, Grameen has had very high payback rates—over 98 percent. However, according to the *Wall Street Journal*, in 2001 a fifth of the bank's loans were more than a year overdue. Grameen says that more than half of its borrowers in Bangladesh (close to 50 million) have risen out of acute poverty thanks to their loan, as measured by such standards as having all children of school age in school, all household members eating three meals a day, a sanitary toilet, a rainproof house, clean drinking water, and the ability to repay a 300 taka-a-week (around 4 USD) loan.

7.1.2. Village Phone Program

The bank has diversified among different applications of microcredit. In the Village Phone program, women entrepreneurs can start businesses to provide wireless payphone service in rural areas. This program earned the bank the 2004 Petersburg Prize worth EUR 100,000, for its contribution of Technology to Development. In the press release announcing the prize, the Development Gateway Foundation noted that through this program:

Grameen has created a new class of women entrepreneurs who have raised themselves from poverty. Moreover, it has improved the livelihoods of farmers and others who are provided access to critical market information and lifeline communications previously unattainable in some 28,000 villages of Bangladesh. More than 55,000 phones are currently in operation, with more than 80 million people benefiting from access to market information, news from relatives, and more.

7.1.3. Struggling Members Program

In 2003, Grameen Bank started a new program, different from its traditional group-based lending, exclusively targeted to the beggars in Bangladesh. This program is focused on distributing small loans to beggars. The loans are completely interest-free, the repayment period can be arbitrarily long, and the borrower is covered under life insurance free of cost. For example, a beggar taking a small loan of around 100 takas (about US \$1.50) may pay back only 2.00 taka (about 3.4 US cents) per week.

7.1.4. Housing Loans

In 1984, Grameen applied to the Central Bank for help setting up a housing loan program for its borrowers. Their application was rejected on the grounds that the \$125 suggested loan could not possibly build a suitable living structure. So Grameen instead proposed the idea of "shelter loans". They were again rejected, this time on the grounds that their borrowers could not afford non-income generating loans. Grameen changed tactics and applied a third time, this time to make "factory loans", the explanation being that borrowers worked from home, so the home was also a factory that made it possible for borrowers to earn income. Grameen was rejected for the third time. After this third rejection, Yunus, the bank's founder, met personally with the Central Bank governor to plead for their application. When asked if he thought the borrowers would repay the loans, he replied, "Yes, they will. They do. Unlike the rich, the poor cannot risk not repaying. This is the only chance they have." Grameen was then allowed to add housing loans to their range of services. As of 1999, Grameen has made housing loans totaling \$190 million to build over 560,000 homes with near-perfect repayment. By 1989, their average housing loan had grown to \$300. That year, the Grameen housing program received the Aga Khan International Award for Architecture.

7.1.5. Grameen Bank's Perception of People with Economic Disadvantages: When Muhammed Yunus took the first steps toward establishing Grameen Bank in Bangladesh and began to provide micro-credit loans to those living in abject poverty in the rural area surrounding Jobra, he adopted and maintained two basic premises. First, that credit is a human right; second, that the poor are those who know best how to better their own situation. As Grameen bank has developed and expanded in the years since its beginning, it continues to operate on those same two principles. Today, the Grameen bank still assumes that when individuals are provided credit, they will be able to initiate upward social mobility for themselves through entrepreneurial endeavors. As a result, Grameen differs from many other social justice efforts in that it does not include intensive rehabilitation training programs for the

disadvantaged persons it serves. Instead, Grameen gives its borrowers freedom to pursue a better future using the skills they already possess in the best way they can with membership in a five-person support group being the only requirement. In an interview with PBS in 2006, (after sixteen years of experience with Grameen Bank as a social business) Yunus expressed satisfaction in the micro-credit system of the Grameen bank as a motivation and an opportunity for the poor to improve their own situations. He stressed that he has observed that Grameen's borrowers attain a sense of confidence and self-sufficiency when they pay back their loans from Grameen bank. While being careful not to criticize charity's rightful place, he added that the recipient of a charitable gift does not experience these long-term emotional benefits in the same way.

CONCLUSION

Social entrepreneurship in modern society offers an altruistic form of entrepreneurship that focuses on the benefits that society may reap. Simply put, entrepreneurship becomes a social endeavor when it transforms social capital in a way that affects society positively. It is viewed as advantageous because the success of social entrepreneurship depends on many factors related to the social impact that traditional corporate businesses do not prioritize. Social entrepreneurs recognize immediate social problems, but also seek to understand the broader context of an issue that crosses disciplines, fields, and theories. Gaining a larger understanding of how an issue relates to society allows social entrepreneurs to develop innovative solutions and mobilize available resources to affect the greater global society.

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