Social entrepreneurship in India: game-changer or a passing fad?

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Social entrepreneurship is an appealing concept, because of the promise it holds for societal transformation. Unlike traditional entrepreneurship, where the value proposition is organized around serving markets that can afford the product or service, thus creating financial profit, social entrepreneurship creates new livelihoods and value for unexpected market and customer segments. It intentionally targets underserved, neglected or highly disadvantaged populations, with the aim of creating large-scale transformational benefits.

In this paper, we demystify social entrepreneurship, especially within the Indian context, by delving into its definition, identifying its boundaries and multidimensionality, and critically evaluating whether social entrepreneurship is indeed a game-changer or mere fad.

A new paradigm for change?

The World Economic Forum's Global Gender Gap Report 2020 posits that closing the gender gap could augment the global gross domestic product (GDP) by a staggering USD 12 trillion by 2025. The World Bank's Global Findex Report highlights that integrating excluded populations into the formal economy can serve to amplify GDP growth and alleviate poverty. Such integration unlocks the latent potential of previously untapped markets and resources, spurring new business opportunities and invigorating local economies with fresh innovation and entrepreneurship.

These reports are part of a growing body of evidence suggesting that social entrepreneurship, with its focus on creating value for marginalized and underserved segments, is not just ethical but also economically astute. By targeting the roots of social inequity, social entrepreneurs catalyze change that reverberates through the entire fabric of society, fostering economic growth, stimulating innovation and enhancing social well-being.

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Beyond economics, social cohesion emerges as another vital benefit of social entrepreneurship. Inequity is a harbinger of social unrest and division; but, by bridging these gaps, social enterprises enhance educational outcomes, health and the overall quality of life, knitting together the social fabric with threads of inclusion and belonging. The *Stanford Social Innovation Review* echoes this sentiment, reporting that companies that pivot toward underserved markets manage to conjure a positive social impact without sacrificing financial returns (Choi et al., 2021).

Health and well-being are also entwined with social inequity. By prioritizing the social determinants of health, such as equitable access to health care, education and employment, social entrepreneurs can level the playing field, leading to healthier and more resilient communities.

Innovation and creativity, too, are byproducts of diversity and inclusion. When a tapestry of perspectives and experiences is woven into the corporate culture, the result is often a hotbed of creativity, leading to products and solutions that cater to a wider audience and have the potential to address complex societal issues.

Lastly, the pursuit of social equity is indispensable for sustainable development. The United Nations Sustainable Development Goals (SDGs) emphasize this in their call to reduce inequalities within and across countries. Social entrepreneurship, by aligning closely with these goals, plays a pivotal role in constructing a sustainable future that has space for everyone.

Bridging divides

The dynamism of social entrepreneurship in India is particularly evident when we consider its approach to underserved markets. These markets are composed of segments of the population that face barriers to accessing products, services or resources, whether because of geographical isolation, economic status, cultural factors or systemic discrimination.

In addressing these challenges, social entrepreneurs have demonstrated that they are undeterred by the complexities of reaching and uplifting underserved markets. Rather, they view them as opportunities for innovation and impact. For instance, social enterprises have found novel ways to bridge the gap between limited purchasing power and the need for essential services. Geographical barriers that once seemed insurmountable are being overcome by leveraging technology and creating new distribution networks. Furthermore, tackling a lack of awareness has been crucial for social enterprises aiming to reach deeper into underserved communities.

In weaving the fabric of a new market paradigm, social enterprises have shown that the scaling of their models can be made a practical reality. They have shown that serving the needs of the underserved can lead to viable business models that are both profitable and impactful. The social entrepreneurship narrative in India, therefore, is one that interlinks the economic with the ethical and profit with purpose. It is a narrative which recognizes that a nation's growth and development depends fundamentally on the inclusivity of its growth strategies. By creating systems that are resilient, adaptable and inclusive, social entrepreneurs are helping to ensure that "underserved" becomes obsolete term.

The ripple effects of inclusivity: health care

In the context of health care, social entrepreneurship serves as a crucial vector for addressing the systemic inequities that plague Indian society. These inequities are multifaceted, spanning geographical reach, financial barriers and social disparities, each contributing to a complex web of challenges that require innovative and sustainable solutions.

Geographically, the distribution of health care professionals in India is alarmingly skewed, with approximately 70 percent of doctors residing in urban areas. This leaves over 65 percent of the rural population with limited access to health care specialists, a reality highlighted by the stark statistics on rural health (Rural Health Statistics 2021–22).

Financial barriers further exacerbate the situation. With only around 50 percent of Indians covered by health insurance, a significant proportion of the population, particularly in rural areas, remains vulnerable. High out-of-pocket health care expenditures, which hover around 60 percent according to the World Bank, push quality care beyond the reach of low-income families, ensnaring them within a vicious cycle of poverty and ill health.

Moreover, social inequities continue to hinder health care accessibility. Gender disparity is evident, with women experiencing lower health care utilization rates than men (Agrawal and Ashokan, 2023). Additionally, marginalized communities often confront discrimination and social stigma when seeking medical attention, further entrenching the gaps in health care provision.

In the pursuit of addressing these gaps, social entrepreneurs in India have been at the forefront of transformative change. They have introduced models that not only challenge the status quo but also demonstrate potential scalability and promise substantial impact. An exemplar of such innovation is the work of Aravind Eye Care System, which has revolutionized eye care delivery in India. By utilizing a cross-subsidy model, they offer high-quality eye care services that are affordable and accessible to all, irrespective of the ability to pay. This model has not only expanded its reach into underserved areas but has also significantly contributed to reducing blindness at a national level.

To tackle financial barriers, social enterprises like Swasth Foundation have developed community health insurance schemes tailored for informal sector and low-income families. Such initiatives alleviate the burden of out-of-pocket expenses and facilitate access to a network of quality health care providers, ensuring that financial constraints do not impede the health and well-being of individuals.

The ripple effects of inclusivity: financial

Social entrepreneurship also has a critical role to play in the realm of financial inclusion in India. Financial inclusion is integral to achieving inclusive growth and is a fundamental building block for poverty alleviation and wealth equality.

Account ownership is a primary indicator of financial inclusion. While Pradhan Mantri Jan Dhan Yojana (PMJDY) has been successful in opening bank accounts, over 20 percent of Indian adults still do not have a bank account, according to the World Bank's Global Findex Database 2021. Moreover, the mere existence of a bank account does not equate to financial empowerment, if the account remains inactive, which is the case for many.

Geographical reach continues to pose significant challenges. Rural regions lag considerably behind urban areas with respect to financial inclusion, with account ownership in rural regions standing at around 63 percent, in stark contrast to the 80 percent in urban areas. The scarcity of physical banking infrastructures, such as bank branches and ATMs, creates formidable barriers to rural inhabitants engaging with formal financial systems.

The lack of digital literacy and awareness of financial products further limits access to financial services. Although the digital revolution holds promise for bridging the financial inclusion gap, the potential remains largely untapped due to the digital divide. Many individuals, particularly in rural and marginalized communities, are not equipped with either the knowledge or tools required to benefit from digital financial services.

Additionally, the gender gap in financial inclusion cannot be overstated. Women's account ownership stands at around 59 percent, compared to 78 percent for men. Social norms and limited mobility often restrict women's access to financial institutions, reinforcing gender disparity and preventing women from fully participating in the financial system.

Social entrepreneurship can serve as a catalyst for change by addressing these challenges head-on. By employing technology and leveraging community networks, social entrepreneurs can provide a bridge over the gaps in account ownership, geographical reach, digital literacy and gender disparity.

For example, organizations like Rang De and Milaap use peer-to-peer lending platforms to enable micro and small entrepreneurs, many of whom are women, to access credit. These platforms not only provide necessary funds but also foster trust and support among lenders and borrowers.

In tackling the issue of geographical reach, social enterprises like FINO PayTech have developed agent-based models in order to bring banking services to remote areas. These agents act as human ATMs, offering basic banking services to those without access to bank branches, thereby expanding the financial inclusion map into rural landscapes.

It is clear that the interconnectivity of health care, education and financial inclusion is central to the social entrepreneurship ecosystem. By creating systems that address disparities within these critical sectors, social entrepreneurs are laying the foundation for a more equitable and prosperous India. The success of these ventures in fostering inclusivity and generating social impact will ultimately determine whether social entrepreneurship can transform the underserved markets of today into the inclusive markets of tomorrow, thereby proving itself to be a true game-changer in the landscape of Indian socioeconomic development.

Social entrepreneurship in the Indian context

The social inequities present in India stem from a multitude of parameters that extend beyond economic, locational and gender considerations. These parameters have traditionally defined social exclusion, capturing the plight of low-income groups, rural inhabitants, women and socially disadvantaged communities. However, the evolving landscape of social inequities now reveals composite patterns that challenge these conventional definitions.

Consider the paradox of wealthy farmers who, although not financially deprived and enjoying a higher social status, are disadvantaged by their geographical location. Residing in areas rich in natural resources but impoverished in terms of medical and transport infrastructure, these individuals exemplify how traditional measures of wealth and status do not always align with access to essential services.

The rapid wave of digitization in modern times also presents a dichotomy. Digital frameworks like UPI (unified payment interface) and applications such as PhonePe and Paytm have undoubtedly improved access and simplified transactions for a broad spectrum of users, ranging from investment bankers to roadside vendors. Yet, this digital transformation also leaves behind those who are unable or unwilling to adapt to the pace of change, rendering them underserved in the context of an increasingly digital world.

In this dynamic environment, social entrepreneurship is poised to address not only the gaps created by entrenched inequities but also those emerging daily. As the definition of “underserved” expands to encompass new dimensions and entities, the total addressable market for social entrepreneurship initiatives widens, surpassing traditional boundaries. This expansion creates burgeoning niches of customer segments and use cases, each offering compelling value propositions aimed at achieving large-scale transformational benefits.

Social entrepreneurs in India are adept at recognizing and responding to these nuanced aspects of social inequity. They are developing innovative solutions that cater to the elderly and disabled, who may be financially secure but nevertheless excluded from certain aspects of the socioeconomic fabric, because of physical limitations. Ventures like Health ATM and mobile health care units are, for example, extending services directly to the homes of such individuals, ensuring that health care is accessible and convenient.

In the case of affluent farmers, social enterprises are pioneering agri-tech solutions that bring the latest advancements in medical technology to remote agricultural communities. By establishing telemedicine centers and mobile clinics, these entrepreneurs are ensuring that quality health care transcends geographical barriers.

The challenge posed by the digital divide is being met head-on by social enterprises focusing on digital literacy and inclusion. They are designing intuitive platforms that simplify digital transactions and are conducting outreach programs to educate and onboard late adopters into the digital economy.

This expansive approach to addressing inequity signifies a transformation in the ethos of social entrepreneurship. It signifies a shift toward a more holistic understanding of what the barriers are to inclusion and a commitment to devising strategies as diverse and dynamic as the challenges they aim to solve. Social entrepreneurs are thus not merely filling existing gaps; they are preemptively identifying and mitigating those disparities that could become the social inequities of tomorrow. This is the essence of a game-changing phenomenon; one that adapts to the changing contours of society and in so doing, redefines the very meaning of inclusivity and empowerment.

Social entrepreneurship – fad or game-changer?

The rigorous definition of social entrepreneurship proposed by the *Stanford Social Innovation Review* delineates a framework that is both precise and insightful. It outlines a process that begins with the identification of an unjust equilibrium – a systemic anomaly that marginalizes or inflicts suffering on a segment of humanity. From this recognition arises the development of a social value proposition, one that challenges the prevailing status quo and endeavors to address the identified disparity. The culmination of this process is the establishment of a new, stable equilibrium that unleashes latent potential or mitigates the identified suffering.

Yet, this definition invites scrutiny of the boundaries demarcating social entrepreneurship from other socially beneficial activities such as social service provision or social activism. Understanding these boundaries necessitates a meticulous consideration of two personas within the realm of social change: the *consumer* and the *creator*.

The consumers referenced throughout this discourse are those that inhabit underserved populations. They are the individuals and communities deprived of access to essential products, resources or services. The creators, on the other hand, are the entrepreneurs – the architects of social change – whose foundational intention is to bridge the inequities faced by these same consumers. In pursuit of delivering value, they focus on addressing one or more of the three causal areas of inequity outlined in Table 1.

Table 1 Availability, accessibility and affordability

Parameter	Characterized by
Availability	Uneven distribution of resources, social exclusion, infrastructure deficits
Accessibility	Barriers of language, discrimination, digital divide
Affordability	High costs, hidden costs, ineffective social safety nets, institutional voids

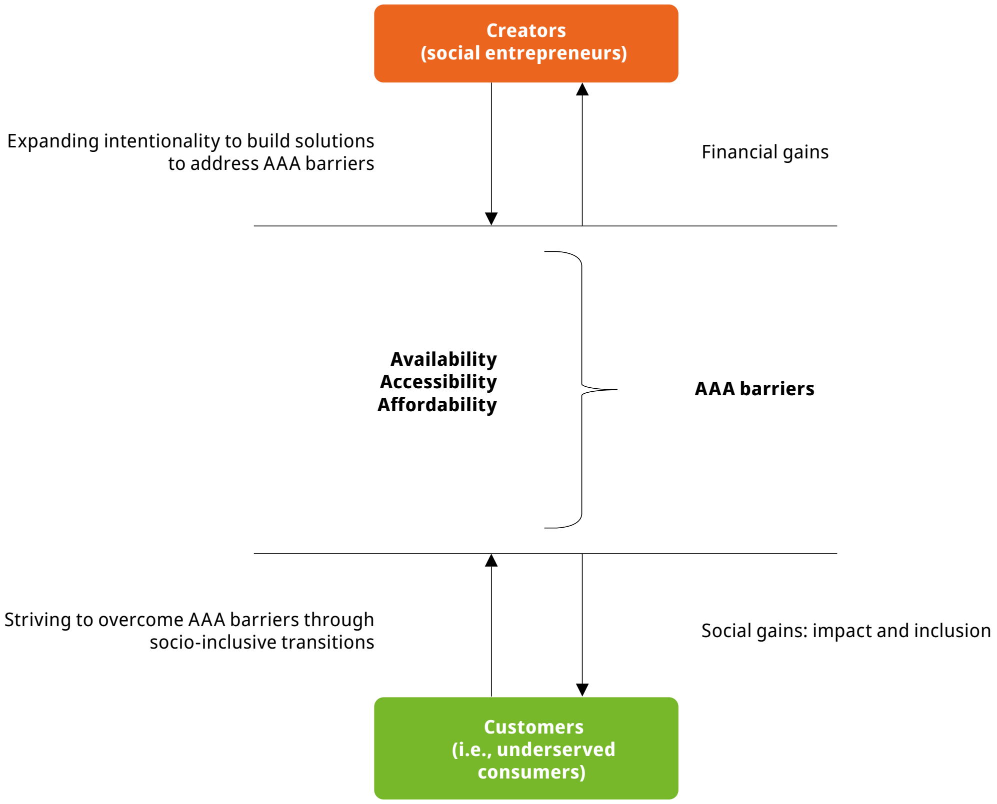
Source: Authors' elaboration.

It is posited that this tripartite 'AAA' divide acts as a barrier inhibiting the societal advancement of consumers. Conversely, it is this very divide that ignites the imagination creators and their intention to conceive and actualize offerings that bridge this divide.

Consider the plight of the farming community with respect to water scarcity. While some may be situated near water bodies, many rely on irrigation systems challenged by diminishing water availability, which is further exacerbated in arid and mountainous regions. Such circumstances necessitate the construction of systems not simply in order to make water available but to enable its efficient utilization and conservation.

The unpredictability of rainfall – intensified by climate change – underscores how valuable access to precise weather data is for farmers. Such access necessitates intricate systems that synthesize satellite and soil inputs, so as to inform irrigation practices. Yet, even if such systems are developed, their affordability is of paramount concern for smallholder farmers, for whom financial viability might not support investments in advanced digital technology; an issue compounded by the potential difficulty in securing financing.

Figure 1 AAA barriers between creators and customers (i.e., underserved consumers)



These 'AAA' divides are fertile ground for forward-thinking entrepreneurs to innovate, construct and validate potential solutions. In so doing, they give birth to a social entrepreneurship that, with the primary objective of devising applicable solutions, accelerates social transition for underserved consumers. However, the road to success for startups is paved with a multitude of challenges, because they have to operate in cost-sensitive ecosystems that are easily steered away from traditional practices. Bringing about a shift in mindset, seeding the vision for growth and tapping the power of technology requires an immense amount of persistence and massive effort over a prolonged period of time from the social entrepreneurial ecosystem.

Defining a composite value for social and financial returns

In the milieu of social entrepreneurs operating within markets characterized by institutional voids, two distinct sets of outcomes are anticipated: financial and social.

(Socio entrepreneurial returns) = fn (Financial gains, social gains)

The financial returns – well-documented and understood within the global economic framework – do not require extensive elaboration here. However, the social returns – manifested through increased productivity, social inclusion, heightened life expectancy, improved health indices, enhanced literacy rates and potentially a reduced Gini coefficient – merit closer examination.

The attribution of success and growth to social entrepreneurs, if viewed through both a social and a financial lens, would position them in one of four quadrants.

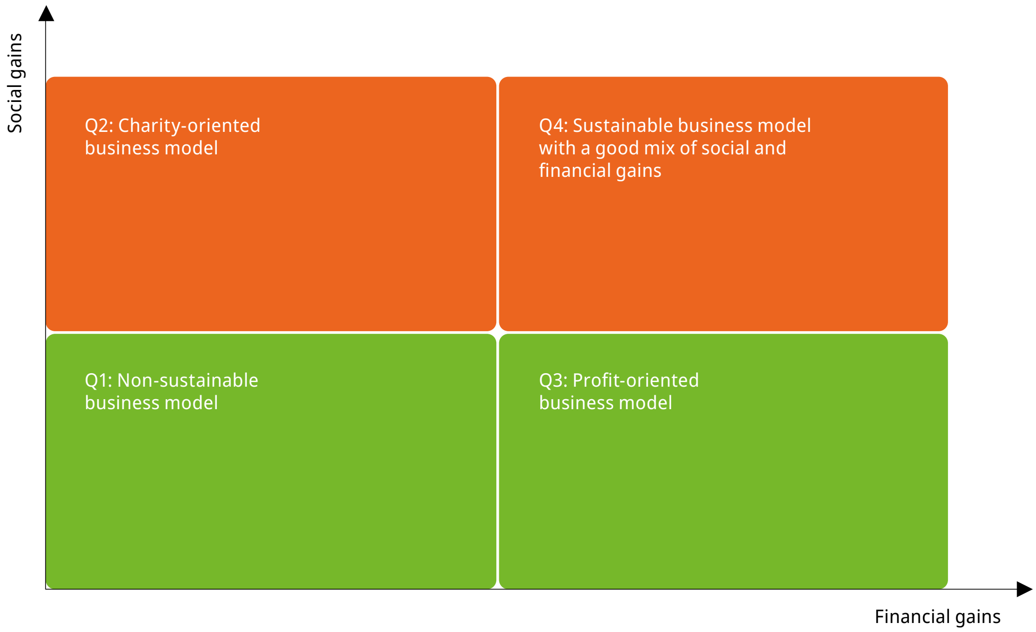
Falling under quadrant Q1 are those social entrepreneurs neither making sufficient financial gains nor prioritizing social impact. This is a non-ideal scenario for a sustainable social entrepreneurial business model. Quadrant Q2 represents a charity-oriented business model. This model prioritizes social gains with minimal financial gains. Social entrepreneurs operating under this model might run non-profit organizations or foundations that rely on donations to address social issues.

Quadrant Q3 represents a non-sustainable business model. This model prioritizes financial gains with minimal social impact. Social entrepreneurs who operate under this model might prioritize profit over social good, potentially creating products or services that have a negative social or environmental impact.

With a good mix of financial and social gains, social entrepreneurs in Q4 form the ideal persona for sustainable social entrepreneurship. Here, social entrepreneurs establish financially viable businesses that solve social or environmental problems.

The discourse surrounding the growth of firms today predominantly accentuates financial returns, whereas social returns often receive less attention. A discerning analysis reveals that the undervaluation of social returns is, in part, due to the absence of robust frameworks for measuring such data, efficient mechanisms for their collection, and consequently, a dearth of such data.

Figure 2 **Social versus financial gains matrix**



The full potential of social entrepreneurship can only be realized when its multidimensional nature is both comprehensively understood and effectively harnessed in both the financial and social dimensions. The concept of social entrepreneurship evokes a spectrum of behavioral characteristics, organizational missions and entrepreneurial processes – all aimed at engendering social value. Nevertheless, the inherent heterogeneity of social entrepreneurship poses challenges, rendering it a complex landscape to navigate.

The essence of social entrepreneurship transcends mere categorization and represents a paradigm that is not static but dynamic, not insular but integrative, embracing a multitude of strategies and outcomes that collectively redefine the impact of entrepreneurial endeavor on society. It is this embrace of complexity and commitment to transformational change that anchors social entrepreneurship within the broader narrative of societal progress, marking it as a distinct and vital force in the quest for a more equitable and just world.

Deriving inspiration from the evolving models of carbon credits, and akin to crypto protocols, the time is ripe for social returns to be accorded the status of a global currency equivalent to social capital. Such an approach has many merits. With due value and recognition given to the societal improvements brought in, such as the ready availability of basic resources like water, clean air, accessible health care and affordable education, the Gini coefficients are effectively normalized, driving in a marked change to the overall productivity of the respective communities. Incentivizing such contributions through a standardized set of metrics would effectively provide an impetus to social entrepreneurs. This could also manifest in other relevant forms such as credit and risk rating indices for startups.

With the advent of social capital, the dimensions of scarcity experienced by underserved populations have an accelerated opportunity to be alleviated and to pave the way for creative innovations around social credit and social stock exchange frameworks across the world.

The introduction of social gains as a currency equivalent will need all players within the entrepreneurial ecosystem to be in concert. Government will have a critical role to play with respect to policy formulation and implementation. Initiatives like those from the Indian Government's DPIIT's Startup India Seed Fund, Department of Science and Technology's NIDHI schemes and the biotech ministry's BIRAC initiatives are moves in the right direction.

Academia's role of the primary creator of talent and innovation will require the introduction of new curriculum components that incorporate economic model narratives and methodologies focused on development. The role of private players beyond corporate social responsibility (CSR), along with an increasing focus on sustainability, will be important in the years to come.

The appropriate building blocks are in place, with respect to market forces and those forces looking to address them through various means. We are at an inflection point today, and the onus is collectively on all of us. Designing a taxonomy to recognise and reward social returns will catapult the market out of the inertia of traditional thought processes and help ensure that social entrepreneurship is not just a fad but a game-changer.

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