

# SOCIAL ENTERPRISE: THE NEW MODEL FOR CSR





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# Table of Contents

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Preface	1
<b>CHAPTER 1 CSR IN INDIA: NEWER DIMENSIONS</b>	<b>5</b>
1.1 Regulatory Framework – CSR-The Companies Act, 2013	7
1.2 The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business	9
1.3 Trends in Business /CSR Expenditure in India	10
1.4 Conclusion	11
<b>CHAPTER 2 The Evolving CSR Approach</b>	<b>13</b>
2.1 CSR Expenditure and Profitability	16
2.2 The Future of CSR in India	18
2.3 Projected Business Responsibility Patterns by 2020	19
2.4 Conclusion	20
<b>CHAPTER 3 Social Enterprise in India – An Overview</b>	<b>21</b>
3.1 What is Social Enterprise?	21
3.2 The Difference between Social Entrepreneurship and CSR	22
3.3 The Social Business Model Framework	25
3.4 Observations on Social Enterprise Landscape in India	29
3.4.1 Summary of Intellectap's 2012 Report on Social Enterprise Landscape in India	29
3.4.2 Summary of ADB's 2012 Report on Social Enterprise Landscape in India	32
3.5 Sectors of Operations and Profiles of Social Enterprises	34
3.5.1 Health	34
3.5.2 Affordable Housing	35
3.5.3 Agriculture	36
3.5.4 Education	36
3.5.5 Energy	37
3.5.6 Livelihoods Promotion	38
3.5.7 Water & Sanitation	39
3.6 Conclusion	41
<b>CHAPTER 4 Fusion Of Business Responsibility and Social Enterprises</b>	<b>43</b>
4.1 The Growing Importance of Sustainability on the Global Business Agenda	43
4.2 Framework for the Corporate Contribution to Development	44
4.2.1 Providing affordable products and services.	44
4.2.3 Invest in social entrepreneurs	45
4.2.4 Strengthening women's economic capacity as entrepreneurs, employees and producers	45
4.2.5 SME Social Responsibility	46
4.3 New Models - BSR Promoting Social Enterprises	47
4.3.1 CSR-SE Alliances in India	47
4.3.2 NASSCOM Social Innovation Forum	49
4.3.3 DBS Bank	48
4.4 Recommendations for a Vibrant Social Enterprise Eco-system	49
4.5 Corporate Benefits from Getting Involved with Social Enterprises	50
4.5.1 Consumers more likely to buy from a social cause	50
4.5.2 Making the most out of your CSR spend	51
4.5.3 CSR: Global Perspective, Competitiveness, Social Entrepreneurship & Innovation	51
4.6 Measuring Corporate Social Responsibility	52
4.7 Conclusion	52
<b>CHAPTER 5 Conclusions and Recommendations</b>	<b>55</b>
<b>ANNEXURE 1 Case Study 1: Urban Housing Project</b>	<b>61</b>
<b>ANNEXURE 2 Case Study 2: Synthesizing Technologies for Medical Emergency Management</b>	<b>63</b>
<b>ANNEXURE 3 Case Study 3: Health Care Model -Naya Jeevan, Pakistan</b>	<b>65</b>
References	67
Websites	69

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## Acronyms

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CSR	Corporate Social Responsibility
SME	Small and Medium Enterprises
SD	Sustainable Development
IIC	Indian Investor Counsel
HDI	Human Development Index
NGO	Non-Governmental Organization
BR	Business Responsibility
UNDP	United Nations Development Program
PLS	Private Limited Companies
SEBI	Securities and Exchange Board of India
CRISIL	Credit Rating Information Services of India Limited
USAID	United States of America International Aid
IIC	Impact Investor Counsel
IP	Intellectual Property
BSR	Business Social Responsibility
MDG	Millennium Development Goals
SDG	Sustainable Development Goals
GDP	Gross Domestic Product
BOP	Bottom of the Pyramid
NVGs	National Voluntary Guidelines
SE	Social Enterprises
CSE	Corporate Social Entrepreneurship
MSME	Micro-Small and Medium Enterprises
IICA	Indian Institute of Corporate Affairs
TBL	Triple Bottom Line
GIIN	Global Impact investment Network
SSBU	Strategic Social Business Unit
NGO	Non-Governmental Organization

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## Preface

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It is 2016, having concluded on the results of the ambitious Millennium Development Goals (MDGs), it is time for us to evolve a broader framework in addressing shortcomings and aligning with the Sustainable Development Goals (SDG's). However India has made marked progress towards reaching the MDGs (reduced poverty by half, achieved gender parity in primary education, reduced maternal mortality by three quarters) however; the achievement across the goals has varied. The findings in the United Nations report, 'India and the MDGs', published in February 2015, shows that states which have performed better on the MDGs have focused on the following "drivers" such as: (i) accelerated broad-based employment creating economic growth, (ii) channeled resources into human development, (iii) promoted good governance and effective delivery of public services, (iv) promoted gender equality and empowerment of women, and (v) extended basic infrastructure networks. Encouraging the weaker states to undertake and replicate the above mentioned drivers would allow them to emulate the better performers path of success.

Going forward, the international community of governments, civil society, non-profits and private enterprises will be developing a framework for Sustainable Development Goals (SDGs), based on the successes and challenges of the previous years. The SDG proposals will ensure that momentum generated by the MDGs will carry through until 2030, to reach targets and end the diverse kinds of deprivations. "The SDGs would greatly face four sets of challenges for India, namely (i) completing the unfinished MDG agenda with a higher level of ambition of ending – not just reducing all deprivations; (ii) strengthening critical development drivers such as economic growth, industrialization, employment creation and reduction of inequality within and between countries, providing basic infrastructure including energy, and governance and institutions, without which many social and environmental objectives would not be easy to reach; (iii) strengthening the sustainability dimension to address new and emerging challenges such as deteriorating environment, unsustainable consumption and production patterns that are rapidly depleting natural resources, the need to effectively mitigate and adapt to climate change, and develop livable urban areas; and (iv) accessing the means of implementation including transfer of advanced sustainable technologies

from developed countries and harnessing India's frugal engineering capabilities for pursuing low carbon development pathways." This would stress on the need for having sustained economic growth, industrialization, employment creation and social and environmental improvements.

India still has a long way to go to achieve all the MDGs. Crucially, the focus needs to be on broad based economic growth i.e. that, which engages all segments of the population, generates employment and substantially enhances the incomes of the poor. Industrial growth, which does not achieve broad based inclusion, will not alleviate poverty. However, the goal of global sustainable development cannot be achieved without India's participation, because of the country's significance and weight in the world context. Therefore, India will be closely watched in the years to come, and it will be interesting to see how we strategically move forward, take action and provide a sustainable future for not just Indians but contribute to this movement globally.

In this context, it is important to note the role of business and the commercial sector in the development narrative. The ten principles of the UN Global Compact, signed by over 4300 companies in 120 countries, specifically outlines how business could contribute to the Millennium Declaration and Goals. It was an acknowledgement of how companies, both domestic and international, were a crucial piece of the puzzle, and demonstrated how they could 'embrace and enact' universal principles in the areas of human rights, labor standards and the environment within their spheres of influence. Over the last several years, there have been growing demands for firms to display more transparency and accountability for their economic, social and environmental impacts through all their operations. At the same time, companies are waking up to the fact that investing in a sound environment, managing the direct costs and risks of doing business, and harnessing new business opportunities are in fact extremely beneficial to their profit-making endeavors and long-term sustainability.

Globally, as the limitations of government interventions and traditional NGO mediations have become apparent, market-based solutions to poverty and sustainability have naturally taken the forefront. In the last decade, a new and potentially transformative solution to the numerous social, economic and environmental challenges faced by the world today has appeared and taken root in

developing economies. This new movement is embodied in organizations known as 'social enterprises', innovative social businesses which exist to tackle a social issue, fuel economic growth and improve people's lives while ideally generating enough profits to sustain themselves. Phrases such as 'cause capitalism', 'impact investing' and 'blended value' are entering mainstream development discourse.

Currently, India has one of the largest portfolios for such kinds of social enterprises in the world, and over the last decade, the ecosystem of supporting institutions has steadily been growing to accommodate a diversity of enterprises, which are addressing issues from solar energy to milk production. Increasingly, BoP (Bottom of Pyramid) populations are being perceived as consumers as well as producers. Rural areas are being explored for their huge market potential. The majority of these models, spread across sectors of education, agriculture, financial services, waste management, water, health, livelihoods, housing and energy are scalable and replicable.

The impact of such enterprises largely depend on its successful implementation, to those that need it the most, who are at the BoP. In line with the four sets of challenges outlined above through the Sustainable Development Goals, mainly the second and third – that of strengthening critical development drivers such as creating employment, and addressing emerging issues of environmental degradation – a compelling movement in social entrepreneurship are vital to improve the welfare of these communities. As 70% of the population lives in the hinterland, the rural environment has emerged as a lucrative option for the mainstream economy to invest in, as well as to identify emergent innovative solutions.

The demonstrated success of these ventures is evident from the strong sense of optimism amongst development finance institutions in the power of social enterprises to contribute to a better world order, and in the increasing amount of equity and debt sources available for them. Impact investors seek to support businesses with triple bottom line returns – that is monetary profits, social impact and environmental impact. Vikasa International Center has coined the term P-Cubed to capture this multidimensional agenda: People, Planet and Profit. We believe that if this forms the basis of investor criteria and business missions, not only is sustainability assured but also there is a real shot at positive change.

In this above context, BalaVikasa International Center (BVIC) wishes to draw from its learning's, from both national and international experiences in promoting positive synergies between community and business, and how they can contribute to building social enterprises that create larger social impact through scalable and sustainable models. With the publication of this third book in the Social Responsibility Series, we present such social enterprise models as new alternatives for corporate social/business responsibility in India. Previously, BVIC has published Social Responsibility Series 1 and 2, centered on the questions of business contribution to sustainable community driven development, and a discussion on the synergy between civil society and business.

The mandate of the P-Cubed Conference, held by BVIC earlier in 2015, and widely attended by participants from the corporate, non-profit and social enterprise sectors, was to introduce social enterprise as the new model for CSR. The conference offered a unique platform to various stakeholders in this process to present their perspectives and learning's. This publication hence is an extension of the discourse initiated at that event, and intends to promote the idea of supporting social enterprises through corporate social responsibility initiatives, by delving deeper into the structures, partnerships and ecosystem that will allow this collaboration to flourish in the future.



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## CSR IN INDIA: NEWER DIMENSIONS

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# 1

*"If more companies follow the lead of the most creative organizations in their industry, they will make a huge impact on the world's worst problems."  
Bill Gates - 'Making Capitalism More Creative' TIME magazine, July 2008*

India is predicted to overtake China as the fastest growing emerging economy in the world in 2015-16 by clocking a growth rate of an estimated 7-8%. Bolstered by being the largest democracy, the country seems set on the path to achieving status as a global economic powerhouse. This does nothing to assuage the truth that 720 million Indians live on less than two dollars a day, or that close to 1.3 million children die each year from malnutrition. In the latest 2012 human development index (HDI) report, India languishes at 136, out of 187 countries. Economic progress without equitable and inclusive growth is unsustainable; it means the benefits of progress do not reach everyone, and the foundations of this kind of growth are rocky. Capitalism and its trickle-down economics have not delivered what it promised, and income inequality has doubled in the last two decades.

The interventions of non-profits and the government to combat these seemingly insurmountable problems

are insufficient; what is required is a broad based, collaborative, creative and market-based approach. Business is regarded as the key factor in India's ascendancy on the global economy map. On the other hand, companies are also being viewed as a potential source of strategic social and environmental interventions both through their business operations, and through philanthropic or impact investing initiatives. Their contributions to development are under scrutiny, and regulators have passed two landmark policies – the National Voluntary Guidelines for Social, Environmental and Economic Responsibilities of Business and the CSR Act, 2013, which will define the increasingly important role business, shall play in India's progress as an equitable nation.

We are in possession of a 'demographic dividend' (approximately half of the 1.2 billion population is under the age of 25), which could potentially give India the biggest labor force and the largest consumer market in the world. There

is a dire need to create human and physical capital in order to reap the rewards of such a possession, through investment in health, education, skill development and infrastructure. All this will increase the educational, nutritional and skill levels of youth, thereby improving their productivity and hence their employability. As traditional government provisions of these goods and services have failed due to numerous reasons, private enterprise is being seen as an alternative source. Through their core business operations and value chains, firms are able to capitalize on adopting innovative technologies, financing mechanisms, products, processes and skills to create employment and to develop essential goods and services.

Well-established and large firms are now beginning to acknowledge that tackling poverty is not outside the ambit of their operations, mission and ultimate goal of increasing profits. Perceptive and intuitive business leaders are realizing that contributing to a more prosperous and equitable operating environment is not just important for managing risk and building brand value, but can also present innumerable opportunities for business expansion and proliferation. Hence, they are working towards building partnerships with public and civil society bodies, in order to explore these opportunities.

In this context, social enterprises can play a vital and distinctive role, with a business as unusual approach – using mission driven foundations and market-proven business practices to tackle social and environmental problems. Indian social enterprises are already being used globally as success stories of scalable and replicable models using solar energy, providing rural health care, affordable potable water, economy housing, and so on. While there are numerous success stories and India is ahead of other countries globally, it should be noted that the level of impact investment is still in its fledgling state. Furthermore, social enterprises notoriously face a limited access to capital. At the same time, the Companies Act, 2013 has formally mandated a certain percentage of corporate profits to be channeled into social programs. This could be a huge boost for social development, by giving them access to more than a billion dollars in precious capital, which is needed especially at the seed and early stages.

The government also needs to play its part and facilitate both foreign and domestic investors to invest in social enterprises through enabling a better regulatory framework, smoother taxation policies, creation of multiple investment bodies, using

innovative investment vehicles like UK's social impact bonds, co-investing in technology based social enterprises, creation of a separate index like Singapore's Impact Investment Index.

With the environment buckling under the pressures of exploitation, and rapid depletion of resources, as a country we need to learn lessons from the growth models that have not worked so far. If we design a unique model of capitalism, that fuses the newly available capital from business with mission driven, socially conscious enterprises, we can capitalize on this cross-sector collaboration to use the power of capitalism to solve social problems. Businesses and investors need to find ways to incorporate a social mission in their strategy and operations, what is now known as 'shared value'. Further, social the element has indispensable influence and impact on business sustainability.

As traditional donor organizations are turning into impact investors, nonprofits need to find ways to adapt business approaches to solving social problems. The government needs to refashion the way it works with the for-profit and nonprofit sectors. BalaVikasa International Center envisages its role and contribution in this area to promote develop and facilitate this process through its partners.

## **1.1 Regulatory Framework – CSR- The Companies Act, 2013**

Corporate Social Responsibility (CSR) - The Companies Act, 2013 came into effect from 1st April 2014. Section 135 of this Act on Corporate Social Responsibility has made it mandatory for boards of qualifying companies (those whose net worth is deemed to be Rs.500 crores or more; if the turnover of the company is Rs.1000 crore or more; if the net profit of the company is five crore rupees or more) to establish a CSR policy, constitute a CSR committee at the board level, and allocate 2% of its average net profits of the three preceding financial years for CSR initiatives.

According to the Indian Institute of Corporate Affairs, at least 6000 Indian companies fall in the category of qualifying businesses, and many will be undertaking these kinds of CSR activities for the first time. The Act stipulates that not only Indian companies, but also foreign companies with branch or project offices in India will have to abide by these regulations. Altogether, these companies have the potential of contributing Rs.20,000-25,000 crores every year towards development. With the policy shift in its nascent stages, civil society, non-

profits, governments and business are still maneuvering this new landscape, attempting to identify opportunities, partners and projects. While some companies have risen to the challenge in a proactive and enthusiastic manner, others are slower to keep up.

It is also the board's duty to ensure that these CSR activities are carried out in keeping with Schedule VII items, delineated below:

- i. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- ii. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently-abled and livelihood enhancement projects;
- iii. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. Ensuring environmental

sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water;

- v. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- vi. Measures for the benefit of armed forces veterans, war widows and their dependents;
- vii. Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
- viii. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- ix. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government

x. Rural development projects.

Another clause of the Companies Act states that preference should be given to local areas and the areas where the companies operate. The internally appointed CSR Committee shall prepare a CSR Policy document, which details the projects and programs to be undertaken and focuses on integrating business models with social and environmental priorities, in order to create shared value.

## **1.2 The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business**

These guidelines were developed and disseminated by the Ministry of Corporate Affairs, India, and were the result of an extensive consultative process that was born out of a wish to provide Indian businesses – small and large alike - with a distinctive and unique India-centric approach to responsible business. Relatively simple to comprehend and implement, the guidelines stress on the triple bottom line approach, highlighting nine principles which pertain to ethics and transparency, product life cycle sustainability, employee well-being, stakeholder engagement, human

rights, environmental stewardship, responsible policy advocacy, inclusive development and consumer well-being. Each principle consists of core elements that further articulate the purpose and sense of each principle, and additionally offers suggestions of incorporating these principles into everyday business operations, as well as CSR.

According to the Business India Responsibility Survey conducted in 2013 (GIZ, IICA, Ministry of Corporate Affairs), most of the top 200 companies in India claim to have established diverse practices of business responsibility, including CSR as part of their operations. A very significant proportion of the top 200 companies have 'policy statement with board resolution' (72%) and/or 'code of conduct' (92%) with respect to the first BR principle stated in National Voluntary Guidelines (NVGs) on 'Ethics, Transparency and Accountability'. However, the percentage of top 200 companies having a 'stated commitment in form of objectives' is relatively low at 40%. Hence, there is a noted gap between intent and execution.

Interesting to note, the percentage of top 200 companies having 'stated commitment in form of objectives' for

sixth BR principle on 'protecting the environment' is significantly higher at about 70% as compared to the 'policy statement' and 'code of conduct' on the same (35%). The case is similar for the eighth BR principle on 'supporting inclusive development'. The conclusion is that policies or objectives on environment and internal stakeholders remain higher than those for social issues do.

### 1.3 Trends in Business /CSR Expenditure in India

Of course, the concept of CSR is not new to India. A few conglomerates have gained a reputation for their extensive and praiseworthy development programs. An Analysis of Corporate Social Responsibility Expenditure in India, published in the Economic & Political Weekly in December 2014, explains that in the year 2012-13 alone (before the Act was passed), businesses donated more than half a billion dollars to various initiatives run by governments, foundations and NGOs. Some 50% of the funding came from 10 major donors, including RIL, Coal India, Tata Steel and SBI. It has also been observed that domestic firms have increased their CSR expenditure significantly more than foreign firms have. In 2011-12, domestic companies

spent Rs.3.79 million while foreign companies spent Rs.8.5 million on CSR activities, while in 2012-13 these figures were raised to Rs.22.6 million and 19.5 million respectively. According to the Indian Institute of Corporate Affairs (IICA), about Rs. 200 billion (roughly US\$ 3.2 billion) could be unlocked from a pool of around 16,000 companies for CSR spending during 2014-15. The major reason for the drastically increased expenditure appears to be the anticipated pressure from consumers, investors and NGOs/activists, and the promotion of the brand. In any case, it is clear that expenditure on CSR is growing in significant leaps and bounds.

Table 1.1

CSR budget (Rs. Million)	No.of companies
Up to Rs. 5	13,346
Rs. 5-10	1,196
Rs. 10-50	1,186
Rs. 50-100	182
Rs. 100-200	79
Rs. 200-500	43
Rs. 500 or more	25

**Source:** IICA (2013), "Corporate social responsibility: The new game changer."

An Analysis of Corporate Social Responsibility Expenditure in India notes that companies mostly undertook CSR projects that involved the welfare

of rural communities around their areas of operation. Another study that looked at the top 300 firms in India found that only 30% of them collaborated with non-profit organizations to implement their CSR projects. Mostly, funds were given to the corporate foundation rather than to a non-profit.

In terms of sectors of development, education and healthcare received by far the most attention with as many as 80% of the top 100 technology companies having donated funds to these two areas, providing access to quality primary education, supporting midday meals at schools and conducting health camps and blood donation camps for the underprivileged. Other areas of involvement included skill development, women's empowerment and environmental sustainability.

In addition, firms are also starting to demonstrate newer forms of giving, such as staff volunteering programs and providing expertise to NGOs. Such collaborative efforts are on the rise, and some companies have started tracking key volunteering metrics such as number of employees contributing to CSR and the number of person-hours spent on these activities. Described as 'social investment', these acts consist of contributing non-commercial financial support, employee volunteers

and expertise, product donations and other in-kind contributions, all of which can amount to several crores worth of investment.

Another result of the passing of the Act is the steep rise in the number of firms reporting on their CSR activities on their official websites, annual reports and sustainability reports. There was also an increase of in the number of companies who complied with environmental reporting guidelines and disclosed their performance evaluations.

## **1.4 Conclusion**

In summary, the progression of development in India is increasingly focusing on business, both in terms of holding the corporate sector accountable as an active participant in alleviating India's pressing social, economic and environmental problems, but also as a tool for sustainable growth by merging profitable business practices with mission driven enterprises. To make way for this progression, regulatory and voluntary guidelines are in place and slowly, we observe that Indian companies are rising to the challenge of implementing CSR and business responsibility dimensions into their company culture and operations. Trends such

as increased CSR expenditure and increased reporting on CSR activities attest to this positive new movement.

This transition phase requires active facilitation in building business responsibility to translate into larger social impact. The process requires a shift from the conventional approach of CSR driven social development to social enterprise driven social impact, by promoting and building social enterprises for greater and inclusive impact. These social enterprises should target sustainability, scale and impact. There have been a few examples in the Indian context, where companies have been involved in the promotion of social innovation, and innovative social enterprises. The flexibility in the 2013 CSR Act for supporting incubation services outside academic institutions will add greater momentum. Bala Vikasa International Center is one such incubator being promoted to foster the culture of entrepreneurship by offering aspiring entrepreneurs access to seed funds, infrastructure, capacity building and mentorship.



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## The Evolving CSR Approach

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# 2

The range of CSR activities, in their aspirations and impact, usually vary with the size of the company. Smaller, nascent firms with limited budgets choose to implement initiatives that are primarily philanthropic in nature. For this group of companies, CSR is an obligation they must fulfill to meet the regulatory requirements.

Other companies use strategic CSR approaches to consolidate their social license to operate and build their equity, in geographies of their operation. This gives them the opportunity to strengthen relationships with the communities in these areas and attain greater visibility, and hence a tighter control over the business and its outcomes or future possibilities.

Finally, a few, well established companies with longer term thinking choose to implement broader interventions directed towards nation building, with priorities and targets similar to those of the government. In order to achieve scalability and impact across large regional areas,

these companies often collaborate with the government to leverage the infrastructure and capacities that the latter already has.

The need of the hour is to transform CSR collaborations into cost-efficient yet game-changing innovation. It has already been mentioned that India has a demographic dividend, but there is another important resource that is yet to be fully tapped; the innovation potential of its people. “Just as political democracy can lift nations by building on the combined ideas of their citizens; “democratized” innovation can lift countries’ economic systems and spur sustained, profitable growth for companies”. The fact is that Indian youth are willing and prepared to take in the nation’s social innovation journey. In a survey by Accenture and the All India Management Association of 1,000 Indian students, 74% of respondents said, they would like to contribute to innovations that improve products and services available in the market and 43% said that a key motivation for sharing innovations was to help people

benefit from their ideas. So just under half of the respondents expressed not only a desire to innovate, but also a desire to innovate for the betterment of their fellow citizens.

Businesses across sectors must mobilize this growing interest among young people in creating shared value for themselves and the nation. The CSR Rules 2014, which permit enterprises to contribute CSR funds to technology incubators, provide a way to do so. The corporate sector can collaborate




with these incubators and enable the creation of open innovation labs that foster the design and development of game-changing technologies with lower start-up investment. These labs could turn into hotbeds for ideas to help solve the nation's problems, while serving as a base for affordable innovations those industry players can utilize to drive profitable growth. Further, it is essential for the Government to pave way for social innovations and building social enterprises by easing and forging these collaborations.

**Table 2.1 CSR increasingly being integrated into business**

	<b>CSR 1.0V Social Contribution</b>	<b>CSR 1.5V Operational Integration</b>	<b>CSR 2.0V New Business Offerings</b>
<b>Description</b>	<p><b>Description Broader corporate giving activities</b></p> <ul style="list-style-type: none"> <li>• Employee volunteering</li> <li>• Adopting community</li> <li>• Make a difference</li> <li>• Affirmative action</li> </ul> <p><b>Direct giving to beneficiaries</b></p> <ul style="list-style-type: none"> <li>• Donations</li> <li>• Sponsorships etc.,</li> </ul>	<p><b>Directly related to business process</b></p> <ul style="list-style-type: none"> <li>• Supply chain management, manufacturing process</li> <li>• Does not require extra CSR budget to improve</li> <li>• Budget is inbuilt into operations process</li> </ul>	<p>Products or service which in itself changes the inducting norm, while address key social issues and challenges</p>
<b>Examples</b>	<ul style="list-style-type: none"> <li>• Trainings skill development for youth (Real Dreams, Africa)</li> <li>• Uniliver India, distributes soaps with hygiene education to tea farmers &amp; families</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing carbon foot print in mfg. process</li> <li>• Safe product development</li> <li>• E-Waste Mgt. recycling</li> <li>• Disposable cup reduction- Starbucks</li> </ul>	<ul style="list-style-type: none"> <li>• Tesla motors</li> <li>• Nintendo's 'wii-fit'</li> <li>• Toyota Hybrid car 'Prius'</li> <li>• Donating fortified yogurt</li> <li>• Daimler – disaster response all terrain vehicle</li> </ul>




**Source:** Adopted from BCG Consulting Group: "Catalyzing Change Through Corporate Social Responsibility" – NASSCO Foundation Feb.2015

**Table 2.2 CSR 1.0 Programs with primary focus on social impact**

Select Examples			
Approach	<ul style="list-style-type: none"> <li>Working across program in multiple sectors to improve access to quality health care for underprivileged</li> <li>e.g., free artificial limbs</li> </ul>	<ul style="list-style-type: none"> <li>Undertaken flagship project under its CSR regime</li> <li>Institute &amp; driving and Traffic Research</li> <li>Maruti Driving School</li> </ul>	<ul style="list-style-type: none"> <li>Flagship rural education program – Satya Bharti School Program</li> <li>Providing free quality education to marginalized children</li> </ul>
Social need addressed	<ul style="list-style-type: none"> <li>Health care for the underprivileged</li> </ul>	<ul style="list-style-type: none"> <li>Road safety and lack of proper driving training</li> </ul>	<ul style="list-style-type: none"> <li>Quality education for under privileged children</li> </ul>
Impact created	<ul style="list-style-type: none"> <li>Partnership with 280 NGOs for execution 65000 + people served though health camps</li> </ul>	<ul style="list-style-type: none"> <li>Training over 700000 people</li> </ul>	<ul style="list-style-type: none"> <li>500 Primary and 50 senior secondary schools; 200000 + underprivileged children</li> </ul>
Awards & Recognition	<ul style="list-style-type: none"> <li>Golden Peacock Award for CSR 2013</li> </ul>	<ul style="list-style-type: none"> <li>Global CSR Excellence &amp; Leadership Award 2014</li> </ul>	<ul style="list-style-type: none"> <li>Global CSR Award for CSR education, 2012</li> </ul>



**Source:** Adopted from BCG Consulting Group: "Catalyzing Change Through Corporate Social Responsibility" – NASSCO Foundation Feb.2015

**Table 2.3 CSR 1.5 Tight integration of CSR initiatives into operations**

Focus Theme			
Approach	<p>Rural Supplier development</p> <ul style="list-style-type: none"> <li>Village women dairy development program: Educate train women on best practices to increase milk production</li> <li>Help expand cultivation and quality of chicory and coffee</li> <li>Farmers training on better farming practices</li> </ul>	<p>Sustainable Operations</p> <ul style="list-style-type: none"> <li>Green network for reducing electricity and diesel computation</li> <li>Fast forward entering optimization project in 2011 to achieve energy savings by 5%</li> <li>Resolve campaign to manage non – hazardous solid waste</li> </ul>	<p>Resource Management</p> <ul style="list-style-type: none"> <li>Replenish water conservation, Replenish water through community water recharge projects</li> <li>Sold Waste management AP, TN, Haryana</li> <li>Partnership with farmers to boost potato production</li> </ul>
Social Need	<ul style="list-style-type: none"> <li>Community well-being farmer livelihoods and productivity</li> </ul>	<ul style="list-style-type: none"> <li>Energy conservation and optimized utilization</li> </ul>	<ul style="list-style-type: none"> <li>Resource depletion farmer livelihoods and productivity</li> </ul>
Impact	<ul style="list-style-type: none"> <li>Agriculture raw material supply and development</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in carbon emission. Energy consumption reduced by 5% in six circles</li> </ul>	<ul style="list-style-type: none"> <li>Raw material resources supply development</li> <li>Natural and farming based</li> </ul>

**Source:** Adopted from BCG Consulting Group: "Catalyzing Change Through Corporate Social Responsibility" – NASSCO Foundation Feb.2015

**Table 2.4 CSR 2.0 New business model created by addressing social need**

Select Examples			<b>DAIMLER</b>
<b>Social Need</b>	<ul style="list-style-type: none"> <li>Malnutrition Poverty</li> </ul>	<ul style="list-style-type: none"> <li>Lack of exercise and personal fitness</li> </ul>	<ul style="list-style-type: none"> <li>Disaster response Emergency relief</li> </ul>
<b>Solution / Product</b>	<ul style="list-style-type: none"> <li>Fortified yoghurt micro dis-tribution structure</li> </ul>	<ul style="list-style-type: none"> <li>Fitness video games wii-Fit and successor will fit plus.</li> </ul>	<ul style="list-style-type: none"> <li>Modified G-Class all-terrain vehicle and its trailer</li> </ul>
<b>Social Benefit</b>	<ul style="list-style-type: none"> <li>Pilot reached – 60000 people daily, proven health benefits</li> </ul>	<ul style="list-style-type: none"> <li>More than 22 million games sold</li> </ul>	<ul style="list-style-type: none"> <li>Cater to special requirements found along the Chilean – Bolivian border</li> </ul>
<b>Competitive advantage</b>	<ul style="list-style-type: none"> <li>Market development and understanding network</li> </ul>	<ul style="list-style-type: none"> <li>Profitable product, New cus-tomer segments</li> </ul>	<ul style="list-style-type: none"> <li>Engineering expertise</li> </ul>

**Source:** Adopted from BCG Consulting Group: "Catalyzing Change Through Corporate Social Responsibility" – NASSCO Foundation Feb.2015

Another emerging trend in CSR investments, which has seen a convergence of technology and giving, is 'smart capitalist' philanthropy, which involves investing in potentially disruptive technologies inside social enterprises that can be scaled up. According to the Economist, this 'entrepreneurial model of tackling social and environmental problems is likely to stir up the CSR world and may over time produce transformative technologies and creative new business models'. Prahalad and Hammond's influential work on 'Bottom of the Pyramid'

markets oriented towards profit-making enterprises investing in technology and human development in emerging markets, reflects similar thinking in strategic giving and encompassing responsible business practices and 'shared value creation'.

## 2.1 CSR Expenditure and Profitability

Contrary to criticism that the Companies Act, 2013 and its mandatory CSR clause will affect the profitability

of firms by placing an unnecessarily large burden on them, studies have shown a positive and incremental relationship between community development/donation expenditure, and profit after tax. CSR expenditure builds brand image and value in the opinions of customers, suppliers and the government. Following a global trend, companies strategically differentiate their products and services from those of their rivals by explicitly associating them with a certain social or environmental cause. Companies involved in some kind of environment pollution or extraction (oil, mining, etc) are aware that implementing targeted CSR initiatives help in avoiding protest movements and future governmental regulations. This reduces uncertainties and increases the stability and returns of the company.

According to the Business Responsibility Survey India 2013 (GIZ, IICA, Ministry of Corporate Affairs), approximately 90% of the top 200 companies in India identify CSR or BR as a source of competitiveness or growth. This indicates that the companies as either a social license to operate, or a potential opportunity for sustainable and inclusive innovations, or both perceive CSR or BR.

Another finding shows a positive

correlation between CSR and profit, namely that the chance of higher CSR spending increase as the company expands. Smaller companies are less likely to design and execute strategic CSR, instead opting for traditional philanthropy and community development activities such as donations to local organizations or setting up schools for employees' children. It is important to note though, that CSR initiatives, which are closely linked to the company's business goals and can be defined as 'strategic CSR' ultimately have higher payoffs in the long-run, and this kind of CSR assists with product differentiation in the marketplace, which in turn increases profits.

Overall, however, there is a discernible trend amongst companies – big and small - to move towards strategic CSR, rather than pure philanthropy inspired projects. CSR is steadily moving from institutional building (educational, research and cultural) towards more sustainable community development projects and goal-oriented investments that are linked to the business objectives. Within this framework, where CSR expenditure is directly linked to increased profitability in the long run, it is appropriate to inject the idea of supporting social enterprises as part of CSR initiatives. Not only will

this exponentially improve brand equity, it will also open up a space of value-based partnerships, where “socents” (Contemporarily, a substitute term for social enterprises or social business for larger good) are able to work closely with companies, and adopt sound business strategies as a result.

## 2.2 The Future of CSR in India

The new ‘Make in India’ campaign being promoted by the current government has shifted focus from services to manufacturing, which implies several things: as manufacturing companies require larger investments, they are more likely to fall in the mandatory CSR bracket and therefore there will be more funds available; as exported goods will reach international markets, there will be a greater stress on responsible business in the form of social and environmental safeguards and sustainable supply chains. As these processes evolve, the ecosystem of CSR will similarly be enhanced, leading to increased requirements for niche talent in the CSR space, and a support system for improved disclosure. In-house and consultant CSR experts will require not just knowledge and skill, but insights into stakeholder groups,

customers, suppliers and communities, and be able to adapt to rapidly changing contexts and circumstances of need, regulations and societal shifts.

Indian companies are steadily crossing borders and becoming global players. With opportunity comes risk, and navigating these foreign contexts requires adaptability and acuity with technology and fast moving information flows, but also the requisite acknowledgement of the fact that reputation, responsibility and risk are increasingly interconnected in today’s world. Hence, firms that are going global will be under compulsion to incorporate responsible business practices for sheer survival in an increasingly demanding and complex consumer environment.

Almost all companies have procedures in place to identify and manage corporate risks with ‘environment’ being the most considered factor (91% of the top 200 companies) among others. There is a direct co-relation between risk assessment and regulation in certain areas. For instance, ‘environment’ is one of the critical areas for sectors such as metals and mining, oil exploration, cements, and petrochemicals. Human rights, supply chain, and corruption

are poorly regulated areas in India and therefore currently rank lower as potential risk areas to companies. In the future, these may pose higher risk and will need to be addressed by companies.

The way information and technology works today, brands can no longer go about their business without the succinct approval and support of their consumers. Digital connectivity, the plethora of data on the web, the potency of the possible 'viral' nature of any kind of information, has the power to make or break. In this context, consumers can be persuaded to support or disown corporations. CSR will therefore have to be more about the genuine desire to be a part of keeping the world alive, and its people dignified. It will be more about impact, than activity. It will deal more with connecting causes to brands, than blindly pursuing profits. However, the causes will need to be thoroughly vetted and understood; otherwise, they may remain mere ad campaigns. Essentially, companies will need to evolve into value-based entities, who integrate sound ethics into all their CSR campaigns. In order to do this, they will need to innovate, transform and engage with all stakeholders, especially the communities they stand most to benefit.

## **2.3 Projected Business Responsibility Patterns by 2020**

It is optimistically predicted that not too far in the future, smoothly functioning, effective and ethically run businesses will compete with the best social enterprises and most remarkable public sector organizations to be at the top of the social impact spectrum. Traditional social enterprises will no longer be able to claim they are superior to other businesses just because of their social mission or legal structure. Instead, ordinary businesses are projected to operate in such a way that they deliver enormous social good for minimum financial input and inefficiently run, ineffective social enterprises will find they are judged to be delivering limited or even negative social value. Many private businesses will fall within the broad definition of social enterprise by 2020 – delivering social value and reinvesting some of their profits for social purpose.

- By 2020, an increasing number of private sector businesses will have to demonstrate their social credentials, and many of them will fare better at this than traditional social enterprises, perhaps because of the former's historical association with maintaining a competitive edge.

- Small and medium-sized enterprises (SMEs) will seek ways to generate customer loyalty, or simply to give something back to and engage meaningfully with their communities.
- Traditional social enterprises may find it difficult to preserve their social innovation and client centered approach within the tight restrictions of service delivery contracts. The for-profit companies will compete to deliver the same services for lower and lower cost. The debate will shift from defining social enterprise to measuring and comparing the actual social impact created by different companies on the spectrum.

Further, by 2020, social impact measurement will not only be a common practice amongst social enterprises, charities and associations; both public and for-profit organizations will be expected to do the same. "Social impact measurement and reporting will become increasingly sophisticated with the result that all organizations will be judged on a 'Social Impact Spectrum', affecting the way buying, giving and investing decisions are made. In fact, by 2020 many organizations will produce an annual impact statement covering social, environmental and economic impact." This is a natural progression

from the current scenario, where the Indian CSR regulations already require companies to furnish these reports annually.

## 2.4 Conclusion

In the Indian context, it is not only the policy transition that is taking place in making business accountable for social development, but essentially business is raising up to manifest its social impact by aligning business and social goals in a unique fusion. There is a clear shift from traditional approaches to impact driven business approach. Such a transition will not only deploy professional and scientific tools, but will also have to build processes and systems to support delivery and manage impact. Bala Vikasa International Center provides tools and process capabilities in facilitating change with business and communities.



## Social Enterprise in India– An Overview

*“Social entrepreneurs are the essential corrective force. They are system-changing entrepreneurs and from deep within them (and therefore their work) are committed to the good of all. Whenever the world needs to turn in a better direction, they emerge to ensure that it does so.” -Drayton, 2013*

### 3.1 What is Social Enterprise?

For UNDP and EMES, social enterprises may be defined as “private, autonomous, entrepreneurial organizations providing goods or services with an explicit aim to benefit the community. They are owned or managed by a group of citizens, and the material interest of capital investors is subject to limits. Social enterprises place a high value on their autonomy and on economic risk-taking related to ongoing socioeconomic activity. Social enterprises are either legally prohibited from distributing profits or are structured to exclude profit as the main goal”

Yunus (2008), who interprets the social business as one that operates as an enterprise, selling products and services to customers, give a similar definition of social entrepreneurship. The difference between social businesses and traditional enterprises is that in the former, there are no dividends for the shareholders. Investors who decide to set up a social business enterprise can take back the amount of money that they invested, after which any surplus

revenue that exists would be ploughed back into the business, toward improving the quality of the product or scaling up the enterprise.

He does not approve of the hypothesis of a social business model that distributes dividends for shareholders because “profit-seeking companies with a strong CSR commitment try to make their pursuit of profit consistent with social considerations. However, their commitment to making a profit inevitably limits their contributions to social causes. By contrast a social business is designed exclusively to deliver social value”.

Furthermore, Yunus (2008), developed a second model of the social business: a profit-making company that is owned by poor people. In this case, even if the business prioritizes profit, it can still be considered a social business because it allows for the improvement of livelihoods and social status of low-income groups. In this bracket, there also exists ‘work integration social enterprises’ (WISEs) whose intention is to integrate excluded/marginalized

members into work and society through a productive activity. A recent successful example is The Specialists, a for-profit consultancy firm from Denmark that almost exclusively hires autistic people.

Ashoka, the largest network of social entrepreneurs globally, defines social enterprise as disruptive innovation in resolving everyday social problems with new services and products in an entrepreneurial way. It is the impact on local communities that matter, without prioritizing income generation. Intellectap, in addition to identifying social enterprises as businesses with the goal of generating profit alongside the mission of social impact, additionally bring in the element of the BoP, stating that business operations should directly improve the lives and livelihoods of those residing at the BoP. Also, they have a 'critical needs sector' label, which recognizes agriculture, education, energy, healthcare, water/sanitation and livelihood development as key sectors of operations that should be targeted by social businesses.

To sum up, social entrepreneurship is a process that aims to:

- Address significant/alleviate social problems/needs (Light, 2006; Mair and Marti, 2006; Korosec and Berman, 2006)
- Catalyze social change (Mair and

Marti, 2006)

- Alleviate the suffering of the target group (Martin and Osberg, 2007)
- Benefit society with an emphasis on marginalized people and the poor (Schwab Foundation, 2011)
- Create and distribute new social value (Peredo and McLean, 2006; Perrini and Vurro, 2006)

Bala Vikasa International Center interprets a social enterprise as a business that stands to create three essential outcomes: one being sustainability; the second being the creation of measurable social impact; the third is an ability to scale. Therefore, whether the enterprise is profit-oriented or non-profit-oriented, it should aspire for any or all of these three factors.

### **3.2 The Difference between Social Entrepreneurship and CSR**

Social enterprises can also be divided into two typologies on the basis of what they produce. The first category includes social businesses, which have developed an innovative social or environmental service or product. For example, new technologies for alternative energy sources, water-saving irrigation techniques, or creating mobile education services. As with Intellectap's definition of social

enterprises above, this category also includes the design and development of products and services, which benefit the poorest socioeconomic groups. The second type of social businesses are those that replace existing products and services with more responsible choices, such as growing organic produce, or offering legitimate and safe working conditions.

This perspective of social entrepreneurship might get confusing, as it closely resembles some definitions of corporate social responsibility. In itself, developing a product for the BOP market together with an NGO or ensuring fair working conditions do not entitle a company to call itself a social enterprise, as long as its core business is not sustained around a social mission. That said, there is no clear line between where CSR stops and social entrepreneurship starts. "CSR approaches range from it simply being an add-on function (such as financially supporting an NGO), to taking on a 'cause branding' strategy, integrating CSR more into the core of policy ('strategic CSR') or adopting a sustainable mission further in their core practice ('shared value creation'). Whatever the objective, the motivation to engage in these activities is the expectation that CSR will ultimately make the enterprise more financially valuable, increasing its productivity and expanding its markets."

The difference between CSR and social entrepreneurship is the core objective of the organization, and whether this is situated social goals or not. In a CSR approach these goals are added to the overall corporate objectives in different levels, while for social enterprises, they are the primary objective. An enterprise should therefore only be defined as social if it would accept a significant reduction in its profits in pursuit of its social goals. In this case, a for-profit company would not qualify, as it might let go of its social aims if its profits were threatened. Social enterprises exist to serve a direct social purpose, something that not every business can do. Manufacturing companies may adopt more environmentally friendly practices through their CSR approaches, but their core objective would not be to achieve social impact. If however, the manufacturing company employs only marginalized people, such as tribal minorities, it would then be considered a social enterprise.

To conclude, social enterprise consists of three distinctive dimensions when it comes to aligning with business.

- a) Social enterprise will be a medium through which business connects with social issue or challenge
- b) Social enterprise exists to create positive impact for community, business and environment, being sustainable

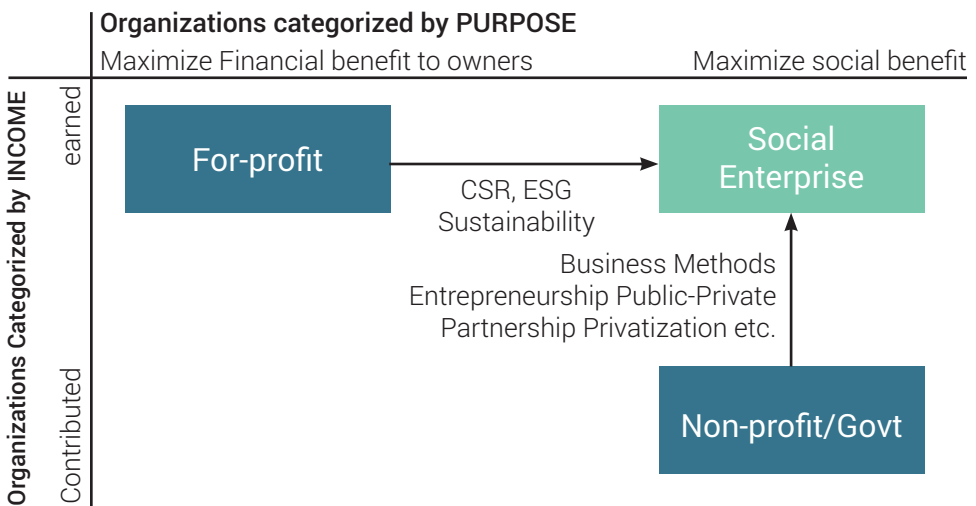
c) Social enterprise has to be scalable.

It is fair to assume that the term social entrepreneurship is used to refer to the growing number of organizations that have created models for efficiently meeting basic human needs that the existing markets and institutions have failed to fulfill. Social entrepreneurship brings together the resourcefulness of traditional entrepreneurship with the objective to increase well-being of previously underprivileged or marginalized communities. Whereas corporate social entrepreneurship (CSE) is this same process developed by an existing traditional company, CSE represents an evolution and an advanced interpretation of CSR. In

India, with the new CSR Act and a growing awareness of this duty, it is hoped that more companies adopt a CSE approach rather than simply a CSR approach.

“...the work of creating new markets in places where markets have failed and aid has fallen short is long, messy, and difficult. The road to large scale in underserved or nonexistent markets where people earn only a few dollars a day requires not only capital, but also leadership, management support, and strong systems that help support growing companies over time. All of this takes a sort of hard-edged patience and a gritty determination to do what is right, not what is easy.”

**Figure 3.1 Social enterprises blur traditional boundaries between for-profit and not for-profit**



Source: Adopted from Heerad Sabati, "The Emerging Fourth Sector" The Aspian Institute 2009

The interesting thing about social entrepreneurship, when compared to other more traditional forms of enterprise, CSR or NGOs, is that a social enterprise has the power not only to provide a solution to a societal problem, but also to continue to do so irrespective of grant funding or the limitations of CSR. If it can tread the tightrope of mission and profit, a social enterprise can become a powerful model to combat systemic issues and problems in the local and global arena.

### **3.3 The Social Business Model Framework**

We are already observing changing consumer patterns in relation to the global economy, and how the millennial generation in particular is demonstrating changing expectations with respect to how businesses operate, how they source their operations, their modes of conduct and ethical considerations. They are more likely to affiliate themselves with brands that support causes and this will be an even more important factor in making purchasing decisions. To capitalize on this, business will have to move forward by imbibing social concerns into their profit-making fabric.

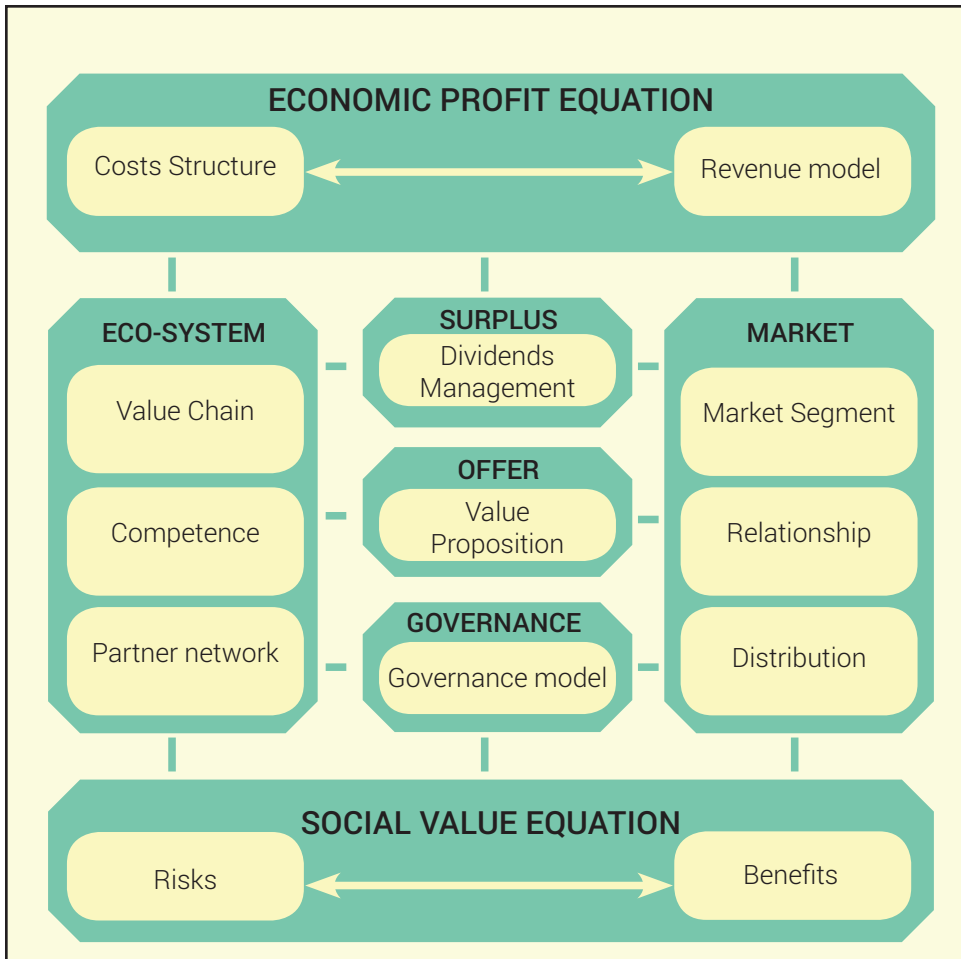
A traditional company need not adopt

a social business model when it starts up, but can integrate this into their structure over time. The important point is that social benefit is at the heart of the operations and is in balance with the business model. Internationally, there are multiple experiments in this space linking CSR, entrepreneurship and livelihood, including supporting existing/traditional community businesses as CSR (e.g. Indian public sector companies like Oil and Natural Gas Corporation [ONGC] trying to promote local craft); leveraging social innovations as an extension of the company's business strategy (e.g. U.S. company Patagonia using recycled denim for their textile products); and linking social innovation with entrepreneurship, while keeping and treating them distinct from core businesses (e.g. Tata Steel / Jindal Steel and Power's effort to empower local communities through entrepreneurship). Each of the above collaborations has a potential to change social landscapes in the communities, and can act as a potent catalyst for change.

As defined by Springer in 'Corporate Social Entrepreneurship and New Business Models', the social business model framework is composed of the following seven areas, which include 13 components:

- Offer, which is characterized by the value proposition that is the benefit offered by the company through products and services;
  - Market, which includes the market segment, the segments of customers that a company wants to reach; the relationship, which describes the communication strategy and type of connection that the company establishes with its customers; and the distribution, which describes the various channels that a company uses to reach its customers;
  - Governance, which relates to the governance model of the company and includes the set of processes or laws that manage the relationship between stakeholders as well as the goals for which the corporation is governed;
  - Ecosystem, which includes the value chain, which refers to the chain of activities for a firm operating in a specific industry, and the competences, which outline the specific range of proficiency (skill, knowledge, or ability) of a company, and the partner network, which refers to the network of cooperative agreements with other organizations that are necessary to efficiently offer and distribute value;
  - Surplus, which describes how the company manages the revenue surplus. (Does it include dividends for shareholders?);
  - Economic profit equation, which includes the costs structure and revenue model, and;
  - Social value equation, which describes the way a company generates social benefit (in terms of risks and benefits).
- A traditional company that wants to access the low-income market, using a corporate social entrepreneurship approach, can do so strategically in the following ways:
- Build a subsidiary, internal spin-off company by forming a strategic social business unit
  - Alter the mission of the company by adding the social value, i.e., move from a market-based mission to a socially based mission, or;
  - Build an external spin-off company and determine which legal form to use (cooperatives, for-profit, non-profit) and how to manage the surplus (dividends or no dividends for shareholders).

**Table 3.1 The Social Business Model Framework**



**Source:** "Social Innovation and New Business Models Create Shared Value in low income markets"  
– Michelin, L.

Companies, which take up a CSE approach, can be instrumental in identifying the social needs of their stakeholders, or the communities in which they operate. These needs can be transformed into opportunities as part of their CSR scoping process. It provides them a platform to reach out

to communities and together, map out existing social innovations with community requirements for scaling up or increasing effectiveness of the product/service. Following this, the company could facilitate a community-owned social business leveraging these innovations to improve quality

of life. Such incubation gives the social business access to corporate expertise, systems and processes, which infinitely fortify the community social business, putting them on a path of growth and self-reliance.

The fundamental purpose of CSE is to accelerate companies' organizational transformations into more powerful generators of societal betterment. CSE is not another form of CSR but rather is a process for invigorating and advancing the development of CSR.

For traditional businesses to adopt social innovation as part of their strategic CSE there needs to be a platform for collaboration, where stakeholders and professionals from diverse fields can come together for effective implementation. For social innovation to scale, consensus on multi-disciplinary approach is required. These infrastructural setbacks are one reason why it might be difficult for companies to adopt CSE, and Bala Vikasa International Center aims to fill that gap, by providing the platform and the multidisciplinary approach.

**Figure 3.2 Vikasa International Center Approach to Change through Social Enterprise**





### 3.4 Observations on Social Enterprise Landscape in India

#### 3.4.1 Summary of Intellecip's 2012 Report on Social Enterprise Landscape in India

##### General background

The industry launched in 2005-6 and has expanded rapidly since then. Sector-wise, energy and agriculture have been the quickest to grow in terms of the number of enterprises working in these areas, but health, water/sanitation and livelihood

development have also experienced growth. Nearly half of the enterprises had been operational for about two years. Most socents are headquartered in India's metropolises in the southern and western regions, but operate across the country including areas with high poverty levels and challenging business environments. Half of the socents surveyed make less than INR 50 lakh in revenue annually, and 64% have less than 20 employees, but there is a strong positive correlation between age and size. Not all these enterprises are able to grow fast, but have made it so that expansion is possible.

Figure 3.3 Growth Strategies of Social Enterprises in India



Source: Adopted from Intellecip – “A Study of Indian Social Enterprise Landscape”

## **Relationship with the BoP**

Most social enterprises target the BoP as consumers of critical products and services rather than producers, but some do incorporate small-scale producers into their supply chains and help to improve their productivity and quality of outputs and linkages. Primary education, vocational training, maternal healthcare, clean water and sanitation facilities, and solar lighting are some examples of goods/services being provided to BoP consumers.

## **Social motives vs. profit motives**

Approximately two-thirds of socents consider social motives as important if not more important than profit motives, showing that entrepreneurs in this space are using business as a tool for social impact rather than perceiving social impact as a positive result that will result naturally from their business. It has been noted, however, that most later-stage investors prefer the profit-first model, ultimately believing that the social outcomes will be enhanced in the long run.

## **Capital and turnover**

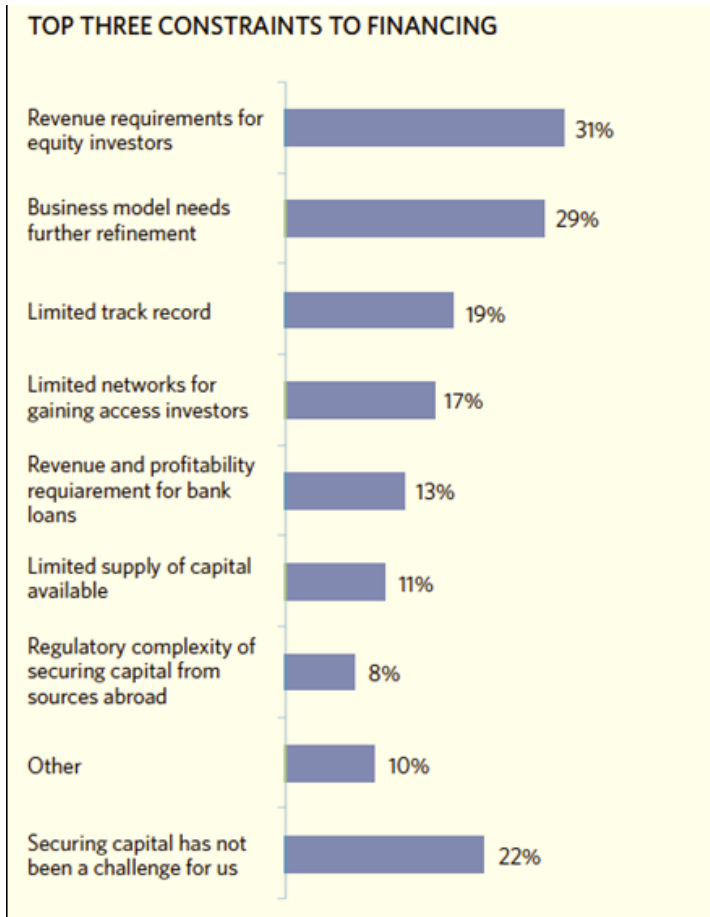
Majority of the socents examined have a modest turnover, primarily because of their youth. The relatively smaller size of younger socents hints at the probable longer timeframe needed

for them to build and sustain strong business models for underdeveloped markets, and points to challenges they face in garnering seed capital. In fact, capital seems to be an issue constantly faced by socents, no matter at what stage they are. Equity is in highest demand, but there is expressed desire for grants and debt. Most start-ups rely on grants from foundations, incubators, fellowships and competitions, or from personal funds collected from family and friends. Because the grant amounts are usually small, entrepreneurs need to devote energy and time into securing several such grants while also refining their business model.

The problem seems to not be a limited supply of capital in the market, but socents' limited access to it, either because they do not meet the investors prerequisites or because their business models are not yet 'investor ready'. There appears to be a definitive gap in the start-up phase funding scenario. Angel investors could potentially address this gap, but India's nascent angel investment community looks first at the profit potential and typically likes to see operations on the ground with an annual turnover of INR30-40 lakh before they will invest.

A new development is that commercial venture capital and private equity funds are beginning to venture into investing in pilot and growth-stage enterprises, especially the health care sector.

Figure 3.4 Major Constraints to Financing



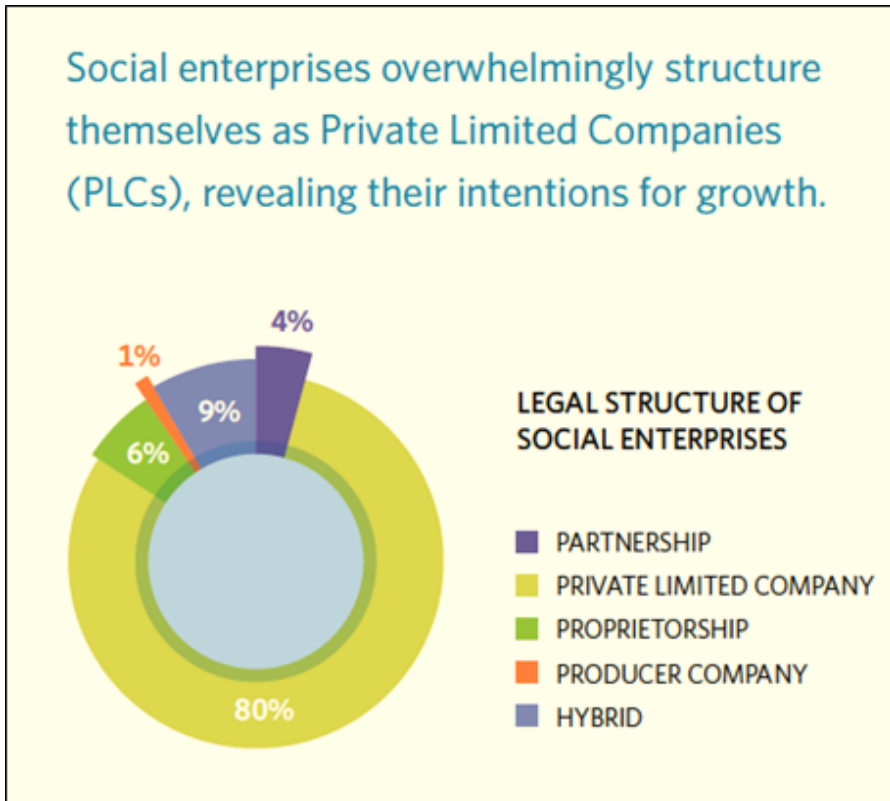
Source: Adopted from Intellectap – “A Study of Indian Social Enterprise Landscape”

### Sustainability, scale and impact

Human resource identification and retention, raising capital and building the value chain continue to be the most significant barriers to sustainability and scale faced by socents, especially for those in the pilot phase. Despite all these obstacles, more than half of the surveyed enterprises declared that they

were financially sustainable. A quarter of the socents surveyed reported being profitable, while another 28% said they were breaking even. Despite the numerous challenges they face, there is no doubt that they are making an impact in India. Almost one-third are serving more than 50,000 BoP beneficiaries annually.

Figure 3.5 Legal Structures of Social Enterprises in India



Source: Adopted from Intellectap – “A Study of Indian Social Enterprise Landscape”

### Growth of hybrid models

The hybrid model is growing in popularity amongst social enterprises. It consists of a for-profit entity that looks after core business operations while a sister nonprofit organization provides support services that benefit the business and community. This model makes it easier to fundraise, as investors are wary about grants and equity being channeled into the same entity.

### 3.4.2 Summary of ADB's 2012 Report on Social Enterprise Landscape in India

The Asian Development Bank published another comprehensive report on the social enterprise landscape in 2012, which profiled 120 Indian social enterprises. Some of the findings presented in that report are highlighted below.

There had ostensibly been a recent

spike in the growth of capital available to socents, and the number of socents seeking capital at various growth stages was rapidly increasing. The demonstrated success of existing socents was fueling the enthusiasm of development finance institutions and private foundations regarding the role of social enterprises in alleviating poverty.

The report acknowledges however, the same gap in impact investment as was discovered through Intellectap's research outlined in the section above. It also states that very few funds have managed successful exits from the investments, but that as business models evolve and mature, this situation is likely to change.

### **Different types of social enterprise models and how they raise funds**

Three-fifths of all SEs leveraged innovative business models with for-profit entities, which include collective ownership structures such as cooperatives. Waste Ventures is one such organization that "incubates solid waste management companies owned and operated by waste pickers." About one-fifth of SEs adopted not-for-profit legal models, such as Arvind Eye Care Hospitals, which is registered as a trust, and sustained by charging users

for affordable eye care. However, the growing trend is for many non-profit SEs to evolve into for-profit models as these are better poised to secure financing and scale over time.

Resonating with Intellectap's report, an assessment of the SE financing landscape indicated that the key sources of capital for SEs were non-institutional debt, equity (mostly self-finance), institutional debt, and grants. Traditional private equity investments in SEs were rare, and largely restricted to the more developed sectors such as microfinance, health, and agribusiness. Access to institutional debt was also very limited. This could be ascribed to the fact that the business models were still being refined, the market was still being developed and there was limited data available to understand the space. However, both access to equity financing and institutional debt were expected to improve over the next few years, as returns on capital and social impact are being increasingly demonstrated.

### **Emerging Policy framework**

A special task force commissioned by the Prime Minister of India provided a set of recommendations to create an enabling environment for MSMEs. They suggested that the task of the

government should spend around \$1.1 billion over the next 3 to 5 years on augmenting infrastructure and technological support for MSMEs; of these funds, around 20% should be set aside for incubation centers within reputable educational institutions. Additionally, the Securities and Exchange Board of India (SEBI), the country's financial market regulator, floated a policy paper proposing that 'Social Venture Funds' should be separately recognized and monitored, as these funds were for investors seeking "muted" returns in their investments in return for social gains.

### **3.5 Sectors of Operations and Profiles of Social Enterprises**

#### **3.5.1 Health**

Lower income households in India spend approximately \$6.2 billion annually; the main reason behind such extraordinarily high expenditure is inadequate public health infrastructure and limited access to existing facilities. Some 70% of medium-to-large hospitals are located in big towns or cities. There is therefore a tremendous need for enterprises, which provide affordable medical services, and enable access to these facilities for the poorest segments of the population who live in villages.

Affordable and accessible healthcare initiatives utilize innovative operating models, and the flow of equity to this sector is on the rise, as the sector is showing rapid growth and returns. Given the massive potential of demand for this sector, the affordable healthcare market and number of enterprises is also expected to expand greatly.

#### **Vaatsalya Healthcare**

- Founded in 2004 by Dr. Ashwin Naik who practiced across the US for over 10 years and Dr. Veerendra Hiremath who worked with the Hinduja Group and Medicom in Malaysia.
- Operates the largest network of hospitals providing affordably primary and secondary care in Tier II and III towns; present in Karnataka and Andhra Pradesh with 17 hospitals
- Quality services; they recruit, train and retain their own healthcare personnel
- Low operating cost by centralized purchase of equipment and consumables.
- Serves an average of 280,000 patients per annum, which is expected to increase as new hospitals are being opened.

- Has won several awards including Inaugural Porter Prize in India for Value Based Healthcare in 2013 and Frost and Sullivan Award for Healthcare Excellence in 2010.

### **Forus Healthcare**

- Flagship product is 3nethra, a medical device that can detect five ailments that cause 80% of all blindness.
- 3nethra can be operated by a minimally trained technician and can be deployed in remote locations for a fraction of the cost of other devices.
- More than 250,000 people have been screened in rural areas in India for preventable eye diseases.
- 3nethra is being used in 14 countries, and more than 6 million eyes have been screened globally.

### **3.5.2 Affordable Housing**

The gap in the urban housing market has varied estimates, but ranges between 18.8 – 25 million units, almost all of which are accounted for by the working poor .The government is expected to meet these needs but despite schemes in place, it is unable to satisfy the incredibly high (and growing) demand for affordable housing. Today,

India has more than 25 developers involved in providing affordable housing that offer apartments costing between \$6,600–\$15,500. These developers create economic value by minimizing construction cost and completion time through integrative technical solutions and process innovations. The main challenge in this sector is procuring land, which is strategically situated, as the location determines the uptake of housing units.

### **Value & Budget Housing Corporation (VBHC)**

- VBHC intends to develop one million homes across 10 cities
- Launched Vaibhava, a construction project 30 km from central Bangalore. The apartments are available in a variety of configurations—a studio apartment is priced at Rs. 7.7 lakh and there are one, two and three BHK flats available for sale at affordable rates.
- High quality construction, with necessary amenities such as a primary healthcare center, a school, a shopping complex, and community center.
- With projects in Chennai, Mumbai, and NCR, VBHC has attracted Rs.

100 crore from the Carlyle Group in August 2011. Previous investors include HDFC and India Financial Inclusion Fund.

### 3.5.3 Agriculture

The major setback in the agricultural sector is chronic inefficiencies that exist in the current value chains. Socents, which operate in this space, tackle these inefficiencies and attempt to eliminate them, by supporting small-scale farmers in the pre-harvest, post-harvest and dairy value chains. SEs operating in the pre-harvest category attempt to increase agricultural yield in an economically and environmentally sustainable manner, by forming farmer's collectives, distributing important information, supplying farm equipment and enabling access to quality inputs such as seeds and fertilizers. Companies such as Kisan Kraft Machine Tools are trying to address the growing trends of mechanization in agriculture by supplying all kinds of farming equipment. Organic farming is also gaining traction, and increasingly socents are beginning to teach ecologically sound farming practices while assisting farmers in getting organic certification for their produce. Enterprises in the post-harvest space attempt to eliminate supply chain inefficiencies – through improving

procurement, storage, transport, processing and retailing - while ensuring economic profits for all value chain actors. Field Fresh Food, Mother Earth, and Star Agri are SEs operating in the post-harvest space. Enterprises also seek to incorporate small-scale farmers into their own supply chains, such that the economies of scale ensure better profits for the farmers. Cold storage and food processing are other elements within the post-harvest value chain that are gaining popularity with investors.

High levels of market regulation pose challenges to socents working in the post-harvest phase, and these operations typically require significant amounts of capital. The government has initiated capital subsidy schemes to promote investment in this space.

### 3.5.4 Education

Earlier in this publication, the concept of the demographic dividend was mentioned as one of India's strong points. However, the education sector is struggling to educate the largest young population in the world – 542 million under 24 years old. The government's per capita public expenditure on education as a percentage of GDP is one of the lowest in the world. Although primary education is now free and



accessible to all, the standards of education remain low with high teacher absenteeism, insufficient infrastructure and corruption. This has led to a demand amongst poor households for affordable private education; it is estimated that there are around 73,000 such affordable schools across the country.

Since formal schools require substantial access to capital, this poses constraints for SEs. In order to attract equity capital, many affordable schools operate a split enterprise, in which the school is a not-for-profit entity, but the school management company is a for-profit entity; equity investments take place in the for-profit entity. Still other schools depend on debt capital for scale.

### **Akanksha Foundation**

- Based in Maharashtra, with offices in the US, the UK and Canada. 15 centers and 15 schools in Mumbai and Pune.
- Non-profit with the vision to equip all students with the education, skills and character they need to lead empowered lives.
- Addresses non-formal education needs through the Akanksha center and formal education by initiating school reform through 'The School

Project'; presently reaches over 4,600 children through these two models.

- Awards for Ms. Mistri- Ashoka Fellow (2001), Global Leader for Tomorrow at the World Economic Forum (2002) and Asia Society 21 Leader (2006).

### **3.5.5 Energy**

Much of rural India is still not electrified. Approximately 75 million households do not have access to electricity, and they depend on kerosene for lighting and biomass or wood for cooking which cause several environmental and health problems. Despite India being endowed with massive renewable energy resources, the access to this energy remains one of the lowest in the world. There is also a need for additional units of power capacity to satisfy its growing energy demand and improved distribution systems to minimize transmission losses.

The scope for social enterprises in this market is immense and offers endless opportunities for product innovations. SEs enter this space with the objective of enabling access to environmentally friendly, affordable energy. They primarily focus on off-grid/distributable renewable energy (especially solar) and waste-to-energy projects.

### **Kiran Energy Solar Power**

- KESP is Mumbai-based grid-connected solar energy producer.
- Building a portfolio of grid connected solar photovoltaic power plants within high insolation zones in India.
- Has set up a 25MW solar plant in Gujarat and Rajasthan, and a 50MW plant.
- Capacity may go to 25 GW by 2020 if the government's goal to produce 3 per cent of power from solar is fulfilled.
- KESP optimistic about its commercial viability.

### **Earthen Life**

- Provides a sustainable and a decentralized waste management solution by converting organic waste to renewable energy at source
- Integrates the waste pickers and other low-income communities in the value chain.

### **3.5.6 Livelihoods Promotion**

As the population of India's youth (aged 15-24 years) more-than-doubled during 2001-2011, the unemployment rate among this section rose from 17.6 per

cent to 20 per cent, show the latest Census data. Socents in this space broadly operate in two categories: those that promote livelihoods and those that facilitate skill development. Livelihood promotion projects primarily include organizing the informal non-farm/farm activities sector and facilitating market linkages. Service-based enterprises train and employ rural youth in programs, which include business process outsourcing and courier delivery.

Skill development activities mainly are engaged with enhancing the employability of unemployed youth through structured training courses. These include language training, job specific training, soft skills, and technical skills.

### **Samasource**

- Non-profit organization founded in 2008 that utilizes a unique and inclusive micro-work model that provides dignified employment in the digital economy by breaking down small computer-based tasks from larger projects.
- Headquartered at San Fransisco, California and provides employment with in-country partners in Haiti, India, Kenya, Pakistan, South Africa and Uganda. Has support from

individual donors and philanthropic organizations including The MasterCard Foundation, The Rockefeller Foundation, Ford Foundation, the U.S. Department of State, Cisco Foundation, eBay Foundation and Google.org.

### **Desi crew**

- For-profit organization employing over 300 people that are focused on creating knowledge-based livelihood opportunities in small towns and rural areas.
- Initiated in 2005 in Tamil Nadu as an incubated project at the Rural Technology Business Incubator (RTBI) of IIT-Madras
- It establishes delivery centers in rural India and services clients worldwide. Services of DesiCrew include Data Management, Digital Supply Chain and Customer Experience Management

### **3.5.7 Water & Sanitation**

Only a tiny percentage of urban households have access to clean, piped drinking water and more than half the households in rural and urban areas have no access to any kind of sanitation infrastructure. With prolific urbanization and rapid population

growth, the demand for safe drinking water is growing and the need for widespread sanitation facilities is urgent, for rampant disease related to waterborne diseases and open defecation kills millions each year.

Socents operating in the water sector fall broadly into three categories, which address inefficiencies in the water infrastructure: water harvesting and storage, water supply and distribution, and piping and waste management. Areas of SE activity are mainly comprised of rainwater harvesting, small-scale water networks, community water treatment, and point-of-use filtration. These projects are undertaken in close collaboration with the beneficiary communities. Most socents that launch into this space need very high amounts of capital and only a few have managed to successfully scale, and generate revenue (one example of this is the Bala Vikasa Community Water Purification social enterprise detailed below). In the future, more innovative and profitable models will have to be developed.

### **Bala Vikasa Community Water Purification Project**

Bala Vikasa has innovated a unique community owned and operated social enterprise to address access to safe

and extremely affordable drinking water on a sustainable, scalable basis. BalaVikasa’s safe water social enterprise uses an innovative blend of social, technological and delivery mechanisms to break the cycle of unsafe drinking water among low income households. Today we cater to over 1.5 million poor households at the BoP from across 675 villages. Bala Vikasa has accomplished this by providing necessary technology and equipment; giving training in project planning, implementation and maintenance for

a team of community leaders; enabling the community to raise funds and resources; implementing monitoring mechanisms to ensure sustainability. Each Water Purification Plant is self-reliant and community managed.

By pairing need and scope in areas such as product design, delivery, and market promotion with local knowledge and networking, Bala Vikasa is able to maximize both scale and impact by having a six-step process in place.

**Table 3.2 Six Step Process of Bala Vikasa Community based Water Purification Enterprises**

Steps	Process	Community and Resources	Delivery & Technology
Step 1	Feasibility Assessment	Asses community needs, water quality and quantity	Identification of most need
Step 2	Organize & Motivate	Community participation and organizing committee	Functional committee
Step 3	Build capacities	Trainings for committee	Knowledge and skills
Step 4	Design	Volume, quality, efficiency and economical	Capacity and appropriate technology
Step 5	Raise resources	20% of unit cost community contributes, identifies space (room) and bore well source	Community contribution of money and place
Step 6	Deliver	Availability, Quality, Price(Rs. 2-3 per 20 lts)	ATW 24/7
	Scale	Cost of 500 lph bellow 2.00 lacks	Federation with 675 enterprises

### 3.6 Conclusion

This section has attempted to provide a working definition of social enterprises, summarized through the lens of Bala Vikasa International Center as entities, which aspire for three outcomes: sustainability, measurable social impact and scale. Although there is an apparent distinction between social enterprises and corporate social responsibility, the emerging concept of 'corporate social entrepreneurship' encompasses the ethos of social enterprises within the corporate fabric, and outlines how companies can adopt social business frameworks into their structures and processes.

Through collating research on the social enterprise landscape in India and profiling certain buoyant organizations in various sectors, some observations can be made that may point to reasons for success:

- Customization of product and service to meet the needs of target market
- High product and service quality
- An asset-light infrastructure to minimize capital expenditure and maintenance costs
- Innovative outreach or distribution

models to deliver products and services in a cost effective manner

- Usage of appropriate technology in design, production, and service delivery to improve efficiency
- Consumer ability to pay via variable pricing or financing
- Aggregation of multiple suppliers, especially in rural areas

However, despite the relative success of certain socents, many others are still struggling at various stages of growth to access the requisite capital needed to properly launch and sustain their business, while refining their models for greater efficiency. Fundraising efforts consume crucial time and energy that could be spent on advancing their social missions and the socents' continued ability to provide these important value-driven services and products is dependent on erratic capital availability. Most socents cannot fund themselves entirely through sales or investment, and are not profitable enough to access financial markets. While enterprises are vocal and clear about their need for equity, relatively few are able to tap into angel or institutional funds. There is a clear gap in the funding landscape, and the thesis of this publication proposes that this source of equity can come from earmarked CSR funds of companies

who are seeking to channel these funds into fruitful and socially relevant ventures. Bala Vikasa International Center provides a juncture for CSR and social enterprises to collaborate for a more prosperous and equitable society.

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# FUSION OF BUSINESS RESPONSIBILITY AND SOCIAL ENTERPRISES

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## 4

What is becoming increasingly clear is that there are multiple ways that business can support global development and sustainability, and a diversity of mechanisms through which they can engage with social enterprises: through funding, but also through other kinds of support (employee volunteer programs, management consultancy), and through incorporating the goods and services they provide into core business operations. They can also set up social enterprises as a separate unit of their company, providing BoP consumers with healthcare, education, affordable housing and renewable energy through for-profit models. Furthermore, companies can strengthen the entrepreneurial capital in the areas where they work, through capacity building and providing seed capital. The returns might not be immediate or necessarily financially profitable, but the impact would be genuine and set the foundations for progress.

### **4.1 The Growing Importance of Sustainability on the Global Business Agenda**

There are several forces affecting the speed and direction of global capitalism. As mentioned previously, consumer trends are changing, especially the perceptions and buying habits of the 'millennials' being more attuned to responsible, ethical choices. There will therefore be millions (or even billions) of consumers that shall be exerting ever more influence over the decisions that corporations make.

In turn, corporations worldwide are grappling with the challenge of meeting the needs of the present generation without compromising the ability of the next generation to meet their own needs. They are increasingly required to take responsibility and be accountable for the ways in which their operations impact communities and the natural environment. Guidelines for sustainability have been developed and adherence, together with reporting of measures taken to ensure

sustainability, is slowly becoming the norm. A corporation can no longer work in isolation from the stakeholders impacted by its actions, and although many businesses do want to contribute to a better world, it is not always easy to translate this wish into action.

There is however little doubt that business is the most powerful agent of change on the global stage right now. Religious organizations, governments, non-profits and other institutions all have a role to play, but none have the resources to confront the set of problems we face as a world today. The form of business itself is changing, morphing into more complex alliances and interlinked webs of relationships. Both large-scale companies and small enterprises are operating in increasingly fluid environments where boundaries are fading fast, connectivity improving constantly and transparency inevitable. All this provides for the perfect laboratory for a fusion between CSR and social enterprises. Businesses that look beyond corporate social responsibility (CSR) and NGOs that are introducing entrepreneurial values into their organizations are experimenting with the concept of social entrepreneurship and moving towards each other.

## **4.2 Framework for the Corporate Contribution to Development**

Business working with social enterprise is not a silver bullet, but it can be the right path. There are multiple ways in which the private sector can help achieve the internationally established Sustainable Development Goals (SDGs). Through inclusive business models and what is being referred to as 'creative capitalism', corporates can mobilize their innovative technologies, processes and skills to build collaborative alliances with communities, stakeholders, social enterprises and non-profits. The following are some of the ways these companies can contribute to sustainable development, as outlined in the IBLF-UNDP 2008 publication, 'Business and the Millennium Development Goals: A Framework for Action'. The suggestions in this document remain pertinent today, for the achievement of the SDGs over the next decade.

### **4.2.1 Providing affordable products and services.**

Companies in the water, energy, credit, insurance, pharmaceutical, nutrition and informational technology sectors can develop new products and services or increase access to existing offerings



for poor communities by expanding the distribution networks and outreach.

- Utilities companies can participate in public-private partnerships to increase access to clean water, energy and telecommunications. For instance, Endesa has been trying to increase access to electricity by allowing low-income customers to exchange their recyclable waste for credits on their electricity accounts.
- Energy companies can promote research and efforts to develop renewable energy sources, especially in rural communities.
- Construction companies can provide affordable housing in urban centers.
- Financial service companies can develop banking and insurance products and services, including micro-credit and micro-insurance.

#### **4.2.2 Operating on a small-scale, entrepreneurial basis.**

The majority of the business sector consists of small and medium sized enterprises, and they should not be excluded from participating in the contribution to development. In Ghana, for instance, 3K&A Industries took on a capacity-building project where they

improved the use of inputs, farming techniques, planning and commercial skills of 2800 small soybean farmers. The company managed to capture 9% of the local cooking oil market in less than two years. Another example is of Madagascar Bamboo, which hires labor from one of the poorest regions in the country to produce flooring and other furniture items for export. Sustainability is ensured because bamboo grows back rapidly, and the use of this material reduces scope for illegal logging in the tropical rainforests of Malagasy.

#### **4.2.3 Invest in social entrepreneurs**

Being the main proposition of this publication, the potential of the private sector to help socents grow is vastly underexplored, and yet these kinds of alliances have worked in the past. For example, the Abdul Latif Jameel Group, one of Toyota's largest distributors, has collaborated with the Grameen Foundation to establish the Grameen-Jameel network to support microfinance intermediaries in the Middle East region. In another instance, SC Johnson has worked with social enterprise KickStart in Africa to source raw materials from small-scale farmers while distributing affordable irrigation technologies.

#### **4.2.4 Strengthening women's economic capacity as entrepreneurs, employees and producers.**

One of BalaVikasa's 10 Development Rules states that 'Development is Women', identifying that women's active participation in the development process is vital for balanced and equitable progress. Through 'employing more women and supporting workplace diversity programs, or developing business linkages or credit programs with female entrepreneurs, companies can develop technical and marketing skills, strengthen negotiation and bargaining tactics, increase access to and influence over new technologies, build networks and business associations and identify new market opportunities.'

Some illustrations of private sector contributions in this context include the Consortium of Central American Women's Maya Nut Producers, which comprise six women's community businesses from four Central American countries. The Consortium processes and markets nutrition rainforest tree food, within the countries and for export. Project Shakti, sponsored by Hindustan Lever, works with 15,000 underprivileged women to reach their hygiene, personal care and nutritional

products in small, affordable sachets to 70 million rural consumers.

#### **4.2.5 SME Social Responsibility**

With the introduction of the new Companies Act, 2013, several small and medium sized enterprises will be brought into the eligible bracket for CSR spending. Their challenge will be to implement impactful programs while keeping their operational costs low. The pooled resources of SMEs, who function in a geographical cluster, as they affect the same community, can create a sizeable CSR fund. Using already established associations and shared resources, they can come together to design programs where they support local small-scale entrepreneurs in the areas they operate in.

By functioning as a single unit, their management and operational expenditures are kept to a minimum. A further benefit is that through this collaborative method, they can undertake long-term projects, because they would not have to rely on a fluctuating performance, which in turn results in unreliable annual BSR budget allocations. Investing in social entrepreneurs at the micro-level would be a good long-term initiative, which lead to better community relations and fewer instances of community unrest.

## 4.3 New Models - BSR Promoting Social Enterprises

### 4.3.1 CSR-SE Alliances in India

Corporates in India are increasingly interested in tapping into the BoP markets to sell their products as services, a profit-oriented goal that comes with the possibility of social impact. They are also beginning to work with social enterprises and non-profits in not just charity-based initiatives, but activities geared at actually creating sustainable change.

### Cyient Foundation

Cyient Foundation is supporting an Innovation Center at LV Prasad Eye Institute, with the vision to provide infrastructure to support research, develop new practices, tools and capabilities in the field of ophthalmology. To this end it has committed Rs.250,000,00 over a period of five years. It also leverages engineering capabilities to support in developing new products for diagnosing eye diseases.

**Table 4.1 Examples of CSR driven SE in India**

Theme/ Partnership between	Large Organization	Social enterprises/small organizations
CSR to fund projects	Aditya Birla Group	Crux Power – Canyon Consulting
	ACC, UltraTech Cement	Envirofit
	Fullerton India	E-Hands Energy
	PSUs	TERI
Marketing & distribution	Total	Greenlight Planet
	Fullerton India	E-Hands Energy
	Sahaj e-village	d.light
Technology & product portfolio	Bosch Solar Energy	Gram Oorja, Husk Power
	Fullerton India	E-Hands Energy
End-user financing	Fullerton India	Greenlight Planet, Envirofit, E-Hands Energy
	ESAF	Barefoot Power
Enterprise development	Shell Foundation	Envirofit, Intellegrow

## **Intel Corporation**

Empowering Girls and Women: Intel launched a pilot project to create livelihoods linked to Information Technology for women in insurgency-affected “Red Corridor” districts of India. They are also working to create sustainable market linked enterprises for disadvantaged women affected by the devastating floods in Uttarakhand.

## **Mindtree**

“I Got Garbage” with an aim of enabling dignified livelihood for rag pickers and reducing the number of landfills. It is a first-of-its-kind initiative in the country where around 50 engineers are developing real-life customized technology solutions, enabling each rag picker to get access to professional tools and operate in a robust marketplace.

### **4.3.2 NASSCOM Social Innovation Forum**

The NASSCOM Social Innovation Forum attempts to enable and strengthen innovations that empower and impact lives at the bottom of the pyramid, through enhancing delivery of basic services like education and healthcare to rural populations and underserved

communities. The Forum empowers NGOs, social enterprises and citizens by helping them to refine their innovations through special thematic challenges, awards, seed grants and mentoring. Significant partners include Genpact India CSR and Mphasis. The Forum aims to impact 100,000 beneficiaries in 2015.

The Forum’s strategic interventions include:

1. Identifying high potential innovations from across the country through national level searches and awards, and improving their visibility. They receive over 400 applications each year from which eight good projects are selected for the ‘support to scale’ program.
2. Provides online and offline interaction with development experts; helps selected social entrepreneurs cultivate a deeper understanding of the development landscape and social challenges. The ‘support to scale’ program hosts workshops and industry led mentoring to build capacities of individuals, social enterprises and NGOs to help them refine their processes, plans and products and provide testing grounds for pilot projects.

3. Though carefully constructed impact metrics, the Forum monitors and guides innovative projects to increase reach and augment beneficiary impact.

#### **4.3.3 DBS Bank**

The DBS Bank, which refers to its heritage as a 'development bank', supports and nurtures social enterprises across Asia as their core CSR operation, with the belief that commercially sustainable solutions as epitomized by social businesses have the power to change the Asian development landscape. DBS focuses on cross-sector collaboration, by investing in multiple programs that bring people and corporations on the same platform to discuss challenges faced by social enterprises, and offer support for their causes. DBS is unique and innovative in that they offer virtually free transactional banking services, business loans at reduced rates, grants and volunteer services by their staff for social enterprises.

The bank works in partnership with Tata Institute of Social Sciences (TISS) by supporting young, driven graduate social entrepreneurs by engaging in capacity building through knowledge creation and dissemination activities

to accelerate the innovation process in social problem-solving

#### **4.4 Recommendations for a Vibrant Social Enterprise Eco-system**

There are several ways in which India could build its social enterprise eco-system, to make partnerships, collaborations and alliances easier to forge between cross-sector actors/enablers. One way is to leverage human capital from Indian companies, by connecting these skilled staff members with social enterprises. Volunteer programs, where employees can devote a certain period completely to consulting for a socent, are a relatively easy way of facilitating this valuable assistance. Incubators would then act as the intermediaries, ensuring that the expertise of the employee meets the requirements of the enterprise.

A second way to build the ecosystem is to actually organize the forging of partnerships, which are integral to the functioning of socents, because they depend on these for everything from distribution to consumer education. Helping to build these partnerships, through real world meetings or online forums, needs the creation of a

comprehensive database first, linking CSR programs, NGOs, consultants and social enterprises. Strategies for identifying potential partners as well as distinguishing the need for partners could be two activities done through this initiative.

“Samhita is a philanthropic initiative of the Nadathur Trust, the philanthropic arm of Nadathur Group. Since 2009, Samhita has provided structured and professional services to enable companies, donors and NGOs to collaborate with each other. Through the “Samhita ecosystem”, the organization provides a credible platform and thought leadership to enable NGOs, companies, donor agencies, individuals, philanthropists, foundations and researchers to achieve their specific goals and make informed decisions that translate into purposeful action and large-scale social impact.” (<http://www.samhita.org/about-us/mission-model>)

Thirdly, investment in physical infrastructure development, especially in rural areas, would exponentially improve the efficiency, reach and impact of social enterprises that would then lead to lower transportation costs, fewer power and water outages and better internet connectivity. This

infrastructural deficit will need huge amounts of funds, and CSR programs can easily channel funds into public-private partnerships.

Finally, investors are struggling with how to structure the ROI for a social enterprise because of the dualistic nature of the business. Similarly, companies grapple with the legal validity of channeling designated CSR funds into a ‘social business’, which may be profitable. The issue of how the traditional investment paradigms need to change, in the context of legalities involving CSR expenditure, and sensitization of the corporate sector towards these newer paradigms, is mandatory to enable a vibrant social enterprise ecosystem.

## **4.5 Corporate Benefits from Getting Involved with Social Enterprises**

### **4.5.1 Consumers more likely to buy from a social cause**

It has been noted previously in this publication, that consumers are increasingly making purchasing decisions with motives that have to do with factors unrelated to the product itself. A recent study cited that 83%

of Americans wish brands would support causes, and 41% have bought a product because it was associated with a cause. That figure had doubled since 1993, according to the study. In addition, 94% said that given price and quality was the same, they were likely to switch brands to ones that represented a cause.

#### **4.5.2 Making the most out of your CSR spend (Policy Watch: India's new Companies Act and Corporate Social Responsibility website).**

CSR does not need to be seen as a burden for businesses, because CSR activities can indeed yield tangible business benefits such as cost savings (via recycling or resource efficiency), increased productivity, capacity building, and better working conditions for employees.

CSR can also enhance a company's brand value by being seen as a business, which incorporates a corporate social entrepreneurship philosophy, and promoting better social and environmental business practices. CSR networks and alliances not only enable cross sector relationships, but also provide knowledge, expertise, and build trust. Making customers and employees happier and proud to

be associated with the company can only be a boon for profit making, and ultimately satisfy the shareholders.

#### **4.5.3 CSR: Global Perspective, Competitiveness, Social Entrepreneurship & Innovation**

As outlined in Joshi's publication, the following are benefits of companies adopting a triple bottom line approach:

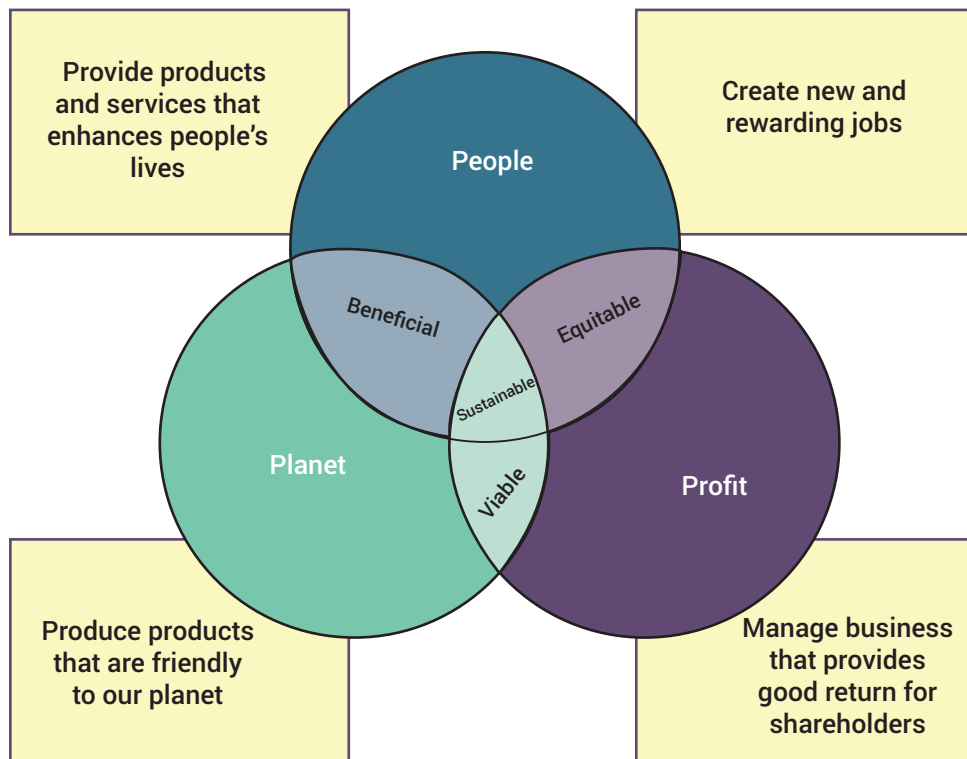
1. It would help to avoid the excessive exploitation of labor, bribery and corruption.
2. Companies would know what is expected of them, thereby promoting a level playing field.
3. Many aspects of CSR behavior are good for business (such as reputation, human resources, branding and making it easier to locate in new communities) and legislation could help to improve profitability, growth and sustainability.
4. Some areas, such as downsizing, could help to redress the balance between companies and their employees.
5. Rogue companies would find it more difficult to compete through lower standards. The wider

community would benefit as companies reach out to the key issue of underdevelopment around the world.

However, the triple bottom line (TBL) concept does come with its own set of difficulties, including the fact that profitability cannot usually be placed on the same level of importance as social and environmental considerations, as a company cannot survive on losses. Furthermore, social and environmental

improvements tend to be long-term before influencing stakeholder value. "Therefore, let corporations focus on creating stakeholder value as measured by profits, but in a socially responsible manner. Let us not add on a "surplus fewer deficits" approach based on environmental or social considerations. A company that does poorly on one line, namely profits, but wonderfully on the environment or social component of TBL, is not going to last long in a competitive world."

**Figure 4.1 The Triple Bottom Line Core Stream**





## 4.6 Measuring Corporate Social Responsibility

A business's CSR initiative should be regarded as a standalone social enterprise, which deploys disruptive innovation and is customized to a specific community and geographic location. If the corporate sector begins to view CSR not just as a legal obligation, but as a way of contributing to sustainable growth which can only benefit them in the long term, this kind of perspective can be integrated into the entire spectrum of their operations. The impact of their CSR initiatives can be measured by gauging:

1. Whether the project actually drives sustained improvements in people's lives and livelihoods because individuals are making their own choices and taking

responsibility for their lives rather than becoming dependent on external aid.

2. Whether the solutions provided by a CSR initiative promise to be self-sustaining and the up-front funding is true 'capital' rather than a philanthropic gesture.

The framework for measuring/evaluating a community centered development approach of a CSR initiative ensures that a social initiative maximizes limited resources in pursuit for scaling up its operations to reach the masses. Earlier in this publication, social enterprises were defined as entities, which fulfilled three dimensions: sustainability, social impact, and the ability to scale. The success of CSR initiatives can be measured against the same standards.

Figure 4.2 Process of measuring CSR impact



## 4.7 Conclusion

The fusion between business and social enterprises is a timely endeavor, considering the increased scrutiny and interest of businesses to imbibe sustainability into their core operations, and to associate themselves with genuine social causes. There are several ways in which the private sector can collaborate with social enterprises, from using them in their supply chain to investing in them as venture capitalists. There will be a growing category of social enterprises that are geared to maximize social impact while also delivering a financial return. They will become increasingly 'professionalized' as the emphasis moves towards 'investment readiness', and impact reporting. This growing supply of investable social enterprises will lead to mainstream financial institutions offering social investment products, partly as a way to rebuild their reputation.

Further, investment will move from innovation towards replication of proven models; from short-term outputs to long-term impact. Before this phase could take place, we need to address the implications for corporates involved in solving social issues,

capabilities and models as to how can corporates position for maximizing profits and social impact. Bala Vikasa International Center plays a key role in the above context.

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## CONCLUSIONS AND RECOMMENDATIONS

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As illustrated in the preceding four chapters of this publication, the stage is set for a new and potentially transformative collaboration between business and social innovation solution providers. Multiple forces are converging to make this synergy a realistic and achievable one. Regulatory frameworks and growing pressure on business to be responsible and accountable to its citizens consists of one force. The increasingly vibrant social enterprise landscape in India is another force, which has exemplified the power of a business-centered development approach. The poor are beginning to be regarded as consumers, producers and actors in diverse value chains. Yet another force is embodied in consumer habits and attitudes that are converting the marketplace into a more socially conscious arena where products and services gain an added edge if they are associated with standout causes.

However, there is a lot yet to be done. This is still an unfamiliar territory, especially for businesses, who still do not consider the poor as a priority

sector when it comes to market opportunity. Many companies are in need of an orientation to social value creation and 'doing good' while meeting their own profit targets. They also need to be brought into a newer way of perceiving CSR, not merely as grants for short-term projects, but as a source of investment for social innovation and smart solutions to endemic issues in the communities they work in. Fundamentally, business needs to integrate development and sustainability concerns into its core strategy.

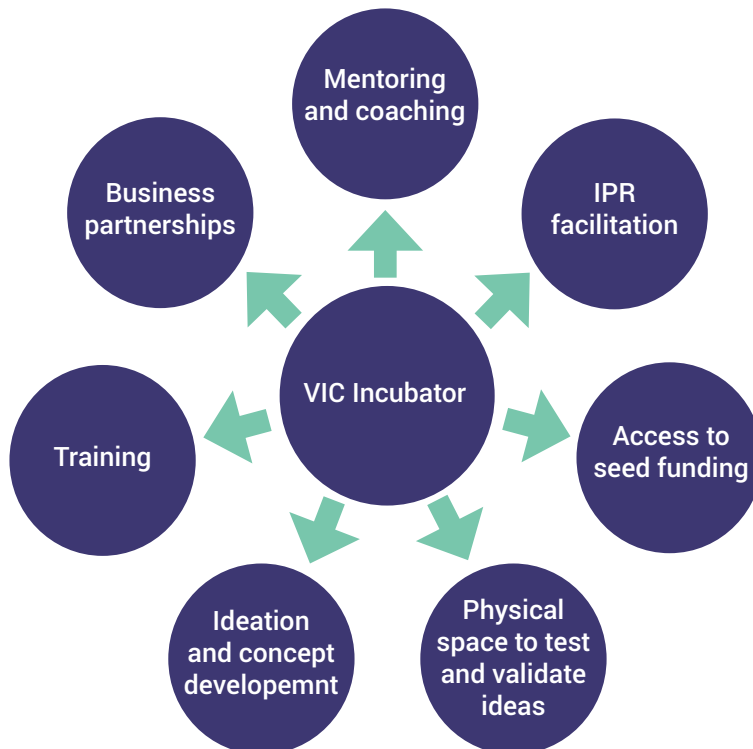
Social entrepreneurs, on the other hand, continue to grapple with sustainability, scale and impact while sourcing talent, streamlining their business models and accessing scarce capital. Social enterprises are just reaching that stage in their journey to prove that they can remain profitable while fulfilling their core missions of social change. However, many, if not most, social enterprises cannot fund themselves entirely through sales or investment. They are not profitable enough to access traditional financial

markets, resulting in a financial-social return gap. The number of investment-worthy SEs is on the rise, but limited access to growth capital remains a key constraint. This growing supply of investable social enterprises will lead to mainstream financial institutions offering social investment products, partly as a way to rebuild their reputation. As the SE space in the country steadily expands, the ecosystem to support will need to grow as well. With a rise in the number of interested investors, SE-focused trading platforms are

all the more relevant, as are impact assessment metrics, measurement tools, and financial advisors to support such transactions.

Bala Vikasa International Center (BVIC) is positioning itself as a key player in the fusion of CSR and social entrepreneurship by initiating discussions on this topic at public conferences, industry association forums, and through curated research reports. Concurrently, BVIC is setting up an independent incubator that will provide the following services.

**Figure 5.1 Bala Vikasa International Center's Incubator Services**

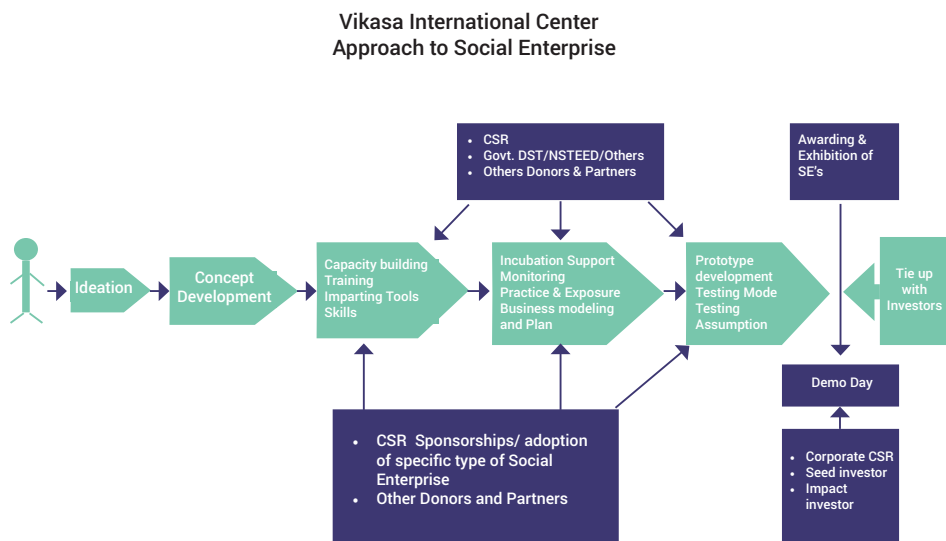


The fusion between business and social enterprises, will lead to evolving Corporate Social Enterprises (CSE). This concept brings together the best of both worlds, and ideally, every business should be a corporate social enterprise, keeping social, economic and environmental concerns at the heart of their operations. Before this phase becomes a reality, we need to address the implications for corporates to be involved in solving social issues, by developing their capabilities in maximizing profits while creating measurable social impact.

Using social innovation and incubating community-led social businesses could

well be the future of CSR implementation. Bala Vikasa International Center envisions this taking place through appropriate channeling of earmarked CSR funds into social enterprises, especially those that are just launching and desperately require seed capital. Corporates can also contribute in other ways, for instance through mentorship, or the provision of human resources and physical infrastructure needed to set up a business venture. At a later stage, the CSR team should be capable of identifying and linking markets to goods and services produced by these businesses. This will enable socents to create a strong brand of their own.

**Figure 5.2 Bala Vikasa International Center’s approach to social enterprise**

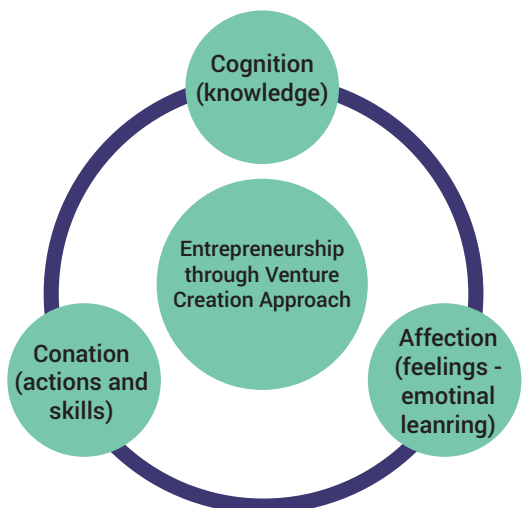


Social businesses, if supported by the government and linked to markets, could bring significant change in the quality of life of communities. Further, the scalability and replication of social enterprise models through franchising mechanisms, is not only a method through which an individual social enterprise can grow and diversify, but this can also lend momentum to the social enterprise movement itself. CSR, then, could become an agent of change in the social landscape of India. Appropriate financial solutions developed under the gamut of business responsibility can adequately finance the eco-system for social enterprises.

Further, the profile of social enterprises in India and other developing countries, specifically in South Asia, vary greatly from those in the West. There are distinct needs faced by indigenous socents in terms of subsistence, sustainability and socio-economic challenges. The sector therefore requires customized and localized tools and processes to help promote social enterprise, without blindly borrowing practices from European models, but instead taking into account cultural and contextual aspirations. Bala Vikasa International Center aims to draw best practices from internationally successful models, and distil them into localized solutions.

The Venture Creation Approach (VCA) is one of the refined thought process in building effective entrepreneurship. VCA as “primary learning vessel” substantially holds body of knowledge, concepts and tools. It is a product of experience and considerable research in this field, rooted in real-world applications. The BVIC argues that the existing approaches, focusing on traditional lectures or simulating enterprising, are not sufficient for this matter. BVIC emphasis on a venture creation approach, adding reality as well as reflection-in-action to the education, is essential when having the objective of creating both entrepreneurs and social ventures.

**Figure 5.3 The Venture Creation Approach (VCA) as primary vessel of BVIC**



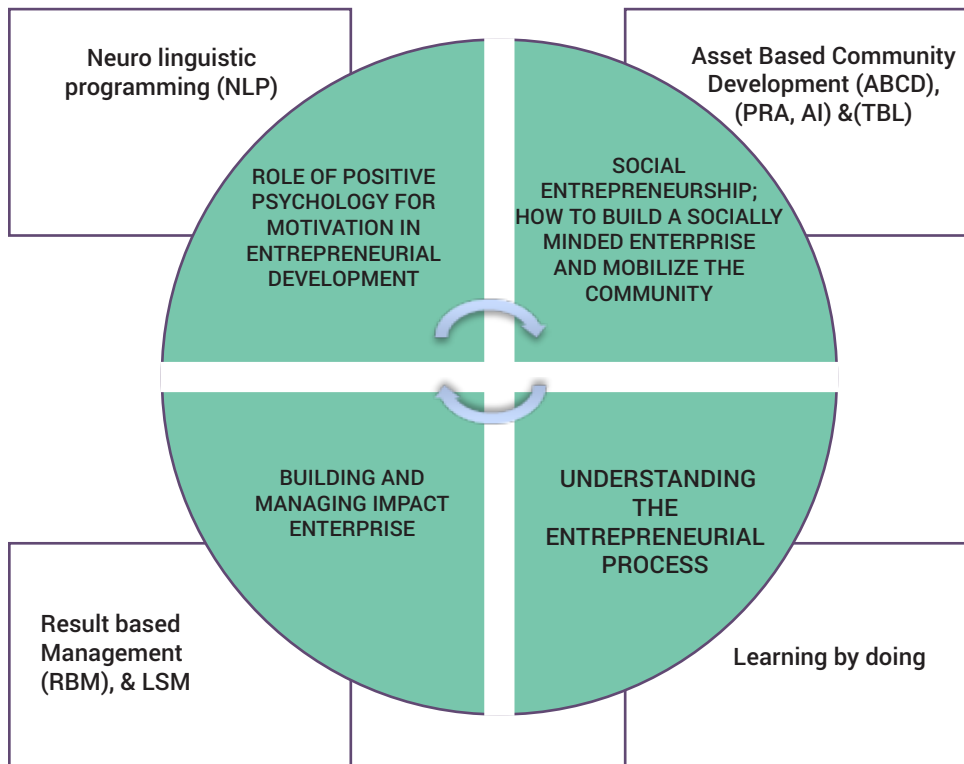
The above action-based entrepreneurship education built upon a venture creation approach complemented by the three recognized constructs: cognition, affection and conation already in use almost as such (knowledge, skills, change of attitude).

- Focus on reflection-in-action
- Learning facilitated by integrated environment
- Multiple learning stimulators
- Participants seeking and co-creating knowledge

- Learning objectives emerging through reflection
- Combination of problem-oriented and solutions-focused

BVIC believes in integration of positive psychology, action learning, and learning by doing with behavior focused, and participatory centered methods in entrepreneurship development approach. The following figure depicts the core applications and its integration as BVIC WAY.

**Figure 5.4 The BVIC WAY**



The BVIC WAY differentiates us from rest of the conventional models and approaches in entrepreneurship promotion.

- VCA becomes the “anchor” concept at BVIC’s Social Entrepreneurship Incubation process
- VCA approach complements BVIC “specificity” (social, ethical, positive psychology, etc.)
- Application of Lean Startup Methodology with integration of field based approaches
- Learning by doing

To this end, the Center offers training and capacity building programs to support and facilitate social innovation focused on rural and tribal social innovation. Additionally, BVIC prioritizes further research to better reflect social enterprise in national statistics collection to increase general understanding and visibility of the sector. Heightened visibility will address the contribution of socents to creating social value, and they will therefore be included as stakeholders in the development dialogue.

The World Summit on Sustainable Development positioned the corporate sector as a vehicle for delivering national and international poverty reduction

targets in the developing world. BVIC takes this one-step further, with the hypothesis that if the corporate sector begins to conceptualize strategic CSR as a way to create societal value through investing in social enterprises, spurring a culture of innovation, collaboration and inclusive growth, change will be exponential. On the other hand, strategic CSR will help to bring valuable business perspectives into the social sector, and accelerate its professionalization and effectiveness. In conclusion, if this synergy is to be recognized, realized and formalized, millions of citizens could be transformed into economic agents, allowing India to become the powerhouse it has the potential to be.



## CASE STUDY

## Urban Housing Project

1

**Scenario**

Although India has robust residential construction and housing finance industries, developers and financial institutions overwhelmingly prefer to focus on the higher-income urban markets. The vast majority of urban low-income families live in poor quality rentals, typically single rooms of 100-250sq.ft, often badly ventilated and lit, with shared toilets and bath, in bad neighborhoods. They face constantly rising rentals, unreasonable demands from property owner and pressure to move every 2-3 years.

**Solution**

In this context, TaralBakeri, a respected Ahmedabad developer, collaborated with Aashayen, a development advocacy NGO, to build 800 apartments in two well-designed floor plans – a 210-sq.ft one-room efficiency and 300 sq.ft single –bedroom units all with indoor plumbing – for purchase in a nearby suburb. The neighborhood

is vibrant and well serviced by public transportation and the least expensive house is sold for Rs. 2,50,000.

The NGO, Ashayen, worked with Bakeri to line up both customers and financing even before the building plans were approved. Bakeri built mock-up model apartments that wowed the financiers and buyers alike. Aashayen approached the prospective buyer's formal employers, who were happy to provide the residential faculties for the employees by deducting monthly mortgage payments from employee paychecks and to transfer those directly to the financing bank.

Note: Telco adopted a similar model in association with HDFC bank for providing low cost housing facility for its employees. Government of Gujarat has also recently started a program for slum resettlement under similar lines. Large Corporation, particularly those that have sprawling plants in under-developed regions, can look into this arrangement as their CSR initiative.

## Analysis

The assured-demand model answers the toughest question easily: it is eminently scalable because it is profitable to all parties:

1. Customers: low-income group got good quality permanent houses.
2. Suppliers: Bakeri, the builder in this case, got a profitable business proposition with less risk (he had pre-financed customer pool and signed contracts before even breaking ground, which nullified the risk of long sales cycle and cash flow issues).
3. The financier: Bank, in this case, got assured loan payments, effective collateral and potentially highly profitable business.
4. Employer: perceived benefit was in the form of reduced absenteeism due to employee or family illness.
5. Urban labor: many more construction workers found employment in this low-end market for decent houses.

## CASE STUDY

Synthesizing Technologies for Medical  
Emergency Management

## 2

**Scenario**

Several ambulance companies operate in large cities and while they serve people well, they remain small and invest little in innovation. Given India's environment – physical, cultural and language barriers – a pan India service to deal with emergencies does not exist. Further, India does not have reliable GPS-based mapping, so the primary critical task is to pinpoint the emergency's location. Moreover, since the government owns most hospitals, the service provider needs to tackle policy makers and bureaucrats to prevent them from interfering in the offered service.

**Solution**

GVK's Emergency Management and Research Institute (EMRI) in 2004, for the first time in India, has woven together the latest in telecommunication, computing, medical and transportation technologies to provide affordable (almost free) emergency service in tribal, rural and urban areas.

**Analysis**

1. Serving the un-served: The goal was to help victim's survive the golden hour, the first 60 minutes, since 80% of deaths in hospitals take place in the first hour of admission. In addition to providing number to call, EMRI sought to teach Indians to recognize and react to emergencies (only 10% of Indians face emergencies but either do not recognize them or have nowhere to call).
2. Reach: EMRI is offering its services to 366 million people in seven states across India, making it the world's largest emergency-management entity. It handles around 80,000 calls a day, attends 7000 emergencies per day, saves 110 lives a day and employs 11,000 people.
3. Fostering Innovation: One recent experiment consists of sending a team ahead on a two-wheeler,

which slides through traffic faster than an ambulance, enabling critical care to start sooner. In order to pinpoint the emergency locations, the Emergency Relief Operators route ambulances using dynamic optimization algorithms.

4. Collaborations: with organizations such as National Emergency Number Association, Carnegie Mellon & Stanford University, Germany's Geomed Research, Singapore Health Services, American Academy for Emergency Medicine in India. Realizing the importance of PPP, EMRI is closely working with states, fire and police departments.
5. Ownership: Although EMRI is a private foundation in legal terms, 95% of its funding comes from state governments. In this way, the entity ensures government support in its initiatives and use government channels in educating people.
6. Costs: EMRI spends only 50 cents per person treated to build the infrastructure in India. Compared with \$100 in US. The expense per ambulance visit is less than \$15, versus \$600-800 in the west.
7. Measuring metrics: Along with focusing on margins, EMRI also measures its efficiency in providing the services. Dispatching the ambulance and patching the distraught caller with a medical technician takes 80-90 seconds, but the organization aims to reduce this waiting time to 60 seconds. Another metrics is a target of reaching patients in 30 minutes. Against this target, EMRI reports an average response time of 14 minutes for the cities, 31 minutes for the villagers and 28 minutes for the tribal areas.
8. Other impact on community: EMRI archives all the calls it gets and has analyzed the data to compile regional public health profile and for the first time in India, data on the seasonality timing and nature of medical emergency is available.

## CASE STUDY

## Health Care Model -Naya Jeevan, Pakistan

## 3

**The problem**

South Asian governments spend less than 3% of their annual GDP on public health programs. Access to high-quality health care is prohibitively expensive for the vast majority of South Asia's one billion low-income population and leaves them vulnerable to medical catastrophes and resulting financial indebtedness. Lack of proper health care has prevented millions from escaping poverty.

**The Naya Jeevan model**

Naya Jeevan partners with multinational corporations to cascade its health insurance plan up and down their supply chains targeting low-income workers making less than USD 6 per day. This target demographic includes drivers, nannies, cooks, waiters, security guards, and factory employees, who can be insured at USD 2.50 per month per adult with a yearly coverage limit of

approximately USD 1,780. Naya Jeevan embeds the core health insurance plan in a package of high-touch value added services for clients, including annual medical checks, preventative care workshops, and 24-hour phone access to their "family physician" for medical consultation or claims assistance.

Naya Jeevan is expanding its efforts to engage the Pakistani diaspora to cross-subsidize the health care of their relatives in Pakistan. Naya Jeevan will target diaspora communities in the developed world (USA, UK, EU, and UAE) to enroll their designated beneficiaries (family, low-income domestic staff, etc.) in the Naya Jeevan Health Quest plan. Investment funds will be used to hire and train a sales and marketing team that will be deployed strategically in South Asian-dense neighborhoods in the USA and EU, while concurrently piloting the Naya Jeevan business model in a few major Indian cities.

## **Cost of project**

The expansion model requires USD 1.8 million in the form of equity or grants.

Impact and target region

Naya Jeevan estimates that 500,000 people in Pakistan and India will enroll in the health plan within three years and 5,000,000 will enroll within ten years.

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**bala vikasa international center**

*For businesses that care*

Bala Vikasa is a secular, non-partisan, non-profit organisation working in the field of community driven development and capacity building for the last 38 years, mainly in Telangana and Andhra Pradesh. Its Bala Vikasa International Center provides comprehensive support in the form of knowledge and tools to corporates and social entrepreneurs with the aim of equipping them to actively participate in the sustainable developmental process towards a better society.

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