

Social Enterprises in India – A Conceptual Overview

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Abstract

Social enterprises are businesses that trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community. This paper has explained the basic concepts that are related to social enterprises in Indian context.

1. Introduction

A social enterprise is an organization that applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for external shareholders. Social enterprises can be structured as a for-profit or non-profit, and may take the form of a co-operative, mutual organization, a disregarded entity,^[1] a social business, or a charity organization.

Social enterprises trade in all markets, selling goods and services to individual consumers, local authorities, government and private businesses. Social enterprises exist to make a profit just like any private sector business. However, all profits or surpluses are always reinvested back into their social and environmental purposes. Social enterprises have an "asset lock" on all their buildings, land and other assets. Without making a profit, social enterprises can't meet their social and environmental mission; they must be sustainable. The term "social enterprise" shouldn't be confused with private businesses that simply operate in an ethical way, charities that don't do business (or trade very little) or public sector arms-length companies.

Social enterprises are businesses whose primary purpose is the common good. They use the methods and disciplines of business and the power of the marketplace to advance their social, environmental and human justice agendas.

- Social enterprise applies an entrepreneurial approach to addressing social issues and creating positive community change.
- A social enterprise is an enterprise, owned at least in part by a non-profit organization, that is using entrepreneurial methods to accomplish social goals and providing its profits to its owner(s) for use in continuing their core missions.
- A social enterprise is a revenue-generating business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners

2. Characteristics of Social Enterprises

Three characteristics distinguish a social enterprise from other types of businesses, nonprofits and government agencies:

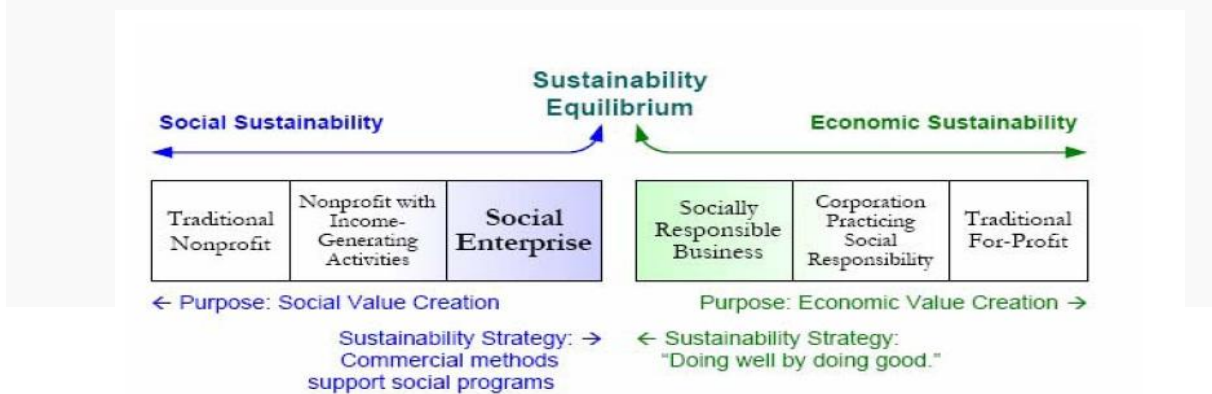
- It directly addresses an intractable social need and serves the common good, either through its products and services or through the number of disadvantaged people it employs.
- Its commercial activity is a strong revenue driver, whether a significant earned income stream within a nonprofit's mixed revenue portfolio, or a for profit enterprise.
- The common good is its primary purpose, literally “baked into” the organization's DNA, and trumping all others.
- More efficiently than government, which no longer has the mandate or resources to solve every social problem;
- More sustainably and creatively than the nonprofit sector, which faces declining funding streams and increased demands for innovation, proof of what works and collaboration; and
- More generously than business, which is mandated to place pre-eminence on shareholder returns, but is also realizing it can't succeed in a decaying world.
- Fiscal responsibility — it reduces the myriad costs of public supports for people facing barriers, by providing a pathway to economic self-sufficiency for those it employs.
- Public safety — it makes the community in which it operates safer, by disrupting cycles of poverty, crime, incarceration, chemical dependency and homelessness.
- Economic opportunity — It improves our pool of human capital and creates jobs in communities in need of economic renewal.
- Social justice — it gives a chance to those most in need.

In its early days, the social enterprise movement was identified mainly with nonprofits that used business models and earned income strategies to pursue their mission. Today, it also encompasses for-profits whose driving purpose is social. Mission is primary and fundamental; organizational form is a strategic question of what will best advance the social mission.

3. Social Enterprises Should:

- Have a clear social and/or environmental mission set out in their governing documents
- Generate the majority of their income through trade
- Reinvest the majority of their profits
- Be autonomous of state
- Be majority controlled in the interests of the social mission
- Be accountable and transparent

Fig. 1 Traditional and Social Enterprises



4. Types of Social Enterprises

Social enterprise is a diverse community and the more-than-profit approach is used by a huge range of organisations, of every size, operating in every corner of Scotland and in most sectors of the economy. A social enterprise is often simply a Company Limited by Guarantee with an appropriate "asset lock" and social mission etc, it could also be a registered charity (of which there are over 23,000 in Scotland) or a SCIO. Below are some of the common types and a social enterprise is often one or more of these.

- Co-operatives and Mutual Co-operatives and **Mutual** are democratically-owned businesses which give employees, customers or members a direct stake in the business.
- Social Firms Social Firms are commercial businesses that provide integrated employment for people with disabilities or other disadvantages in the work place.
- Community Interest Companies CICs are limited companies created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage.
- Development Trusts Development Trusts are community run organisations that are concerned with the economic, social, environmental and cultural needs of their community. They are owned and managed by the local community and aim to generate income through trading activity that enables them to deliver services.
- Credit Unions Credit Unions are a distinct type of co-operative that provide financial services to members. Many operate in areas of social and financial exclusion, but more employers are now offering credit union membership and the largest offer a competitive range of mainstream financial products.
- Housing Associations Housing Associations and housing co-operatives are voluntarily-managed companies providing affordable housing for rent and for sale. They give priority to those in greatest need and reinvest any surplus income in maintaining or adding to their housing stock. Many Housing Associations also support other forms of social enterprise through 'Wider Role' community regeneration activity.

5. Conclusion

Social enterprises have a social or environmental mission at the heart of what they do, but they are profoundly unlike traditional charities – social enterprises earn their money through trade, just like regular enterprises. The best way to be a high-impact social enterprise is to be an effective business. This paper shows how social enterprises are performing as businesses in their chosen markets.

6. References

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- Monitor Group. (2012). *From Blueprint to Scale - The Case for Philanthropy in Impact Investing*

The following pages provide further information and material on governance:

- <http://www.charity-commission.gov.uk/>
- <http://www.boardsource.org/>
- <http://www.acevo.org.uk/>
- <https://www.se-alliance.org/what-is-social-enterprise>