

FINANCIAL STRATEGIES OF SOCIAL ENTERPRISES: A CASE BASED ANALYSIS

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CERTIFICATE

This is to certify that the thesis entitled "FINANCIAL STRATEGIES OF SOCIAL ENTERPRISES: A CASE BASED ANALYSIS" and submitted by Preeti E. Ramanathan ID No 2013PHXF0007G for award of Ph.D. of the Institute embodies original work done by her under my supervision.

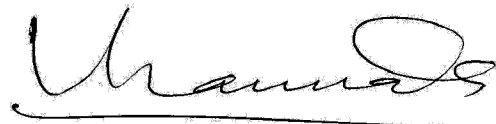


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Preface

Social Enterprise in academics is an evolving field. The researcher explored and analysed the extant terms and meanings that defined the enterprise, as a precursor to studying the financial strategies adopted, the main objective of the research.

The research thesis includes content from some of the researcher's related research papers; either published or in a review/communication process with peer reviewed academic journals. The papers are: "The Globally Interlinked Mandi", *EPW*; 'Fostering a Hybrid Enterprise: Petri dishing a Social Enterprise', *Journal of Innovation and Management*; 'Social Entrepreneurship as a Subtext in Corporate Social Responsibility: An Exploration' (under review), 'Digital Governance, Equity and Evolving Societal Structure', *Journal of Asian Comparative Development*; 'Institutional Foundational Frameworks for Social Enterprises- an India Based Narrative' (in communication) and 'Defining Social Entrepreneurship -An Analysis through the Triple Lenses of the Social, the Political and the Commercial' (in communication).

Abstract

India has 270 million people who live on less than USD 1.90 a day (World Bank 2017). Nearly one third of the nation's citizens live below the official poverty line fixed at the unsustainable amount of Rs 32 per day (as defined by the Rangarajan Expert Group, 2014). In this context, one of the socio economic models of intervention for development is the Social Enterprise (SE), a hybrid form of organisation derived from the ecosystems of both private enterprises and Not for Profit organizations (NPOS/ NGOS). SEs relate to societal needs of poverty alleviation, health care, education, and environmental issues trading on both private sector and public sector preserves. However due to definitional analysis issues, lack of policy support and frameworks, these hybrid and innovative enterprises face funding and financial challenges. A research gap discovered that there were very few studies on the financial strategies adopted by social enterprises in India with a severe deficit of studies on financial strategies adopted by locally embedded enterprises engaged with the community. Thus in this thesis, the researcher delves into the examination of financial ecosystems of SEs in India with the main objective of analysing their financial strategies. The case based analysis (Eisenhardt, 1989) is conducted through studying a representative sample in the state of Karnataka in India. Case examination and analysis were conducted through the framing of Apriori themes and constructs developed from literature review. To understand the context of the financial strategies that the social enterprise in India employs, the researcher explores the definitional analysis of SEs globally and in South Asia. The researcher's interpretation of the social enterprise through the researcher developed triple lens framework is arrived at. The existing framework of policy support for SEs globally and in India, is also examined with an aim of policy prescription. The research findings revealed that the SE performs a transformational role by offering opportunities to the disempowered to engage in economic transactions on their own terms. However the social goals of the SE may reduce the economic efficiency of the social enterprise – hence a funding gap arises. Additionally, the lack of a policy framework makes it difficult for formal finance to lend to SEs. A key finding was that financial sustainability is better achieved for an SE when support in terms of blended finance/ soft loans/grant funding/start up equity/donations in kind, is given in the initial years of operations. The consent and participation of the community helped in bridging the funding deficit partially. The research analysis gave rise to the emerging theory preposition of the localized nuanced network theory- where scaling up or down of finance, is context specific. The researcher concludes by prescribing policy suggestions which include: according legal recognition for SEs in India, enabling the opening of formal finance channels to SEs; providing tax breaks and incentives for SEs, once legal recognition is in place; to develop a fund for SE finance, with focus on micro social enterprises; develop training programs for SE staff belonging to micro social enterprises such as those covered in cases 1, 2 and 6- they have low barriers of entry, fit into the socio economic profile of rural India and stem migration by providing rural employment and services and lastly institutional support to start up incubators for SEs in scaled down models-with specialists from both the non profit and the commercial sectors and the resultant sectoral linkages.

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List of Acronyms and Abbreviations

ADB	Asian Development Bank
AECF	African Enterprise Challenge Fund
ANBC	Adjusted Net Bank Credit
ASCB	All Scheduled Commercial Banks
CAPEX	Capital Expenditure
CBO	Community Business Organisation
CBS	Community Business Services
CDFI	Community Development Financial Institutions
CIC	Community Interest Company
Co.	Company
CPI	Climate Policy Initiative
CSR	Corporate Social Responsibility
DVF	Development Venture Finance
EFL	Entrepreneurial Finance Lab
EMES	European Research Network
FLFP	Female Labor Force Participation
GDP	Gross Domestic Product
GIH	Global Infrastructure Hub
GIIN	Global Impact Investing Network
HNIs	High Networth Individuals
IAD	Institutional Analysis Framework
IDA	International Development Association
KVTSDC	Karnataka Vocational Training Skill Development Corporation
LEPS	Local Enterprise Partnerships
LLC	Limited Liability Company
LOHAS	Lifestyles of Health and Sustainability
Ltd.	Limited
MPLAD	Members of Parliament Local Area Development Scheme
MSME	Ministry of Micro, Small & Medium Enterprises

NASVF	National Association of Seed and Venture Funds
NGO	Non Government Organisation
NPO	Non Profit Organisation
NSSO	National Sample Survey Organisation
ODA	Official Development Assistance
ONCA	Ontario Not-for-Profit Corporations Act
PIDG	Private Infrastructure Development Group
PSB	Public Sector Bank
PSW	Private Sector Window
RBI	Reserve Bank of India
SBIC	Small Business Investment Company
SC	Social Cooperatives
SCIC	Societe Cooperative d'interet Collectif
SDG	Sustainable Development Goals
SE	Social Enterprise
SHG	Self Help Groups
SRI	Socially Responsible Investing
SROI	Social Return on Investment
SVF	Social Venture Finance
UK	United Kingdom
UN	United Nations
US	United States

Chapter 1

Introduction

World over, more than a billion people continue to exist in dire poverty. India has nearly the largest number of poor people living in any country as per reports in 2015 (The World Bank, 2016) while the toll of dollar billionaires in 2016 increased by a tenfold from a decade ago. The number of people living below subsistence levels in the country is vast given that they are part of an over two trillion US dollar economy. Ranking high on the list of inequitable nations in the world, the nation has nearly 270 million who live on less than USD 1.90 a day (The World Bank, 2017, October). Nearly one third of its citizens are living below the official poverty line fixed at the unsustainable amount of Rs 32 per day in rural areas (Rangarajan, Sundaram, Vyas & Datta, 2014, June). The country prides itself on being the world's information technology back office, yet there are about 315 million people who cannot read and write (Census India, 2011). The majority of the population is yet to benefit from the multi stake holder interventions including that of the governments' and the myriad nonprofit organisations. The stark inequity underscores the urgent need to find innovative solutions to bridge the ever growing equity gap as found in the wealth and digital divides.

The inequity is underscored by the fact that even though more than three-fifths or nearly 800 million of India's population live in rural areas and approximately 53% of the country's total employment is derived through the agricultural sector, only 17-19% of India's GDP is contributed by the people inhabiting this sector. A mere 44.85 million was part of the Indian formal (organized)ⁱ sector as of September 2016 (Figure 3.1; Reserve Bank of India, 2017), the balance struggle to eke out a daily living. Nearly 92% of the country's workforce is employed in the informal (unorganised) sector. With about 36.17 million micro and small enterprises employing over 80 million people as per the last Micro, Small and Medium Enterprise (MSME) Census in 2006-07 (MSME Annual Report, 2016), the informal and the micro economy is clearly seen as forming the back bone or the last resort for livelihood purposes by the bulk of the citizens. Bruton, Ahlstrom & Si (2015 p.10) states "...in India, informal firms conduct 90 % of the economic activity and employ 90 % of the working population".

The scale of the informal sector is to be viewed in the context of the government's withdrawing from many arenas of product and service delivery, abrogating the responsibility to the private sector. Over the past two decades, following the advocacy of the neo liberal theory of economics, there is a visible shift from centralised public sector control of enterprises, to the free market, encompassing an entire spectrum of infrastructure and consumer needs. Infrastructural and basic utilities sectors in communication, transportation, power, defence and industrial goods previously dominated by government and government controlled enterprises are now increasingly populated by private enterprise. This change in the profile of the economic ecosystem has led to a gap in citizen satisfaction, especially in contexts where catering to these unmet needs do not add to the for-profit firm's bottom line. When combined with the new consumer demographics of a young and upwardly mobile population (Census India 2011) the situation gives rise to new potential for capacity building and skill development in entrepreneurial activities that focus on the changing demographics and related requirements. Also given the presence of unregistered micro enterprises comprising the bulk of the informal economy, new ways of business and income generation are increasingly seen as the path to livelihood and economic sustainability. It is hence critical to study the evolving and possibly experimental new economic models in the context of providing access and sustainability to those who are marginalised from the main stream economy.

One of the innovative forms of intervention for development and at the same time an evolving business model today is the Social Enterprise (SE) model, a hybrid form of organisation derived from the ecosystems of both private enterprises and Not for Profit organisations (NPOs) or otherwise termed as NGOs (non governmental organisations) in India. Social enterprises are an evolving business paradigm incorporating the mandates of the government, the aspirations of a nonprofit and the bottom lines of a private enterprise. In this sense, the social enterprise is gradually seen as one of the multiple structures that could potentially help solve the problem of poverty and inequitable access to resources. Social enterprises relate to societal needs of poverty alleviation, health care, education, environmental issues and advocacy work, hitherto largely seen as the preserve of the public sector. By entering these sectors and introducing a profit motive, the social enterprise creates a new business paradigm. The multiple threats of overpopulation, global warming, rural to urban migration with the concurrent high urban poverty levels, sanitation issues and health epidemics are revisited by socially motivated entrepreneurs

seeking innovative solutions for these challenges through the framework of a social enterprise (Galvin & Iannotti, 2014). Innovative business models are emerging from such a cross pollination of nonprofit organizations and commercial entities. New economic paradigms are derived from the interbreeding of philanthropic activities, NPOs, and the commercial agendas of for profit enterprises.

Generally, social enterprises are studied with respect to its impact, its sustainability, and its marketing and staffing needs. Finance, especially initial seed capital including start up finance is the underlying buttress of all enterprises. Yet finance is not frequently looked at in the context of social enterprise, which is still considered a social body and hence expected to subsist on donations. Indian census counts show that over 40 percent of the population is excluded from the formal financial flows of the economy (Census India, 2011). When combining this fact with the informal and tiny scale nature of enterprise and livelihoods of the majority citizenry, the financial paradigms of all micro enterprises including social enterprise become critical. Social enterprise with the hybrid nature of its very being, in terms of social impact utility and as a revenue earning entity in its makeup, provide the justification to look at the underlying financial strategies and funding issues of the social enterprise.

In this thesis, the researcher proposes to explore the evolving economic models of social enterprises and the challenges faced in their sustainability, specifically the financial strategies involved. The research focus is on the funding processes and working patterns of a representative selection of social enterprises in the state of Karnataka, India and the challenges faced by them when designing their financial strategies for enterprise sustenance and revenue generation. The relationship of the social enterprise with its immediate environment will have a bearing on the financial ecosystem and needs exploration. The social enterprise's internal goals of achieving financial sustainability, the impact of its activities on its target community/stakeholders and its outward goals of addressing existing inequity will also be explored. Policy impacting social enterprises is still an evolving space with its stake holders' roles nebulous and fluid. The study would therefore examine current policies affecting social enterprises, as policy would have a bearing on formal finance's recognition of social enterprise as an investment category. Policy globally and within India is scanned to understand policy

support and barriers for social enterprise. An attempt is also made to co relate the training and capacity development of the social enterprise founders/key employees with the rate of financial sustainability due to the ability or the lack of it, to raise and manage funds. Given that the majority of the population reside in rural areas; the sample population is largely derived from the rural area, with a large subsection drawn from social enterprises rooted in the agriculture sector and rural community offerings or services.

1.1 Research Objectives

The major objectives of the research study and the related research questions are as follows:

Objective 1: To understand the definitional analysis of a Social Enterprise

In order to examine the SEs financial strategies, it is critical to understand the meaning of a social enterprise in terms of its goals, mission and its situated context within the legal structure of the country.

Research Question arising from Objective 1:

What is a social enterprise in the context of its goals and legal organizational structure?

Objective 2. To examine and understand the financial strategies of social enterprises.

The researcher studies and analyses the financial strategies utilised by social enterprises engaged in development projects and interventions, with specific focus on selected projects from the state of Karnataka. The study examines the funding ecosystem that enables social enterprises in India seed their startup requirements.

Research Questions arising from Objective 2:

(a) What are the processes of fund raising and revenue generation of a social enterprise?

(b) In the event of a funding deficit, how is the social enterprise bridging the gap?

Objective 3. To analyse the existing framework of policy support for Social Enterprises in India and identify areas for possible policy prescription.

Research Question arising from Objective 3:

How does policy framework influence the formation and financial sustainability of Social Enterprises?

The research objectives are elucidated further in Chapter 4, Research Methodology.

1.2 Chapter Layout

Social enterprises, rooted locally and serving the communities they are embedded in face existential financial challenges. The researcher studies the financial strategies and funding challenges of the social enterprise in the context of its mission, goals and sector/area of operations.

The layout of the thesis is as follows:

Chapter 1: Introduction, Research Objectives and Research Questions

Chapter 2: Literature review- Meaning and policy frameworks

This section first looks at the ontology of a social enterprise in its myriad and complex definitions, both culture and geography determined. The policy frameworks that sustain a social enterprise globally are then studied.

Chapter 3: Literature review- Financial ecosystem of social enterprises

The researcher continues the exploration of the social enterprise through the financial paradigm given that the lack of a defined meaning of the social enterprise results in an amorphous border of understanding for conventional finance to connect to. The multiple alternative worlds of finance accessed by the social enterprise and the barriers to access to conventional finance are studied in this chapter. The theoretical framework for understanding and analysing the study is laid out. Finally, the research gap is arrived at.

Chapter 4: The research design and methodology adopted for the research study is put forth.

Chapter 5: The case survey opted for in the research study is undertaken. The results and analysis of the qualitative data including interview data through thematic constructs, pre embedded in the semi structured qualitative questionnaire, are discussed. A financial strategy process model, derived from each case so analysed, is developed.

Chapter 6: A nuanced and an alternate layered study of the case data through the theoretical frameworks is done here. Results from the nominal/ordinal scale data collection survey instrument administered to the social enterprises surveyed are classified and framed in a tabular form. The new understanding gained from the research is explained along with an overarching funding model. A new theoretical proposition that emerges from the case survey is proposed.

Chapter 7: Drawing from the lessons of the study and adopting a classificatory system, the researcher has developed a definitional analysis model for social enterprises to better understand the contextual meaning of a social enterprise. Whether the definitions of the term pose funding barriers to the social enterprise and affect its financial strategies, is discussed. The final chapter proceeds to lay out the conclusion of the study derived from the primary case data. Policy prescriptions that can potentially resolve the issues discovered in the research study, are suggested. The future scope of research is included in the concluding chapter.

Chapter 2

Review of Literature: Definitional Analysis of Social Enterprise and Studying the Policy Framework of Social Enterprise

In this chapter, the literature surrounding the phenomenon of social enterprises [henceforth the SE] and the entrepreneurial process that create an SE is explored. The multiple nuances of an SE that place it in the funding ecosystems of formal finance channels, donor funds, public grant and informal finance, all in the same time line, compels the examination of the SE through the referential framework of its meaning.

The ontology surrounding the notion of an SE and its definitions are explored in the first section of the literature review. To arrive at the funding paradigms that enable the development and sustenance of a social enterprise, the policy framework that allow the SE its existence as an organisational structure is studied in the second section. Here, the researcher examines the enterprise processes derived from its definitional meaning and the policy frameworks that allow the social enterprise connect with formal finance and its networks with the informal. The exploration of literature is followed by a review of academic evidence of the existing financial structures that permeate the social enterprise as defined through this literature review and within the parameters of the policies reviewed, in the chapter 3 that follows.

2.1. Defining Social Enterprise

There is a growing body of research on the still nascent paradigm of SE. Much of it continues to revolve around the definition of what constitutes a Social Enterprise. Though social entrepreneurship is classified as an entrepreneurial activity that has outcomes of both social and economic value, the field still lacks a unified and clear definition (Peredo & McLean, 2006; Short, Moss & Lumpkin, 2009; Zoltan, Boardman & McNeely, 2013). Social entrepreneurship is viewed as a ‘bridge between business and benevolence’ (Roberts & Woods, 2005; Roy, 2012). Organisations with community welfare goals who have even a partial engagement with market processes and have market-based approaches for addressing ‘social’ issues, with tradeoffs

between profit and social objectives, are included in the definition of SEs (Kerlin, 2010; Lehner & Nicholls, 2014).

By the latter half of the 20th century economics had been firmly separated from its origin of social relations. It was believed that all entrepreneurial activity occurs essentially to achieve maximum profits, without profits there is no reason for the entrepreneur to exist (Schumpeter, 1949, p.31, 1954, p.368; Zafirovski, 1999a, 1999b). Profit is the main driver of all commercial activities as per Keynesian theory too (Keynes, 1936). Within the economic construct, entrepreneurs are supposed to be rational creatures. They are rooted firmly in the efficient deployment of capital and eschew all goals that may lead them astray from the path of profit. In reality Zafirovski (1999) states, entrepreneurship is multidimensional, it has aspects of the economic, of profits seeking, risk taking, value seeking, of methodological planning, and at the same time, it has slivers of heroism, individuality, emotional and independence seeking characteristics (Zafirovski 1999). The origin of social enterprises can be found in ‘sociological relations in economic sphere’ (Weber, 1968; Zafirovski, 1999a, 1999b). Weber still gives cognizance of the social through this reference. And the social aspect of economic relationships is given its due place even with the different spaces allotted to social, political and economic relationships (Zafirovski, 1999).

The rise of the SE has a contextual meaning. SEs signal that it is not business as usual. An SE has its mission to bring about an outcome of a change in the current mode of living. It could be in the language of climate change, empowerment, poverty alleviation or access to consumer goods that may otherwise not be affordable. SEs are seen as an alternate path to charity and neo liberal capitalist norms. They hope to face the twin challenges of inequity and poverty alleviation that exist even in the face of the world’s plenty. An SE’s missions will include bringing about equitable access to services/goods that may include food, shelter, health, literacy and utilities where there is none. In this context, social entrepreneurs are called change agents impacting social structures. SEs seek to draw out the social that was initially the basis of economic relationships before ‘corporatisation’ and formal finance systemized social transactions and relationships around the single bottom line of monetary profits alone. However, the narrative of impersonal economics is transforming. Institutions that operate over and above the people they

are meant to cater to have begun to be seen as the proverbial fig leaf covering the accessed privilege of increasingly a few. The institutions themselves are solely devoted to efficiency of processes and production. All of these augment the top or bottom line of the organisation. Thus it is seen that structurally, the commercial institution in its current form has no reciprocal relationships with, or fealty to the people composing the societies that have enabled the institutions to thrive.

The codes that are used to define an SE are as complex and myriad as the definitions of the activity themselves. The codes used are social, with terms such as justice, equity, equality, empowerment becoming part of the *raison de' etre* of the enterprise. The codes underlying these phenomena could be examined to understand the common dimensionalities underlying the social enterprise. Social entrepreneurship is now recognized as an entrepreneurial process, yet it continues to escape the confines of a homogenous definition (Zoltan et al., 2013). Roy (2012), states that social entrepreneurship spans the two hitherto disparate worlds of 'business and benevolence' (Roy, 2012; Roberts & Woods, 2005). However a 'systematic empirical account' categorising the various issues that an SE may address, is still to evolve (Mair, Battilana & Cardenas, 2012). These multiple contextual meanings of an SE give compelling reasons to explore the ontology behind this seemingly new form of enterprise. Thus, the researcher wishes to explore the ontological paradigms from wherein SE has emerged and their bearings on the continued conflicts of identity faced within this complex socio economic phenomenon.

Inherently, SEs need to be continually reaffirmed as economic institutions as their operations and goals shuffle these enterprises between the conflicting worlds of the competitive market with that of participatory social good. Santos and his co-authors (2015) opine that social enterprises are 'fragile organisations' essentially affirming the inherent dilemma of the existential identity issues of the SE (Santos, Pache & Birkholz, p.37). SEs are also considered hybrid organizations (Lee & Battilana, 2013; Battilana & Lee, 2014), combining the social goals of a nonprofit with the profit motives of commercial enterprises, crossing both 'normative and regulatory borders' between the both in the process (Lee & Battilana, 2013; Battilana & Lee, 2014). Though charity and commerce have been traditionally considered belonging to two separate activity spheres with lines not hitherto crossed, the social enterprise encompasses both areas within its realm of

functioning (Roy, 2012, Lehner & Nicholls, 2014). SEs have been termed 'third-sector organizations' with social goals based on partial or total 'non-profit distribution constraint' (Defourny & Nyssens, 2008, 2009; Fazzi, 2012).

The EMES European Research Network (EMES) provides a multiple dimensionality context for its definition of social enterprises. The EMES definition involves both entrepreneurial and social aspects of the SE. It includes both organizations and projects in its definition and states that to qualify as a SE the organization or project must be “a continuous activity producing and selling goods and/or services,” and be autonomous. Risk taking, especially economic risk is an essential component of an SE. The workforce must not be comprised only of volunteers but must have a minimal amount of paid workers. The impact delivered by the enterprise must be explicit. The enterprise must necessarily be backed by a group of citizens, thus excluding single owner enterprises. Acknowledging the stake holder theory of ownership, EMES states that the SE must have "an explicit aim to benefit the community," be "an initiative launched by a group of citizens," have "decision-making power not based on capital ownership," be of "a participative nature, which involves the various parties affected by the activity,". EMES is also particular about the extent that the investors can draw from the surplus or profits by specifically demanding that SEs have “limited profit distribution” (EMES, 2017). This network of researchers prefers to prescribe rules for social enterprises- to be organisations that have democratic governance, limited profit distribution and have a social goal as its mission. EMES defines such enterprises as “organisations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits” (Young & Lecy, 2014).

To understand the multidimensional complexity of the SE, an attempt is made to explore the SE through the triple lens of the social, the economic and the political. Both nonprofit activists and social entrepreneurs find that it is possible to learn from each other’s business tactics and operational methods. Thus nonprofit activists and professionals use entrepreneurial methods and in turn, social entrepreneurs adopt typically nonprofit actions such as protests, mobilisation of both funds and people along with structuring narratives (Mair & Marti, 2006).

2.1.1 SE through the paradigm of ‘social’ construct.

Brown (2015) classifies social enterprise through three geographic regions. The first is the American approach which gave this complex enterprise the term ‘social entrepreneurship’ where the entrepreneur has preeminence and her/his intentions are primal in the SE narrative. The second is the British/ European approach where SE is seen as evolving from the co-operative concept. The third approach is the Asian social enterprise called the ‘social business’ by Yunus (2010). Kickul, Terjesen, Bacq and Griffith (2012) point out that according to Yunus, social entrepreneurs expect returns that may not be just profits alone out of the capital deployed, but also of achieving the social goals that created the enterprise. “Social enterprise is charity’s Web 2.0—a would-be revolution as open to interpretation as a Rorschach blot” (Trexler, 2008, p.67). Citing Haugh (2005), Santos (2012), affirms that social entrepreneurship is the ‘simultaneous pursuit of economic, social, and environmental goals by enterprising ventures.’

SEs are defined as a tool for solving social issues such as poverty or migration etc. In an increasingly seamless world, creative answers are sought to deal with the unremitting flux and the potentially destabilizing effects it results in. Given that there is adequate public support for this new economic construct, the SE is seen as one of the ways to deal with the flux and its effects (Salvado, 2011). Again, SEs offer a bridge for the polity to step into the new (Lindhult & Guziana, n.d). In an environment of dismantling of government support structures and the promotion of favoured governing mechanisms such as private public partnerships (PPP), policy makers are increasingly looking at entrepreneurship as a poverty alleviation tool (Hall, Matos, Sheehan & Silvestre, 2012). In addition to these, governments are also beginning to look at social entrepreneurship as one of the paths available to work out complex challenges in poverty alleviation, income generation and delivery of equity. In the US, the previous administration led by the former US president Mr. Barack Obama had established the Office of Social Innovation and Civic Participation to show faith in the social entrepreneurial process. In Europe, the Europe 2020 Flagship Initiative Innovation Union indicates the SE leanings of the authorities responsible for governance. The social welfare outcome, often a deliverable by the government, is a strong component of what makes for a social enterprise and is critical for its identity. Merely functioning in a poverty stricken area amidst a disenfranchised population, and existing as an

entity to take advantage of cheap labour does not make for a social enterprise. In such a case, the enterprise exploits the labour arbitrage found among the poor and cannot be treated as an SE. The social entrepreneur is motivated by a parallel sense making and driven by a need to do social good.

Evidencing the public nature of social enterprises and supporting the need for public and institutional support for social enterprises, it is observed that the Asian social business model developed by Mohammed Yunus at the Grameen bank, considered a role model of success, has had 15 years of donor funding before the bank was self-sustainable. Yunus's contribution and work with the bank was also undertaken without expectations of return- there were no founder equity stakes or a large remuneration for the founder. Instead as in other social entrepreneurial narratives, acute empathy and optimism formed the basis of the founding of the SE (Dees, 1998, 2012). The same so-called 'social construct' embedded in the concept makes the measurement of success in SEs complicated. It is problematic as the outcome of positive social impact may not be measurable in quantitative terms. Often women benefit through SEs. When women are the beneficiaries of social enterprises that may include engaging in cooperative arrangements that augment decision taking ability, the impact may not be measurable. In this event, the monetary gain achieved may be outside the operating ambit of the women and hence not directly attributable (Ferguson & Kepe, 2011). With reference to the 'social construct', one of the metrics of success for social entrepreneurs is the extent to which their target community benefits from positive externalities- here success is not measured by augmentation of the bottom line alone (Galvin & Iannotti, 2014). Moreover, looking at social enterprise through critical discourse analysis indicates that social enterprises were embedded in the local as opposed to scaled up global franchises. Thus, the social enterprise drew meaning from the local context and the moral good of the society its founders were drawn from (Parkinson & Howorth, 2008). The social enterprise lives in the world of the social primarily by having as its mission, activities that may not be economically sustainable, but relates to and affirm social relationships/transactions that the founders have with the target community. The employees and volunteers who join the SE, the enterprise financial investors, the vendors who may subsidise the operations, all work towards affirming this relationship. Social ills are sought to be corrected and innovative action taken to

establish a just and equitable society as in the perspective of the founders of the enterprise and the community they draw meaning from.

Social service organizations that operate for profit but work to provide solutions to social problems and employing the socially & economically challenged citizens are beginning to be considered as alternate models of achieving social outcomes. In a culturally and linguistically diverse country like India operating community based social service organizations is considered an alternate solution for solving social problems and to potentially provide a way for social and financial inclusion. Many social enterprises assume the form of Community Business Service models (CBS) that have lower barriers of entry (Das, 2011). Individuals and citizen groups in rural areas with limited access to funds and entrepreneurial resources find such community based social enterprises easier to start and even exit in the event of non-viability or if the need for the good/service delivered, has ceased to exist.

Conventional economic narratives emphasise the impersonal in order to create a cohesive system and an institutional framework that will survive outside the human components that comprise it. Importance is laid on the process that connects both the product and service that is produced and delivered and the capital and equipment related to the delivery process rather than the individual humans involved. Economic narrative looks at the market as a living mechanism and having properties and personalities outside the humans that create it. The social enterprise on the other hand reintroduces the personal element into the economic process. It is endeavored to modulate economic principles and personalize commercial activity. It attempts to repair and re-energise and fulfills a need in the process.

The commonality of SE definitions appears to be the requirement of an activity based in commerce to separate the enterprise from a purely social movement or a philanthropic process. Social entrepreneurs are typically seen to conceptualize, when they redefine or take a relook at an existing social problem and tailor/fashion a targeted and often an innovative solution to an existing issue. For e.g. a social entrepreneur looking at financial exclusion issues in rural areas in Karnataka, may look at the issues through the perspective of financial awareness and hence reframe the problem as one of both education and financial system linkages (Mair et al., 2012). It

appears that SEs are those organizations that mandate social welfare outcome, as a leading part of its mission statement. The social enterprise has to have a significant portion of ‘value creation’ with ‘value capture’ being a subsidiary goal (Santos, 2012).

Social enterprises must necessarily focus on positive externalities. Externalities refer to the impact made by a firm’s decisions and operations on the external environment. When the impact is positive and when its external environment receives a benefit over and above the firm’s benefit from its action, then the externality is called a positive externality. In the case of the reverse, i.e. when the impact is negative the firm is said to have negative externalities. As positive externalities are brought about at a cost to the firm, the social enterprise weighs between the balance of the positive externality it generates and the firm’s profits. The firm’s main bottom line or its profits could be considered secondary (or even sacrificed) with positive externalities as the main goal of the firm. A key success indicator for social entrepreneurs would be their capacity to impact social change and not balance sheet profit alone (Galvin & Iannotti, 2014).

In Canada, the Centre for Social Innovation defines social enterprise as consisting of “New Ideas” that present solutions to existing problems covering all aspects of society, including the social, the economics and the environmental. “A true social innovation is systems changing, they permanently alter the perceptions, behaviours and structures that previously gave rise to these challenges”ⁱⁱ (Centre for Social Innovation, 2015). Here the social enterprise paradigm covers not only the institutional form of the enterprise but also the behavior and structurally altering aspect of the ideation of the enterprise itself.

2.1.2 SE in the commercial construct.

One of the aims of the social enterprise is monetary gain arising from business activities, as stated by Santos (2012). This monetary aim is often secondary as the primary existential reason for the SE is social impact. However for a social enterprise, some measure of financial sustainability if not complete financial independence is deemed as one of the measures of success. As per the EMES International Research Network, a social enterprise could be a group of individuals organized in the systemic process of an institution or a project with a definite time

frame for project start and complete. However to be called a social enterprise, EMES prefers the activities of such an organisation or a project to fall within a specific framework that proscribes rules on risk, quantum of paid labour and volunteers, vision and mission content, on the nature of decision making and the nature of the enterprise's mercantile activity (Young & Lecy, 2014).

Social entrepreneurship seeks to exploit the opportunities arising from the failure of the state and public institutions, in addition to campaigning the cause of the disadvantaged. This places it outside the realm of social activism (Van den Broek, Ehrenhard, Langley & Groen, 2012). For Schumpeter (1954), the goal of profit is the 'regulatory principle.' Without profits, the entrepreneur has no reason to conduct business. Keynes (1936) terms profit as the 'engine which drives Enterprise'. In all classical definitions of enterprise and entrepreneurship, profit is the main driver behind all entrepreneurial activity (Zafirovski, 1999). Deriving from the social construct, the social enterprise is firmly rooted in the mercantile domain, though it is criticized for discursively transforming third sector organizations and practitioners into economic agents (Dey & Teasdale, 2013). The entrepreneur perforce operates with a business plan or is guided to do so. There is an assumption of earnings and not donor funds, financing at least part of the enterprise's cash outgo if not the whole. This commercial expectation of a social enterprise is what distinguishes it from its activist role, from its political construct and from its social engagement role drawn from the charity construct. Business skills are learnt by the social enterprise team as very few of the SE team may possess commercial skills of engagement. The relatively new valuation concepts of double and triple bottom line returns sought by venture funds in the social enterprise domain, allow the single bottom line or profits to be reduced to one of the dimensions of the returns sought. SE valuation benchmarks and norms are still a barely understood and a rarely universally agreed upon metric. Yet economic valuation is sought for its goals of social impact and environmental goods.

Social enterprises deploy business strategies for realisation of nonprofit goals (Nicholls, 2008). A Social enterprise will have earned revenue combined with grants and subsidies as part of their fund inflows; a pure, nonprofit will subsist on grants and donations. Citing Barraket, Collyer, O'Connor and Anderson (2010, p.4), Brown (2015) states that social enterprises have been defined as "organisations that are led by an economic, social, cultural, or environmental mission

consistent with a public or community benefit; trade to fulfill their mission; derive a substantial portion of their income from trade; and reinvest the majority of their profit/ surplus in the fulfillment of their mission”.

Similarly, organisations with social impact goals step outside the framework of traditional Non Profit Organisations (NPOs) who have no connect with market forces. The drive behind starting a NPO is also often found to be the same as that of a social entrepreneur who wishes to set right a perceived wrong (Dees, 1998, 2012). Such complex organisations, having only a part of their operations and consequently part of their revenues or cash inflows linked with the market place, are included in the universe of social enterprises (Kerlin, 2010, as cited in Lehner & Nicholls, 2014) . A classic NPO also termed as Non-governmental Organisation (NGO), engaged in delivering social impact, has its mission completion as its sole objective. The satisfaction of the outcomes achieved through mission realisation becomes the sole or only measure of success. Though financial sustainability may not contribute to the NPO/NGO’s stated mission success, the process and justification of the deployment of donor funds are critical. The NPO thus becomes accountable to the donor through whose funds they are able to come into existence as per the principal agent theory (Alchian & Demsetz, 1972), and also accountable to the target population whose need it was formed to serve. The NPO does not engage in commercial transactions in its conventional role. In India, the law renders commercial transactions by an NGO/NPO even more difficult. As per Indian statutory laws, a typical NGO formed through the framework of The Societies registration Act 1960 must mandatorily spend a minimum of 80 percent of its cash inflow/donor funds on its mission activities. Their mission and serving the needs of the target community are the sole purpose of the NPO. This differentiates it from the social enterprise which must necessarily gain some portion of its cash inflow from commercial transactions. Mair and her co-authors (2012) state that the one factor in common with most social enterprise definitions is the existence of a transaction rooted in commerce. This differentiates the social enterprise designed for social impact, vis-a-vis a conventional NPO that is rooted in the social or charity activity alone (Mair et al., 2012).

Social enterprises are context dependent, user dependent and culture dependent. Social goods are yet another domain trespassed by SEs, with social entrepreneurs finding opportunities in filling

gaps that include but are not limited to health, education, and energy . The underlying thread that binds all these activities of the SE is the intent of having a core business model plan of sorts that forms the basis of the project or the enterprise. As long as there is intent for social good and there is also a commercial premise to the activity, the delivery of a social enterprise could be in innumerable forms and activities (Trexler, 2008). The fund raising activities lie outside the conventional donor framework that trades goodwill and reputation for cash. Consumer need is sought to be fulfilled in return for sales that either partly or wholly funds the money outflows of the SE. The processes researched and used to run systems efficiently are now applied to concerns of human sharing and social impact. The need is established through the process of price discovery for services. The commercial process is understood to be efficient and effective as a functioning system due to the economic motives underlying the system. Hence application of this methodology, to an enterprise that is essentially created to deliver social goods, is believed to increase the effectiveness of its ultimate goal-that of delivering social impact (Parkinson & Howorth, 2008; Reiser & Dean, 2014, 2015). As a result, social enterprise cannot be considered a 'new' activity. It would be a term that gives form to aspirations that seek to reform the stringent economic structures that formal finance begets (Dey & Teasdale, 2013).

The social is implied to arise from human relationships that emerges from interactions that do not have a value of monetary utility satisfaction. Social relations are expected to emerge from sheer emotions and the desire to connect with humanity and specific individuals as a whole. Economic relations on the other hand are deemed utilitarian and may or may not be related to the social and humanistic relationships that the individual may have. As economic discourses over the centuries have gradually excluded the social that formed the basis of all human relations, the social enterprise seeks to re introduce the social element in what is essentially now considered an economic ecosystem (Hjorth, 2013).

In arriving at the enterprise goal and mission, a social entrepreneur asks: how can the absorption of the social into the world of economics and markets solve critical poverty and equity issues? The social enterprise is based on the assumption that an infusion of the codes of the market into the social and thus as a consequence the domain of the private and the political, will resolve challenges. A social enterprise assumes that managerial expertise and business models when

applied to the social sphere would bring about the change required that may otherwise be lacking. The efficiency targeted in business processes is attempted to be deployed in social interactions. New challenges arise from this construct- Would this efficiency destroy the social or would it transform. The social enterprise thus tries to delve in both worlds if not more. It faces many resulting challenges due to its hazy definition and porous paradigms. Economic methodology would mean measurability in the social. Managerial methods would mean monitoring and operational control in social transactions. Social relationships are in a state of flux, based on free will with each action feeding off the other. Controlling and monitoring these processes could potentially lessen sociability and restrict the individual's personal and political choice.

The Social Enterprise Alliance (SEA) of the US, an organisation representing social enterprises has the slogan 'Where Mission Meets the Marketplace'. The SEA's maintains that a social enterprise must promote social or environmental issues employing "business methods" (Social Enterprise Alliance, 2013; Galvin & Iannotti, 2014). As per the SEA, to be defined as a Social Enterprise, the organization must seek to fulfill a social need through their activities. Citing The Social Enterprise Alliance (SEA) of the US, Galvin and Iannotti (2014) point out that SEA draws boundary walls around the structure of an SE, in insisting that an SE is necessarily an organisation that has explicit social and environment goals, and must achieve them through commercial transactions and business processes obviating any donor funds in the process. Though insisting that the enterprise must necessarily be involved in commercial operations, the social nature of the goal and mission is heavily emphasized by the SEA who claims that it must work for social good alone.

In Bangladesh, the main initiator of the microfinance models now prevalent worldwide, Professor Mohammed Yunus developed the seven principles of 'social business' that differentiate a social enterprise from a private enterprise. As per his definition, Yunus believes that the primary objective of a social business will be to provide a solution to poverty and/or address the challenges induced by poverty. The goal of a social business unlike that of classic economic models will not be to seek profits. However, unlike a classic nonprofit model, the operations of a social business will be financially sustainable. Yunus was emphatic that investors will not receive

any returns on their investment i.e. they will not gain monetarily from their investment in the social business. All surplus or profits generated by the social business, over and above the repayments of principal to the investor and loans to the lender, will be retained in the social business. Such surplus retained will be used for operational continuity. Yunus's social business model is cognizant of environment challenges and insists that a social business should not generate negative externalities for the environment. The employees of the social business are dealt with equitably and the morale of the social business is paramount. Through the seven rules for a social business, Yunus explores the multiple stakeholder aspects of a business, namely, its investors, its mission and goals, its employees, the community the business is based in and the ecological environment it affects. (Yunus 2010, Yunus, Moingeon & Lehmann-Ortega, 2010,). However by insisting that the investors do not receive a return on their investment, Yunus isolates the social business from the paradigm of social enterprise (Kickul et al., 2012). A social entrepreneur though having alternate goals other than profits still gets to draw and earn profits from the enterprise with the other aspects of a social enterprise being fulfilled.

Drawing its meaning from the social, the social enterprise intrudes on the economic infusing commerce with meaning beyond the profit line. We see social enterprises as the bellwether indicating that all is not well with the economic paradigm and that more is expected now. The commonality of Social Enterprise definitions as studied in this review of literature, appears to be the requirement of an activity based in commerce to separate the enterprise from a purely social movement or a philanthropic process.

2.1.3 Social enterprises as hybrid organisations of the social and the economic.

In biology, a hybrid is the result of the bringing together of two different species in to a new hybrid form. To carry the analogy to a socio economic organisational structure such as a social enterprise, a hybrid organisation is the result of breaking down of institutional walls to merge in to a new organisational whole. The norms, values, organization systems and hierarchies of two disparate cultures are brought in to a new archetype with the symbols and tokens of both retained intact many a times (Doherty, Haugh & Fergus, 2014). This brings about conflict during its

interface with the surrounding economic environment that has distinctly separate norms of engaging with non profits and for profits (Ramanathan, 2016).

Social enterprises are found in all sectors, in all sizes and in a diverse range of organisational structures. The hybrids evolve from a blend of artifacts from the purely commercial, the public sector and nonprofit sectors, spanning boundaries and blending institutional paradigms of each sector to a tailor made organisation that specifically serves its constituency (Doherty et al., 2014). Varying in their geographic and cultural context, they exist in both rich and poor nations. As their chief goal is social impact, their disparate identities hamper the classification of such hybrid enterprises through the frameworks of organisational structure or legal. Establishing operational and success standards for an individual hybrid enterprise, both of which are critical for measuring the outcomes of an incubator, are also difficult (Holt & Littlewood, 2015).

SEs are explored through the frameworks of organisational hybridity. Through this framework, SEs can be interpreted as a mesh of a minimum of two organisational structures – one of philanthropic organisations and the second that of a private enterprise. NGOs, charities, community based organizations and for profit enterprises- all lend certain features of their organisational structure to the hybrid structure of the SE (Doherty, et al., 2014). Social enterprises amalgamate the normative social impact goals of an NPO along with the profit seeking behavior of a business enterprise. Lee and Battilana (2013) state that the SE crosses both 'normative and regulatory borders'. Through this process, the SE crosses multiple boundaries of the NPO and the commercial (Battilana, Lee, Walker & Dorsey, 2012). This is because philanthropy and the business of commercial exchanges have been classified in separate silos with nary a common thread, till the world of SE attempted to undo the boundaries and merge the processes of two disparate organisational characteristics into a new functioning form (Roy, 2012; Lehner & Nicholls, 2014). The social enterprise moves beyond supply led economics and signals the need to analyse the economic process independent of fulfilling the immediate empathy sharing needs of the founder and the service gap of the target population or geography.

Though charity and commerce have traditionally been considered belonging to two separate activity spheres with lines not hitherto crossed, the social enterprise encompasses both areas within its realm of functioning (Roy, 2012, Lehner & Nicholls, 2014). Social enterprises have

been termed 'third-sector organizations' with social goals on the basis of partial or total 'non-profit distribution constraint' (Defourny & Nyssens, 2009; Fazzi, 2012). Santos says that Social Entrepreneurship is called the 'simultaneous pursuit of economic, social, and environmental goals by enterprising ventures' (Santos, 2012).

The agency of the entrepreneur in a social enterprise is identified as bringing about social change as the main goal. Change is the inevitable outcome of its activities. Both social enterprises and charitable donors have social impact. Williamson (2011) defines social impact as "the creation of a positive, lasting change in the well-being of a community's constituents" (Glover, 2012). However social enterprises are distinguished from charitable organisations by their need to fund at least part if not the whole of their operations through cash inflows generated through commercial activities. Social enterprises may not operate on a project to project basis as do typical charitable organisations that are solely dependent on donations and grants, but may have a sustained commercial relationship with their stakeholders and hence stakes in the markets they are present in (Ramanathan, 2016).

2.1.4 SE through the political domain/construct.

The SE exists in the political. Sociology and the politics of sociology form the framework of meaning for the social entrepreneur. The decisions behind the SE make a political statement with their mission often filling in gaps left by the government (Mair & Marti, 2006). The social entrepreneur motivated by ideologies and individual political values, seeks to give voice to independent political opinion (Parkinson & Howorth, 2008). These political voices subtly influence the mission of the SE. This political basis of a social enterprise often conflicts with its economic premise and makes for a fragile balancing act in its existence. Often the very act of forming and operating a social enterprise such as that of a community business organization (CBOs) becomes a process of empowerment and decision making exercised by a community hitherto left outside of such empowering processes. The SE processes often lead to active political engagement by the community it impacts and engages the polity with themselves more actively. This has the effect of bringing on unforeseen or unpredicted results, often outside the economic mission of the social enterprise. Many purely commercial enterprises focus on their bottom line and attempt to live outside the political system, that they are in reality embedded in.

Social entrepreneurs tread on the ground of political activists when they adopt similar forms of campaigning and advocacy of social activists, such as community mobilisation, online protests and activist campaigns and advocacy tactics (Van Den Broek et al., 2012). And the SE founders, cast in the hues of heroism color the sector with shades of value that may not be otherwise afforded in this challenging area (Dey & Lehner, 2017). Some studies in SE provide insights into the intentionality of the founder or founding team. Others have highlighted the tension between an emphasis on earning and income and the resultant complex relationship with the community context of social enterprises (Cho, 2006; Spear, 2006; Parkinson & Howorth, 2008).

Political choices are also part of social relationships where the cultural codes of daily life form the content and extant of social relationships. A social enterprise mixes the social and the economic thus making hitherto siloed borders open to new transactions. Processes that are managed with precision within the business world become uncertain in the new context. With the operational codes being amenable to interpretation and norms of business behavior rendered hazy, new norms are delineated and laid out. Sociology and the politics of sociology form the framework of meaning for the social entrepreneur. The social entrepreneur takes a political decision by stepping up to fill in gaps that may be deliberately ignored by the state thus taking a defined political stance. This stance may be at variance from the socio political stance of the local community. The social enterprise may take advantage of the opportunities left open by the private sector or simply form an enterprise of opportunity to attain an existing ideological goal that is largely unmet with existing state and community capacity

(Parkinson & Howorth, 2008). For e.g. the sanitary napkins promoted by Mr. Arunachalam Muruganatham (Venema, 2014, March) to provide comfort and access to hygiene to women who otherwise cannot afford to be consumers of the product is a case in point. The SE world is thus channeled by change makers to induce and bring about impactful change in all of humankind's operational spheres be it the social, the economic or the political. In this process, social entrepreneurs assume the heroic narrative as they are seen to lead the unmet need for change.

2.2. Policy Framework for Social Enterprises: A Critical Appraisal

Given that the construct of a social enterprise is multihued and multi textured, framing policies that enable its birth and survivability becomes complex. In this section policies impacting social enterprise and livelihood generation are explored to understand whether the existing frameworks relate to all the meanings explored in the literature review or if they target specific aspects of the hues of a social enterprise. Thus the multiple shades of context of a social enterprise lead to scanning the policies and set of norms and rules that foster the social enterprises that appear to be the need of the day. Institutions are derived from the laws of the land. The laws as laid by the norms and cultural precepts of the society, dictate the institutions through which society actualizes its intentions. In a cohesive society, policy prescriptions are enacted and decisions made to convert ideas and ideals into action and reality. The rules of a society are critical in how the society functions. The systems designed to regulate and enforce the rules related to human social, economic and political experiences, including how we navigate social relationships through civil laws and economic relationships as enforced through the rules of contracts, rules and ethics of property ownership- all establish how each individual nation navigates its way in the establishment of an ordered society (Naude, 2009).

2.2.1. Policy.

A policy would be a deliberate and planned set of actions intended to achieve a specific outcome or set of outcomes. These actions would be laid out in the form of a framework of rules. These rules would refer to processes, and sets of action and the socio economic boundaries of the rules and processes referred to. Policy interventions would comprise the changing and adapting of these rules in the expectation of targeted outcomes (Lubell, Scholz, Berardo & Robins, 2012). Horowitz (1989) states that “policy is both a dependent and an independent variable” as it is the tool responsible for change in the functioning of a community and yet it also becomes the end effect of the process of change (Horowitz 1989). Policy involves the laying out of a systematic process of how members of a society interact with each other and enforce their social and economic contract obligations.

Effective policy ensures that there is equitable distribution of access to resources. Changes induced by technology, conflicts and new ideas disrupt the existing equilibrium especially in the event of an inequitable equilibrium. And when there is inequitable equilibrium in a society, the disruption gives rise to an opportunity for seeking a more equitable equilibrium that will have the co-operation of a larger section of the society. Thus policy making would need to account for the ongoing social construction of the nation and the communities that comprise it. Social construction refers to the sense making that human beings make of the world they live in. Social construction is both a key component, and at the same time a key outcome in policy making and design (Schneider & Sidney, 2009). Meanings are derived from experiences commonly shared between members of a community. The meanings so derived, lead to norms of behavior that lead to smooth and workable interactions and relationships between the members that are required for survival and sustenance. Thus the shared human experience lends to a construction of common narratives of meaning. This common narrative generates rules and norms of living. These rules that result in shared social and economic processes then beget more shared experiences. For stability and continuity in the shared rules of living, all the actors involved must agree to participate. When participation is withdrawn, societies fracture and new rules of living are sought. Equitable policy design seeks to ensure that the rules in place exist with the tacit agreement of everyone partaking of both the costs and benefits. Stability is ensured through the continuous evolution of new norms to replace those that no longer meet shared needs. McMullen and his co authors explain the continuous looping process in policy making stating “social structure influences individual preferences, which affect individual actions, which in turn influence social outcomes” (McMullen, Wood, & Kier, 2016).

As societies evolve and citizen needs become more exacting, policy making becomes complex too. Reflecting the need for recognizing the complexity of the process, the theory of policy has started drawing insights from disparate fields such as autopoiesis in evolutionary biology, institutional economics and complexity theory. The aim being to try to understand the balancing of multiple complex human relationships that constantly undergo change with the cohesiveness required for a functioning society (Schneider & Sidney, 2009). Policy theory has been explored by Charles Lindblom through his “incrementalism” theory (Wilson & Anvesha, 2011), by Baumgartner and Jones’s through their “punctuated equilibrium” framework (Jones & Baumgartner, 2005), by John Kingdon in his “multiple streams” theory (Béland, 2016) and

through explorations in this field by Sabatier (Sabatier, 1988, Sabatier & Weible, 2007). The definitions try to look at the macro view of the landscape of actions of a government in its planning process in representing and for interacting, engaging with and serving the citizens. Policy making when viewed through the framework of the earlier versions of systems theory create meaning through the classic input output model. Later network models of policy include the Advocacy Coalition Framework (ACF) and the Institutional Analysis and Development (IAD) framework (Ostrom, 1999). Within the network approach to policy making, Advocacy Coalition Theories (ACF) focuses on long term policy impact and the cultural attitudes and norms that are brought into play in policy making (Sabatier & Weible, 2007; Schneider & Sidney, 2009). In ACF it is assumed that the city polity which has the most shared interests and who co operate, will have higher political bargaining strength. Outcomes in this scenario will be in the favour of the groups having the maximum power. IAD theory by Ostrom (1990, 1999) prescribes that the social group that has deeply entrenched equitable relationships will succeed in setting the agenda for policy required in socio economic settings that require the collaboration of all the actors involved.

Yet another framework for approaching policy is through the binary of, those who win and those who lose as an outcome of policy. Here the Lasswellian theory of “who gets what, when, and how” is applied. In yet another approach, in the public choice theory, policy is explored in terms of public goods and the rules and institutions that are needed for delivering them (Schneider & Sidney, 2009). Policy is also understood to function at a “meso” (Lubell et al., 2012) level that lie in the mesh of organisational and functional input output relationships between macro institutions and individual citizens and citizen polity at the micro level (Lubell et al., 2012).

2.2.2 Policy making incorporating the complex shades of SE.

Societies world over are facing potential instability caused by exponential changes in technology and uncertainty from migrating populations. Innovative solutions and new societal structures to deal with these changes are sought for. Social enterprises could be one such tool provided the appropriate institutional support is generated for fostering these new structures (Salvado, 2011). Radical changes in technology have impactful effects on social structures and mechanisms and

policy makers need to adapt age old processes to suit the evolving changes. Institutions need to be reengineered and existing structures discarded to make way for new systems that are in line with the new paradigms. Social Enterprises play a beneficial role in these often disruptive changes and help both policy makers and the community to navigate, adapt and benefit from new processes and technologies (Lindhult & Guziana, n.d). In an environment of dismantling of government support structures and the promotion of favoured governing mechanisms such as private public partnerships (PPP), policy makers are increasingly looking at entrepreneurship as a poverty alleviation tool (Hall et al., 2012). Globally, governments are exploring social entrepreneurship processes for innovative solutions to social problems both as drivers of innovation and as solutions to complex issues. The Office of Social Innovation and Civic Participation by established by the former US president Mr. Barack Obama's administration and the Social Innovation aspect -part of the Europe 2020 Flagship Initiative Innovation Union are some social enterprise approaches to complex social issues (Zeyen et al., 2012). In India, the Draft National Entrepreneurship Policy, of the Entrepreneurship Development Institute of India looks at creation of social enterprises as part of the process of achieving inclusive growth.

Academic research in entrepreneurship accepts that attention and allocation of entrepreneurship in a specific direction combined with tailor made policies will determine the outcome of the activity. Whether the outcome of the entrepreneurship is supportive or non supportive of societal and economic development will hinge on the policy forming the institutions fostering these enterprises (Baumol, 1990; Acs, Boardman & McNeely, 2013). Institutional systems are increasingly understood as contrived constructions of policy. Institutions that engender economic processes and those that support social contracts are both created through deliberated policy. As entrepreneurship is now seen as a tool for economic development (Anokhin, Grichnik & Hisrich, 2008), institutions and the policies that engineer the institutions are also involved in encouraging entrepreneurship.

The presence of social enterprise structures can be found in a vast and diverse array of socio economic activities (Dey & Steyaert, 2010). It is both an activity and a solution to the unmet needs supposed to be fulfilled by state actors or for profit private enterprise. Many definitions consider the entrepreneurial process of social entrepreneurship and the organisation that it begets

the -social enterprise as falling somewhere between the state and the market. However the legal form that a social enterprise assumes is entirely dependent on the policies that allow such enterprises to exist. The legal complexities are abound for such enterprises that have no clear fealty to a profit mission nor have an operational plan that involves commercial activity alone. Naudé (2009) states “theoretical 'workhorses' in both disciplines, such as the Lewis (1954) model of structural change in development economics, and the occupational choice model in the economics of entrepreneurship are extended and applied in novel contexts in the SE papers” (Naude, 2009).

Within the conceptual structure of a social enterprise, the individual entrepreneur’s discourse is continuously reconciled with the social origins of the enterprise. Policy makers who focus on entrepreneurship must consider the social outcome goals of a social enterprise when setting entrepreneurship policy in place (Parkinson & Howorth, 2008). Thus social enterprises that have emerged from the language of the social and the economic exist within the nation’s legal systems and frameworks. They take on the form of the legal structures created and allowed by the state to be formed. The hybrid enterprise known as the SE works on gaining access to underserved markets in agriculture, healthcare, finance, sanitation, education and energy. To do so, they need to tap into new ways of doing business (ADB 2012). The term “social entrepreneurship” is now increasingly being used to describe entrepreneurship processes and outcomes that do not seek to make a financial personal gain alone but also seek to obtain the double bottom line of social benefit and even include the triple bottom line of environmental goals along with the financial and social objectives. Social enterprises operate under multiple legal frameworks of societies, trusts, not for profit Section 25 companies under the Indian Companies Act 1956, partnerships and even for profit private limited companies and hence have diverse and multiple identities in the economic structure of a nation. However, the common factor connecting these enterprises, functioning under a myriad range of legal frameworks would be that all of them have additional social goals outside of the financial. The social objective many times supersedes the financial objective, becoming the main goal in many social enterprises (Shaw & Carter, 2007).

2.2.3 Scanning policy framework for SE globally.

Social enterprise assume many forms all over the world. They are increasingly coming under legislative frameworks and getting state protection in terms of support and legal status over the past two decades.

2.2.3.1 Europe.

In European countries SEs have assumed the form of Social Cooperatives or SCs. France has formalized ‘societe’ coope’rative d’inte’ret collectif’ known as SCICⁱⁱⁱ. In Italy the ‘social co operative’ is well established since 1991. The Italian social cooperative was established as an institutional framework for engaging in commerce with its outcome "general interest of the community and for social integration of citizens". In Spain ‘SC Initiatives’ are recognized as legal entities engaging in economic activities with social goals. Portugal has the ‘social solidarity cooperative’ and France has created the ‘societe’ coope’rative d’inte’ret collectif’ (SCICs). Greece has legislated the SE as a cooperative social with limited liability’. The ‘limited dividend company’ in Sweden and the ‘social finalite’ structure in Belgium are all facets of legal identity generation for the social enterprise (Defourny & Nyssens, 2008).

2.2.3.2. UK.

The United Kingdom is one of the leaders in working on social enterprise frameworks that dictates the narrative of economic activities and enterprises that exist in the realm of the social narrative and economic paradigms. Hence a separate section in this chapter is devoted to exploring UK social enterprise frameworks. The UK Public Services (Social Value) Act 2012 compels public authorities in England and Wales to ensure that the three factors of social, economic and environment are taken into account when awarding public works contracts. Thus social and environmental factors are taken into consideration when tendering and entering into contracts of public procurement. This could imply that tenders will be awarded to only social enterprises or that the Social Return On Investment (SROI) will be considered when looking at the outcomes of the project/contract. Social benefits that are calculated in economic terms need

to be projected before the tenders are finalized. The Scottish government has a separate department to encourage social enterprises that incorporate social impact^{iv}.

The UK has implemented legislation that aims at guiding the social component of its public spending and procurement. The Public Services (Social Value) Act 2012 in U.K makes it mandatory to consider economic, social and environmental well-being in connection with public services contracts. Through this legislation the process of tendering and the benefits for target populations of such tendering, is brought under the public scanner. Such legislation also brings to life the multiple potentialities of social impact. One of the potentialities could be to attempt to place a value on the social benefits of tenders awarded to bidders who promise such an outcome. Alternately such tenders could be restricted to social enterprises or organisations with quantifiable social impact, based on the Social Return on Investment (SROI) model. The socialenterprise.org is one of the largest networks of social enterprises in the UK, partnering with multiple UK government departments.

The UK legal framework allows social enterprises and NPOs with social impact goals to be set up within one of the following legal frame works. They could be established as a limited company, a co-operative, a charitable incorporated organisation, a Community Interest Company (CIC), as a sole proprietorship or in the form of a partnership. If the organisation does not have profit goals, the enterprise could take the form of an ‘unincorporated association’. The CICs, institutions found only in the UK are limited companies whose operational ambit is meant only for the community it serves. CICs are not for private individual investors. A social enterprise established as a CIC must have a ‘community interest statement’ and build an ‘asset lock’. The asset lock is a legal binding and restricts the use of the company’s assets for pre committed community purposes. The restrictions would also mean that the assets should be used only for fulfilling social goals and may even set maximum limits on the returns drawn by the investors from enterprise profits. The formation of the CIC is mandated to be approved by the community interest company regulator. This ensures both community monitoring and also enforces operational compliance of the incorporation terms of the CIC^v.

Responsible Finance a network of social finance sellers in the UK believes that in the context of devolution and localization trends in the UK for small businesses, the social finance sector termed as ‘responsible finance’ by the group, has become active as the last mile delivery point. Local enterprise partnerships (LEPs) and investment programs like the Northern Powerhouse Investment Fund and the Midlands Engine Investment Fund have become channels for serving local financial needs. The network believes that to be effective this sector requires appropriate regulation that accords financial inclusion as one of the goals of the lending process. Accountability measures are sought to be built into the FCA, the UK legislation for ensuring financial inclusion and remove the barriers that now create financial exclusion^{vi}.

2.2.3.3 North America (US and Canada).

In Canada, no explicit policy for social enterprise is laid out as yet. However the disadvantaged and the lesser well off are supported through specifically demarcated zones, tax credits and relaxations in regulations for investments in specific areas. The incentives are often limited to specific geographies. These measures are aimed at encouraging investment in areas considered lacking growth and deemed necessary for the resulting social benefits. It is hoped that the providing of these fiscal encouragements will result in a trickledown effect and a ‘multiplier impact’ in the economy that the enterprise is situated in (Granger, 2012). Though not categorized under the term ‘social enterprise’, a form of the hybrid organisation has long been enacted under the guise of co-operatives. In Vancouver, the arts, digital, media and green technology sectors are given preference in this context (Granger, 2012).

The Ontario province of Canada has been active in the institutional approach to social enterprise support. The government has been especially active since 2008. The Ontario Innovation Agenda published by the Government of Ontario initiated the Social Venture Capital Fund and a Social Innovation Generation Program to enable and support social enterprise in the territory. The Ontario Not-for-Profit Corporations Act^{vii} (ONCA) has been updated to reflect among other things, the growing awareness of social enterprises. Brouard, McMurtry and Vieta (2015) have developed a classificatory system for all institutions in Ontario that support social enterprises. They have created six categories of enterprises: “legal frameworks, public policies, university

institutions, networks, spaces, and funding agencies and programs”. The Social Innovation Summit in May 2011 was one of the many initiatives set forth by the provincial government, which resulted in a wiki collaboration for policy creation and the publication of Social Innovation Policy Paper. The government initiatives ultimately resulted in The Office for Social Enterprises, set up within the purview of the Government of Ontario’s Ministry of Economic Development, Trade and Employment in 2012. The department defines a social enterprise as an organization that employs business processes for bringing about social or environmental impact or alternatively a business that has social and environmental goals and at the same time achieves business revenue (Brouard, McMurtry & Vieta, 2015). The aim of this office was to highlight activity of social entrepreneurship in Ontario, encourage collaborative processes in social entrepreneurship and give official recognition to social enterprises (Brouard, et al., 2015). The objective of the Office for Social Enterprises is also to augment social entrepreneurship institutions in Ontario and globally. The Government of Ontario aims to build a leadership profile for Ontario in social entrepreneurship (Brouard, et al., 2015).

United States

Similar to the target population profile of SEs globally, SEs in the U.S. too are focused on solving problems locally than on a large scale. As per the survey Great Social Enterprise Census^{viii} conducted in 2012, research indicates that over 90 percent of SEs in the US target the communities that they are embedded in. In a survey that covered social enterprises with a combined revenue of over \$300 million and which employed about 14,000 people spread over 28 states of the US, it was estimated that the SE sector in the US may account for about 3.5 percent of the US GDP. The survey revealed that 35 percent of U.S. social enterprises are from the non-profit sector. 31 percent are for-profit enterprises incorporated as “C” corporations or LLCs. The sector and target population of the SEs were local with 20 percent working in economic development, 16 percent in workforce help, 12 percent focusing on energy and environment and 11 percent in the education sector. Only seven percent had a global reach. Indicating that SEs in the US are a new phenomenon, 60 percent of the sample was established created in 2006 or later, and nearly 1/3rd of the enterprises surveyed were created after 2011.

2.2.4. Entrepreneurship policy framework for development and empowerment.

Pinillos and Reyes (2011) state that “Entrepreneurship is a complex phenomenon that involves a great variety of contexts and factors”. In entrepreneurship research, the understanding and analysis of the processes of new enterprise creation are increasingly considered critical to economic activities as they may lead to job and economic growth. Entrepreneurship research has been veering from its previous focus on individual traits and attitudes to studying the underlying cultural systems that lead to the formative structure of the entrepreneur. The cultural value systems of a society influence the individual’s capacity and inclination to entrepreneurial activity (Pinillos & Reyes, 2011). As institutions have a key role in the cultural system, institutional emphasis on corporate goals and operational mandates would also have a counter affect on the values embedded in the cultural transmission of meaning. Through institutional policies, government intervention can guide and imbibe new meaning into social codes that are required for fostering entrepreneurship, triggering development and equitable social change.

Schumpeter (1934, 1949) theorized on entrepreneurship as a disrupter of market equilibrium. It is now advocated that entrepreneurship is not a market disruptor alone, but could also lead to economic growth. Entrepreneurship is sought to be given its due as a tool for furthering jobs and economic development (Harper, 1996). Though conventionally entrepreneurship is studied solely as an economic phenomenon, the discourse of entrepreneurship could be seen as not just as an economic process bringing in market disruption (Schumpeter, 1934; Calas, Smircich & Bourne, 2009) but when reframed through positive epistemology, as a process inducing social change (Calas et al., 2009).

2.2.4.1 Entrepreneurship framed in the social entrepreneurship discourse.

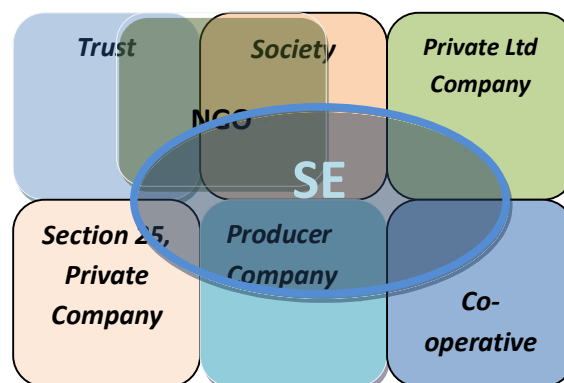
Social and economic organisations are both networks of relationships. They are cultural systems having their inherent culture. They reflect the culture of the socio economic system that they are derived from. Organisations consist of people collected together and working towards shared goals. The cultural maps of organisations that are created from the socio-economic culture they

are from, affect the thoughts and resultant behaviour of the individuals who comprise the organisation, in turn affecting the entrepreneur's mind map too. Geertz (1993 p.89) states that "Culture is an historically transmitted pattern of meaning embodied in symbols, a system of inherited conceptions expressed in symbolic forms by means of which men communicate, perpetuate, and develop their knowledge about and attitudes towards life" (Geertz, 1993,p.89; Gamage & Wickramasinghe, 2012). Edward B. Tylor, a pioneer anthropologist looked at culture as a whole spectrum of acquired human behaviour patterns and not as inbuilt traits. Individuals comprising a community absorb shared meanings while undergoing the socialisation processes through the institutions they are part of such as immediate and extended family, the religion they ascribe to, the education they undergo, their neighbourhood, town and society at large (Gamage & Wickramasinghe, 2012). Culture has been defined by Hofstede (1980) as an archetype of thoughts and beliefs constituting a specific "mental programming", that clearly delineates groups of individuals with shared beliefs, from each other. The "mental programming" is defined as comprising of structures and frameworks of concepts and philosophies that are preserved through generations. These shared social codes permeate the social system in every one of its aspects and influence both economic and political transactions. They also influence the related institutions that emerge from these transactions and activities. The encoding transmitted through generations is inculcated very early in the individual through the community's shared learning and the connected value transmission. (Hofstede, 1980; Mueller & Thomas, 2001). A UNDP (2017) report on for-profit entrepreneurs in India who converted to social entrepreneurs, states "Social businesses attract young people. Social businesses are emerging as new areas of work among young people. They are cause-driven entities designed to address a social problem – non-loss, non-dividend companies, financially self sustainable, the primary aim of which is not to maximize profits (though profits are desirable) but social benefits. Inspired by a particular cause and by the desire to give back to society, numerous successful young commercial entrepreneurs around the world are transitioning from for-profit ventures to engage in social change. The report based on the survey and seemingly focused on the well off, qualifies the newly converted social entrepreneurs as "Most are skilled organization builders, independently wealthy, often establishment outsiders, and some from the Diaspora " .

2.2.4.2 Legal structures in India for SE.

The legal framework in India has no specific policy for SEs. Thus, SEs in India are formed within the framework of the multiple legal identities in place for conducting either economic or social activities. They could be registered as legal entities within the frameworks of the Societies Registration Act 1860, The Indian Trusts Act 1882, as a not-for-profit company registered under section 25 of the Companies act, 1956, as a Non Banking Finance Company (NBFC), as a Producer company formed under the amended Companies Act 1956, a Nidhi company formed under Section 620 of the Companies Act, a co operative organisation formed under the federal law of the Cooperative Societies Act, 1912 or as a state legislated co operative. In the absence of a specific government framework for social enterprise, these multiple legal frameworks that exist in the country, covering myriad aspects of commercial activities in the country, offer both tax and regulatory reliefs. They are the only recourse for social enterprises to be able to engage in social entrepreneurship and intervene in the empowerment of the disadvantaged. Sonne (2014) states that India's mapping of social enterprise would be a "collection of entrepreneurs as well as public and private support organizations that use financial and non-financial methods to support entrepreneurs including social entrepreneurs". As there is no specific social enterprise policy in place, and the challenges are multiple, all legislation that aid entrepreneurial efforts made by both citizen polity and private enterprise involving equity development and poverty alleviation are considered to be legal frameworks that aid social enterprise.

Figure 2.1 An illustration of multiple legal identities of SEs



Source: Researcher developed construct for SE legal identity (Ramanathan, 2018)

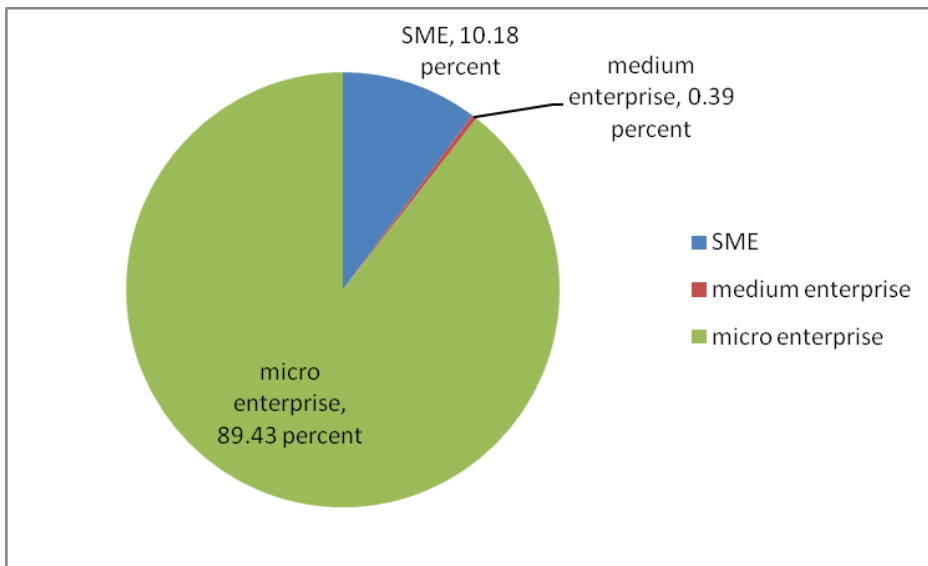
With its vast gap between the top income earners and the vast majority, entrepreneurship is a key tool considered to be effective in aiding development by both the government and citizen polity in India now. Poverty alleviation has been seen to be facilitated through job creation and earnings mobilization. Fiscal incentives, tax relief structures, affirmative selections have been sought to bring about a more equitable society. Loans at rates lower than market rates are offered based on gender, economic classifications of the borrower and for those belonging to the marginalized community. Government contracts are sought to be set aside for enterprises owned/operated by the disaffected as defined through established literature. Focused training and skill development is offered to citizens from the disadvantaged communities. There is an awareness of policy intervention generating equity or inequity as the case may be.

2.2.4.3 MSME.

The Micro, Small and Medium scale enterprises (MSME) sector, a classificatory system adopted for small scale enterprise is based on the scale of the top line or the revenue of the firm in the Indian policy context. This sector accounts for more than 45% of the manufacturing output and around 40% of the total export of India as of 2012-13. This sector is also the leading provider for employment and business avenues in rural and urban India, thereby generating equitable and inclusive growth across local economies (Technology Centre Systems program P145502, Annual Report 2012-13, Ministry of MSME, Government of India). Given the continued constraints for large scale organised industry that include transport connectivity, lack of applicable/ applied /matching skilled personnel and infrastructural constraints (Mishra 2014), the government continues to place emphasis on the operational scale and size of the enterprise as a variable for development focus. The assumption being that enterprises operating on a smaller scale would have lower barriers of entry in terms of investment capacity and operational strength. The MSME sector was the preferred vehicle to empower the largely unskilled and learning constrained employable labor. Under various classifications of tiny, micro small and medium, the MSME sector is given regulatory support and fiscal incentives as a means of economic and social development. As per the MSME regulations, as many as 800 products have been reserved for production by the MSME sector, in an attempt to shield the smaller enterprises from turf invasion by the bigger. The policy has had mixed outcomes. Finance and upskilling continues to

be a major constraint for this sector, which is the default employer of nearly one-fifth percent of the working population of the country.

Figure 2.2 Distribution of Micro, Small and Medium Enterprises in India as per UAM filings



Source: Micro, Small and Medium Enterprises Annual Report 2016-2017, p.8

UAM- Udyog Aadhar Memorandum of filing for starting a micro, small or medium enterprise.

Figure 2.2 indicates that nearly 90 percent of the MSME enterprise that employ over one fifth of the workforce, fall in the micro enterprise segment.

2.2.4.4 Gender.

Women form a mere 23 percent of the paid workforce in India (Mitra, n.d). The country has only one third of its women engaged in paid work making its female labor force participation (FLFP) rate of 33 percent one of the lowest in the world (Das, Jain-Chandra, Kochhar & Kumar, 2015). As per latest World Bank reports, the participation of women in the paid workforce in India is lower than even other South Asian countries viz Pakistan and Bangladesh. Inclusion is sought to bring about equity and parity. Various legal provisions seek to address this issue through the provision of fiscal incentives for entrepreneurs who are women. Through the tool of policy making, the state extends affirmative support for women to be financially independent.

Commercial loans are made at a discount to market rates to provide an added cushion to the potential profit margins of the woman owned enterprise. The case of Lijjat papad an enterprise cooperative operated and owned by women is seen as an example of a social enterprise in this sector. The enterprise takes advantage of the rural woman's existing training in business capacity and skill development albeit in conventional societal norms of gender segregated activity of home making. An incentive is given to support the marginalized woman worker.

2.2.5. CSR and SE.

CSR funding has recently become a potential source of funding for both SEs and non profits in India, due to recent changes in corporate law that seeks to improve social impact and the stakeholder accountability of corporates registered in the country. CSR as seen through the lens of the stakeholder theory (Freeman, 1999) deriving it's DNA from Ethics theory, posits that corporations have an ethical responsibility to its stake holders who include a larger set of entities other than the shareholders who have extended financial risk capital to the corporation. The stakeholders include shareholders, suppliers, clients, employees and even the ecosystem that the enterprise is embedded in (Rodin, 2005). The stakeholder theory while focusing on the moral obligations of the firm suggested that the very legitimacy of a firm's existence is related to equitable transactions maintained with its stakeholders comprising of all the entities that sustain the firm in its existence (Davis, 1973; Tracey, Phillips & Haugh, 2005). The theory of corporate citizenship has now gained traction of late in CSR literature. In the expanded version of this theory, the corporate is seen as a citizen mitigating the negative externalities engendered by its operations with the positive externalities derived though CSR (Tracey et al., 2005). Research in the growing fields of social entrepreneurship and corporate social responsibility both explore the various facets of the relationships of commerce with community. Corporate Social Responsibility or CSR when viewed through the stakeholder narrative (Freeman, 1984, 1999) is expressed as the duty of the enterprise to its stakeholders in all its activities and not just its shareholders who risk a financial outlay in return for participating in the firm's direct economic benefits. The frames of context of social enterprises and the CSR activities of a corporate appear to co-exist in the same universe of meaning when it comes to the goal of social benefit and the co-habiting of the enterprise within its eco system.

2.2.5.1 Indian CSR framework and nuances.

CSR became mainstream in corporate India in 2013; the government of India made CSR mandatory through the new Companies Act 2013 and provided for compulsory norms for reporting noncompliance with justifications for being unable to do so. As per the amended Companies Act that govern corporate entities in the country, the Ministry of Corporate Affairs has provided for CSR spends by corporates through the notification of Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 to come into effect from April 1, 2014. The new rules state that every company, private limited and public, which either has a minimum net worth of Rupees 500 crore or an annual turnover of over Rupees 1,000 crore or earns a net profit of Rupees five crore, must spend at least two percent of its average annual net profit of the immediately preceding three financial years, on CSR. Public sector companies and private companies with above Rupees five crore in net profit per annum must spend a minimum of two percentage of their profits on CSR. The compulsory spend mandated by law, when deployed to fund a social enterprise, leverages the corporate's complementary commercial capital. "Schedule VII of the CSR law under Section 135, Companies Act 1956, Amendment 2013 provides for usage of designated CSR funds in the following areas: 'eradicating hunger and poverty, promotion of education and employment, livelihood enhancement projects, promoting gender equality, women empowerment, hostels for women and orphans, old age homes, day care, environmental sustainability, protection of flora and fauna, contributions to PM relief fund, measures to benefit armed forces veterans, war widows and dependants, promotion of sports, and rural development projects'. Under the CSR law, the mandated CSR funds can be distributed through establishing a trust or a society under its direct administrative control, or through the outsourcing of the CSR tasks to organizations with a profile of prior experience in CSR activities for a minimum period of three years. The organizations that the CSR tasks are outsourced to, must be monitored by the outsourcing corporate. Companies can also work in tandem with other corporates to work on CSR related activities. Funding political parties and activities, all projects/programs outside Indian territory, corporate's employee and family welfare programs and corporate's own operational and administrative activities are outside the remit of the CSR funds^{ix}". B2B opportunities are better managed by a social enterprise established through its CSR activities, as the corporate with its established credibility and operational muscle lend to the sustainability of

the CSR activity. In an analysis of a study of CSR activities in seventeen corporate houses in India, Sharma (2009) states that the understanding of the concept of CSR is not uniform among the corporates and it is varyingly looked at as “an aid to business or philanthropy or as an ethical commitment”. The study revealed that Indian CSR activities had a varied spectrum from “one time donations, organising camps, sponsoring causes or institutions” and include initiatives ranging from those that promote infrastructure development and community empowerment (Sharma, 2009). Indian corporates are increasingly finding ways to incorporate CSR into their mission narrative. They have been seen to fund livelihood generation programs, agricultural soil regeneration programs, education among the underprivileged and other programs generating social impact through financing targeted projects of both non profits and social enterprises. Social enterprises with their goals mandated through double and triple bottom lines, could find a home within the CSR activities and projects of a for profit corporate.

2.3 Conclusion

The meaning of the social enterprise as evidenced in this literature review, is multiple. It is context, culture and geography dependent. The literature review brought forth one commonality among all the definitions reviewed. To be considered a social enterprise, the enterprise will have an overt goal of social good and must also have some part if not all, of its cash inflow, as ‘earned income’; i.e. it could not sustain itself on charity or donations alone. Given that the bulk of the population in India, depend on self-financed micro enterprises or in the agricultural sector comprising small farm holdings for their livelihood, institutional support for entrepreneurship and small enterprises is seen as critical. The policy framework that enables a social and economic entity to come into being, in this case as a social enterprise, is not uniform and was discovered to be varied. Policy was found to have multiple frameworks based on the country and even the continent the laws were framed in.

Institutional authorities find themselves required to change their entrenched systems at a bewildering pace that they are unused to, mostly to cope with the expectations brought about by the current exponential changes in technology. Existing normative procedures need to be modulated and even discarded completely in certain cases, in order to align themselves with new paradigms of thought.

Chapter 3

The Complex Network of Social Enterprise Finance: A Special Reference to India

3.1 Introduction

Given the still evolving policy structures in social enterprise globally and the absence of a specific definition of the structure in India, financing of a social enterprise, especially in the micro and grassroots level, is fraught with difficulty. In this thesis, the researcher argues, the funding proposition for a social enterprise encompasses a broader paradigm than that of conventional financial maxims, including the new models that underline internet business models. The lack of an established norm or a common standard for the SE, especially with regard to its legal framework, has posed barriers in providing supportive financial frameworks to Social Enterprises. This has especially proved a challenge for established and traditional financial structures to connect with the financing needs of this innovative sector. Lack of timely finance acts as a barrier to develop the marketing, advocacy and other organizational requirements of the Social Enterprise. Financial sustainability, in the context of fund inflows in a variegated mix of grants, fee based income and project based funding, is a difficult balancing act for the Social Enterprises (Sarriot et al., 2004; Salvado, 2011). The barriers faced by SEs for their start up funds, CAPEX and continued operational funds are complex and multilayered. Solely single bottom line focused investors are immediately out of the running when the double goals of social impact or the triple goals of environment are involved. The market gap required for a start up business enterprise will be replaced by the social need/gap seen by the social entrepreneur aiming to fill in that need through a sustainable social enterprise.

3.2 Social Finance

The extant environment of finance in social enterprises investigating the ecosystem of this evolving finance model under the various terms it has been addressed as, is explored. The broad term of social finance covers among others, social investment, impact investment, bricolage, hybrid financing, developmental venture capital, public domain grants, philanthropic funds,

loans and equity investment with ‘soft’ or discounted returns, SROIs, responsible investing, ethical investment, sustainable finance and blended finance. Socially responsible investment (SRI) vehicles were also one of the products of the new evolving systems of social finance. These SRI funds developed mechanisms for both impact measurement and investment success. This world of social finance currently follows rules that are driven by outcomes of both rational monetary returns on investment and outcomes based on the investor’s personal and cultural value judgments, outcomes that are irrational as per classic and neo liberal economic theory.

Access to resources has a critical role to play in the creation and fostering of any enterprise (Brush, Carter, Gatewood, Greene & Hart, 2001; Desa & Basu 2012). Every organisation requires resources to exist and as a result has to engage with the forces that manage and act as gatekeepers to these resources (Desa & Basu 2012). Philanthrocapitalism such as grants and donations are a critical part of social enterprise start up funding that contributes to its sustainability. Qualitative studies have resulted in findings that 'the perception of fit, the perception of entrepreneurial competence, and the attitude toward social enterprise are all factors in donor attitude and actions (Smith, Maria, Cronley & Barr, 2012). Changes in funding sources especially in the seeding stage of the Social Enterprise might also result in a change in the typology of the Social Enterprise and its very underlying cause or reason for existence (Mair et al., 2012).

3.3 Impact Investing

Impact investing as a term was first alluded to by a group of investors convened by the Rockefeller Foundation in 2007. The term includes a range of profit oriented investment strategies that have sought social, environmental and financial returns. Impact investments that include micro finance models and crowd funding internet-based platforms seek to evolve around technology and impact measurement metrics (Justis, 2009). Impact investing refers to the process of funds flowing into projects addressing social issues, with the additional goal of deriving a profit from such an investment. The Global Impact Investment Network (GIIN) is created to specifically address the concerns of impact investors and provides a platform for the impact investors to connect and sustain themselves. GIIN is lead by the Clinton Foundation and its

founder, the former US President Bill Clinton. Some of the goals of GIIN are to encourage an ecosystem and develop the infrastructure, awareness and research supporting impact investing (Jones 2010).

The United Nations along with its 193 member nations, agreed in adopting the Sustainable Development Goals (SDGs) which is a worldwide plan for the stated goal of ending poverty by 2030. The SDGs comprise 17 core goals. The core goals include ending hunger and resolving climate change. The UN expects private for-profit enterprise to be a part of this agenda and include SDG metrics in its bottom line calculations. Impact investors and some private sector businesses have paid heed and work in or avoid sectors, following GIIN metrics.

3.4 Developmental Venture Capital (DVC)

Yet another term for funding processes in the sector of SE is Developmental Venture Capital (DVC), which invests in equity in the enterprises funded with the twin goals of social and financial returns. Reports say that the first venture firm of the 'modern' type was American Research and Development (ARD), that was designed to finance 'noble ideas' (Gompers 1994; Rubin 2009) and did not have a profit goal. ARD's first investment was in a business that was working on X-ray technology for cancer treatment. Karl Compton, one of ARD's four co-founders and also MIT president is quoted as saying to his fellow co-founder and ARD President General Georges F. Doriot, that the business 'probably won't ever make any money, but the ethics of the thing and the human qualities of treating cancer with X-rays are so outstanding that I'm sure it should be in your portfolio' (Gompers 1994).

In the US a multiple and a diverse range of financial and policy models have become part of the development finance termed as the development venture capital industry there. This development venture capital industry or known as the DVCs focus on minorities and community development (Rubin 2009). As per Rubin (2009) the Developmental Venture Capital (DVC) industry is said to have almost \$20 billion in capital under management. However very few studies are carried out by way of academic research and there remains much to be understood about financing the SE sector from a theoretical perspective. From data analysed through the periods of 2001-2005 it

was analysed that over half of the DVC funds vested directly in the portfolio companies as opposed to a fund of funds, and were sourced from public pension funds; the rest came from funds of funds, business corporations, banks and corporate pension funds (Rubin 2009).

The US has state-sponsored venture capital funds from 1958 since the creation of the Small Business Investment Company (SBIC) program. There was no institutional support for venture funds as yet. This program laid the beginnings of a road map/ ground work for future venture funds. The funds were drawn by the government through appropriations and tax credits and were meant to entice private industry to invest in sectors that trigger entrepreneurship, jobs and ultimately the economy. Following the prescriptions of Keynesian economic theory, these funds, evolving into the term of 'Blended Finance', became economic mechanisms for poverty alleviation, with use of public funds for private industry. State sponsored venture funds were managed publicly (Rubin 2009). Alternatively the state took a minority stake in a private venture fund, thus having a guiding hand in the venture fund's sectoral allocations (Rubin 2009). However the extent of the social impact was limited by the profit constraint of these funds. State sponsored venture funds traditionally followed single bottom lines. By 2006, more than 44 states in the US had established state sponsored venture capital funds, investing state funds in privately managed and geographically targeted funds, and by providing tax incentives for others to invest within the state. As of 2006, about USD 5.8 billion was invested in such programs targeting seed and early stage enterprises (NASVF 2006; Rubin 2009). The Community Development Financial Institutions (CDFI) Fund in the US Department of the Treasury established by the US government in the mid 90s was largely instrumental for the policy backing of these funds. The CDFI Fund's stated goal was to create a large number of financial intermediaries serving distressed and low-income communities fostering capacity building (Rubin 2001).

Research also suggests that one of the reasons that the poor have disproportionate bad outcomes for the poor choices they make when compared to the more well off, is that they receive lesser benefits and 'protection' from both the private sector and the governments, in the event of failure (Karnani, 2009). Moreover Micro finance is not the panacea as promised and hoped for by many. The basic assumption of microfinance is that poor people have to essentially function as entrepreneurs. As with the middle class, most of the unorganized sector in India which is over

90% of the working population, would prefer to have sustained employment, the lack of thereof compelling them to be untrained and often reluctant entrepreneurs. This is evidenced by the fact that about 90 percent of the workers in developed nations, educated and having access to financial services, are employees (Karnani, 2009). In India, out of a population of over 1.3 billion, only about eight percent of the working population of about 480 million participate in the formal (organized) sector. The balance consists of workers in the informal (unorganized) sector or workers defined as ‘marginal’ by the Indian government, i.e. having seasonal employment of about 3-4 months in a year.

Table 3.1 Organised (Formal) sector- Public and private sector India employment profile

(In Million*)

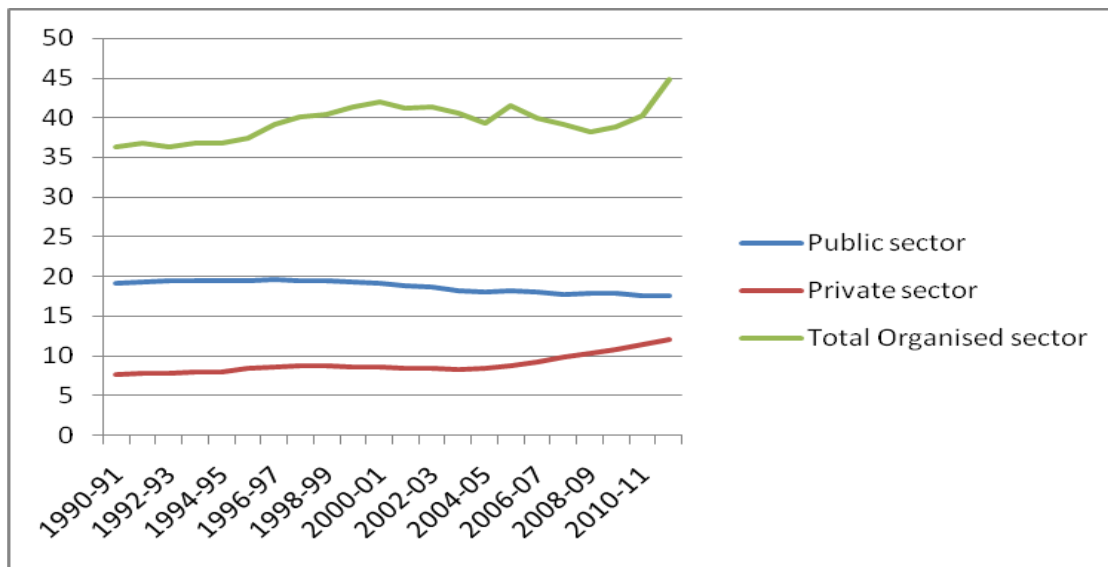
Year	Public Sector	Private Sector	Number of Persons(on the live register as on end-December))
(1)	(2)	(3)	(4)
1978-79	15.58	7.23	14.33
1979-80	15.12	7.24	16.2
1980-81	15.48	7.4	17.84
1981-82	16.28	7.53	19.75
1982-83	16.75	7.39	21.95
1983-84	17.22	7.36	23.55
1984-85	17.58	7.43	26.27
1985-86	17.68	7.37	30.13
1986-87	18.24	7.39	30.25
1987-88	18.32	7.39	30.05
1988-89	18.51	7.45	32.78
1989-90	18.77	7.58	34.63
1990-91	19.06	7.68	36.3
1991-92	19.21	7.85	36.76
1992-93	19.33	7.85	36.28
1993-94	19.45	7.93	36.69
1994-95	19.47	8.06	36.74
1995-96	19.43	8.51	37.43
1996-97	19.56	8.69	39.14
1997-98	19.42	8.75	40.09

1998-99	19.41	8.7	40.37
1999-00	19.31	8.65	41.34
2000-01	19.14	8.65	42
2001-02	18.77	8.43	41.17
2002-03	18.58	8.42	41.39
2003-04	18.2	8.25	40.46
2004-05	18.01	8.45	39.35
2005-06	18.19	8.77	41.47
2006-07	18	9.24	39.97
2007-08	17.67	9.88	39.11
2008-09	17.8	10.38	38.15
2009-10	17.86	10.85	38.83
2010-11	17.55	11.45	40.17
2011-12	17.61	12.04	44.49
2012-13	NA	NA	46.8
2013-14	NA	NA	48.26
2014-15	NA	NA	NA
2015-16*	NA	NA	44.85

Source: Handbook of Statistics on Indian Economy 2016-17, RBI 2017

Table 3.1 sourced from the Reserve Bank of India (2017) indicates that the organized (formal) sector employs 44.85 million as of 2015-16, which is less than 10 percent of the employable workforce or less than 4 percent of the total population. Figure 3.1, a figurative representation of data listed in Table 3.1 until year 2010-11, visually illustrates the decline of the rate of public sector recruitment over two decades.

Figure 3.1 Public and private sector India employment profile 1974-2011 (in millions)



Source: Handbook of Statistics on Indian Economy 2016-17, RBI 2017

Factors outside the conventional financial paradigms begin to affect the firm's competitiveness and financial sustainability when externalities are taken into account by the firm's customers. This leads to a pull factor for double and triple line bottom lines. Sustainability issues emerge from within academic circles and civil society groups and move onto the realm of economic exchanges (Bryson & Lombardi, 2009). These gradual transformations are partly fostered by tentative government policies nudged into doing so by activist consumers and the populace. The increasingly educated and globally connected citizen begins to recognize the externalities of commercial activities. Externalities that are hidden costs, borne by the community and the environment at large pave way for profits that hitherto have been solely enjoyed by the corporate.

There is an expectation that social enterprises and non profits being in the business of doing good, should also have the benefit of workers that take a lower pay scale or perform volunteer duty. Doing good should itself be a reward and is considered a substitute for monetary compensation for work done. This view, while discounting the social enterprise's legitimate need for operational finance also prevents the social enterprise from accessing the best talents who wish to be paid market wages for their time and contribution. It is also unfair to underpay the

employee who though willing to forsake profits, still needs to be compensated for her/his time and capacity (Dees, 2012) .

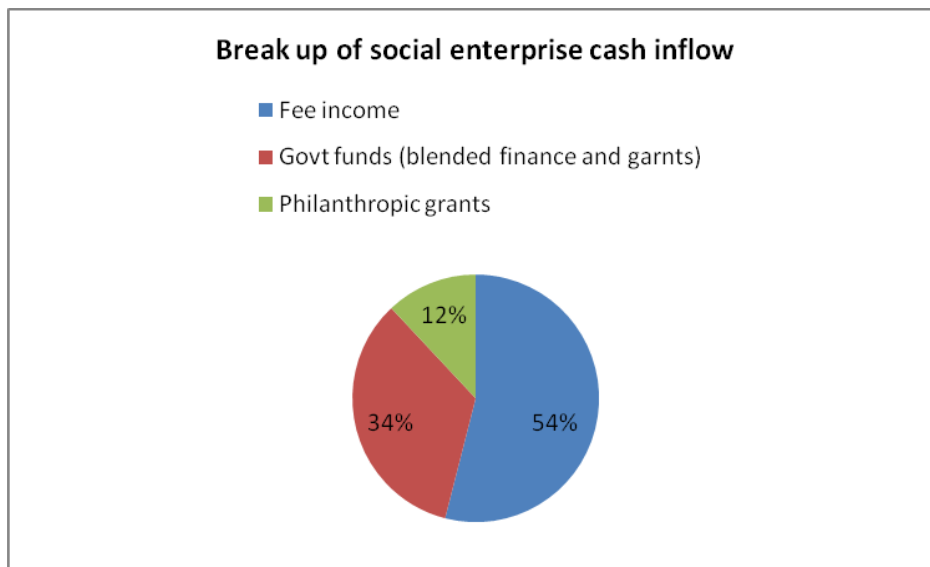
Santos and his co authors (2015) when attempting to define a firm's profit and distinguishing it from the firm's impact state “ define profit as the value captured by the organization for its owners (shareholders in a public company, or partners in a partnership model, or members in a cooperative model); and we define impact as the value created by the organization for society in the achievement of its mission, which can include environmental benefits and social gains”. Thus hybrids have a huge challenge when it comes to developing a framework for operations that will both generate value in terms of profit and value in terms of impact. Though either goal may compromise the achievement of the firm, the social enterprise has to draw the fine juggling act of adopting both without risking the integrity of either (Santos et al., 2015). Models such as that of SKS Micro finance in the mid 00s shows the dangers of unbridled faith in commercial micro finance and that it is not the cure all of financial inclusion challenges in developing economies. Subverted intentions and the superimposition of economic goals over stated social goals often at the cost of those impacted by the enterprise are issues to be factored in when considering social finance (Santos et al., 2015).

Evaluation of hybrid ventures is an evolving science. New metrics are addressed for assessing both the commercial and social returns (Nicholls, 2009). The Social Return on Investment (SROI) has emerged as one of the measures in the SE finance metrics methodologies (Rotheroe & Richards, 2007) At the same time conventional accounting principles are also beginning to be looked at when assessing social enterprise (Wirgau et al., 2010; Luke, Barraket, & Eversole, 2013; Arvidson et al., 2013; 2014). The accountability of for profit enterprises not just to its equity and investment stake holders, but also to the community at large and civic society is contemplated, albeit within a certain scholarly stream only. On the other hand, an important stream of research explores the dying up of public sector funds due to continually increasing government debt and deficit financing of public debt and its impact on public welfare and infrastructure spend. Social accountability issues brought up during financial crises such as in year 2008, also pave the way for social enterprises to seek for profit funds or impact investment

funds who seek a nominal return along with social good (Bielefeld, 2009; Lehner, 2012; Lehner & Nicholls, 2014).

Thus the financial challenges of a social enterprise involve the understanding of the financial complexities involved in conventional finance channels, nonprofit finance, the philanthropic world and governmental and public sector intervention. The enterprise must necessarily build capacity in all the complex segments of finance for navigating their way through funding necessities of the enterprise (Young & Grinsfelder, 2011). The funding needs also vary from sector to sector, is culture specific and unique to the nation's legal framework the SE is based out of. Thus, capacity building for finance is also required to be built into the SE and its decision makers. A study covering a 34 country data base shows the range of social enterprise income: more than half of the cash inflow for the sector is from fee income, a third from government and 12 percent from philanthropic grants (Salamon, Sokolowski, & Associates, 2004; Young & Grinsfelder, 2011). As per this study, illustrated in Figure 3.2, over 50 percent of the social enterprise income is derived from services and a large portion is still sourced through gap funding of blended finance and grants.

Figure 3.2 Breakup of SE cash inflow- a 34 nation study



Source: as cited in Salamon, Sokolowski, & Associates (2004)

In the US double bottom line funds have been created in the real estate sector since early 2000. These funds target low to moderate income segments including, residential, retail, commercial and industrial real estate. This type of impact investment looks at double bottom line by including/focusing on redeveloping and/or refurbishing abandoned buildings, or redo brownfield sites. Triple bottom line is included with focus on 'green' or environmentally sustainable building projects. Leadership in Energy and Environmental Design (LEED) certification ensures that green principles are followed thus validating the investments for their triple bottom line nature. The goal here is to reduce emissions that come from a buildings' energy consumption. So much so that energy experts find roles to play in impact investment funds that focus on real estate. These specialised employees work with the sector to ensure that investment goals are met for both double and triple bottom lines (Franchi, 2008).

3.5 SVC Funds

Social venture capital (SVC) funds, yet another term for impact investment funds, came into its own in the early 1990s. Some of the funds that were established at this time were Commons Capital and Calvert Social Venture Partners along with the 'Investors' Circle' a network of both individual and institutional investors in the US. SVCs prefer to invest in enterprises that

deployed socially beneficial means and/or catered to social benefit needs for both products and services. Non profits who may engage in commercial activities also find themselves a target destination for SVC funds. Both social and commercial goals were targeted by these SVCs. Initially DVC funds alternatively termed as Community Developmental Venture Capital (CDVC) funds competed with the SVCs as their goals of social and economic impact overlapped. With the lessening of fund availability for CDVCs, more ventures were established as SVCs. These SVCs co exist alongside Cleantech and Lifestyles of Health and Sustainability (LOHAS) funds. The Cleantech and LOHAS funds have profit maximization as their primary goal as opposed to SVCs whose goals of social and economic returns co exist (Rubin 2009). However both SVCs with their co existing social and financial goals and LOHAS/Cleantech funds with their financial goals in specific sectors are primarily populated by High Networth Individuals (HNIs) and family foundations. The investment ranges are constrained by the value judgments of the HNIs and their personal preferences and may not match with the requirements of the target community at large. Without incentives the SVCS cannot raise funds from banks or state and federal governments in the US (Rubin, 2009).

Venture funding being a networked operational world, rural based micro enterprises lie outside the ken of these investors. (Mason, 2007). Traditional investment companies both in the US and in India have very few women and/or people from disadvantaged minorities. Together, the disadvantaged minorities comprise the majority of the populace, thus the majority of the citizenry falls outside the scope of social finance investment opportunities. Their networks do not include members of the disadvantaged majority and the fund's investment goals may not match those of the needs of the majority. (Brush et al., 2001; Rubin, 2009).

This deficit in networks leads to imperfect information giving rise to high costs of search for enterprises and monitoring mechanisms even if an adequate match is found. The additional barriers presented would be lack of exit opportunities which is typically sought by a venture fund (Freshwater, Barkley, Markley & Rubin & Shaffer. 2001; Barkley, Markley, Freshwater, Rubin, & Shaffer, 2001; Barkley 2003; Rubin 2008a). Logistics of communication access across the disparate educational and social cultures, limited exposure and experience in rural operational systems (Barkley et al., 2001; Barkley 2003) all lead to the limited access for SVF by social

enterprises. The resultant higher transaction costs discourage the impact investors from finding the more deserving enterprises in terms of double and triple line and results in the investment being placed in relatively lower risk products in urban areas with similar socio economic profiles as the investors. (Rubin 2009). Socially responsible investing (SRI) is termed as an ‘approach to investing that . . . considers both the investor’s financial needs and an investment’s impact on society’ (Social Investment Forum 2008). Reiser and Dean (2015) state that as per The Forum for Sustainable and Responsible Investing’s 2012 Trends Report, sustainable investments increased “22 percent from year-end 2009 to year-end 2011 to a total of \$3.74 trillion” (Reiser and Dean 2015).

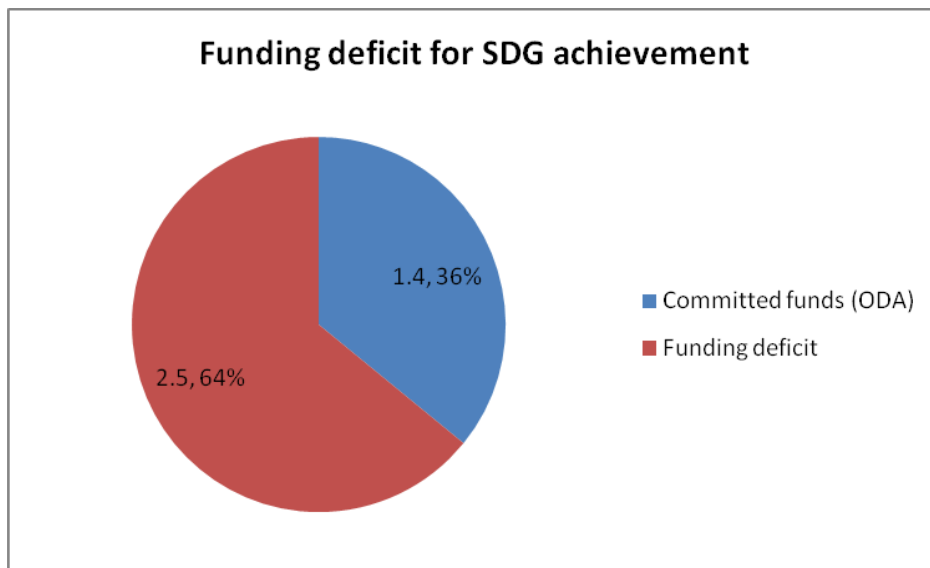
SEs by crossing over the lines drawn around private enterprise, the public sector and nonprofit sector or NGOs as termed in South Asia, build new forms of institutions that share facets of all three (Doherty et al 2014). They need to achieve financial sustainability as one of the missions is not to depend on donations alone- it is to build an enterprise that will have the wherewithal even if partly to draw its own sustenance from its operating activities. At the same time, they have social impact goals, which will have precedence over its financial goals in the event there is a conflict. In India, social enterprise funds with respect to need, are minor and scattered. The Indian government worked on setting up a VC fund of \$200 million (ADB 2012). However, exits are almost impossible as there is no secondary market for these investments. Each exit has to be individually negotiated and the equity placed privately, making the exit process opaque and illiquid.

3.6 Blended Finance

Blended finance is the term used when public and/or philanthropic moneys are infused into the private sector investment which falls in SDG areas in developing countries. As per the organisation Convergence, blended finance transactions have amounted to USD 51.2 billion invested for projects falling under the Sustainable Development Goals (SDGs) till mid 2017. The member nations of UN believe that achieving the SDGs will bring about sustainable development, will make the world economically and socially equitable and bring about environmental security. SDGs comprise 17 core goals and 160 targets. These much deliberated

and agreed on goals and targets require USD 3.9 trillion dollars as per UN estimates. However public sector or official development assistance (ODA) and other committed funds for achieving SDG goals are pegged at USD 1.4 trillion leaving an annual funding deficit of USD 2.5 trillion^x (Figure 3.3). Blended finance targets over half its budget on financial services, alternative energy and climate sectors.

Figure 3.3 Funding deficit –SDG goals (in trillion USD)



Source: UNDP 2017

About 73% of blended finance deals use junior/subordinate capital (that is riskier for the investor however yields a higher interest rate in conventional financial markets), technical assistance facility or a combination of both, underwriting guarantees/risk insurance tools and finally preparation grant funding. In blended finance deals, publicly financed junior/subordinate capital is provided to underwrite risk undertaken by the private investor in projects delivering SDG goals. Junior /subordinate capital is also issued directly by the private investor at lower returns, assuming the same risk levels. Junior /subordinate capital could be in the form of debt, equity or convertible debt. Technical assistance funding and design or preparation funding provided under blended deals, better prepare a project’s viability and helps in financial closure. Technical assistance is also a highly leveraged blended finance tool as it builds up the capacity of the projects invested in and helps in lowering fund origination and transaction costs by adding the

donor's global credibility to the project being funded. When viewed through the signaling theory paradigm, the granting of technical assistance signals to the funding universe and other collaborators of both the financial viability of the project and its necessity for achieving SDG goals.

The sourcing of blended finance is largely done from the International Finance Corporation (IFC) and the European Commission (EC) distributing their blended finance products through the European Development Finance Institutions (DFIs). Private investors in blended finance could include commercial banks, insurance companies, and institutional investors. The World Bank Group is yet another big pathway for blended finance funds that flow from multilateral and bilateral donors. The World Bank also acts as an enabler by approving the International Development Association (IDA) Private Sector Window (PSW) that will facilitate such deals. IDA donors will lend USD 2.5 billion of blended finance funds channeled through the IDA and implemented by the IFC and Multilateral Investment Guarantee Agency The Organization for Economic Cooperation and Development (OECD) is also involved in the Blended Finance industry. They have taken the lead in establishing blended finance principles that would set a benchmark for aid agencies and donors in their blended finance operations. Currently the leading investors in the philanthropic segment of blended are private entities and include the Bill & Melinda Gates Foundation, Calvert Foundation and the Shell Foundation, who together comprise over 56% of this source of funds for blended finance. The remaining 44% of philanthropic donations are sourced from non-governmental organizations and funds such as the African Enterprise Challenge Fund (AECF). Other blended finance platforms include the Global Innovation Lab for Climate Finance (The Lab), coordinated by the Climate Policy Initiative (CPI), the Private Infrastructure Development Group (PIDG) and the Global Infrastructure Hub (GIH). The Global Innovation Lab for Climate Finance (The Lab), crowd funds for ideas for climate finance mechanisms that could become a transformative model to combat climate change. The Lab then offers financial expertise to enable the development of these instruments. The Private Infrastructure Development Group through its purpose built subsidiaries incite private sector investment into infrastructure for development. In the process of actualizing its aims, the PIDG created GuarantCo, an enterprise that give guarantees for the financing of infrastructure projects in the development sector. The G20, a group of 20 developed nations

established The Global Infrastructure Hub (GIH). The GIH's goal is to support and enable knowledge sharing and interlink the public and private sectors in the infrastructure sector. The net effect of the public institutions in blended finance is essentially to underwrite the risk that private investors face when investing in double and triple bottom line projects often sharing the SDG space. The risk return profile is brought within the acceptable framework for a private investor when public institutions often backed by sovereign guarantees certify the enterprise who seek the investments. they invest in. This also results not just in access to the much needed capital but also in lowering the cost of capital accessed. As otherwise, market rates for projects with their risk profile would make the project financially unviable from the start.

However there is the view among donees that when designing blended finance instruments the interests of the investor's priorities and hence those of a developed nation's, are taken into consideration. The developing countries preferences, essentially the chief outcomes of SDGs are placed secondary thus reducing the impact of blended finance products. For e.g. loans albeit at discounted rates are given preference by the investors over grants which are preferred by the developing countries. The loans offered are often designated in foreign currency whereas the receiving country would prefer the loans in home currency. Loans in foreign currency leads to severely under hedging exposure especially in nations which may lack the financial capacity and skilling to do so.

Chetrok et al., state that social entrepreneurs are able to access start-up capital from USD 100,000 to USD 250,000 from mostly philanthropic sources, friends and family and the occasional venture fund. However amounts larger than USD 250,000 are out of reach for a social entrepreneur (Chertok, Hamaoui & Jamison, 2008). Studies in other developing nations such as Mexico show evidence of liquidity constraints for micro enterprises that bear resemblance to a structure of a social enterprise (Heino 2006). The investment space for funding for Social Enterprises is seeing many innovative solutions right from a diverse range of new impact bond structures, crowd sourcing funding platforms to angel funding for impact investing. However as per Giles Keating, Credit Suisse and Mirjam Schöning of Schwab Foundation for Social Entrepreneurship, it's still early stages as yet , with many challenges faced by the stake holders such as reaching an agreement on standard impact metrics and controlling and resolving mission

drift while working on connecting 'patient capital' with Social Enterprises. According to Mark Kramer of Credit Suisse, "small social enterprises can be difficult to fund (or find), expensive to conduct due diligence on, and slow to scale up". Existing financing vehicles and instruments may not suit the SE ecosystem (Credit Suisse Research Institute 2012). The researcher has attempted to draft a table/chart (Table 3.2) summarizing the key features of the various financing terms/vehicles explored in social finance:

Table 3.2 Social finance terms and their characteristics

Source: Researcher developed (Ramanathan, P.E, 2018)

Social Finance terms	Characteristics
Impact Investing	Global nature of the term: Micro finance models, Crowd funding platforms
Development Venture Capital/Community development Venture Capital	US origin; focuses on community development and minorities in the US
Social Venture Capital	Similar to Impact investing
Blended Finance	Public Institutional finance offered at soft rates
Crowd Funding	Peer to peer lending, using technology based platforms- laws still to be defined in the Indian legal framework
Bricolage	Support/Donations in kind (Desa, 2012).
Philanthrocapitalism	Private charity donors who invest or donate funds to social enterprises or projects that may generate a return on the investment.

3.7 Valuation Norms of Social and Economic Exchanges

Though hybrid financial mechanics and new rationales for investment are now being researched with the objective of creating investment products that have triple goals of social, economic and environment return, there is yet to develop a systematic and efficient global market for such funds. New valuation norms of what constitutes value are still to emerge in a world where economic rationale is increasingly grouped around globally interlinked consumption economics vs. the earlier individually isolated economies. In the old world context, classic business valuation continues to be based on the top line, and includes the single bottom line, asset and debt ratios. In the new paradigm of the e-world with the long tail business model, valuation has evolved into multiples of the top line and market capture, even if the bottom line moves into the negative.

Research data suggests that in states that continue to have pre industrial norms of living, traditional community co operation methods for economic exchanges were disappearing. The pre existing co operative structures were replaced with economic transactions outside kinship and tribal membership. However the trend begins to reverse when new norms of valuation of the exchange process replace the pre industrial kinship basis and the industrial norm of cash valuation. Society at large began to understand that financial metrics alone should not be given credence when measuring the performance of a firm. There were multiple contexts and nuances to a performance that impacted the firm's financial success. Terminologies of double and triple bottom lines were developed to distinguish the firm profit from the positive externalities sought as an impact of the firm's operations. Elkington envisaged the concept of the 'triple bottom line' that incorporates both financial sustainability and environmental impact along with the community impact of the firms' activities (Bryson & Lombardi, 2009).

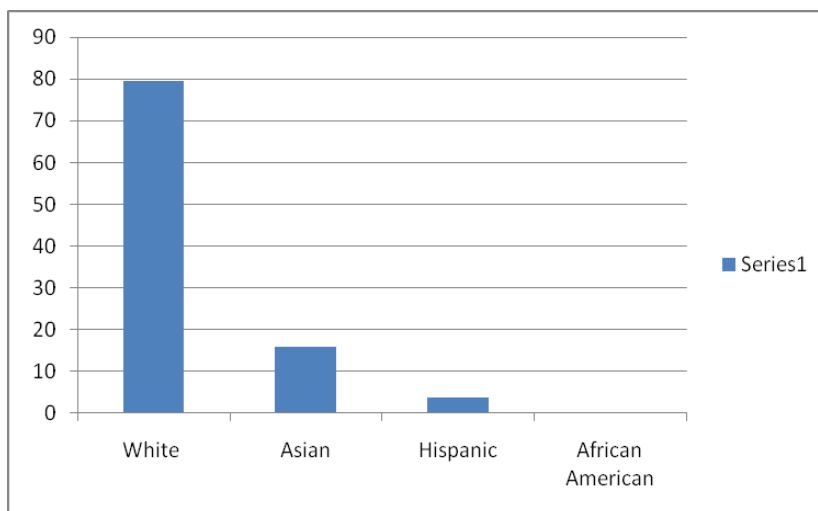
The current social enterprise financing environment consists of a haphazard web of individuals and their often time bound projects connected to investors through multiple intermediaries. Thus it is seen that economic foundations of social entrepreneurship are not uniform across the 'third sector'(Young, 2014). Social entrepreneurs raise funds from a diverse basket as they are a heterogeneous group deriving their origins from a diverse range of countries sectors and fields. It

could be surmised that the social entrepreneur needs to be equipped with a varying set of skill sets based on the sector, field and level of economy they belong to. Skills required may be as varied as having to generate and manage funds in kind and cash from fee income, charity funds, government sources, interest income, partnership and volunteer support may be necessary (Young, 2014).

3.8 Barriers of Race and Socio Economic Class

The barriers for financing in enterprises founded by the previously excluded sections of society are multiple. In the technology industry increasingly fuelled worldwide by Venture capital (VC) funding and where policy intervention for social change is absent, patterns of ethnic concentration show that the traditionally privileged sections of society are benefited by the networks in venture capital funding too (Gompers and Wang 2017). As per a research study covering US VC funds, 79.6% of the entrepreneurs benefited by VC funds are of ‘white’ (self declared) ethnicity (Figure 3.4).

Figure 3.4 Ethnicities of startup company founders in the USA

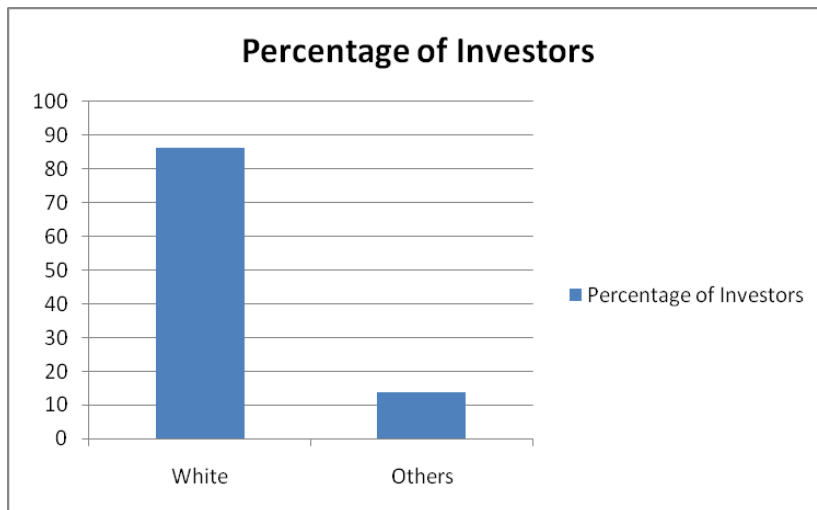


Source: as cited in Gompers and Wang (2017)

The largest ethnic minority receiving venture capital funds after ‘whites’ are ‘Asian’ comprising 15.8%, followed by Hispanic with 3.8%. African Americans receive only 0.4% of the

entrepreneurs receiving funds. These percentages are disproportionate when compared with their proportion of the nation's population and demonstrates the potential for inequity in the absence of intervention.

Figure 3.5 Ethnicities of venture capitalists in the USA



Source: as cited in Gompers and Wang (2017)

As indicated in Figure 3.5, within the venture capital community, the percentage for 'white' ethnicity is 86.3% (Gompers and Wang 2017). This pattern is repeated in varying shades around the world in the finance industry. Research shows, that given no other incentive to do so, people impart both knowledge and invest their funds with those who are similar to themselves. Similarly, people in their early stage of their work lives act out preferences similar to those who they believe are like them. Thus in work, politics, social relationships, artificial constructs are created and worlds with seeming verisimilitude are developed which may be inequitable in the overall macro perspective due to its exclusionary nature.

For purposes of equity enabling, policy frameworks in India have been laid for ensuring flow of credit to the less advantaged in society. Notwithstanding these provisions, the fund flow to the marginalized remain disproportionate. Though forming a majority of the nation, their access to finance remains below 10 percent of net bank lendings. Table 3.3 illustrates the inefficacy of the policies that direct fund flows to the disadvantaged. The credit flow to the marginalized as

defined by government norms have ranged from only 7 to 10 percent of total lending by public sector banks and 1.7 to 5.7 percent by private banks, through the years 2000 to 2014. Public sector lending to the priority sector was nearly 90 percent of total bank lending as of year 2014 as per this table.

Table 3.3 Credit to weaker Sections under Priority sector (Rupees in crore)

Year	PSBs	As % of ANBC	Private Banks	As % of ANBC	ASCBs	Y-O-Y (% Growth)	% of ANBC
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	24,805	7.3	958	1.7	25,763		6.5
2002	28,975	7.3	1,142	1.8	30,117	17	6.5
2003	32,303	6.8	1,223	1.5	33,526	11	6
2004	41,588	7.4	1,495	1.3	43,083	29	6.4
2005	63,492	8.9	1,914	1.2	65,406	52	7.5
2006	78,379	7.7	3,909	1.6	82,288	26	6.5
2007	94,285	7.2	5,229	1.6	99,514	21	6
2008	126,935	9.3	7,228	2.1	134,163	35	7.9
2009	166,843	9.9	15,844	3.9	182,687	36	8.7
2010	212,214	10.2	25,691	5.5	237,905	30	9.4
2011	246,316	9.9	30,097	5.6	276,413	16	9.1
2012	293,960	9.7	38,929	5.4	332,889	20	8.9
2013	351,034	9.9	50,537	5.8	401,571	21	9.1
2014	433,943	10.6	60,104	5.7	494,047	23	9.6

Source: https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9815

PSB: Public Sector Bank

ANBC: Adjusted Net Bank Credit

ASCB: All Scheduled Commercial Banks

Note: The underprivileged defined as 'the weaker section' by government guidelines have been categorized by government guidelines as follows:

- a) Small and marginal farmers
- b) Artisans, village and cottage industries where individual credit limits do not exceed Rs. 50,000
- c) Beneficiaries of Swarnjayanti Gram Swarozgar Yojana (SGSY), now National Rural Livelihood Mission (NRLM);
- d) Scheduled Castes and Scheduled Tribes;
- e) Beneficiaries of Differential Rate of Interest (DRI) scheme
- f) Beneficiaries under Swarna Jayanti Shahari Rozgar Yojana (SJSRY), now National Urban Livelihood Mission (NULM)

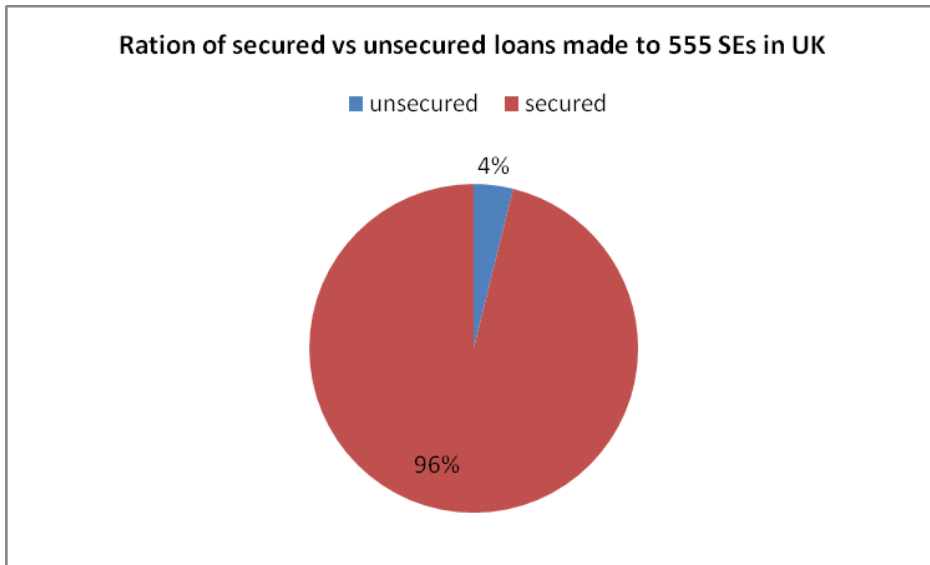
- g) Beneficiaries under the Scheme for Rehabilitation of Manual Scavengers (SRMS);
- h) Loans to Self Help Groups
- i) Loans to distressed farmers indebted to non-institutional lenders
- j) Loans to distressed persons other than farmers not exceeding Rs. 50,000 per borrower to prepay their debt to non-institutional lenders;
- k) Loans to individual women beneficiaries up to Rs. 50,000 per borrower
- l) Loans sanctioned under (a) to (k) above to persons from minority communities as may be notified by Government of India from time to time. In States, where one of the minority communities notified is, in fact, in majority, item (l) will cover only the other notified minorities. These States/Union Territories are Jammu & Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep.

3.9 An Opaque Industry with Gated Secrets

As per an article in the Harvard Business Review (Levine, Kogut & Kulatilaka, 2012 January-February), financial engineering can help in mobilising investments that may not be available through traditional financial instruments and thus become a tool for change. The additional funding pools made available can help social entrepreneurs financially sustain their activities and strengthen their financial strategies, which may not be possible without the appropriate innovations in financial investment instruments (Levine et al., 2012). However financial engineering also includes finance known as high finance that chases entrepreneurial opportunities with high risk but with a potential upside of windfall gains. Such a financial system is precluded from the social enterprise world which perceives finance as a secondary objective and is far removed from the universe of windfall gains. Thus SEs may also lack access to venture capital and high finance where a large sum is invested either for a short term such as in algorithm based frequency trading or as a long term vestment of up to 5-10 years in high risk enterprises in expectations of exponential profits. This financial infusion for a lower priced equity in the early stages of a business with full cognizance that the entire amount may be at risk in case the business does not deliver is made with the expectation of exponential gains in the event of a success (Lewis, 2014). However such a source of finance, only available in the initial stage of a business and required to initiate high risk ventures that may not be financed through conventional means, is provided acceptability increasingly by governments universally. As this money channel seeks to flow in the direction of high yields, it often tries to exit the business

when it reaches sustainability stage or even earlier if a right strike price is found. A social enterprise that does not promise high monetary returns but focuses on the double and triple bottom line, offers an outcome that is not priced in conventional accounting terms. Such an enterprise will not be sought as part of the high finance investor's portfolio, and thus is excluded from the often high risk startup founder(s) potential source of funds. The high finance operations occur in secretive and gated spaces. A social entrepreneur setting up a high risk social enterprise [as they often are] will not have access to this avenue of liquidity that an otherwise high risk for profit enterprise will have (Lewis, 2014). Moreover the practiced ability of dealing in financial products more readily and cost effectively available to the mainstream sector may not be built into the nascent social enterprise. Financial mastery involves access to deep channels of financial information. Experts in high finance partake of daily masses of information flows often available at a steep price and not accessed in the public domain or by the social entrepreneur. Continuous exposure to high finance and the micro world of massive financial flows helps the financial expert develop patterns of meaning out of discrete bits of information. This learned pattern constantly changes depending on the information available for the gated access. The social entrepreneurs and their enterprises may not be able to afford the price of this gated access to the constantly changing landscape of high finance sources. Financial terms addressing such finance are “dark pools,” “private equity,” “secret sauce,” “securities,” “liquidity” (Erikson, 2015)— indicate the specialised terminology of high finance and are deciphered by only those who are immersed in this world. Though there is research in the area of high finance, it is more difficult to find published research on the secretive space of HNIs (Ho 2009; Riles, 2011; Erikson, 2015) and the financial dealings at the heart of philanthropic capitalism. Erikson (2015) states “ In its most revered form, philanthrocapitalism has been characterized as private wealth advancing public good”. In its more reviled form, it is said to create an era of neocolonialism and a ‘charitable-industrial complex’ (Erikson, 2015). Steve Wyler, a trustee of Access, the social investment foundation, states "Social investment isn't working, at least, as well as it should be."(Mannion, 2017 June). As per a report by Responsible Finance research, out of £116 million lent in year 2016 to 555 social enterprises, only 15 percent was lent to the 35 percent deprived areas in the country (UK) and also that only £4.5m was unsecured.

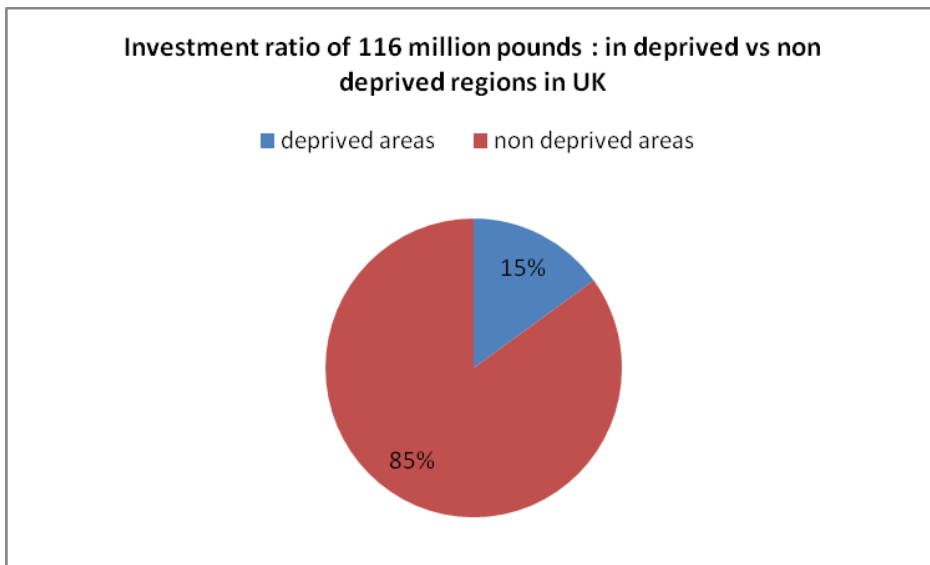
Figure 3.6 Ratio of secure vs. unsecured loans



Source: as cited in Hadjimichael et al. (2017)

Figures 3.6 and 3.7 shows that 96 % of the monies lent for enterprises that had social good as one its goals, was against collateral, and that the majority of the social investment are vested in non deprived areas, indicating that the deprived continue to stay in status quo.

Figure 3.7 Investment ratio in deprived vs. non deprived regions



Source: as cited in Hadjimichael et al. (2017)

Philanthropic foundations, one of the main private entities providing private funds to social enterprises, whose operations fall in their areas of interest are non profits with tax free status. To set up Philanthropic foundations, high-net-worth individuals assign a part of their wealth which is then known as the principal endowment. This principal is invested in stocks, debt and other financial instruments that provide a monetary profit or return. Philanthropic foundations such as the Clinton Foundation and the Wellcome Trust spend the profit they make on the endowment leaving the principal intact. The Bill and Melinda Gates Foundation had an initial endowment of US\$29 billion. The endowment is supplemented annually by Mr. Warren Buffett, the legendary investor who has been annually “buffeting” the endowment fund with an additional several US\$ billion a year. Just as in the case of the Clinton Foundation and the Wellcome Trust, here too the principal is held invested and the returns are used for charitable purposes.

3.10 Crowd Funding in SE.

Crowd funding is the Web 2.0 instigated mode of collecting funds online from multiple investors who may invest on a micro scale, even a few dollars at one time. Crowd funding is used by businesses when they may be too small for VC capital or when their risk profile is too high for low risk appetite banks to lend money to. Smartwatch manufacturer Pebble has sourced its start up funds running into millions of dollars from crowd funding sites (Reisier and Dean 2015). Crowd Funding besides opening new avenues of critical funds also links the social enterprise directly to its community and investors. This instant linkage provides legitimacy and continuous feedback of its impact (Lehner and Nicholls 2014). Most importantly the crowd funding process itself may give a metamorphological evolution of the social enterprise by linking it with its community, growing it in a constant learning and loopback mode.

Crowd funding for SEs is one of the financial innovations riding the wave of new technology, to garner funds for this sector. Literally meaning ‘funded by crowds’, relatively micro amounts are collected from a vast number of participants either as donations or as loans both interest free or carrying a nominal interest. The amounts pledged can total to large amounts due to the sheer volume of people involved. Though a method traditionally employed by the charity sector for collecting donations from a dispersed group of individuals, technology in terms of the internet

empowered by social media, adds new dimensions. Through crowd funding, the funder raiser crosses normative and geographic borders for both collecting and dispersing the funds, making a heterogeneous group of people micro lenders or donors. Academic research in crowd funding is still evolving. The pace of research is rising; studies have been conducted for building models for crowd funding as a source of collaborative SE funds by Lehner (2013) and other researchers since 2013 (Lehner and Nicholls 2014; Lehner 2013).

Crowd funding also becomes part of the microfinance environment by its 'direct lender-borrower' micro financing. Tiny loans, sans collateral, are made to individuals and small businesses tailored to their requirements. A leading player in this space is Kiva. The crowd funding website performs the classic internet role of intermediation and disintermediation soliciting for loans for entrepreneurs through its website Kiva.org. This solicitation is met by individual lenders dispersed around geographies (Galak, Small & Stephen, 2011).

3.11 Social Intervention Through Finance: The Indian Context

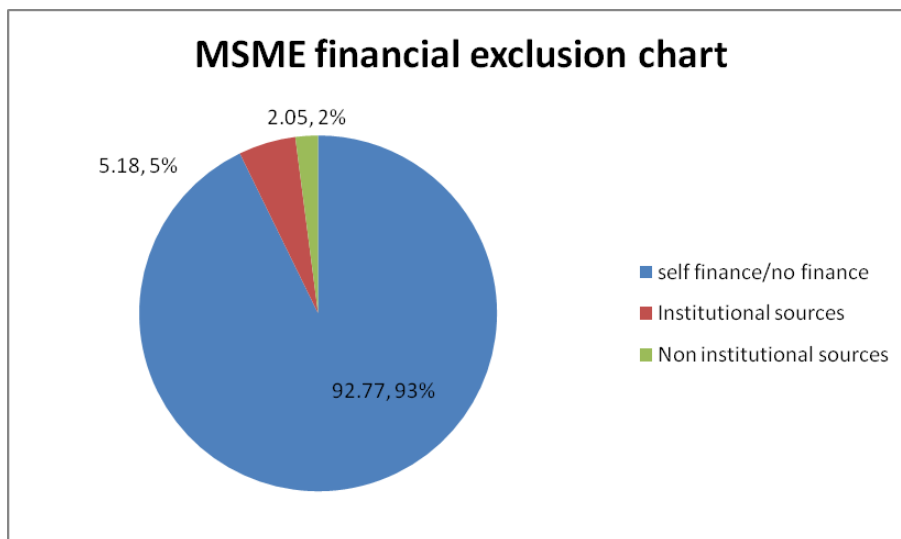
It is seen that social enterprises in India sometimes start operations as non profits and are often registered as a society or trust. They convert themselves into a for-profit for accessing finance and for scaling up. The key sources for initial funds are non institutional debt, equity which is self financed and grants. As in other geographies, transaction costs in this space are high, there is very limited data thus augmenting the closed network nature and opaqueness of the sector. There is also almost a nil secondary market for exits (ADB 2012).

In the absence of a clear framework for social enterprise and hence a comprehensive data base on social finance in the country, the researcher has examined credit flows to the agricultural sector which is a source of livelihood to 70 percent of the nation's population. The credit flows to the MSME and SME sectors are also examined as they are the second source of employment to the nation's workforce given that the formal sector only employs about 8 percent of the nation's employable workforce.

3.12 Finance in the MSME and SME Sector

As per a 2014 study conducted by Entrepreneurial Finance Lab (EFL), the supply demand credit gap is 56 percent in the Indian MSME sector^{xi}. The study reveals that 92 percent of Indian MSME do not have access to formal finance. The estimates are fluid. A wide range of estimates are provided by independent surveys. A study by International Finance Corporation (2012) states the supply demand deficit in the MSME sector at Rs21 trillion in 2009-10. IFC estimated the MSME demand at Rs 28 trillion as against a formal finance supply of Rs seven trillion for the period surveyed. A representative illustration of the meager amount of formal finance availed by the MSMEs based on data in the Government census of MSME conducted in 2006-7, is developed in Figure 3.8.

Figure 3.8 MSME finance sources



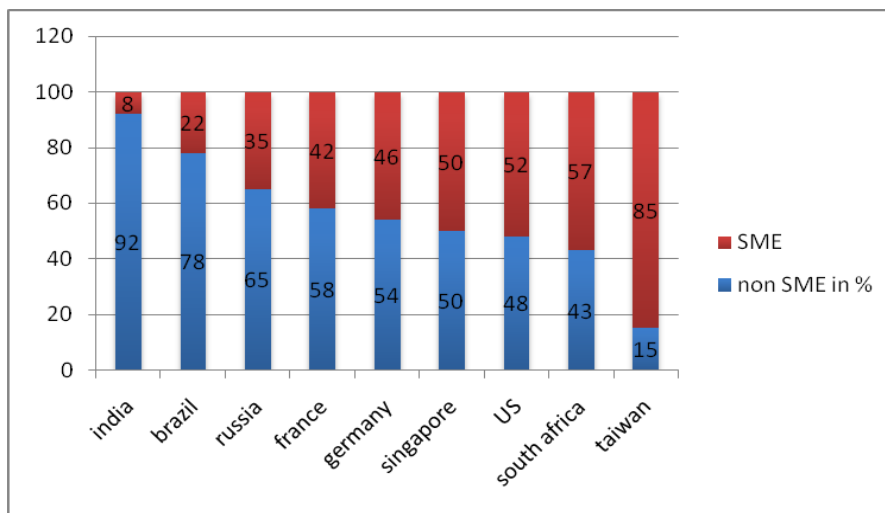
Source: Ministry of MSME Annual Report 2012-13; as cited in Kushalakshi & Raghuram (2014)

As per the Government census of MSME conducted in 2006-7, only 5.18 percent of MSMEs received credit through formal finance. Another 2.05 per cent accessed non institutional sources and the balance majority of 92.77 were self financed indicating an extremely inefficient functioning of the Indian financial market mechanism (GIZ India, n.d; Kushalakshi &

Raghuram, 2014). Table 3.9 illustrates the MSME financial exclusion chart as per their 2006-07 census.

A cross national study in 2011-12, by the Micro, Small and Medium Enterprises, Government of India, of major economies revealed that India’s SME sector only contributed eight percent of its GDP, a very low ratio when compared to the other major economies. The lack of linkages with formal finance available to this sector that employs nearly one fourth of the nation’s workforce is reflected in this study. Figure 3.9 highlights this study.

Figure 3.9 SME contribution to GDP of major economies (in %)



Source : Ministry of Micro, Small and Medium Enterprises, Government of India

Period: 2011-12

3.13 Finance in the Indian Agricultural Sector

Data from the Reserve Bank of India reveal that the agriculture sector, which supports nearly 70 percent of the nation’s population for their livelihood, only receives 15-17 percent of the nation’s total credit flow. Even the available credit of less than one fifth of the total credit was directed to the bigger farms that have relatively lower risk profiles. Smaller farms, a main component of the government’s priority sector remained underfunded. As per RBI data, the credit increase in the agricultural sector was in the form of short term credit. Long term credit required for building CAPEX, a key component of private enterprise capital formation, reduced from 55 percent in

2006-07 to 39 percent in 2012-13. Table 3.4 illustrates the credit flow of both public and private sector banks in India to the agricultural sector from years 2001 to 2014.

Table 3.4 Total Agriculture Credit in India-Domestic Banks

Year	PSBs	as percentage of ANBC	Private Banks	as percentage of ANBC	ASCBs	Annual Growth percentage	Total Agricultural credit to ANBC
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	53,685	15.7	5,394	9.6	59,079		14.9
2002	63,082	15.9	8,022	12.7	71,104	20	15.5
2003	73,507	15.4	11,872	14.3	85,378	20	15.2
2004	86,186	15.4	17,651	15.8	103,837	22	15.5
2005	112,474	15.7	21,472	13.4	133,947	29	15.3
2006	154,900	15.2	36,185	14.5	191,084	43	15.1
2007	205,090	15.6	52,055	15.5	257,144	35	15.5
2008	248,685	18.2	57,702	16.8	306,386	19	17.9
2009	296,856	17.5	76,164	18.7	373,032	22	17.8
2010	370,729	17.9	89,768	19.2	460,452	23	18.1
2011	414,990	16.6	92,136	17.3	507,125	10	16.8
2012	475,148	15.7	100,900	13.9	582,439	15	15.6
2013	532,801	15.1	111,970	12.8	646,335	11	14.7
2014	687,242	16.7	146,687	13.9	905,807	40	17.5

Source: https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9815

PSB: Public Sector Bank

ANBC: Adjusted Net Bank Credit

ASCB: All Scheduled Commercial Banks

As per the Indian government authorised survey “The All-India Debt and Investment Survey” (2013), over 50 percent of rural households are ‘marginal’ farmers who own less than one hectare of land. The survey discovers that the smaller the land ownership size, the higher the indebtedness to informal finance or private money lenders. When the land holding is less than 0.01 hectares, barely 13 per cent of the farmers accessed formal finance at competitive rates (Table 3.5). 64 per cent borrowed from informal sources at what would be unsustainable interest rates. A report generated by the cited survey (The All-India Debt and Investment Survey, 2013) is listed in tabular form in Table 3.5.

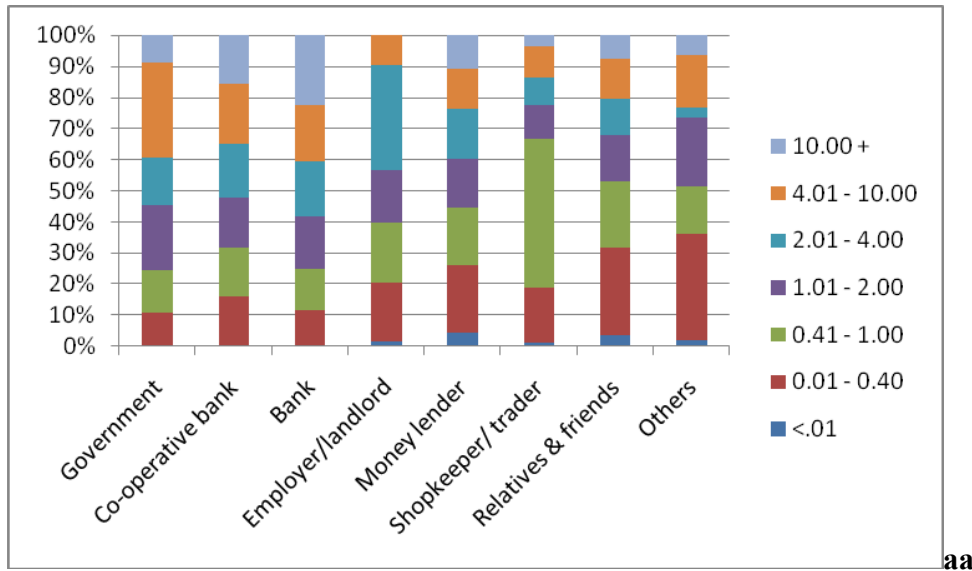
Table 3.5 Outstanding loans- farm size wise

Size class of land possessed (in hectare)	Per 1000 distribution of outstanding loans by source loan								
	Government	Co-operative society	Bank	Employer /landlord	Money lender	Shopkeeper/ trader	Relatives & friends	Others	All
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
< 0.01	4	16	129	6	637	14	175	18	1000
0.01 - 0.40	13	146	310	8	324	25	142	31	1000
0.41 - 1.00	17	139	376	8	274	66	106	14	1000
1.01 - 2.00	26	147	475	7	233	15	76	20	1000
2.01 - 4.00	19	156	500	14	238	12	58	3	1000
4.01 - 10.00	38	175	502	4	187	14	65	15	1000
10.00 +	11	143	635	0	161	5	38	6	1000
All sizes	21	148	429	8	258	29	91	16	1000

Source: All-India Debt and Investment Survey, 2013

Table 3.5 illustrates that Self finance (relatives and friends) and money lenders were the main source of finance for the farmers at the lowest levels of the land holding scale, indicating an inefficient and underleveraged financial market for agriculture. Figures 3.10 and 3.11 highlight the fact that the smaller the farm the lower is the access to formal finance.

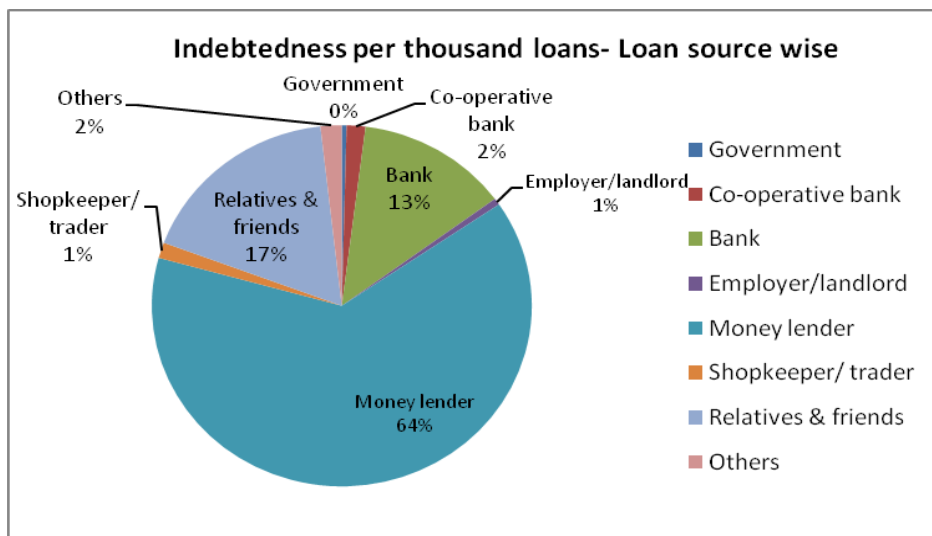
Figure 3.10 Indebtedness per thousand loans as per farm size (in hectares) and source of loan



Source: Researcher developed illustration-All India Debt and Investment Survey, 2013

Figure 3.10 illustrates the relationship between land holding size and the source of finance. Farm sizes of less than 1 hectare (in color blocks of red and green) have maximum presence in Shopkeeper/trader, Relatives/friends and Others columns.

Figure 3.11 Farmer Indebtedness per thousand loans- source wise

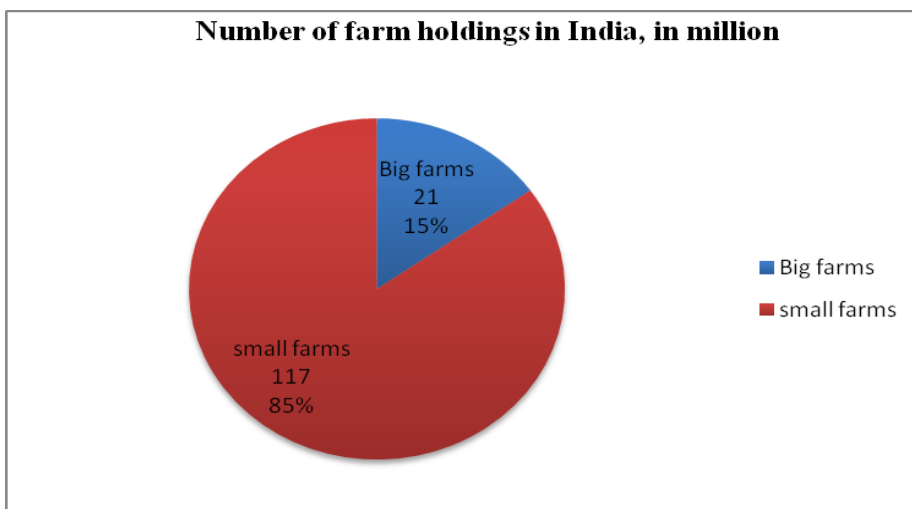


Source: All-India Debt and Investment Survey, 2013

Figure 3.11 shows that over 83 percent of farmers' debt is drawn from informal finance. The survey formal finance is outside the ken of the of the bulk of small holdings farmers.

The Agriculture Census of 2010-11 estimates agricultural farm holdings at 138 million farm holdings in the country, out of which 117 million are small and marginal holdings. Figure 3.12 highlights the extent of micro farm holdings.

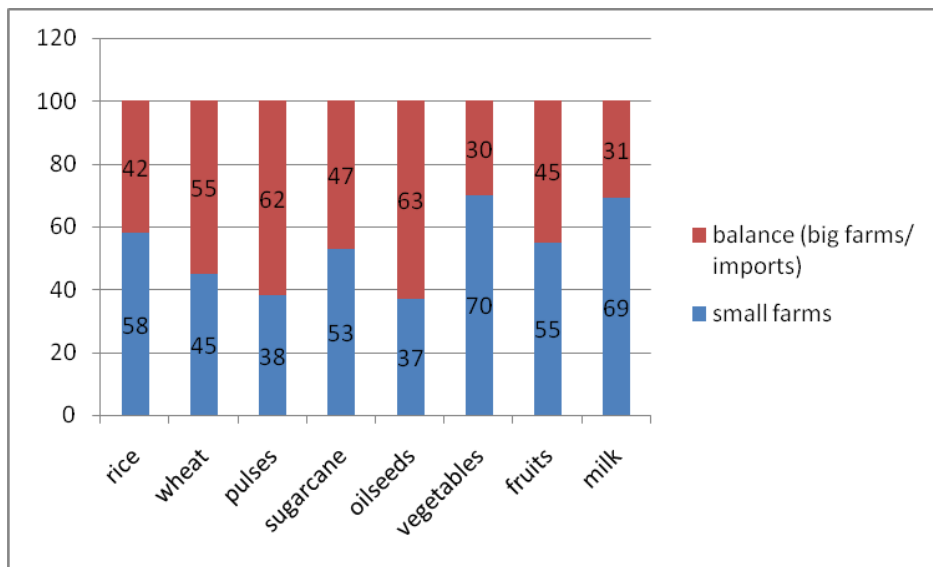
Figure 3.12 Number of farm holdings in India, small and big farms



Source: Agricultural census (India) 2010-11

As seen in Figure 3.12 derived from the Agricultural census (2010-11) data, small farm holdings comprise nearly 85 per cent of the total cultivated area of the nation. The crop profile analysis indicates that small holdings generate half the share of mainstream food crops of the nation and are both the main source of livelihood and a significant proportion of the food security of the economy.

Figure 3.13 Small farm production output as percentage of total farm output in India



Source: Agricultural Census (India) 2010- 2011.

Figure 3.13 illustrates the crop profile breakup of both small and large farm holdings. The two sectors of MSME and small farm size agriculture employing 92 percent of the working population of the nation receive the least funding focus from formal finance and government sources. This leaves a substantial demand gap leading to market opportunities for a social enterprise to function in these sectors.

3.14 Related Theoretical Frameworks

Researchers and practitioners adopt a “practice-to-theory approach” to develop models of social entrepreneurship (Lehner and Nicholls 2014). The Institutional Analysis Framework (IAD) framework by Elinor Ostrom and the Signaling theory (Spence, 1973) form the foundational theory frameworks underpinning the research. Bricolage (Desa & Basu, 2012) as a funding alternative is also examined through the research process, for understanding the alternative financing channels sought by the social entrepreneur in the absence of the conventional. The alternate channels have been evidenced by commercial events to have the potential into evolving into new forms of money and finance. These frameworks form the base for exploring the ecosystem of the social enterprise that influence its financial strategies.

3.14.1 IAD framework.

The Institutional Analysis and Development (IAD) framework (Ostrom, 1999) is a network model of policy that emerged from the learnings of system theory. Outcomes, as per this theory, will be in the favour of the groups having the maximum power. IAD theory by Ostrom (1999) prescribes that the social group that has deeply entrenched equitable relationships will succeed in setting the agenda for policy required in socio economic settings that require the collaboration of all the actors involved. Ostrom (2005) states “Broadly defined, institutions are the prescriptions that humans use to organize all forms of repetitive and structured interactions including those within families, neighborhoods, markets, firms, sports leagues, churches, private associations, and governments at all scales. Individuals interacting within rule-structured situations face choices regarding the actions and strategies they take, leading to consequences for themselves and for others”(Ostrom, 2005, pp:1). Businesses emerge from and arise out of the common need of communities. They equally draw from the commons and reserve their rights, sometimes unilaterally, to the commons depending on the laws that prevail and allow them to do. This joining together to share resources result in formation of institutions both formal and informal, voluntary groups, commercial businesses, religious groups and institutions, power structures, political parties and elites, government structures included. All the institutions are governed by a framework of rules and codes, set in contract and informal rules of association (Jones, 2010). The IAD framework thus best helps us understand the complex phenomenon of social finance as here the metrics for success encompass both private domain and the commons.

The enterprises studied in Cases 1, 2 and 4, operate in locally networked social, economic and cultural linkages which are specific to the community. The IAD frameworks that allow them to sustain may not be replicated in another context. The researcher attempts to look for commonalities in the cases through the IAD framework. The question then arises that if/when these variables are replicated in a formal policy framework, will the social enterprise sustain itself financially. Variances between the cases are studied through cross case analysis to understand the sectoral and enterprise specific typology.

3.14.2 Signaling theory.

The social enterprise in itself a hybrid enterprise, throws new light when viewed through Spence's (1973) Signaling theory. Spence (1973) through his research in labour economics, looked at information asymmetries in decision making processes in the job market (Bergh, Connelly, Ketchen & Shannon, 2014). In general, signaling is used to distinguish 'quality'. For e.g. the third sector organisations or the NPOs operating in the environment sector send signals of their environment input efforts to stake holders through communicating information about their actions on sustainability (Simaens, & Koster, 2013). In this instance, the information asymmetry is brought into equilibrium or a balance, so that the stakeholders can then make a decision on engaging with their preferred nonprofit based on their signaling of sustainability reporting. Here the ability of the nonprofit to meet the environmental norms and requirements of its clients and stakeholders, is the 'quality' that is sought to be signaled or communicated (Spence, 1973, Connelly, 2011). The investment entity through the process of its screening and focus on the business to be invested in and fostered, signals to the external world the quality, or in this case the viability of the business model. The fulfillment of the metrics of business success or in the case of the social enterprises, its social metrics, will in turn affirm the success of the investment, by signaling to the external world including other venture capitalists, potential collaborators and the government. Especially in the case of social enterprises that go through a structured business incubation process the acceptance of an enterprise for business incubation and investment becomes a signal to the venture capitalist for distinguishing between ventures that have potential for viability (Bergh et al., 2014). The research aims to examine whether the social enterprise's decision makers access to education and economic privileges perform a signaling function and thus impact or have a relationship with its funding pattern.

3.15 Research Gap

The literature review leads to the conclusion that there is possibly a lack of sufficient published peer reviewed research on financial strategies related to social enterprises in India, with specific focus on the grassroots based enterprises. Given the current deficit status of literacy and the lack of a formal sector that could employ a significant portion of the available workforce, micro and

small enterprises with low entry barriers were cited as livelihood opportunity makers. With concurrent and complex definitional challenges and the lack of a concrete policy framework, there was a related lack of access to finance for social enterprises that fall outside the investing ambit of the still newly emerging social impact investor. The research focus is on exploring the financial strategies adopted by the social enterprises that cater to the fragmented and deprived majority at the grassroots level.

3.16 Conclusion

The literature review on the financial ecosystem of social enterprises discovers that globally the financial paradigms surrounding the social enterprise were still nascent. In India, as of date of the research, the social enterprise continues to lack legal status. In this context, financial support systems for intervention in vulnerable and fragile populations were studied especially those in the agricultural sector (Edakunny, 2018). These support systems essentially falling in the realm of development finance, have limited impact and need further strengthening.

Chapter 4

Research Methodology

4.1 Introduction

The research methodology adopted for the survey in this still new and evolving field is discussed in this chapter. The objectives of the research are explained at length followed by an in depth exposition of the research methodology.

4.2 Research Objectives and Questions

The review of literature and the research gap discovered, leads to the following research objectives and related research questions, (as already put forth briefly in Chapter 1).

The major objectives of the research study and the related research questions are as follows:

Objective 1. To understand the organizational exigencies of Social Enterprises (vision, mission, values, goals, structure, strategies, processes, etc), which might differentiate them from other types of organizations in terms of their financial needs and strategies.

In order to examine the SEs financial strategies, it is critical to understand the meaning of a social enterprise in terms of its goals, mission and its situated context within the legal structure of the country.

Research Question arising from Objective 1:

What is a social enterprise in the context of its goals and legal organizational structure?

Objective 2: To analyze the special characteristics of SE financing and understand the strategies being adopted by them to manage their special financing needs.

The researcher studies and analyses the financial strategies utilized by social enterprises engaged in development projects and interventions, with specific focus on selected projects from the state

of Karnataka. The study examines the funding ecosystem that enables social enterprises in India seed their startup requirements.

Research Questions arising from Objective 2:

(a) What are the processes of fund raising and revenue generation of a social enterprise?

(b) In the event of a funding deficit, how is the social enterprise bridging the gap?

Objective 3. To examine the policy framework currently prevailing in the country with a view to understanding its facilitative or obstructive features vis-a-vis SE financing and to making recommendations for changes if necessary.

Research Question arising from Objective 3:

How does policy framework influence the formation and financial sustainability of Social Enterprises?

4.3 Research Methodology

Qualitative research methodology has been adopted for the purpose of this research study. The research questions of ‘How and Why are the social enterprise format of business adopted’, ‘Why is social enterprise financing difficult’ and ‘How are social enterprises managing the funding deficit’ are attempted to be studied through the qualitative research methodology (Denzin & Lincoln, 1994; Harding, 2013). The qualitative component of the research has drawn upon the conventions of qualitative research viz. a combination of hermeneutics and case methodology process (Denzin & Lincoln, 2005) for analysis and abstraction purposes. The case study method “a research strategy which, focuses on understanding the dynamics present within single settings” (Eisenhardt, 1989, p.534) has been used in the research process. Additionally, in the normative practice of ethnographic studies, that forms part of qualitative methodology, the researcher has adopted the strategies of “participant observation, key informant interviewing, career histories, and surveys” (LeCompte & Goetz, 1982, p.389). These strategies aided the researcher to draw out phenomenological case data (LeCompte & Goetz, 1982) and have been incorporated in the research design. A minor portion of the research design utilizes certain

components of the quantitative research process to address the “who, where, how many and how much” questions. A separate nominal and ordinal response based, quantitative questionnaire was administered to the respondents in the qualitative study.

Qualitative studies of organizations, focus on the meaning of the process and the activity, examines the routine process of the firm and its people and lays emphasis on theory building through storied events. It involves the researcher who maintains a close proximity to the data (Creswell, 2003; Van Maanen, 1998). In the qualitative research context, the research process is ongoing and contextualized . The narratives could be interpreted through new meanings making theory building non static in nature. The qualitative methodology adopted helped gain answers to qualitative questions that enable the investigating of micro organisational processes. Individual based perceptions and anthropologically led explorations on localized economic group behavior backed by quantitative questions that address the co relational and comparative research further the understanding of the nuanced nature of the social enterprise multiverse. The multiple sets of qualitative data analysis supported with a tabular framing of the nominal and ordinal data collected, lend to representation and legitimation of the research process (Frels & Onwuegbuzie, 2013).

Given that India’s majority population of nearly 70 % resides in its rural areas the research design attempted to reflect a similar ratio when making the sample decision.. Hence there was a conscious attempt to focus on rural social enterprises. The sample selection based on theory , is supported by theoretical sampling approach in the case method of research (Eisenhardt , 1989)Most of the enterprises surveyed by the researcher were in remote inaccessible areas, hard to reach (by the researcher’s mode of transport i.e. bus and train), with appointments difficult to get and multiple cancellations prior to finally confirming the appointment. The physical inaccessibility of the sample was also a reflection of the divide between the rural based social enterprise and the global and urban nature of the social impact investor. Two pilot surveys were conducted before designing the survey instruments. The first was a disbanded crafts social enterprise run by barely literate women from impoverished families based in Ramanagara district, Karnataka and the second a high media profiled micro finance entrepreneur holding a doctorate in economics from the US and based in Bangalore. The learnings gleaned from these interviews contributed to the research design.

The qualitative study of the social enterprise is inductive based. The research and survey has been based on answering the research questions drawn arising from the problem statement and objectives of the survey. The research questions were explored in the literature review through pre coded themes (Green et al., 2007) which also assisted in the design of the framework of the literature review. The literature review was guided with search (key) words covering the three domains of social enterprises, social finance and policy making. The key words used for search in academic journals and data sets included “Social enterprise, ontology, hybrid enterprise, nonprofit, NGO management , Social financ , SROIs, responsible investing, ethical investment, sustainable finance, impact investor, social investor, funding models, hybrid financing, developmental venture capital, double bottom line, triple bottom line, micro finance, development finance, blended finance, philanthropy, structuralism, systems management, IAD framework, theoretical frameworks of entrepreneurship, development economics, MSME, micro enterprises, impact measurement, social investment metrics, public policy, governance, equity and social policy”. The literature review, an evidence based investigation of ongoing models in social enterprise finance, led to the identifying of research gaps in the research in this area.

The nominal and ordinal data collation is a combination of primary data collected separately from the cases after administering the qualitative questionnaire. The separate quantitative survey instrument comprising 42 questions included a mix of Likert, Open ended, Yes/No and Multiple Choice type questions. Given the rural base and the diversity of the educational backgrounds of the respondents, the nominal/ordinal survey instrument was transcribed into the local language Kannada and handed over to the respondent during the interview process. This enabled a better understanding of the context of the survey and facilitated the interview process. The primary case data is augmented by secondary data originating from the Census India 2011, National Survey Statistics Organisation (NSSO), Reserve Bank of India statistics, Ministry of MSME data and World Bank data on India. |

4.3.1 Socio economic demographic profile of Karnataka and three selected districts in Karnataka comprising the case sample area.

The study of socio economic data is critical in the understanding of the economic exchanges of a populace. In India, authentication of socio- economic and demographic information is provided by the official census of India. The census 2011 is the 15th edition of the national census.

The state of Karnataka was selected as a sampling area given the researcher's relationships in the state during her apriori experience (Coviello 2015) as a social entrepreneur and the resultant interpersonal relationships and organizational networks in the area. The socio economic demographics of the three districts of Kolar, Bengaluru and Belgaum, where the respondents are located, are listed in this section. Information about the research population is collected to establish a base line for the demographic and socio-economic factors in the research. The statistics form the background of the social enterprises and the socio economic environment they are based in. Data on literacy, employment and the proportion of disadvantaged communities are presented to provide a contextual framework for the communities the respondent social enterprises are related.

Table 4.1. Sampling area population- change in one decade

Area	Total			Urban			Rural		
	Population 2001	Population 2011	% change	Population 2001 pct	Population 2011 pct	in %	Population 2001 pct	Population 2011 pct	in %
Karnataka	52,850,562	61,095,297	15.60	33.99	38.67	31.54	66.01	61.33	7.40
Belgaum	4,214,505	4,779,661	13.41	24.03	25.34	19.60	75.97	74.66	11.45
Kolar	1387062	1536401	10.77	29.16	31.25	18.68	70.84	68.75	7.51
Bangalore	6,537,124	9,621,551	47.18	88.11	90.94	51.91	11.89	9.06	12.16

Source: Census India 2011

Bangalore the capital of Karnataka state and termed as ‘the Silicon valley’ of Asia, has an increase in population at a significantly higher rate when compared with the two rural districts of Kolar and Belgaum and the state as a whole. This indicates rural to urban migration.

Table 4.2. Karnataka literacy rates in percentage 1991-2011

Category	1991	2001	2011
Total	56	67	76
Male	67	76	83
Female	44	57	68

Source: India Census 2011

Table 4.2 shows that literacy rates in the state of Karnataka have improved exponentially over two decades from just over half the population being literate in 1991 to over three fourths in 2011. The improving of female literacy rates appears to be the contributor having gone up from well below 50 percent of women being literate to over two thirds two decades later.

Table 4.3. Karnataka literacy rates in percentage: urban vs. rural

Category	Total 2011	Rural 2011	Urban 2011
Total	76	69	86
Male	83	78	91
Female	68	60	82

Source: Census India 2011

The urban and rural literacy gap is significantly higher among women when compared to men as indicated in Table 4.3. This indicates higher education access/opportunities for urban women when compared to women residing in rural areas.

Table 4.4 Distribution of workers: Belgaum/Kolar/Bangalore (Sampling area literate vis-à-vis illiterate)

Educational level	Karnataka total	Belgaum total	Belgaum %age of total	Kolar total	Kolar %age of total	Bangalore total	Bangalore %age of total
Total no of workers	23397181	1734501	7.41	584590	2.50	3858342	16.49
Illiterate	6684321	540388	8.08	176359	2.64	471753	7.06
Literate	16712860	1194113	7.14	408231	2.44	3386589	20.26

Source: Census India 2011

The survey areas had 22.40 percent of the total workers of the state. The literate workers were disproportionately higher- the districts have nearly 30 percent of the literate workers of Karnataka state with illiterate workers at only 13.78 of the total illiterate workers of the state. This could be due to Bangalore, the state capital having a disproportionately higher number of literate workers when compared to the other districts in the survey and the state as a whole.

Table. 4.5 Literacy profile of workers in Belgaum/Kolar/Bangalore

Educational level	Karnataka total	Belgaum total	Belgaum %age	Kolar total	Kolar %age	Bengaluru total	Bengaluru %age
Total Literate workers	16712860	1194113	7.14	408231	2.44	3386589	20.26
Literate but below matric/secondary	7402537	554380	7.49	184870	2.50	826217	11.16
Matric/secondary but below graduate	5106592	390849	7.65	134811	2.64	1244972	24.38
Technical diploma or certificate not equal to degree	468051	25917	5.54	12907	2.76	134062	28.64
Graduate and above other than technical degree	1665307	92159	5.53	29157	1.75	638036	38.31
Technical degree or diploma equal to degree or post-graduate degree	714525	28014	3.92	9506	1.33	382031	53.47

Source: Census India 2011

The literacy profile of the literate workers of Karnataka state and the three survey districts is listed in Table 4.5.

Table 4.6 Karnataka disadvantaged and underprivileged community profile- List of household count wise income profile of tribes and castes in the Schedule of disadvantaged communities.

Category	Total Karnataka Households	Proportionate share of total households	% with monthly Income (of highest earning member) < Rs5000	% With monthly Income (of highest earning member) Rs5000 - 10000	% with monthly Income (of highest earning member) > Rs10000
SC	8048664	18.06%	14.02%	3.10%	0.94%
ST	8048664	8.28%	6.32%	1.50%	0.46%
Others (Including OBC and 'General' category)	8048664	73.66	48.75%	17.67%	7.23%

Source : Socio Economic Caste Census 2011^{xii}

The Census India 2011 enumerated the SC, ST and OBC or Other Backward Communities (comprising the third group of historically deprived and underprivileged communities) data in the 2011 census. This census (termed the Socio Economic and Caste Census (SECC)^{xiii} has included the OBC communities and the general (traditionally mainstream) in the 'Others' category. Table 4.6 lists the marginalized community wise income profile.

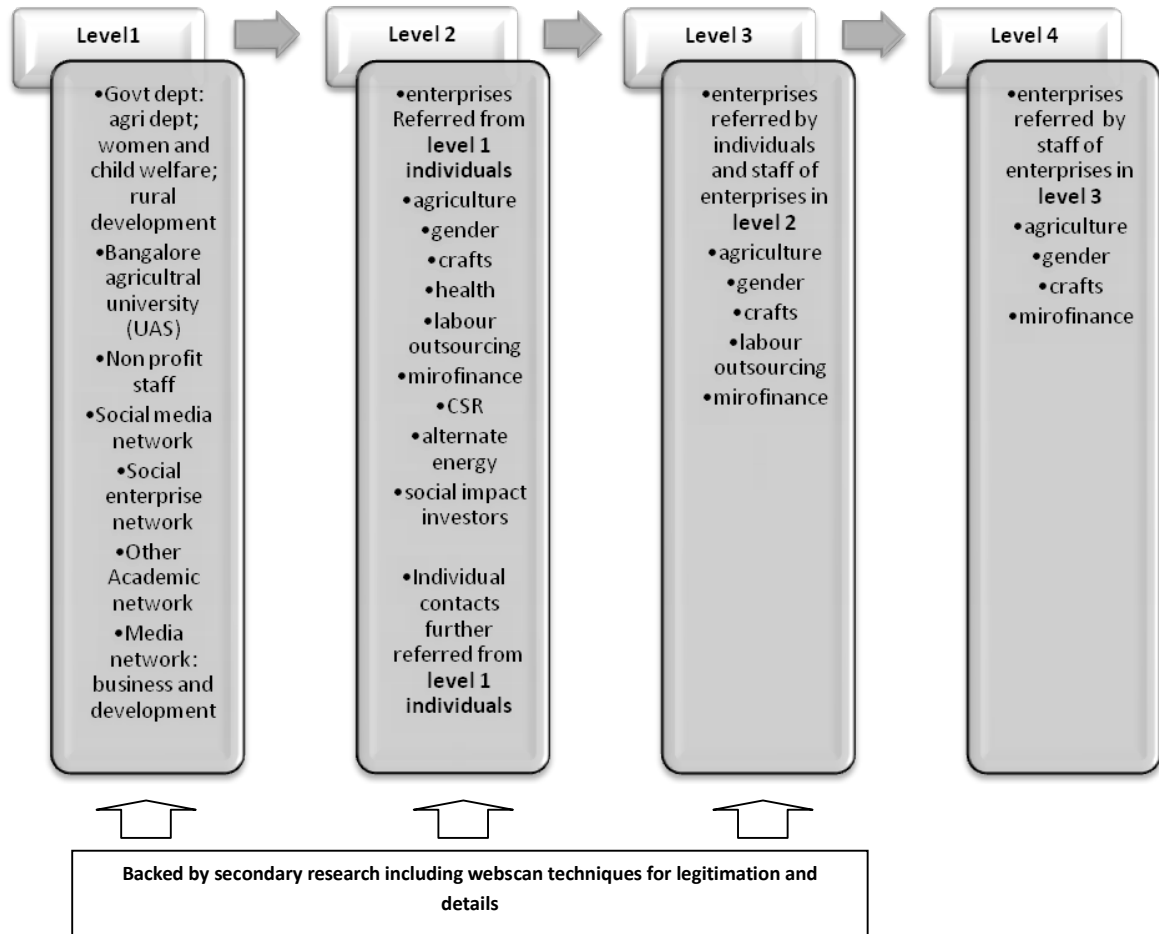
4.3.2 Sectoral representation of social enterprises in Karnataka.

A diverse seed group of vetted social enterprises did not exist, so the first step in the sampling process was to define this group. For arriving at the sample, the researcher used a mix of approaches in order to arrive at a sectoral representation (ADB 2012). In cluster sampling a population is divided into a bunch of small clusters and each cluster is studied extensively. After the data is collected, the researcher analyzes it and uses it to make generalizations about a population. In this study the cluster has been defined sector wise. Demographic sectors that represented the under privileged and disadvantaged of the country was selected given the framework of meaning of a social enterprise delivering social, economic and political impact. In this context the sectors of agriculture sector, microfinance, gender, sustainable energy, and community business services (covering labour up skilling, ICT4D, agriculture, microfinance, SHGs) were selected. The selection of an enterprise from each of these sectors was used to develop a comprehensive understanding of the representative sample studied, potentially leading to subsequent theory development.

4.3.3 Sampling design.

Due to the lack of a legal definition, the social enterprise population in India is still not quantified in an evidence based data base. Members of the social enterprise population in India have not all been identified as yet and the ones identified are difficult to access and survey. Traditional random sampling methods that necessitate the entire population to be known, could not be used for this survey. As a result the snowball sampling method which is typically used with unknown or rare populations has been deployed. This sampling method that works with the social networks that apparently exist between members of a target population is used to build the sample in this study. Unlike in random sampling methodology where the desired variable in every individual of the population is studied, a selection of individual enterprises was taken as a representation to arrive at a comprehensive study and analysis of the population (Ferguson & Kepe 2011). The sectoral approach to sample selection also satisfies the theoretical sampling approach of the case method (Eisenhardt, 1989).

Figure 4.1 Snowball sampling process model of the research thesis



For the purposes of this survey, the seed , which forms the first level of network in the snowball sampling process, consisted of researcher’s extended networks of specialists/individuals working in the Karnataka state government departments viz health, rural development, women and child welfare and agriculture. All these departments are related to the sectors that social enterprises are engaged in. Non profits working in this sector , universities and academics with interests in this area were also contacted. The researcher deployed a combination of cold calling and networking with known individuals. The first wave of connections led the researcher to the next wave or level, which then led the researcher to the next level. An average of three to four waves or levels resulted in the sample framework of the research. This technique in the snowball

process also allowed the researcher to access micro social enterprises in remote rural areas that were run and operated by the marginalised and for the marginalised, who otherwise would not be visible through a webscan or conventional literature.

As part of the snowball sampling process, the researcher contacted and physically met eight diverse own network groups to request further referrals. The eight groups comprised networks in academics, the nonprofit sector, the media covering development issues and business, community radio (and All India Radio), social media networks and the researcher's former corporate and SE network. The researcher received referrals to enterprises through this snowball method from a total of 60 individuals from within the network of the eight social groups.

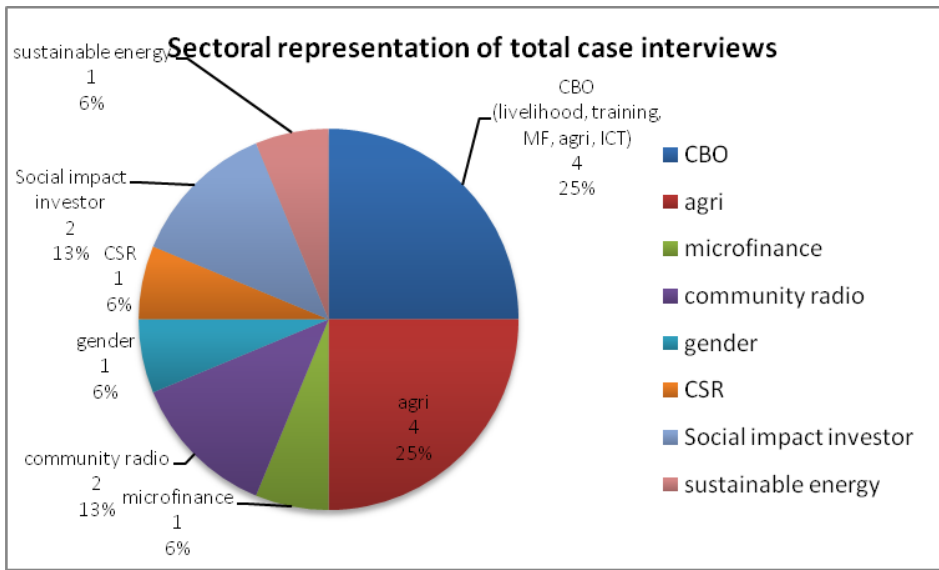
4.3.4 Data set.

The set of SEs for which data was collected was passed through predetermined filters to ensure sectoral diversity for both representation and legitimation purposes. The filters ensured that sectors that had gaps in the serving of the citizenry especially those who were marginalised, were represented. The sectoral filter also broadly conformed to the Asian Development Bank's (ADB) sectoral selection for their study on social enterprises (ADB 2012) which included the sectors of "agriculture, education, financial services, health, water, waste management, livelihoods, housing and energy" to ensure "distribution across sectors" (Carson and Coviello 1996). The data set ranged from new to mature enterprises. The broad scan helped the researcher in identifying 16 cases. In depth semi structured interviews were conducted for these cases. Out of these, the researcher elicited complete information for six cases that were also sector wise representative. On the field interviews and follow up interviews were conducted for a reliable and complete data collection for the six cases covered in the research study. Even after follow up interviews were conducted, it was unable to collect comprehensive and complete data for the remaining ten cases. These six cases for which complete data collection was made, have been illustrated and analysed in this thesis.

The 16 social enterprises interviewed over the period of one year (with follow up interviews and contacts through the succeeding year) are as follows:

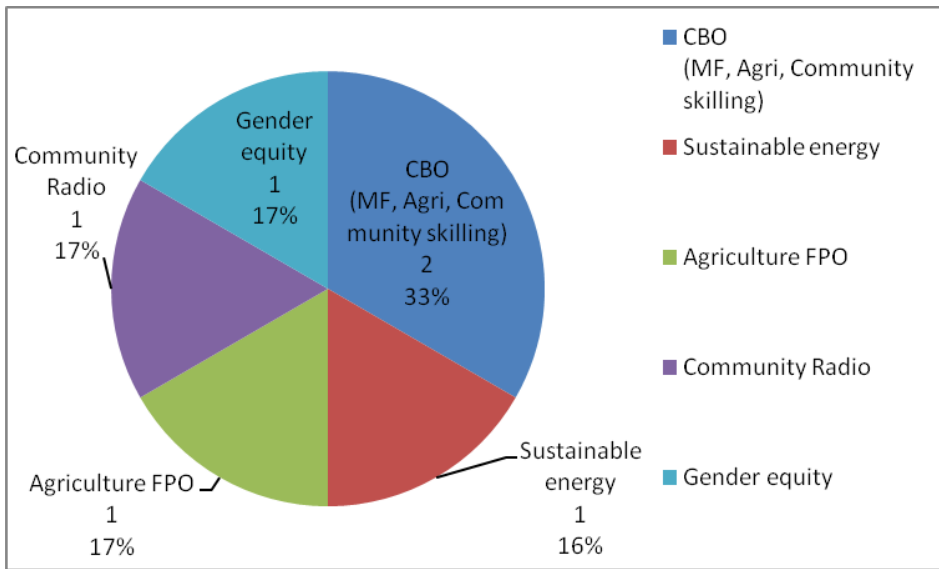
- 1) Community Business Organisation (CBO) in Malur, Kolar district
- 2) CBO in Kamasamudra, Kolar district
- 3) Farmer Producer Company in Kamasamudra, Kolar district
- 4) Community radio station and CBO in Budikote, Kolar district
- 5) Fruit and vegetable co-operative in Budikote, Kolar district
- 6) An enterprise in Belgaum district formed by former victims of the devadasi practice still prevalent in part of Karnataka and Maharashtra
- 7) Agro forestry enterprise in Karnataka (Indian corporate CSR initiative)- a remote forest area about 100 km from Kollegal, Kolar district
- 8) Sustainable energy- biomass stove , Bengaluru
- 9) CBO in Hennur, Kolar district
- 10) Mushroom cultivators- micro enterprise run by two indigent women, near Kollegal, Kolar district
- 11) Bio fuel expeller unit, Dodballapur, Bangalore district
- 12) Lantana tree basket weaving enterprise run by tribal groups in the forest (Global corporate CSR initiative)
- 13) Community radio station based in a low income area in Bangalore
- 14) Microfinance enterprise and processed food co operative in Kolar town, Kolar district
- 15) European social impact investor who focuses on funding micro enterprises by physically challenged individuals, Bangalore
- 16) Nonprofit and social impact investor, Bangalore

Figure 4.2 Sectoral representation of 16 social enterprises



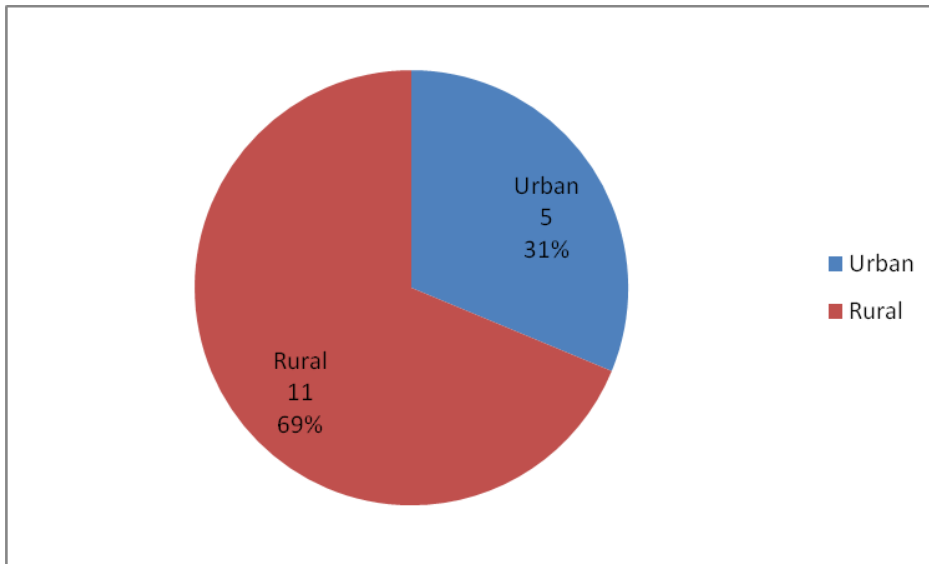
Figurative representations of the cases in the sectors of agriculture, livelihoods, gender, microfinance, capacity development and sustainable energy sectors in the sampling stage and data set are done in Figure 4.2.

Figure 4.3 Sectoral representation of six cases



A figurative representation of the six cases in the sectors of agriculture, livelihoods, gender, microfinance, capacity development and sustainable energy sectors in the sampling stage and data set is done in Figure 4.3.

Figure 4.4 SE Case interviews urban/rural profile



Nearly 70 percent of the total case interviews were situated in rural areas, representing the urban rural residency ratio of the nation's citizens (Figure 4.4).

4.3.5 Case profile.

The six cases have been drawn from the following sectors: the agricultural sector - specifically a farmer producer company, gender equity and socio economic empowerment, community radio and most critically from Community Business Organizations/ Community Business Services (CBO/CBS) that incorporate livelihood training and generation, microfinance, financial literacy, SHGs, agriculture and ICT for development (ICT4D) in its operational framework. An overview of the six cases is listed in Table 4.7.

Table 4.7 Overview / Profile of Social Enterprise Cases

Case	Age of organisation	Legal status	Sector	Location	Respondent education	Brief description	SE ownership/ stakeholder
Case 1	13	society	CBO	Rural	12th	CBO engaging in SHG activities, livelihoods, microfinance, gender empowerment, health, ICT	Other CBOs including SHGs and water shed management associations who are fee paying members of the CBO surveyed.
Case 2	7	society	CBO	Rural	12th	CBO engaging in SHG activities, livelihoods, microfinance, financial literacy	Other CBOs including SHGs and water shed management associations who are fee paying members of the

							CBO surveyed
Case 3	17	society	community radio station	Rural	12th	Local content and delivery of programs in watershed management (rehydration), gender focus, health, financial literacy, livelihood support	CBO whose stakeholders are other CBOs including SHGs and watershed management associations who are fee paying members of the CBO surveyed.
Case 4	1	producer company	agriculture	Rural	12th	Purchase of farm produce at better prices from the farmers in the region including the farmer producer company owners. Stocking and reselling an efficient price discovery	Equity share holders of the producer company who are drawn from small farm holders and the marginalised communities of the area.
Case 5	7	private ltd	sustainable energy	Urban/rural	MBA (premium)	Production and marketing of patented fuel efficient biomass stove targeted at the lower income	Equity holders and social impact investors who were issued convertible

						and micro business	debentures
Case 6	18	society	gender	Urban/rural	MA Sociology	To bring about social and economic empowerment to former victims of the devadasi system	Society membership basis. Former victims of devadasi system

4.3.6 Data collection.

“Qualitative research is a situated activity that locates the observer in the world” (Denzin and Lincoln 2005, p. 3). Field visits were made to over eight villages spread over two districts besides Bangalore. The field visits included staying at the project site for 2-3 days during a single visit. The data collected included field notes, semi structured interviews based on pre determined questions seeded with constructs and themes, audio recordings, project documentation and archives, informal conversations and photographs. The data was collected both at the premises of the social enterprise surveyed and also while accompanying the social enterprise staff on their field visits to even more remote interior villages. The researcher also attended internal staff meetings, the enterprise community presentations, engagements and in the case of the CBOs- community intervention and board meetings. By being physically present and engaging with the project, the researcher was able to examine the interface between the community and the social enterprise and record the nuances of both economic and political undertones of the social enterprise. It was also possible to examine the nature of data and both routine and non routine events at the enterprise level as a reflective live experience, a critical component of qualitative research methodology .

Data was collected through multiple methods. The core component of the research data collection process consisted of recorded semi structured interviews with multiple staff of 18 social enterprises. The staff was mostly middle management to senior management level and co founders of the enterprises or branch of enterprises surveyed. The interview had pre coded themes and constructs of social enterprises derived from the literature review. In order to maintain confidentiality and to conform to research ethics, individuals and enterprises are not identified. Given the boot strapped nature of most of the enterprises surveyed, the respondents had little time to spare and appointments were fixed months ahead of the interview. Even so, allowances were made for sudden cancellations. For case 2, the researcher received an appointment for the interview on a ‘bandh’ day when there was a shut down and the enterprise staff had to remain in the office. Interviews were structured conversationally. Within the semi structured format, there was room for informal conversation and non directed responses for adapting to the comfort level of the respondents. All interviews in the rural areas were conducted

in Kannada, the language of the state. To maintain consistency and uniformity of the language used, a single interviewer conducted all the interviews(Parkinson a & Howorth 2008). The transcripts of the interview along with the translation were done by a third party to avoid interviewer bias.

Besides the interviews, webscans were made to generate online data on the relevant SEs. Project reports, documentation and data were also collated to contextualize the interviews and add depth to the interview data. To ensure completeness, follow up calls and emails were made to fill in missing information that may have occurred during the interview.

4.3.7. Data analysis.

The mode of analysis, throughout the processing of the six cases was that of clustering and constructs development. The within case analysis (Eisenhardt, 1989) forms constructs drawn from themes that are precoded in the questionnaire and also new emerging themes drawn out from the interview data (Boulding 2006). In the cross case analysis conducted in Chapter 6, each individual social enterprise is sought to be understood through its meaning and referents in the economic system and the community it is drawn from. The research findings were completed by deriving representations of the funding process through the frameworks of signaling theory and Ostrom's IAD framework .

Through the case methodology, each case was interpreted through pre determined themes or constructs (Boulding 2006, Denizen and Lincoln eds. 1994), maintaining the qualitative research approach of constructivism. A deeper understanding of the case illustration is attempted through the Display and Visualisation technique where data is presented visually (Onwuegbuzie & Dickinson, 2008). The cases have been narrated through the within case analysis method. Pre determined constructs were applied on the interview data. The six cases illustrated for the research study were reviewed through these constructs with commonalities and variances being discovered through the structure of this frame. The cases were processed to develop answers for the research questions and to understand the identity of a social enterprise through an exploration

of its mission and values, its financial strategies and enterprise capacity development with focus on financial and fund raising skill development.

In qualitative methodology, the researcher is presumed to have a priori experience and knowledge in the research area to better develop models and new constructs for the data collected (Coviello 2015). The researcher leveraged her experiential learning in the social enterprise sector to better interface with data and the ongoing process of theory development given the dynamic nature of the data set. The interview data was analysed to develop representative models of the social enterprise funding process model studied in an interpretative phenomenological approach. The research study has attempted to make sense and meaning and develop abstractions out of the processes, both routine and non routine observed during the study.

Chapter 5

Case Analysis and Narration- Thematic Analysis

5.1 Introduction

Through case methodology, the author seeks to uncover and illustrate the complex web of funding relationships and ecosystem (Isenberg 2011) that fuels the social enterprise. Concurrently, the financial strategies the SEs deploy to overcome their funding deficit are analysed. The cases are examined and analysed through apriori themes embedded in the semi structured questionnaire. These themes and constructs are used for categorizing content when scanning the case project documentation collected during the survey. The themes are – Mission/Goals that reveal the social enterprise nature of the SE, Enabling environment-Influencers and enablers, Projects and operations, Financial gap funding, Sustainability support and Bricolage, Collaborative support for operations that replaces/augments funding and Staff capacity building with focus on financial capacity.

Bricolage has been used by Desa (2012) to identify assets and support received by the SE in kind - they include, free office space, donations in terms of land/building and volunteer input. Bricolage means the usage of materials on hand, creating new products from existing resources and even discarded (by other entities) resources. Desa (2012) has deployed this term for identifying donation of time and skill resources by volunteers and even self taught skills by employees as labour bricolage and material bricolage for use of materials discarded by others or even new use of existing materials. Bricolage does not include cash received as grants or financial subsidies including soft loans. The researcher has deployed the term to include donations received by the SEs in kind- land, office building, warehouses and lower pay scales accepted by the employees of an SE in return for ‘psychic reward’

5.2 CBO/CBS Sectoral Background

The first two cases are drawn from the CBO framework. Towards the end of the last century, it was observed by leading NGOs in the southern states of India, that donor funding was being

gradually reduced for poverty alleviation efforts (Parks, 2008; Asian Development Bank, 2009; Pavan, 2010; Gilligan, 2012; Rowlatt, 2015; Doane, 2016; Chauhan, 2017). Financially sustainable development activity was increasingly sought for by civic society and development intervention organisations for ensuring operational continuity and even to ensure their very survival at the grassroots. Means of raising funds became one of the goals of the civic societal organisations whose previous goals were focused only on their social impact goals. The reduced flow of donor funding combined with the raised awareness and community management skills funded by previous donor efforts led to initiatives such as Community managed Business Organisation or CBO and Community Business Services (CBS). The CBOs originated from the need of the pervasive institution building necessity of civic society to garner strength for the individual who is marginalised and undergoes multiple deprivations. The term 'community' in the terminology CBO refers to mainly Self Help Groups (SHGs), that are essentially groups of individuals formed through voluntary memberships and maintained through a mutually agreed upon annual subscription or membership fee. These voluntary SHG entities (Sengupta, Kannan, Malhotra, Papola, & Yugandar, 2007) obtain a stake in the CBO initiated by an existing lead NGO embedded in the communities that they have been catering to. The CBOs are termed as Community Managed Resource Centres by some of the CBOs. The term "Resource" includes services that provide value to the local citizenry at what is deemed a fair exchange and required by the consumers of the service so provided. The term 'Centre' indicates that it is a centrally provided physical location for rendering the product or service for a fee.

The first case is from a relatively financially sustainable CBO and the second case illustrates a struggling CBO. The CBOs surveyed are designed as self sustaining entities to be owned and managed by the community in the geographical area it is located in. Every CBO is managed by a Board formed of elected representatives from the member CBOs which include SHGs, watershed associations, co operatives and producer companies. The CBOs have an independent office, maintain separate books of accounts and have a well managed financial reporting system for monitoring purpose. Each CBO presents its annual report to general body whose members are drawn from the SHGs and the other community associations.

The CBO, fulfilling the tenets of an SE as identified in Chapter two of the thesis, provides several services to its members. There is a certain package of services that all CBOs are eligible for by virtue of their membership fee. This includes updating of books of accounts, audit, support for conflict resolution in the CBOs (if necessary) and training services. As part of their social agenda the CBOs surveyed by the researcher also provide services such as health camps, animal (livestock) health monitoring camps, legal awareness programmes, etc. Many CBOs also engage in entrepreneurial activities such as providing browsing services, help with applying for identification cards, ration card, PAN card, checking of secondary and higher secondary exam results, LPG connections and other such services that require interfacing with institutional systems.

A major initiative of the CBOs surveyed across projects has been providing vocational/skill training to youth in their area of operation. The CBOs have established collaborations with government departments and industry (under the Corporate Social Responsibility initiative) to provide skill training. Examples of such collaboration include training support for carpentry and masonry skill training from a state government department and the CSR activities of a national consumer goods corporate. The CBOs function as vocational training centres with collaborations established with industry for placement of the workers they train. Many trained workers have been placed in industries such as the garment industry in Bengaluru. The CBOs surveyed also collaborate with yet another social enterprise that connects rural based skilled workers to urban demand for the same. The CBO connects the newly trained worker to jobs by routing them through their collaborator social enterprise.

The CBOs also innovate based on the need of the community. For instance a CBO in Kolar district promoted a producers' company of millet growers. A group of millet farmers belonging to member CBOs of the parent CBO, were supported to establish a company that aims to add value to their produce/product and find wider markets. The CBO guides the nascent company through procedures such as registration, documentation, framing of bye-laws etc. Another CBO established in Kolar district, now helps in managing a community radio station.

The CBOs interviewed by the researcher comprised of SHGs that were audited by the CBO for pre defined metrics for both operations and financial standards. The SHG loses its voluntary CBO membership if it does not accept the audit process. Due to deliberate policy on the part of the lead NGO who laid the foundations of the CBOs surveyed by the researcher, the SHG members who comprise the CBO belong to the marginalised and the poorer sections of the society that the CBO is embedded in. By their presence through the SHGs they are members of, and through their stakes in the CBO they become vocal and increasingly empowered citizens of the larger community that they were previously marginalised from. The lead NGO considers the SHG as the fundamental building block in their goals of reduction of "poverty, isolation, multiple deprivations and powerlessness" (Chambers 1995). By ensuring that the SHG members and the subsequently evolved CBO s represent the extreme poor and the deprived, the lead NGO ensures that the objective of socio economic equity is aspired for and attempted to be achieved.

The CBO has its own premises, an independent set of books of accounts and financial management systems. The CBO presents its annual reports before the General Body who are drawn from the SHGs comprising the CBO through a democratic elective process. Each CBO has a full time staff with a CBO manager or CBO resource person (CRP) who have had previous experiential learning within an older CBO or drawn from the trained ranks of the lead NGO. The executive functions of the social enterprise CBO are carried out by the CBO Manager or CRP. Though the CBO s are largely established within the general design framed by the lead NGO, each individual CBO is redefined and reframed by the community it originates from.

Having experiential learning of the fragmented powerlessness of the marginalised, the lead NGO's mission was to promote poor people's institutions. Such institutions were designed to build up institutional capacity to manage their organisational affairs, built community capacity to raise resources through savings mobilization, manage the resources that have been raised, initiate sustainable investments in livelihood projects, empower the institutions to be agents of change and finally developed to be considered as credible partners for collaborations with other institutions. The CBOs thus evolved as a result of the intent of the lead NGO to encourage institutional and financial self-reliance at the community level through the investment in staff

capacity, vision and mission building and through the exchange of value by taking part in the supply and demand exchange for services within the village/rural framework.

The membership of the CBO studied is largely made up of social affinity groups (SAGs) which are gender based organisations with only women members. Over the years Watershed Management Associations (groups covering micro catchments of 150-200 hectares, with around 35 families as members for each group) with both male and female members, are encouraged to be members of the CBO located in their geographical area. At the time of the interview, each CBO that was interviewed was given the financial target of achieving a top line of about Rs 18,000 to Rs 20,000 per month. This monthly revenue target was set after analyzing the breakeven per month incorporating the CBO's fixed costs of staffing and administrative expenses.

5.2.1 Institutional and seed support from the lead NGO.

Well established decades old NGOs have initiated the CBOs or community social enterprises in the project areas they operated in. For the purpose of this survey, the researcher addresses these NGOs as the 'lead NGOs'. The CBOs, viewed as independent profit centres, served twin purposes. The community continues to benefit from a social organization, in the context of falling philanthropic funds and the lead NGO maintains its relationship with the community, though at a distance. In most of the cases studied by the researcher, the premises that the CBO operated out of, a key subsidy accorded to this form of hybrid enterprise, was gifted by the initiating organisation or as a donation of land with funds for the building, from the local panchayat, state department or even private donors. The CBOs surveyed in Kolar, Budikote and Kamsamudra have been backed with institutionally financed proprietary premises whereas the CBO in Case 2 (as observed during the researcher's visit) is occupied on a rental basis. The awareness of the 'temporariness' of the space was reflected in the discourse held at the CBO during the survey. Operating out of owned premises lent 'permanence'. This led to a feeling of being supported and being part of a larger goal at the other CBOs. As envisioned by the lead NGO, the original resource centre from which the CBO was derived, the CBO must necessarily operate from a physically designated space – their office, maintain their own accounts and have an independent financial management system. They present their annual reports to the General Body. The member SHGs or CBOs pay a predetermined monthly fee as membership charges that forms the main income of the CBO. The design for organisational sustainability was affirmed with the CBO's assessment for six operational indicators. Based on the lead NGO's experiential learning and theoretical research, the CBO was to be assessed for Vision/Mission, Organisational Management Systems, Financial Management, Organisational Accountability, Linkages and Learning/Evaluation efforts.

5.2.2. Funding the CBO/CBS with their sacrificed pay/ trained personnel with pay gap vis-a-vis the private sector.

The in house trained staff were aware that they could access alternate worlds with higher pay structures and fewer working hours. However they choose to fill the gap between what they achieve financially using their present skills and capacity [most of which were largely built with the investor NGO's training programs] with the good will they received by working with a community organisation and the social satisfaction they gained. The non financial incentive of working near their place of origin/residence combined with a relatively rural and hence slower paced lifestyle also helped to contribute to the gap funding of the CBO.

5.2.3 CBO service offerings observed during the survey.

The four CBOs surveyed by the researcher had the following commonalities:

- **Staff criticality:** The CBO personnel by becoming its spearhead, formed an intrinsic part of the assets held by the CBO as a functioning enterprise.
- **Relationship with community:** The staff of the CBOs observed had an individual and one to one relationship with their members of target market and stake holders.
- **Empathy on the ground:** The CBO staff had good empathy on the ground and understood the difficulties and complexities their community had in navigating the changing social landscape.
- **Personal and intuitive knowledge of needs:** Every manager interviewed expressed an intuitive knowledge of the needs of the clients they served.
- **Continuity:** The staff and managers sought to establish continuity in relationships by encouraging subsequent generations of the older SHGs to join the CBOs as members.
- **Aspiration:** The managers wished to be able to raise funds to cover their operating expenses, as they were reluctant to tax their still poor stake holders.

5.3 Case 1 CBO Based in Kamasamudra, Kolar district, Karnataka

(community services sector including microfinance, agriculture, gender and empowerment- financially established)

5.3.1 Place and profile .

Case 1 is drawn from Kamasamudra, Toppanhalli in Bangarpet taluk in Kolar district, Karnataka. The interviews for the case are set in Kamasamudra and nearby villages, in Karnataka. The main interview was conducted with the CBO president, the manager of three CBOs in the taluks listed above and a few staff members of the CBO. The CBO manager, one of the interviewees, headed three CBOs located in Kamasamudra, Bangarpet, and Thoppanahalli all located in Kolar district in Karnataka. The three CBOs together catered to 90 villages and had a membership of 265 SHGs in its folds. Kolar district is in southern Karnataka, and a semi arid drought prone region. As per the 2011 India census, Kolar's population was 138,553. Kolar district covers about 8,225 square kilometres (3,176 sq miles).

5.3.2 Mission and vision.

The manager had continually been working with social mission organisations. He iterated that the CBO had not developed a vision of their own. The goal was laid out for them by the founder investor NGO. The main aim of the CBO is to provide services to the community and community based organisations. The goal was to provide services based on their needs to community and to CBOs peopled by the marginalised such as SHGs and watershed associations. The manager stated that the CBO was careful to differentiate between providing aid to institutions and individuals. The respondent emphasised that their mission was to develop people's institutions and enterprises rather than individuals as that was the goal of the parent investor. The main mission is to provide help to people's institutions which were community based organisations that were apolitical. Political or 'caste' affiliated organisations were not encouraged and they had a mandate of not collaborating with them.

The objectives and goals of the organisation were to form SHGs and watershed associations, to organise health and animal health camps, provide insurance services – both life and health to people. Additional goals were to link the SHGs and establish communication networks with state

government departments, such as agriculture, watershed, horticulture, taluk panchayat and the zilla panchayat and lastly to help the poor and marginalised access schemes available with these departments. The CBO also organises livelihood skill training, a core component of their collaboration with corporate CSR activities, resulting in a portion of the social enterprise's earned income.

5.3.3 Influencers and enablers.

The lead organisation and the founder NGO was active in the CBO manager's village and had high credibility and good will in the community. He could not continue his studies after his higher secondary schooling. Joining the projects initiated by the lead NGO gave him both social status and a job in the village, hence he applied for employment with the project. The manager continues to be a member of the SHG that he joined in his village in 2000, one of the firsts in his village. Prior to the formation of the 19 SHGs formed by the lead NGO in the late 90s and early '00s, there was no participation in gram sabhas or in the other village level programmes conducted by the government/development organisations. After the formation of these SHGs, and the concurrent continual training and capacity building within the SHG framework, there was a shift in the power balance in the community. "Now people are so aware, the government cannot implement anything without their knowledge. SHG book writers contest panchayat elections. They are so knowledgeable. Now people know about all schemes of the govt. The government has to respond to them because they are aware, the awareness created by the NGO is very good" the manager affirmed. This statement fits in with the political context and agency development framework of the SE and similar development related interventions. The village had only 'kaccha' or adobe based constructions prior to 2000. Till then, a few village elders who were networked with the grant approving functionaries accessed the prevalent government schemes for building concrete based houses or upgradation of the old. After the intervention by the lead NGO and building capacity through SHGs, "everybody got to know about all these schemes". As part of the water shed project that the manager volunteered for in year 2000, there were funds set aside for panchayat development up to 5-10 lakhs per year. This was availed of, and the panchayat system got strengthened too. The funds were allotted for infrastructural projects such as building drains, drinking water facilities and housing for the poor. As only the extremely deprived were being assisted through the watershed sourced funds, the community

took note and accorded their acceptance. Until such intervention, these funds found their way to only those “with influence and their relatives”. The lead NGO identified the really needy and built about 8-10 houses on land contributed by the panchayat. That helped build the reputation of the lead NGO, as an organisation that works for the poor.

“Today my village has vastly changed...(in terms of agricultural activities). Silt application, every farmer applied. There was land leveling... stone clearing...people could clear their lands of boulders and use it for cultivation. Such programmes were implemented very well. The village has changed completely.... It is green there even now, because we have planted many trees”.

5.3.4 Training and capacity building.

The lead NGO had formed the SHG groups comprising the CBOs in the sample. The initial process of forming an SHG includes the process of helping the SHG to open a bank account. The SHG members are women largely drawn from the marginalised communities. There is continuous and rigorous follow up of the SHG for six months, with CBO staff visits every week. In every weekly meeting SHG principles, rules and processes are inculcated, which involves continual training on the conceptualisation of self help groups, financial literacy and on collaboration processes among others. After about six months, with adequate understanding of the SHG and group dynamics/ co operation methods, financial capacity building comprising knowledge of savings, accessing loans and financial information is inculcated among the members of the SHG. The lead NGO further provides training on how to organise a group, learning on decision making and conducting discussion, roles and responsibilities of members and on leadership skills. Training modules are designed and delivered through separate one to two day workshops on double entry book keeping, maintaining books of accounts and the auditing process within a span of six months to two years of group formation. In 2010 the CBO in Kamasamudra was registered as a legal entity under the Indian Societies Act.

One of the respondents, the CBO manager started his career as a volunteer with a high profile, state sponsored and globally funded water shed project. He was subsequently employed by the same project as SHG internal auditor. Working for the watershed project for a total of three years, he moved to another non profit after which he joined yet another state sponsored , global social

impact investor funded watershed project. He then joined the lead NGO, the funder of the CBO being surveyed, in another district in Karnataka. The respondent worked in the parent/investor organisation until the project closed after two years. He then gained employment in the organic agriculture sector and was involved in both training and selling the organic produce in Bengaluru. There he worked on issues related to organic farming on projects that drew funds from the state government. The manager received grounding and technical training in green farming at this green organisation. He was trained in seed conservation, seed harvesting and threshing. “We used to go to the field and observe the health of ears of grain, tag those grains that were diseased, separate healthy seeds and tie them together... Cut them and keep them for seeds. The usual practice is to mix all seeds – healthy and unhealthy – together. Then sometimes germination fails. Some seeds will not be of good quality” the manager stated, affirming his belief in the necessity of skilling and ongoing training in environment and development issues. The organic farming training was conducted by technical personnel and senior farmers from Tamil Nadu and Karnataka. The training also involved university visits and exposure visits to Krishi Vigyan Kendra (KVK) in Bangalore. The manager believes that the organisation offered the training to empower its staff. “We were exposed to farmers’ fields. There was also research being done. There were control plots for crops. And treatment plots. In the control plot we don’t do anything [use any inputs etc], in the treatment plot we use all the methodologies and inputs that we have been trained to use. This was to demonstrate to farmers. For example we used to make two parts of a 10x10 plot. In one part we would use urea and all other inputs that farmers usually use. In the other part we use only organic inputs. We would compare the yields” he continued. The staff training in turn helped them conduct their advocacy mission more effectively. “We would ask the farmers to observe and study and compare. Once they are convinced slowly they would start using organic inputs. We would organise field days. We would select three or four farmers who had adopted all components of organic farming on their farm – such as azola, kitchen garden, SRI (system of rice intensification), organic urea. We organised farmers’ meetings on the farms of such farmers and farmers shared their experiences”. The farmer meetings and advocacy were supported with government grants allocated for this purpose. The training has enabled him to function as faculty and trainer for other farms and organisations related in the organic farming sector on a fee basis even during the course of his employment with the CBO. However as funding is required to support the gap in the income

deficit when switching over to organic farming from that of chemical input based, the semi arid and distressed farming areas covered by the CBO finds fewer takers for the concept given the lack of such fund support in the area.

Thus together with the capacity building provided by the investors of the CBO, the CBO manager had accumulated managerial and technical capacity through upskilling and multiple trainings programs for over 15 years. His training in watershed concept and concept of area groups, organisational and group capacity building, organizational mission and vision building along with PRA (participatory rural appraisal) training was obtained when employed with the watershed project. The CBO manager had also undergone a training in fund raising, including on how to conduct a walkathon. Both national and international donor agencies were involved in the training conducted for the CBO managers.

The financial training and capacity building for SHGs includes capacity building on common fund management and how to grow its corpus. The training is conducted during its monthly meetings which includes discussions on sources of funds, pattern of expenses and cash flow and accounts.

5.3.5 Operations and management.

The CBO further invests and enables its SHG members to run entrepreneurial activities such as the manufacture of incense sticks. The micro enterprises are membership based voluntary organisations. The manager said “They have to make raw materials, and identify customers”. The four CBOs had also come together to form work oriented informal groups. One of them was an informal carpenters’ group , a collective of carpenters -all members of the individual SHGs and other CBOs forming the three central CBOs. The other was an agarbatti or incense producers’ informal group. The informal groups were formed on the basis of work activity- in the first instance that of carpentry skills and the second the production and manufacture of incense sticks. The individual carpenters and agarabatti manufacturers, all drawn from the membership base of the CBOs, meet once a month. The informal collective enhanced their group decision making skills and their bargaining position when negotiating with banks and financial institutions for loans. It pooled their knowledge and expertise for material sourcing and both production and

sales. Being members of the SHGs and the CBOs gave them access to the network and domain knowledge on how to sustain their informal socio economic network for gain. Almost all the members of the SHGs and watershed management associations forming the three CBOs were from deeply impoverished and marginalised communities. The collectivization, combined with their financial literacy learning and group skilling paved the path for social change and set them on the path of empowerment and equity.

The CBO board comprising of SHG members who are largely women, meets monthly. The meeting provides an opportunity for a follow up on the SHGs problems including intermediation in bank linkages and capacity building training. Based on their internal grading metrics, 'weak' SHGs are focused on and ways found to improve their metrics through training led intervention. The staff of the CBO who coordinate and monitor the activities of the member SHGs are in turn vetted. Their monthly 'progress reports' are reviewed. Budgets are monitored and updated and monthly plans are checked. "We plan how many SHGs to visit, how many books to be audited. We discuss the salary, pass bills and payment cheques in the meeting. We discuss job opportunities for children of SHG members – through contacts with companies etc". The CBO organises courses in computer operating training, health check up camps, incense manufacturing training, tailoring courses with assisted job placement with garment companies, training in masonry and other skill training. The staff and other functionaries of the CBO carry out surveys in every village that the CBO members are drawn from, to assess the demand for skilling and training courses and design programs based on the need and capacity assessed through such primary surveys. A case of training linked to employment and entrepreneurial opportunity generation would be: A group of SHGs within the CBO fold selected 10 willing members (all women) from the extremely deprived families among themselves to undergo incense manufacture training. Through the CBO, funds were raised and machinery required in the manufacturing process was acquired by the CBO and physically located on its premises. Linkages for buyers of the incense sticks were sourced and established . After the training period of one week, production commenced and an enterprise of incense manufacturers was established. The social enterprise CBO had in turn incubated a for profit enterprise owned and operated by the marginalized.

5.3.5.1 Relationship management .

The CBO takes steps to ensure that there is continuity and stability in partnership relationships “We maintain quality and we follow the guidelines that they set. We make sure that the session lasts for at least 4 hours each day, give the training materials as directed, the training hall and display in the hall are also as per directions”. Understanding the institutional nature of their training collaborations, the CBO maintains due documentation process and records all transactions with the community and their institutional collaborators. For the training programmes, they maintain attendance registers, conduct monthly exams and retain the question papers and answer sheets as part of the record keeping norms. The master trainer hired by the CBO and paid for by the CSR funds of their corporate collaborator, conducts the test. The application forms and photos of all the candidates are retained by the CBO for all future audits by their corporate collaborator and investor NGO.

5.3.5.2 Staffing.

The CBO manager believes that the staff must comprise of people who have “social concern”. He states “They must not be money-minded and work only for salary. They must have the wish to provide service. They must be clean in word and deed; must be clean in their dealings, money transactions, honest”. The CBO sought to employ individuals who are goal oriented and have independent ideas on how they will achieve these goals. It aimed for a flat organisational structure, employing empowered staff with independent initiatives and ideas. The employees were encouraged to operate as entrepreneurs, working on their own initiative, handling projects and tasks independently with minimum monitoring. The respondent had delegated his task and responsibilities to the co coordinators and a junior manger in the two other CBOs that he managed, covering a total of about 350 SHGs.

5.3.6 Financial strategies and sustainability process.

The CBO does not contact donors or social impact investors directly. Their collaborations for larger projects come through referrals from their lead NGO. E.g. a hospital wished a survey done on ASHA workers. The hospital approached the lead NGO who then referred the hospital to the

CBO. On being asked if they had no collaborations that they garnered on their own, the CBO said that it was a combination of both. They get contacted by local organisations, typically local based institutional organizations and the panchayats. They also seek contracts that are feasible within their micro operational capacity. E.g. the local panchayat wished to renew ration cards and did not have the staff strength to do it on their own. The job was outsourced to the CBO who accomplished the project and was remunerated on the basis of per ration card renewed. The CBO used the software specified by the panchayat for the ration card renewal process. Another micro project handled was the registration of Anganwadi (government sponsored and operated nurseries) children for an intervention programme. The job was outsourced to the CBO for a fee who completed the registration process for all the anganwadi children. The anganwadi children registration project was obtained after the CBO bid for the project by quoting a lower price when compared to that of a competing for profit enterprise.

5.3.6.1 Annual service/membership fees.

The direct income for the CBO comes from annual service fees and audit fees paid by its member SHGs. The fees are mutually discussed and agreed upon by the SHG board. The fees are structured as a onetime life time membership fee and annual service fees. Operational income is also derived from commission charged for banking and MFI loans raised by the SHG members through the intermediary services of the CBO.

5.3.6.2 Income through microfinance/lending.

The CBO collaborates with the microfinance company that is also set up by the lead NGO along with funds from outside investors. At the time of the survey, the CBO earns a fee of 1.5% as commission on the loan disbursed for intermediation. At the time of the interview, the microfinance company lending through the CBO charged an annual interest rate of 20%, an average of 80 basis points differential with comparable rates charged by public sector bank lending to this sector. Bank lending directly to the individual SHG members was also intermediated by the CBO. In the 2014-2015 financial year, the banks had directly lent a total of 3.5 crore rupees to the SHGs who were members of the CBO surveyed earning the CBO

Rs5,25,000 at a 1.5% commission for that year. The bank interest rates for the loans disbursed through the CBO was 10.2 percent for loans up to 3 lakhs and 11.2% for loans above 3 lakhs. The prevalent card rate for bank loans during that period was higher. This directly places the CBO in the terrain of blended finance, offering a discount of loans rates to the disadvantaged and economically deprived. The CBO augmented its social impact role by providing a tiered rate of lower prices for those being able to avail of only a lower principal amount at lower rates of interests and fixing higher rates for larger amounts.

The CBO prefers to connect with their collaborator MFI for initial stage loans, a stage defined as an SHG that is in its infancy. As per the respondent's experiential learning, banks have internal rules that allow them to lend to an SHG that has been in existence of a minimum period of six months, adhering to their SHG assessment metrics of continuity and group sustainability. Hence first loans are drawn from the collaborator MFI with the CBO providing the signaling validity factor for the bank's client SHG. This process of the validation of the SHG by the CBO in the Bank- CBO- SHG linkage justifies the social enterprise CBO's existence within the framework of signaling theory.

5.3.6.3 Other income avenues.

Other services offered by the CBO for a fee are application writing, internet service, bond paper typing, question paper typing for 5th to 9th standard for schools, secondary school results dissemination, form filling in and writing, SHG bank account opening and LPG connection processes. They also provide a gas booking service – “for that we don't charge anything, they bring their mobile and we book for them”.

5.3.6.4 Financial sustainability support.

The key financial intermediation given to the social enterprise was in the form of physical asset building. The office premises of the CBO included a meeting hall and a micro workshop and factory. The building and the land on which the building where the CBO office functioned from, were gifted by the promoter NGO and the village community. The village community and the lead NGO jointly contributed to the independent office and warehouse/factory building for the CBO to function. The NGO provided the independent building which was previously used for its

community activities during its project operations in the area on land that the community had gifted to the NGO. Owning its own office premises with built in facilities for both commercial and industrial activities vastly increased the credibility of the CBO among its SHG members and the community. This financial support by the lead NGO also helped built the asset base of the CBO and provide a permanent subsidy for its office and industry workspace expenses. Additionally, the promoter NGO paid the salaries of the key staff until 2012 – for a period of 10 years since its inception. For an additional year, 50 percent of the office and staff expenses was subsidised by the lead NGO. Thus the earnings expense gap of the social enterprise was filled in by the promoter NGO through subsidies for operational expenses. After 2013, the CBO generated sufficient income to meets its own fixed staffing and administrative costs

5.3.6.5 Collaboration.

The SE bridges the funding gap in part through fees charged to corporates for implementing their CSR programs in the taluk. They provide outreach modes to government hospitals and private general hospitals by organizing and conducting health camps. Eye (vision) health intervention camps were also conducted in partnerships with leading eye hospitals based in the southern states of India. Skill training camps are conducted with support and collaboration from Karnataka Vocational Training Skill Development Corporation (KVTSDC), a state government institution. Computer training programs have been conducted from 2010 to 2012 with support from the lead NGO. Tailoring training programs were conducted with the support of the lead NGO and in collaboration with a national sewing machine company. The tailoring training programme was initiated in year 2012 and is an ongoing programme. The CBO takes on the role of the last mile connect by conducting health training programs- part of the CSR activity of a consumer goods corporate. Carpentry and masonry skill training programme is conducted since year 2013 and is funded and supported as part of CSR activity of a leading consumer goods company of the country. The CBO also implements the IHMR programme on behalf of the government. Some of the programs are farmed out by the lead NGO through an intermediary training organisation- an institution specifically built for this purpose. The SHG members are trained by the intermediary training institutions which have both the institutional frameworks and the infrastructural support. The training infrastructure included physical infrastructure, committed trainers and specialist content providers. The training centre funded with donor support, provided multiple training

courses. The CBO designed and offered training programs for skills that were in demand in their community. At their request a house painting skill training course has been designed and is on the anvil. As the masonry training programme is popular in the community due to increased construction activities in their area and in the nearest city Bengaluru, the programme continues under corporate CSR funds that pays for the trainer and the tools required for training.

5.3.7 Impact.

The direct beneficiaries of the three CBOs managed by the respondent were 4000 individuals covered by the 350 SHGs. In addition to the 4000 direct beneficiaries, the communities that the three CBOs were embedded in, also gained from the CBO operations. This included press reporters who visit the CBO premises to file their press reports, taking advantage of its office facilities.

5.3.7.1 CBO impact case.

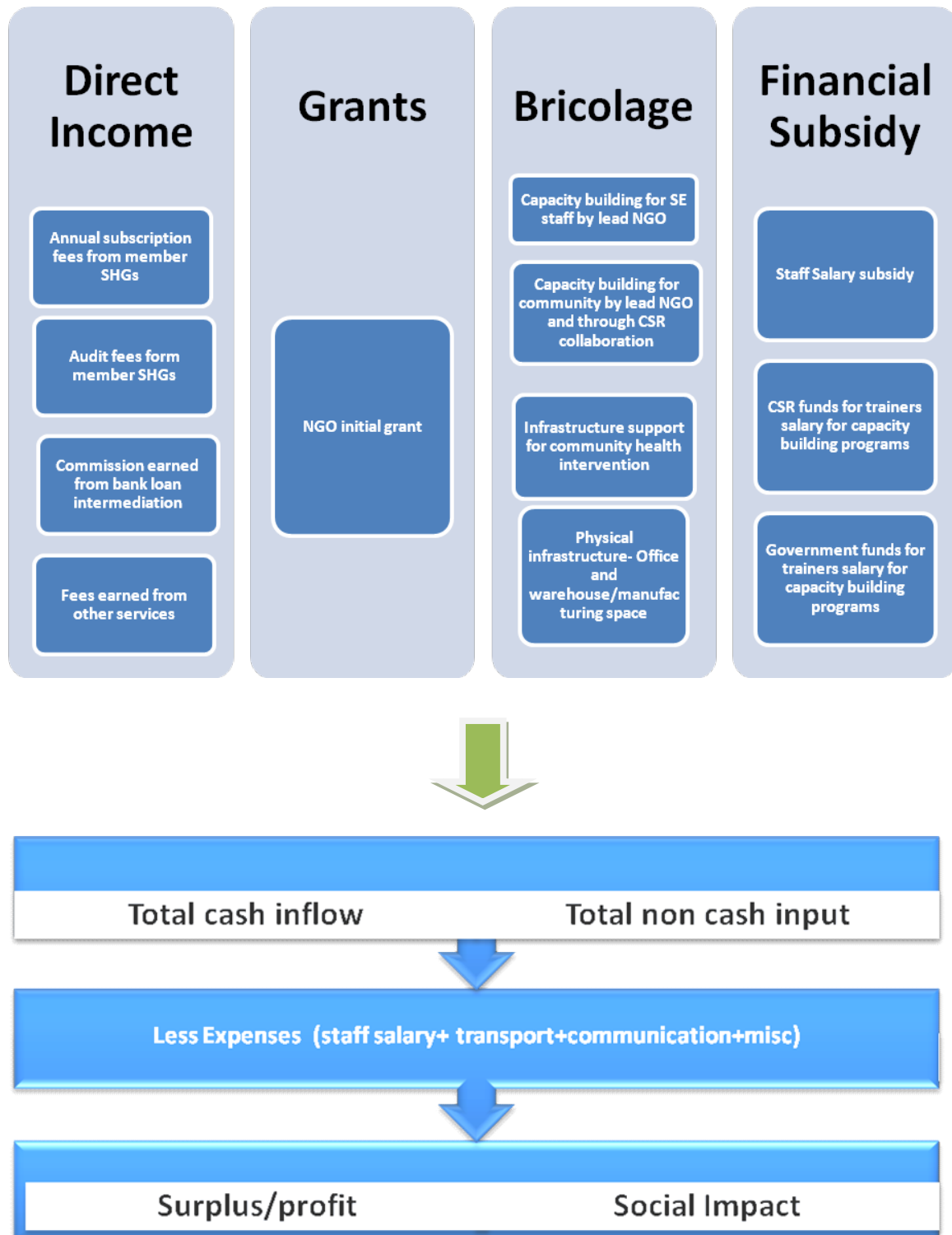
One of the respondents for the case surveyed, was the CBO president who had completed her secondary schooling nearly two decades ago. Her husband was employed in the local branch of the Karnataka State government's rural development department. Even though the respondent's spouse's organized sector pay and her secondary schooling placed the respondent in a more privileged situation when compared to her peers who were all from even more disadvantaged situations, it was still a financially challenged life. After her schooling the president had gained employment as an anganwadi teacher. The respondent had at that time joined the then still new concept of SHG and was trained as a book writer or books of accounts resources person by the SHG in her area. "The first one has completed BA, the second one is studying 2nd PUC (about her children). In those days it was difficult to make a living. The anganwadi salary was only Rs,300 a month. I had to bring up my children. I am the only daughter of my parents, they are dependent on me. So it was difficult. Then I joined the SHG, I was the book writer. We write the cash book in the SHG and can know what our income and expenses are. In the same way I started calculating the income and expenses of my house. I used to make sure that our expenses do not exceed the income. It was difficult. Then I started taking loans from the SHG. They give bank loans, subsidy loans, [not clear----] loans, then we got training. Though I was an anganwadi

teacher, I was doing my job that is all. I did not know how I could make economic progress. That I learned from the SHG. You can grow economically only if you are involved in financial transactions. So after joining the SHG, I got financial help. I did not have a very good house at that time. After joining the SHG, I took loans, built a house, and educated my children to some level. I am active in the SHG, I write the books, I speak freely, through (the CBO) we have built links to so many departments, people come from even foreign countries [to the SHG] they share their experiences, I have understood a great deal about how other people live, how we can grow further. Then I was selected as the representative to the cluster level federation (a group of SHGs). "

In the period that the CBO president has been an SHG there have been both social and economic positive externalities in her life. She learned how to be the decision maker in her immediate family. She also became a resource person for her social network including, relative, friends and neighbours, earning social capital. She helps her community get loans, enabling linkages to the CBO and helps them grow by sharing her experiential learning experiences with them. Through a catalyst effect she enables community linkage by visiting every house in the village in person and initiating discussions on issues with them "I have shared my experiences with them. We make house visits...In the villages where we work, we visit every house. Then they tell us about their joys and sorrows. We talk about women's issues, about hygiene, about adolescent health, we organise meeting of adolescent girls and talk to them about these issues. In short this has become an opportunity for us to get recognised in society, to do good work". From a struggling and economically deprived homemaker, the CBO president has traversed a path of economic and social empowerment and developed agency along the journey.

Figure 5.1 Case 1

Financial process model : CBO- MULTI SECTOR+ BRICOLAGE / DOUBLE BOTTOM LINE
(Ramanathan, 2018)



5.4 Case 2 CBO based in Malur, Kolar district, Karnataka

(community services sector including microfinance, agriculture, gender and empowerment-financially struggling)

5.4.1 Place and profile.

Case 2 is a relatively newer CBO set in Malur, a town in Kolar district, Karnataka. Of all the CBOs surveyed, which are set in rural areas, it is closest to an urban centre (Bengaluru).

The CBO manager hails from a small and marginal income background drawn from the same geographical area as the CBO is set in. The manager has had formal education for 10 years and has completed his higher secondary studies. He was pursuing his degree studies through the open university system at Mysore University at the time of the interview. Interviews have also been conducted with individual SHG members who are also members of the CBO. Discussions were also carried out with tailoring trainees of a tailoring course conducted by the CBO and an entrepreneur who had upgraded her door to door flower selling trade to a make shift stand outside the bus terminus through loan linkages availed through the CBO.

5.4.2 Mission and vision .

The CBO manager states "our office itself is made for the community- whatever they need" on being asked to state the organisational mission and goal. He clarifies "Through the concept the lead NGO had. Whatever the community needs. and for the community" . The CBO manager does not believe that the enterprise should sell its services at a profit. " it's a non profitable institute. yes, but we do not make profits(on being queried that they charge fees for their services). it's not a profit motive". The social impact goal is emphasised in the mission statement framing the discourse of the enterprise's commercial activities. Profits for the social enterprise is secondary to the social impact goal in this social enterprise and seen only as a means for enabling the firm's activities that will generate the social impact.

5.4.3 Influencers and enablers.

Over 11 years ago when the CBO manager was still in higher secondary school, the state government launched its key watershed project in the area. The manager's mother at that time had enrolled as a member of the local SHG groups floated as part of the water shed programme for the poor and marginal farmers in the area. When there was a requirement for an 'EC/book' writer or a bookkeeping executive for the local branch of the project, the CBO manager applied for the job and upon being accepted, took it on as an evening job. The manager combined his day classes along with the evening job. Though he was paid only an honorarium of Rupees 700 per month, the job gave him both exposure and experiential learning.

The task oriented training the manager received at that time along with exposure to the investor NGO's institutional infrastructure both physical and its people, instilled a desire in the manager to work in a professional environment. "I had huge respect for (the investor NGO) and a curiosity about the organisation and the training it gave its staff and members". This prevented the ambitious CBO manager from migrating to the nearest city Bengaluru unlike his peers. The social goal induced him to stay back and give back to the community by remaining with the organisation albeit at a much lower remuneration structure and with more working hours than that would be available in the city. The early work experience as a 'book writer' was the reason that he decided to forgo a full time education and continue his education at an open university nearly 10 years later. However it was only after joining the CBO operations at Malur, that the manager realised that it was an independent operation and not part of the investor NGO. At the time of the interview, the manager had only then been promoted to the job, as the former manager, a veteran with the lead NGO for nearly 20 years and deputed to the CBO, had resigned. The manager discovered that the relatively newer CBO was not financially sustainable. The enterprise was forced to be fully financially independent on its own, an approach that was not prevalent earlier among the more well established CBOs within the network. The key financial sustainability support that was lacking as per the respondent, was a rent free premises. "The training was good ...hence when I joined and even though I got a low salary, it was for the community and there is a link to the community, so it was ok. I was connected to the community". Given the enterprise's current struggle to survive the manager believes "I would have studied further and then have joined some job- a corporate job in Bangalore" clearly

indicating that by not being part of a social enterprise in a rural area he would have had a better labour market outcome in the nearby city.

5.4.4 Training and capacity building.

The CBO manager was initially recruited as an apprentice and went through the apprentice training that the investor NGO provides. He then underwent training on the conceptual models of the CBO and on the theory and concept of an SHG through in-house workshops that the lead investor NGO had conducted. The training was imparted by the investor NGO senior staff who also performed the roles of trainers at the NGO's permanent training centres. The CBO manager had also been trained in accounts, roles, responsibilities and functionalities of an assistant, coordinator and manager for the community resource centre. Training was also imparted for the roles and responsibilities of board members as part of the preparation to be a board member of a CBO. Training was received by the CBO manager on four roles, that of President, Treasurer, Vice President and Manager. The training was conducted through a workshop for two days and included content on "what are their roles, what should they know about- society by laws- individual roles, books of accounts...". The manager had also undergone CRP books of accounts training and trainer's training i.e. training of new trainers. The training given by the investor NGO also included lessons on grading of SHGs and the basis of awarding them grades along with rationales for doing so. The SHG grading benchmarks training included "group income and expenditure, how many meetings- frequency-weekly/ fortnightly/monthly assessment". After the grades were assigned along with shared inputs from the SHG, the CBO manager was also trained to share the findings with the SHG concerned.

5.4.5 Operations and management.

Besides catering to the service requirements of the members of the 200 SHGs in their organisation, the CBO also conducts the state Sabala program, IWMP program, PLCF (health program) for awareness and care for health issues in the community due to then emerging epidemic of dengue and Chikanguniya.

5.4.5.1 Documentation.

The CBO had very efficient and consistent record keeping and documentation practices. Assessing the SHGs that comprise the core members of the CBO, is done annually. The assessment is carried out against benchmarks set by the investor NGO drawn from its knowledge base and experiential learning over decades. The CBO also has standardized norms for the number of SHG numbers that form a group, both minimum and maximum. "We have a chart. And we have data- respondent lists details from a chart drawn- village name , serial no, group name, date of opening (SHG founding date), how many members, (name of) bank, account number, what time meeting, place...". The CBO assigned points based on the ideal number of members comprising the SHG. The fewer the number of members the lower the grade. The information for the grading is collected through informal conversations with the group members. The CBO manager, referring to the trust and relationships built by the social enterprise with the SHGs said" In fact the sangha (SHG) suggests the grade we should give them" .

5.4.6 Financial strategies and sustainability process.

The CBO has not been trained to approach donors or investment stakeholders for funds. The funds raised had so far come directly from the investing NGO. The CBO manager thus does not have experience or experiential learning in raising funds. He believes that they can do so (source for funding support) only after they expand their service offerings and operate out of their own premises, indicating a lack of self belief in their present capacity to raise funds with existing operational capacity. "We can do so (approach investors and donors)- by having some more income- increasing our services and collecting service charges.....that's also possible but if we give service....(to more people) we can approach donors". The CBO manager wished to increase the number of SHGs in the CBO fold to 500 from the existing 200 to achieve breakeven. "We need 500 groups for added income and collect more service charges"....The CBO sees the current financial issues being solved through added revenues. "We can charge service charges for services provided. Now we have 200 groups- by 2020 we should have 500 groups- that's one goal. As this is an office set to provide service. Then we increase the number of staff, then we should show what is a CBO and what services can be provided- that's another goal". The CBO's annual revenue from membership fees was Rupees 1,50,000 which did not cover its breakeven at

Rupees 41-45000 per month. At a membership base of 500 SHG groups and an assumption of a planned increase of the membership fee to Rs 1000 per annum, the CBO team leader hoped to earn Rs 500000 per year by increasing the membership base and even achieve a surplus.

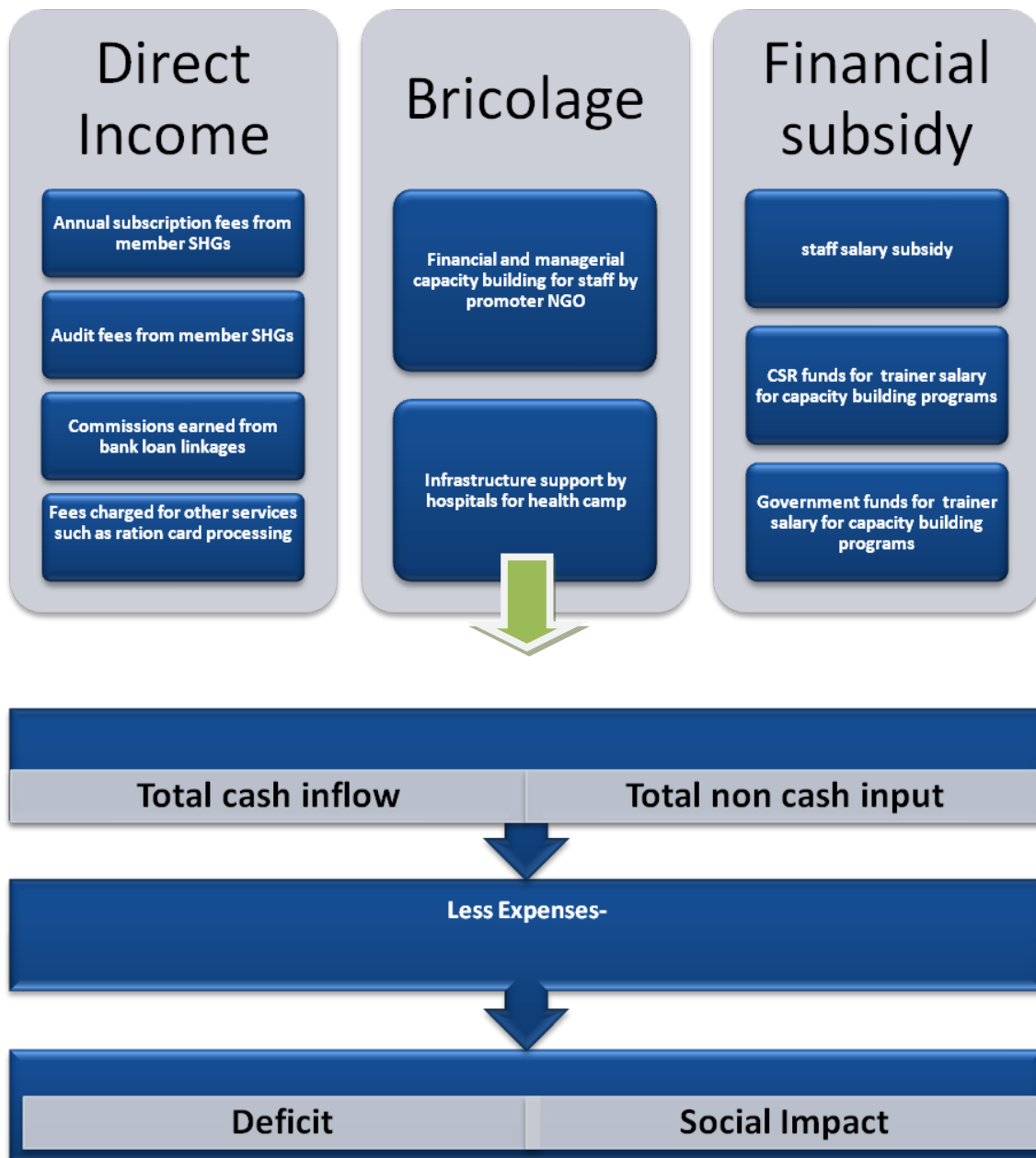
5.4.6.1 Challenges in financial sustainability.

The CBO manager recognised the implications of financial unsustainability due to the lack of sustained financial support that fills the gap between the earned income and cash outflow. The biggest challenge facing the social enterprise in the manager's perspective is that they did not own the premises that they operated out of. His immediate goal was solely focused on owning their workplace. On the reasons for owning their premises the interviewee responded "If we own the office, then it's easier to survive (financially)- sometimes... some months, we do not have income then it's difficult to pay rent and cover other expenses. Rent keeps increasing. Only if we have our own building then it is possible to continue". The CBO surveyed was established as an independent social enterprise by the lead NGO unlike its counterparts at the older CBOs which had evolved out of longer established projects formerly run by the investor NGO. "Also we should not be in a corner (the CBO premises the researcher visited was not located in the central area of the taluk), our office location should be easily accessible to sangha (SHG) members, otherwise they will not be interested in visiting our office" acknowledging the core service offering business model of the CBO. "Also if it is rented we keep moving due to rent our other issues, and then our sangha members do not wish to track us down. If we are permanently located in one place in our own premises then they get habituated to visit our office- the relationship is maintained, permanency is achieved" stated the CBO manager also taking into account the social enterprise's need to have a consistent presence on the cognition map of service providers by their target community.

Figure 5.2 Case 2

Financial process model: CBO- MULTI SECTOR / DOUBLE BOTTOM LINE

(Ramanathan, 2018)



5.5 Case 3 Farmer Producer Company

5.5.1 Place and profile.

The amendment made in year 2003 to Section 9A of the Indian Companies Act 1956 gave rise to a new social enterprise experiment. It was that of ‘producer companies’ specifically meant to offer corporate benefits to the small and marginal producers of the country. The amendment enables the incorporation of farmer or artisan producer companies, whose shareholders and owners are farmers or artisans, to buy and sell the produce and products they grow, manufacture or create. As a legal entity with limited liability, the farmer/artisan shareholders can access financial markets without having to raise loans against their small landholdings and limit their risk to the extent of the face value of their shares held.

The farmer producer company in Kolar (FPO) has 160 Self-Help Groups (SHGs) as its members all who are women from Kolar district of Karnataka. Nearly eighty per cent of them are millet farmers with very small land holdings. The group of SHGs in the area, brought together through membership in various CBOs decided to start a producer company for the farmers who were its members and community. Its shareholders were drawn from the SHG members of four CBOs. After the preliminary meeting where the decision of forming the enterprise was affirmed, 10 members from the larger body of the SAGs were selected to comprise the board of directors. The selection process comprised of 150 SHG representatives meeting and voting the 10 member board in.

At the time of the case interview, the registration process of the producer company was on. The board members had been issued PAN cards and were in the process of applying for Digital Identity Certificates and the serial number issued on the certificate (DIN number) that was required for the purposes of company registration. The name approval process as per the laws of the Companies Act 1956 had been completed. The documentary requirements had been complied with and the shareholders and the board was waiting for approval for over a year.

The proposed CEO was from Anabur village in Davangere district and has the profile of a founder social entrepreneur, though employed by the CBO who initiated the producer company. He attended a four-day workshop organised by the NGO who was interested in promoting the

producer company, to understand the composition and functions of a producer company. Those who trained him came from a similar project, involving cotton farmers. Enthused with the idea, the proposed CEO handled the arduous and difficult process of registering members, a process that lasted over two years due to the unique challenges posed by the producer company registration laws. For over a year, discussions were held with the SHG groups and their over 3,000 members, before the members voted in favour of starting the producer company. The target number of equity holders was 5000, hence advocacy process for the producer company was ongoing.

The interview was also conducted with the future president of the farmer producer company, a woman drawn from the small and marginalised community. The company's future president who has gone through the process of empowerment and socialization afforded by a cohesive SHG, is a millet farmer in Bathalahalli village, a semi-arid agricultural region, within the administrative domain of the Donimaduvu panchayat in Kolar district of Karnataka. Having completed her secondary schooling she was a book writer for her SHG and has work experience as a millet farmer of over 40 years in her family's rain fed small farm holdings. In 2001, when she first joined an SHG she commenced her financial literacy with savings of Rs 10 per week. Along with her farming responsibilities, she also held a post as an anganwadi teacher from the age of 18 for supplementing her family's farm income.

5.5.2 Mission and vision.

The aspirations of the community supporting the farmer producer company is that of social impact " the small and marginal farmers must get a good rate for their produce – that was the idea behind the producers co". The future president believed that "the Farmers Producer Company, like the SHG movement, will bring small farmers together and empower them". The producer company was specifically targeted at farmers as that was the core need for that area. The focus was on small and marginal farmers who have land holdings of 1-2.5 acres. Larger holding farmers were also included, however they were not the main focus for the social impact activities of the producer company.

The farmer producer company was started essentially for better market price discovery process in favour of the small farmer- the target community of the social enterprise. The respondent was very particular in emphasising " Small farmers are not able to go to the market, they have to depend on middle men. They grow maybe 3 or 10 quintals. For example if a farmer produces 10 quintals, s/he might consume 5 quintals and then s/he cannot really afford to go to the market to sell just 5 quintals, so s/he will sell it to the local middle man at a low rate". The intermediary chain comprising the brokers, wholesalers and warehouse owners have the financial capacity to hold stocks for longer periods as compared to the small holdings farmer. The intermediaries off load the stocks when the market cycle is in their favour. Observing this pattern in every village, the respondent who was one of the evangelists of the producer company stated " This is a problem in every village, so we thought of forming a producers company and talked about it with people to create awareness". Though the main objective was a higher farm gate price, the respondents have secondary goals of efficient sourcing of farm inputs viz high quality seeds and fertilizers. One of the farm producer company's goals is to purchase seed in bulk and distribute it among the producer company' equity owners at cost and trade the surplus at profit. "The company will purchase in bulk and supply to farmers. Many a time farmers get cheated because they do not know about germination process or anything. They just buy whatever is available in the market". The respondents believed that the producer company should take the responsibility for seed distribution and fertiliser supply. "We can avoid brokers... Instead, we can process our grain into flour and sell it to companies at a higher price. Our producer company can even retain a small profit margin while doing that" said the proposed CEO. Full of plans for the producer company he continues "We can make flour and sell it to biscuit companies. We want to have a retail outlet in Bengaluru where we will sell ragi biscuits and ready-to-make porridge. We want to get into branding our products so that we acquire a good reputation".

5.5.3 Influencers and enablers.

"Everyone had a good opinion of it," said the future CEO, "It's good synergy to form a collective to sell farmers produce. The brokers are exploiting small farmers by buying at a lower price during harvest. There are serious issues concerning weighing of their produce too. Since the small farmers produce one or two quintals, it is not feasible for them to go to the nearest APMC (Agricultural Products Market Committee) yard at Bangarapete".

He says brokers do not evaluate the crop fairly and bad yields are offered the same price as the good crop. “During the last crop season, local brokers made as much as 40 per cent more than the farmers’ farm gate price,” says the future CEO. He then cites an example. One broker he knows of, has stocks of about 30 quintals of ragi (finger millet) and saamai (little millet) in his warehouse. The broker accumulates stock from 15-20 farmers and usually sells the lot after about three months, when rates are higher. The future CEO believes that by being shareholders of a producer company, not only can small holdings farmers achieve higher farmgate prices, they will develop the capacity to hold stocks and wait for a better market price realisation.

The farm producer company is also expected to enable their stakeholders sell the surplus vegetables they grow now on a small scale. Small holdings farmers who grow vegetables in a quarter to half acre of land, wished to sell their surplus produce to the producers company. This process also targeted an outcome of better farm gate prices to the stakeholder farmers. The expectations arose from the community held nature of the producer company ownership profile and the proven track record of transparency of the CBOs that they were members of. Selling through brokers currently, the farmers hoped to capture a larger portion of the market value share through the strengths of branding and collectivisation offered by a corporate identity. With the legitimization of a corporate entity that a producer company provides, they were advised that that they could get a credit line and raise loans for establishing retail sales for their farm produce. They sought funds for a cold chain for the vegetables which would also increase their stock holding capacity. By developing capacity to sell to the local consumer and the distant urban retail directly, the equity holders of the producer company believed that they could capture a larger portion of the farm to table value chain.

5.5.4 Training and capacity building.

The promoter/investor NGO has trained the senior managers on the concept and operational aspects of farmer producer companies through a three day workshop at one of their permanent central training centres in Mysore. The trained managers in turn organised a presentation and preliminary meeting with SHG members who were interested. Members from about 100 SHGs drawn from the CBOs that the manager oversaw attended the initial farmer producer company concept presentation. The presentation was followed up by exposure visits for interested SHG

members to a previously established producers company in Mysore , an organic farm producer company also initiated under the aegis of the investor NGO.

5.5.5. Start up challenges.

The process of forming the producer company has been long, difficult and costly. At the time of the interview, the company had not completed the registration process even after a period of over 18 months. The chief reason cited was the difficulty in getting the women equity shareholders recognised as ‘producers’ due to existing government rules recognizing a ‘farmer’ as a person who owns land. As per regulations, farm producers alone could subscribe to the equity of a farmer producer company. Most of the land that the SHG members farm is registered in the names of the male members of their family conforming to the pattern of women owning less than three percent of land in the country. So women find that agricultural departments are unwilling to certify them as ‘farmers’, which is required for the certification process of the farmer producer company

5.5.6 Financial Strategies and sustainability process.

The company's equity is in the form of 5000 shares sold at Rs 100 per share to the SHG members forming the four CBOs. The shares were distributed on a one share per member basis. Thus one member was allowed to purchase only one share each, fulfilling the social equality norms whereby where no one shareholder acquires higher voting power than the other member. Rupees five lakhs was raised through the issue of share capital of 5000 shares. Leveraging the initial share capital the company planned to approach banks, MFIs and financial institutions in the public sector domain for operational funds and additional CAPEX. Owing to the institutional nature of a corporate that the producer company has, institutional lenders were comfortable with linkages. The producer company had approached one of the leading public sector financial institution and was in negotiations with them for a credit line of up to Rupees 50 lakhs, once the producer company commenced operations.

On the researcher’s query on loan repayment process, the respondents said "We plan to buy the farmers’ produce, stock it and sell to companies at a good rate. We have to identify companies that will buy our products. We will use the margin to repay the loan. For example if the rate here

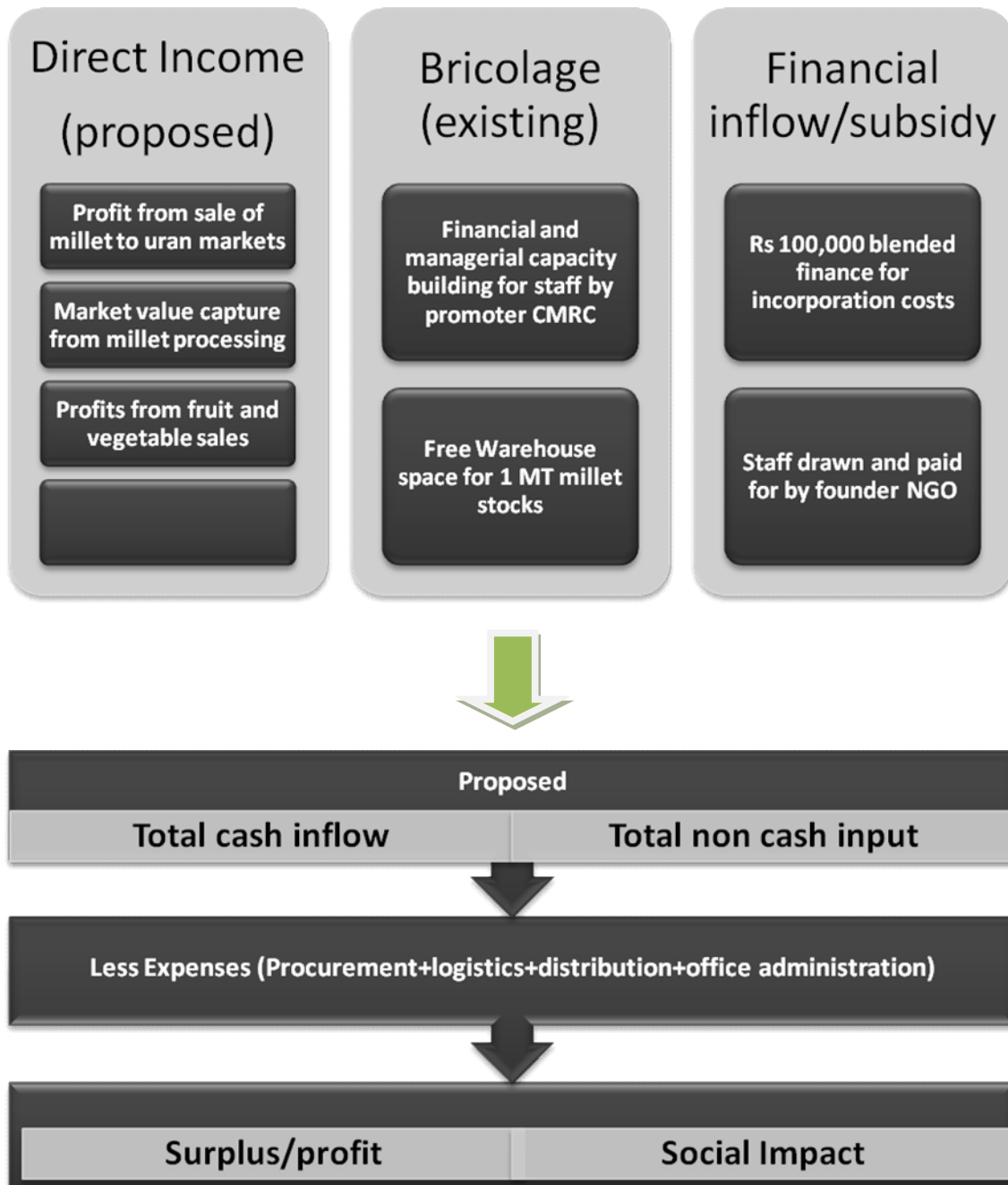
(locally) is Rupees 20 (per kilo of grain), we will try to find a buyer for Rupees 25 (in buyer networks in TamilNadu) That margin will be our profit. After setting aside our administration costs, we should have enough to repay the loan".

The producer company though not formally registered had already started functioning informally. The SHG groups had provided loans to the still to be formed producer company which in turn invested some of the funds in ragi (finger millet) stocks. The SHG groups of the area, comprising women from largely marginalised groups, had advanced an amount of Rs 1,00,000 to the company for initial expenses for starting the company including legal and registration fees. Given that most of the SHG groups had started with a monthly savings of Rs 2-10 about 20 years ago, the amount of Rs 1,00,000 lent by the individuals who started their SHG operations with a Rs 2/- monthly savings, was a quantum jump in both social empowerment and the upgradation of their economic profile. The political decision of supporting a producer company to collectivise the small farmer was the final step in the social and economic empowerment process that a social enterprise engages in. The company formation costs included registration costs, identity cards including director (drawn from SHG members) and pan card creation costs.

Figure 5.3 Case 3

Financial process model: SINGLE SECTOR FPO/ DOUBLE BOTTOM LINE

(Ramanathan, 2018)



5.6 Case 4 Community Radio Station

5.6.1 Place and profile.

Case 4 is set in Budikote a village located in Bangarpet Taluk of Kolar District in Karnataka state of India. A semi arid area with rain fed irrigation, the main occupation in this village is agriculture. Budikote has a population of about 3000 people. The CBO that support the radio station covers 48 villages and has 127 SHGs as member stakeholders. The 127 SHGs had about 2000 women as group members.

The radio station's broad cast studio was located on the first floor of the building that housed the radio station, with the ground floor accommodating the CBO bringing in alternate revenue streams to the radio station. The interview was conducted with three staff members of the CBO, one female and two males at the junior staff level. The interviews were conducted over several hours jointly and alternately with the staff. The interviews had to fit into the timings of the radio programs broadcasted from the studio. The respondents comprised the radio station and the CBO staff who performed the roles of content creators, interviewers, content editors and broadcasters. They carried out these roles along with their other roles as SHG coordinators and bank/micro finance linkage managers. All three staff were from Budikote or nearby areas. One male respondent and the female respondent had ten years of formal education and had completed higher secondary schooling. The other male respondent had only eight years of formal education having completed secondary schooling, with his higher secondary schooling incomplete.

5.6.2 Mission and vision.

The respondents understood the goal of their radio station to be that of providing help to the community. Their mission statement was derived from the mission statement of the funding organisation who had established the radio station as a grant funded wired cable station run as a nonprofit, nearly two decades ago before rules permitting the operating of community radio stations with its governing rules, were in place. When donor funding began to reduce, the cable

station had by then morphed into a community radio station converted to a social enterprise, adding the profit goal to its sole former goal of social impact.

5.6.3 Influencers and enablers.

The community radio station was founded as an independent cable radio station even before the concept of community radio took off in the nation due to legal constraints in place. In its existence as a village cable station, locally sourced content was developed and recorded on tapes which was then broad cast through a combination of wired cables and pole mounted loudspeakers through the village. Thus the practice and experiential learning of recording and developing local content with interviews conducted by community volunteers among community respondents was embedded in the organisation before the advent of community radio in India. As the radio station was funded on grants and other donor funds, it was decided to convert the radio station into a CBO so that the radio station will sustain itself through the alternate income streams.

5.6.4 Training and capacity building.

“The training for radio was done here only. They (the parent NGO) sent us to Bangalore at a radio station there for training. The manager there trained us in 2012....It was a three day radio training in Bangalore...field recording, editing, music mixing, how to record programs with farmers” said one of the respondents. The staff were trained to produce and deliver programs on locally relevant health issues including HIV Aids, TB, dengue, H1N1, Chikkangunia, orthodontal issues through awareness programs and interviews with specialists in the area and also patients who were afflicted with the problems.

The staff were trained on MS office software including power point, by external trainers supported by sponsorship from related government departments. They were trained on power point as they were entrusted with presentations made to funding agencies and project collaborators including corporates who were by now comfortable with the electronic language of presentation software rather than the printed. The respondents were also self taught on Baraha and Nudi the Kannada (local language) software for conversion of word documents. One of the

respondents had also learnt the voice editing software Audacity on his own. The software package was pre installed on the office computer systems and the respondents were motivated to work on the upgradation of their skills in the absence of external specialists for helping them gain the skills required for using the voice editing software. After learning to use the software on his own, the respondent in turn trained the other staff/ radio station operators, thereby sharing his new found expertise with the community too.

5.6.5 Operations and management.

The radio station conducts programs on health, agriculture, gender, sanitation, empowerment, financial literacy, SHG advocacy all with locally produced content. The trained staff interview farmers, local government authorities, locally based specialists and community member. They then develop content based on these interviews. The radio station has developed and broadcasted health programmes specifically on HIV awareness, treatment and prevention, TB, on dengue, H1N1 and Chikangunya. The staff have interviewed doctors, dentists and individuals in the community. Programmes on women empowerment are developed consistently and broadcasted. They have also conducted programmes on livestock business, updates and information on the Public Distribution System (PDS), nutrition, school sanitation issues and content with focus on women's health. As one of the sanitary napkin seller is a CSR partner of the enterprise, the sanitary napkin awareness program finds funds to sustain itself.

The radio station covered a diverse range in their program content. "We also do gender programs, - all health programs, Krishi Vyvasaya Kendra, cow businesses-livestock, about ration card, programs for women- health sanitary napkins, climate change and information about environment programs, water cleaning...". Imparting information on the social behavioural change induced by the radio station, the interviewee imparting details on their program on calls for toilets in schools- "Children used to clean (the toilets)... we enforced cleaner hiring and clean toilets (as content for a radio program)". The radio broadcast timings was from 6am-9am, 12pm-2pm and 6-9pm daily covering eight hours of s broadcast every day. They estimated an audience of 3000 individuals for their radio programs.

The radio station also performs an activist role by documenting social issues and drafting petitions for toilets, houses for the poor, changing khatha (tax record), request for old age pension, and issues related to water for submission to the local panchayat on behalf of individual community members.

5.6.6 Financial strategies and sustainability process.

The social enterprise, originally conceived as a nonprofit, had to embark on a diverse portfolio of activities to be able to financially sustain itself. The diverse portfolio of revenue streams included income from fees charged for community services, SHG co ordination and servicing fees and commissions earned through bank linkages. The radio station staff salaries too were covered by multiple sponsored projects. They included water shed management projects sponsored by a corporate in the IT sector and a labour upskilling program sponsored by a consumer goods company. The radio station earns income through a community business organisation's multiple source revenue model. It monitors the SHGs in its fold, develops new ones and earns money through the service and audit fees charged to its members. Revenue is also earned by way of commissions on loans to SHGs as part of its microfinance intermediation. With the income generated, the radio station is able to perform its core social goal of creating and disseminating content on social and economic facilitation through related programs.

The CBO has received CSR funds for a water shed program to develop bunds and rehydrate the arid region where it is located in. Conforming to the CSR laws of the land, the corporate that has funded the CSR directed activity in water shed management has no monetary interests in its CSR activity. As a result, the corporate has no domain expertise in agriculture or water management and cannot make a synergistic contribution to the projects other than cash inflow. The watershed management project was wholly dependent on the CBO's existing capacity in managing sustainable agricultural projects, a capacity that was built up due to previous donor support both from the government and global nonprofit funding agencies. In the water shed project the CBO staff works with the community to form water shed management groups. Members of the water shed management association are drawn from both male and female farmers of the surrounding geographical areas. The activities include bund formation and revetment, check dam formation,

‘gully check’ creation for water retention and rehydrating dry lands. The watershed groups also undertake plantation of silver oak, pongamia and tamarind trees in the watershed project area. About 350 hectares in four villages had been covered under the project over the period of one year. Through the radio station, content that supports and augments the watershed activities is generated and delivered. In this case, the social enterprise fulfills the triple bottom line role, earning a part of its cash inflow, generating multiple social impact through empowerment through locally created information, community income generation through the restoring of agricultural lands along with the environmental impact of reforestation and rehydration of a semi arid region.

The interviewees find the income generation through SHG service fees easy to manage provided their capacity is not too stretched with other projects, leaving them short of personnel to attend to all the SHGs. “It is not difficult. We have to attend to them correctly, when we provide service they give (referring to CBO fees). We have to keep visiting the SHGs, to provide audit etc. Sometimes when there are not enough staff, we cannot visit regularly, then there is a problem providing service”. The radio station in its role as a CBO partners with a leading rural bank working in the area of social impact for linkages in loans, routing of subsidies to farmers and raising agricultural loans.

5.6.7 Bricolage.

The CBO supporting the radio station conducts child health intervention programs in collaboration with the women and child welfare department of the state government. Young girls’ health programs are organised and implemented.

As the radio station staff are well connected to the community, through their linkages with the SHGs, their continual interviews and public radio presenter profile, they were called on to participate in conflict resolution in the village. The staff are often requested to participate in ‘Nada Kacheri’ where conflicts that come under the purview of the revenue department, mainly land related disputes, are sought to be settled. The Nada Kacheri^{xiv}, functions as a sub branch of the local panchayat. It comprises of the ‘Upa tahsildar’, the village accountants and representatives of the revenue department. If the individuals involved in a land dispute agree, the

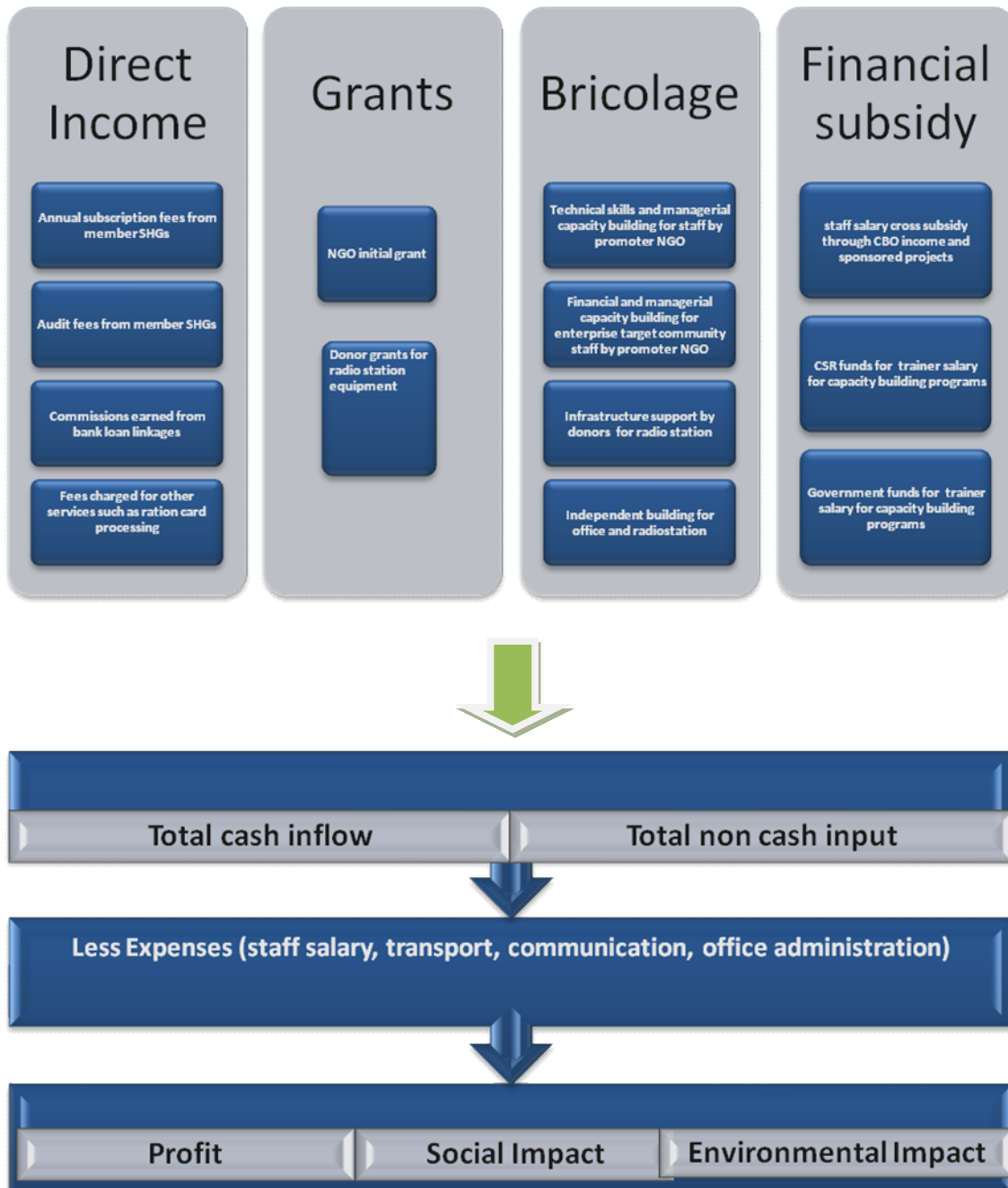
Nada Kacheri attempts to resolve the issue at the village level, thereby avoiding a lengthy and expensive court process. The radio station is often requested by the authorities to send its representative to participate in the village level dispute settlement process.

The radio station in its social enterprise role collaborates with the state government milk producer. It is a multi pronged collaboration for social good. The social enterprise facilitates loans to interested SHG members for buying cows. The SHG members also become members of the dairy collective organized by the state by purchasing a share priced at Rs101 per person. The radio station enterprise facilitates the loan of Rupees 35,000 (as at the time of the interview), enables bank linkages and even organizes the veterinary department officials visit for vetting the livestock. When at least half of the amount of the principal is repaid, the borrower can apply for a second loan for another cow. The average yield per cow for that region is observed at 5 litres of milk per day. As per the respondents each household requires about one to two litres of milk per day. The government milk co operative collects the surplus milk which would be about 3 litres if the livestock farmer has only one milk yielding cow. The radio station does not charge a fee for this service. It frames this activity as a community economic enabler by aiding both the SHG member and supporting the state government milk co operative in their market linkages.

The radio station works with a newly established local fruits and vegetables buying collective by broadcasting a daily update of the previous day's closing prices. The day's closing prices are also marked in chalk on a board near the entrance of the radio station building.

Figure 5.4 Case 4

Financial process model: COMMUNITY RADIO STATION AND MULTI FINANCE (ALTERNATE FUNDING STREAM)/ TRIPLE BOTTOM LINE (Ramanathan, 2018)



5.7 Case 5 Sustainable/Alternative Energy Sector –Biomass Stove Private Ltd. Company

5.7.1 Place and profile.

The case is drawn from the emission reduction technologies sector. The social enterprise in the case is a manufacturer and distributor of biomass cook stoves. This case illustrates the funding complexities/challenges of a social enterprise which manufactures and sells sustainable energy products, primarily fuel-efficient commercial cook stoves. The social enterprise was created by a nonprofit that focused on environmentally sustainable development through technological solutions. The parent nonprofit had patented technologies for better fuel efficiency in the food processing sector. As the nonprofit lacked the structural capacity for engaging with market forces, it created a social enterprise for this specific purpose. The enterprise was created for making its fuel-efficient cook stoves accessible to roadside eatery owners and as a result induce behavioural change from toxic and inefficient carbon practices to a more sustainable energy consumption mode. Through its product offerings the social enterprise hoped to contribute to emission reduction through fuel efficient stoves that reduce CO₂ emission by about 40%. The SE incorporated under Companies Act 1956 is a private limited company.

With its direct sales model , the social enterprise has a market presence in Karnataka, TamilNadu and Andhra Pradesh. Its parent nonprofit organisation is headquartered in Bangalore, Karnataka. The firm's market comprises of people and tiny enterprises that consume wood for fuel and are unable to afford a more energy efficient and lower emission process. Its markets include micro eateries, food processing units and service based institutions like schools and hostels.

The respondent was from one of the top management schools of the country and was with the organisation for six years as an external startup consultant, even before being part of the founding team. Prior to joining the enterprise the respondent had exposure to the SE sector and development related intervention. He had worked in social enterprise startups, been a consultant for SEs and was also part of the team at social enterprise projects operated by a national technical institute.

The organisation's core mission was to "promote rapid adoption of sustainable energy related technologies & products". The company's founders and leadership believed in the adoption of sustainable energy related products. They believed that it was their duty to aid the rapid dissemination of the concept. The social enterprise's target clientele are " Tiny hotels, Dhabas, Tiny eateries, rural households". By targeting lower middle income markets, they believed that they help energy conservation through reducing coal consumption with their environmentally sustainable bio mass cook tops.

5.7.2 Mission and vision.

The CEO believes that the enterprise he leads is working for social welfare and good, with a firm response of "Yes. Working for Social, Economic and Environmental Impact". By its stated goal of "Serving an underserved segment and conserving environment" the firm works for community benefit, while also seeking the top line and falls within the researcher's definitional analysis of a social enterprise. On the social impact achieved by the enterprise, the CEO affirmed " around one lakh" individuals have benefited from the firm's commercial activities.

5.7.3 Influencers and enablers.

The founder's biomass cook top design won multiple awards including a major global award. This recognition combined with the award money was a key influence in the startup's creation. The founder discovered that the award money was sufficient to produce 2000 bio mass stoves and wished to disseminate the knowledge and the tool for energy efficiency thus taking the knowledge from the lab to the lab. However as the nonprofit did not have the commercial wherewithal to handle the sales and distribution nor the organisational culture that was required to do so, the founder decided to launch a social enterprise that will have the social, the profit goal and the environmental coded in its DNA.

5.7.4 Training and capacity building.

The social enterprise's team is trained in operations and civic engagement, by the parent NGO who have pre existing capabilities in this area. The organisation does not have in house training and skill development programs for financial capacity building, specifically fund raising. The organisation depended on the respondent's academic training at the B school and his experiential learning for financial inputs and networking.

The respondent believes that the required skill set to be to be a successful part of an organisation such as theirs are "Financial Skills, Sales & Marketing skills, Fund raising skills and Human Resource management skills". On the ideal requirements for a social enterprise employee, the respondent believes that "compassion" is an essential part of the qualities required in an employee who wishes to be part of a social enterprise. Along with compassion, other desirable qualities were "perseverance, ability to thrive in adverse environment, social conscience".

5.7.5 Financial strategies and sustainability process.

The founder's biomass cook top design had won multiple awards. The award money also incentivised the founding team who were the executive leadership of an existing nonprofit in alternative energy, to commercialise their biomass cook top. The social enterprise had a business plan that involved the raising of Rupees 1.2 crores. They succeeded in raising that amount from social enterprise investors. The respondent who was the CEO of the company connected with the alumni network of the management school he has graduated from. The enterprise leadership had also tapped in to the social enterprise networks that they are familiar with for obtaining referrals for the purpose of approaching new investors. "Known Common Sources" are contacted for collaborations for projects that may also fall under bricolage in the context of funding.

5.7.5.1 Challenges.

Raising venture capital or seed funding proved to be a challenge for the top leadership of the social enterprise. The respondent stated that there were sectoral constraints for attracting

investment as biomass cook stoves was not part of the venture fund investor's target sectors for funding. The founding team experienced improbable or hard to meet investor's normative returns expectations during the process of raising the funds. The respondent said that the social impact investors they approached had expectations that were outside the realistic returns of a social business and more suited to a for profit business with single bottom lines. "Expectation of High Returns by Impact Funds was a constraint". The respondent discovered that the hard to meet expectations of both profits and of scaling up, persisted even though the social impact investors, who provided the operations finance in the form of convertible debt, were fully cognizant of the social and environmental goals of their enterprise.

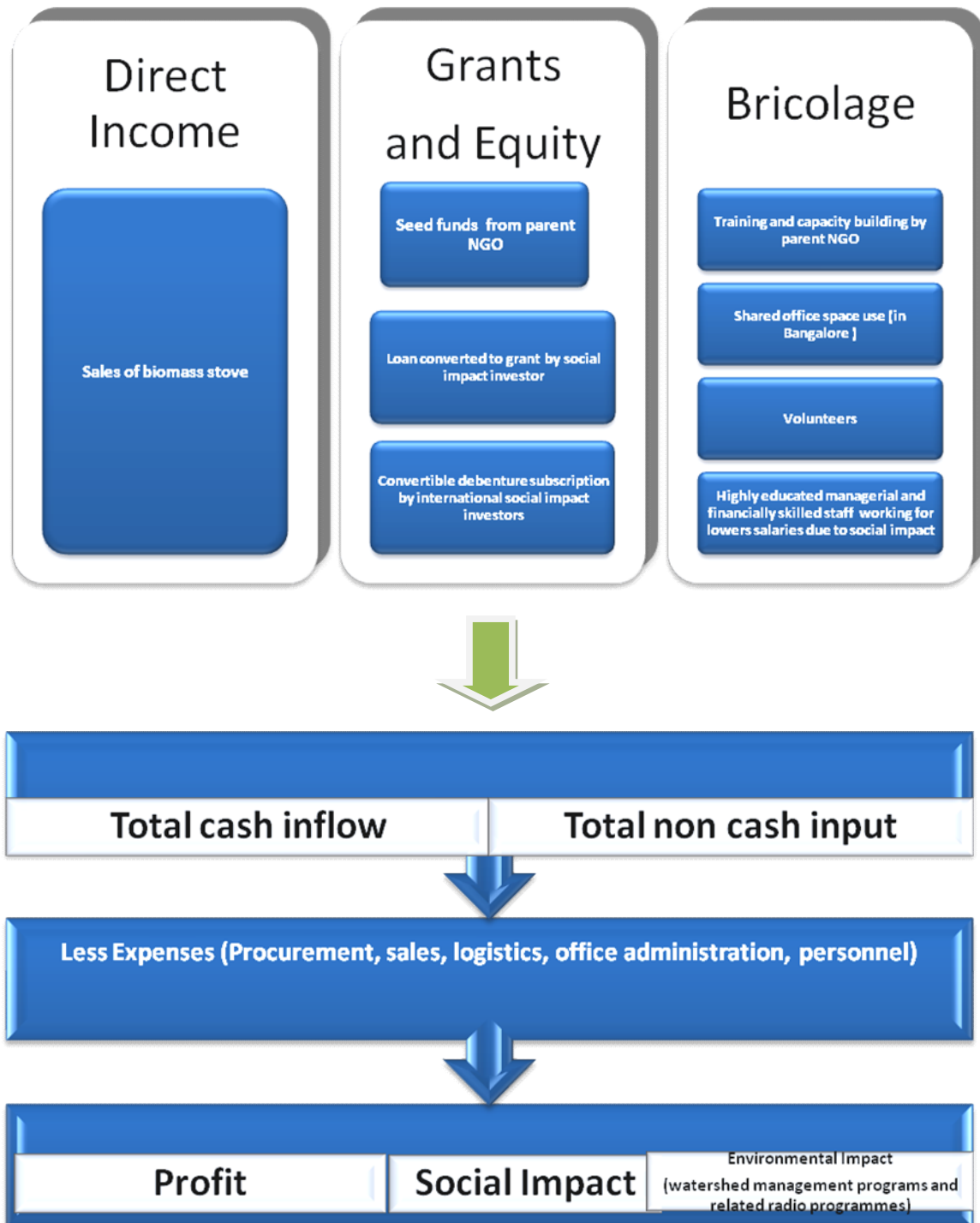
A key challenge cited by the CEO for the social enterprise was "arranging end user consumer finance" This challenge specific to the consumer finance sector, also applied to this social enterprise as their target consumer, given their preference for the stove may exist, may still lack the funds to purchase the biomass cook top. They may also lack the required credit profile. The social enterprise by facilitating finance for the purchase also augments its top line and adds to the earned income segment of its social entrepreneurship activities. It augments the economic transactions of the nation through its sales and has the potential to incubate a startup in microfinance catering to the market segment of micro eateries and MSME.

5.7.6 Impact.

The social enterprise follows the triple bottom line model for its profit calculations. The positive environmental externalities generated by the firm include the lowering of carbon emissions at about 120000 metric tonnes as per the firm's estimates based on existing global benchmarks. As per the firm's own surveys set against benchmarks by the Central Power Research Institute, Government of India, the social enterprise's bio mass cook tops consume 30-50 percent lesser bio mass fuel leading to the triple impact of social, economic and environmental benefits. The firm's products are also expected to have health positive externalities. The use of conventional bio mass cook tops exposes the individual to toxic emissions for at least 5 to 6 hours per day and at high fuel burn rates. The firm's bio mass cook top is used at low burning rates for about 2 to 2.5 hours per day leading to health an environment impact.

Figure 5.5 Case 5

Financial process model: SINGLE PRODUCT+ SINGLE SECTOR /IMPACT INVESTOR/ TRIPLE BOTTOM LINE (Ramanathan, 2018)



5.8 Case 6 SE Initiative by Former Devadasi Women (Gender Equity)

5.8.1 Place and profile.

India has deep inequities in the gender sector. Agency continues to be denied to the female population of the nation with child marriages remaining prevalent and female property ownership lower than 3 percentage. Though doubling from 12 percent in the 90s, only 23 percent of paid workers in India are women. Women fare worse than men when it come to infant mortality, child nutrition rates and other health ratios.

In this context the researcher surveyed a organisation formerly a nonprofit, now a social enterprise, successfully working for the cause of the eradication of a human trafficking practice that emerged from the social traditions of the region. The organisation was run by the former victim of the human trafficking practice known as the devadasi practice most of who were mostly from the impoverished 'dalit' families. The word 'dalit' means oppressed and includes multiple communities and tribes who have been traditionally deprived and marginalized from mainstream socio economic activity.

The case is set in Belgaum or Belagavi, a district in Karnataka. As per the provisional 2011 India census, the population of Belgaum is 957,373, with an urban population of 643,862 and a rural population of 313,511

5.8.1.1 Profile.

The interview was with the co founder of the group who continues to relate to the enterprise as a mentor. When replying to the question " Why do you say you are an enterprise working for community benefit?" the former co founder believes "Part of the cost of the operations of the organization are met from service charge raised from loans provided to members. All activities of the organization benefit the community that it is a part of".

The society was started with nearly 2500 members and currently has about 3600. It started as a crusade for eradicating the age old practice of forcing young girl children mostly from Dalit communities (with 66% becoming 'devadasis' by the age of 10 and nearly 93% by the age of

15), to enter the practice of the 'devadasi' system. This practice supposedly a dedication of the girl child to the Goddess Yellamma by her guardians, was in reality an induction of the female child to a life of sexual exploitation, marginalisation and grave stigmatisation throughout her life. It evolved as the result of the felt need for sustaining the momentum of the project of bringing social justice and equality for the devadasis in Belgaum district, by the government and a supportive NGO based in Bengaluru.

5.8.2 Mission and vision.

The goal of the social enterprise is to stop the revival of a deeply iniquitous and societal malpractice viz. the devadasi system which essentially forced young girl children from indigent families belonging to mostly underprivileged and marginalised communities into becoming sex workers. This deeply exploitative and practice was enforced through traditional and deeply entrenched societal norms and continues to exist in various parts of Karnataka. The goals as stated and encapsulated in the bylaws of the society structure of the organisation are as follows:

- securing alternate livelihoods for the former devadasis and delivery of rights and justice for women and children
- to be vigilant and create awareness for stopping the revival of devadasi tradition and its associated rituals in Belgaum district, and help other agencies with similar interest in containing the tradition in nine other devadasi - endemic districts of Karnataka.
- to ensure that all ex-devadasis, dalit and other vulnerable women are effectively organised in institutional frameworks
- to ensure that the organisation as an institution is strengthened to a level where it can independently promote the socio-economic interests of its members
- To ensure that the target women are empowered to access livelihoods, social entitlements and quality education and nutrition for their children.
- To protect the target women and children from various gender/religion/tradition based exploitations and engaged in collective actions against discriminations such as devadasi traditions, human trafficking, child marriage, violence against women and children etc.
- To ensure that all women in general and devadasis and dalit women in particular of Belgaum district have a system and a place that they can approach with confidence when

they are in difficult situations and require legal assistance. The legal and social environment is made more conducive to safeguard the rights of women and children and act against those who violate the rights of women and children

- To create awareness among general public on HIV/AIDs and STIs and creating linkages for treatment, care and support services for devadasis, dalit and minority families.

5.8.3 Influencers and enablers.

Before the organization was formed in 1997, the former victims of the practice, who form its core constituency, had already been organized into SHGs. The members of the SE had prior training and reflection in the process of overturning the devadasi system, group management, savings and credit mobilisation. When the promoting agencies comprising both NGOs and the state government were withdrawing from the project as a matter of policy, the self cognizant victims of the devadasi system wished to root out the exploitative system in other areas of the state where this human trafficking system is still prevalent. At the same time they wished to ensure distributive justice for themselves and their community members. A registered membership organization was formed by the withdrawing founding donors. This independent entity took the legal form of a society and continued the activities initiated by the promoting agencies, with the agenda of initiating new programs based on the needs of its member community. The well-trained network of SHG members had already been engaged for more than 15 years in activities related to the eradication of the devadasi system. The new members had prior training in organisational management concepts and maintaining of books of accounts availed through training programs conducted by the state government and the founder NGO.

The society also had the benefit of a supportive district administration and panchayat system – as the SHGs had been working closely with the village and district administration to access benefits and schemes for former devadasi women and their family members. As a result the SHGs had developed a close rapport with the district and village administration system. The SHG members were also well networked with multiple institutions of their region- such as religious institutions, banks, local government departments, the police, local communities (youth groups, women's groups, etc.). It had a strong presence in the district and was recognized as an organisation that stands for the cause of the former devadasi women.

5.8.4 Training and capacity building.

The enterprise was founded by a nonprofit and its team of educated and urban based staff who were trained in institution conceptualising and building skills combined with the vision and mission development process. They were also backed by training and skill development programs imparted by the organisations they belonged to, comprising the government, NGOs, global donor organisations and public sector financial institutions. The social enterprise now run by the former victims of the devadasi practice, however is not equipped with related financial capacity development training programs.

5.8.5 Operations and management.

When the project was handed over to the former victims of the devadasi practice, it came financially unsustainable when donor funding declined. The nonprofit having already incubated several micro enterprises run by its members became a social enterprise in order to be financially sustainable. The survey respondent, a former co-founder and currently an external volunteer consultant of the social enterprise, sees senior staff retention as one of the biggest challenges faced by the organisation. The community members were barely literate. Hence handling computer technology based proposal uploading, report submissions, communicating to donors/investor through emails required external support. The SE had to spend scarce resources for hiring specialists for these tasks as they lacked the skill sets to do. The enterprise also finds it difficult to meet the needs of donors and investors who continually demand ad hoc reports along with constant and detailed reporting. The enterprise also finds it challenging to cope with continually changing laws, especially those that relate to non profits. Deciphering and interpreting the clauses that apply in their contexts requires skill sets the community lacks and has to outsource.

Through its campaigns of awareness and constant vigil against new ‘dedications’ which are essentially trafficking of 10-12 year old girls by their families, backed by legal suits against individuals who attempt to coerce a girl child into becoming a ‘devadasi’, the devadasi social practice has been eradicated in Belgaum. Skill training programs for the former devadasis and educational support through scholarship and hostel facilities for their children has furthered their

mission. The organisation plans to extend its campaign of eradication of the devadasi practice and empowerment of former devadasis to other districts in north Karnataka and a few southern districts in Maharashtra where this exploitative practices revolving around the girl child continues to exist.

One of the main challenges faced by the organisation is capacity building for alternate and sustainable sources of livelihood for the former devadasi women. Many efforts have been made to integrate the former devadasis into mainstream economic activities and empower them to live independent social and economic lives.

5.8.5.1 Staffing.

The respondent believes that an organisation such as theirs should have staff who are "committed to the cause, a willingness to work with and learn from communities; willingness to commit considerable lengths of time, look out for new opportunities, and also have the capabilities to manage conflicts and changed situations". In order to be sustainable both financially and operationally, the founders of such social enterprise organisations must have leadership capacity, social networking skills, group facilitation, vision building, adaptability and perseverance as per the founding team member of the enterprise.

5.8.6 Financial strategies and sustainability process.

The initial funding plan was supported by the funding agencies that comprised both government and nonprofit bodies working with inequity challenges in this sector. The society had at that time raised 70% of the initial funding plan. Both international donors funding through national NGOs and grant funding from the state government were part of the initial donor funds. Subsequently the society members were able to mobilise 50 percentage of the balance required funds. A total of Rupees 145 lakhs was raised from state government bodies as grant and a further Rupees 111 lakhs was raised from international donors channeled through local NGOs.

Income continues to be generated through micro finance operations through lending to members for livelihood activities. A mini case illustrating the enterprise's empowerment role combined with its revenue generating activity is as follows:

A stakeholder and member of the SE, Ms Radha's (name changed) business operations started with a tiny loan (bank nomenclature for the loan size) from the social enterprise supplemented by a larger amount for about Rupees 60,000 from the bank where she maintained a small savings account. The bank had lent Ms Radha the funds without the normative practice of being backed by a collateral. As the SHG member was a stakeholder of an organisation which by then had established its credibility in the community, had networking relationships with local government departments and financial institutions, the credit line was established without a mortgage. She based her start up in her home; a house built and allotted to her as part of the state government's rehabilitation programs for former devadasis. In the subsequent six to seven years of her starting her business, her revenues grew, and her credit line and loan amount from the bank that she initially borrowed (an amount of Rs 60000), expanded to Rupees 2,30,000 nearly four times her initial loan amount. Ms Radha's next venture was to expand her business by starting an independent shop in her village.

However in spite of having cases based on successful micro entrepreneurship and empowerment of the extremely marginalised, scaling up continues to be a challenge for the SE. A program for training nearly 1000 former devadasis as handloom weavers ended due to inadequate capacity building and reportedly poor project execution skills on the part of government department which invested in the program. Skill and entrepreneurship capacity development projects for micro enterprises such as soap making, incense sticks manufacture and sales, chalk and camphor manufacturing all failed to evolve into financially sustainable businesses largely due to lack of support for market linkages and lack of sustained financial support in times of falling sales.

By the time of the survey which was nearly two decades after the inception of the nonprofit converted into a social enterprise, donor funding in the firm of grants was minimal. Two decades on, only 10 percent of the SE's operating expenses was met through donor funds. The initial funds were also raised through a lifetime membership paid by the members who helped in building the corpus. The Panchayats had contributed to the corpus by paying a proportionate amount or through matching each member's fee. The society had a huge income-expenses gap and had begun to use its corpus to meet operating expenses.

The solution for the income expense gap was resolved through the conversion of the nonprofit into a social enterprise all the time retaining its legal entity as a registered society. The SE resolved to seek alternate channels of finance by converting themselves into an intermediary for microfinance in the expectation of fees earned through lending operations. Leveraging their capacity and experiential learning of mobilizing loans from micro-finance institutions, they channeled micro finance loans through the enterprise books and the commissions earned formed a new source of funds. The loans from the MFI is further disbursed among the community- to both members and non members after due diligence is done. The enterprise is accountable for the collections process and for repayments to the MFIs. The service charges charged to the MFIs for the intermediary operations, for loan need assessment, fund utilization, loan recovery and repayment to the MFIs, is used to cover the salaries and administrative costs. However in this process the enterprise takes on both performance risk for the loans they disburse as well as the selling function and its related costs. The MFI lends the money to the enterprise which in turn disburses the loans on its own account. The social enterprise takes on both sales tasks and the collection responsibility along with the inherent loan performance risk. Lack of continued government and donor support to fill in the income-expense gap has forced the enterprise to take on this financial risk in order to survive.

The respondent lists the SE's funding and financial sustainability challenges as follows:

- “Lack of awareness of source of funds and means to raise them among earlier board members and staff of the organization
- Lack of skills to develop a proposal and following it up
- Lack of knowledge of English language (required to communicate with their urban based investors/lenders)
- Lack of skills to convert our perception into written proposal
- As the staff are not highly literate - donor do not have confidence to support the organization
- Lack of funds to appoint qualified persons and many a times qualified persons do not like to work for the organisation which is owned and managed by the less educated dalit and former devadasi women”

Lacking the skill set to tap new donors, the enterprise continues to depend on the good will and skill of highly educated and skilled volunteers who identify their needs, and attempt to approach donors within their network. The enterprise is trained to maintain records. The SE has a good book keeping system. They understand the efficacy of good feedback systems and are disciplined in their communication protocols. The enterprise is diligent about utilising funds in full compliance with terms of the signed contracts with their donors and investors as per the respondent.

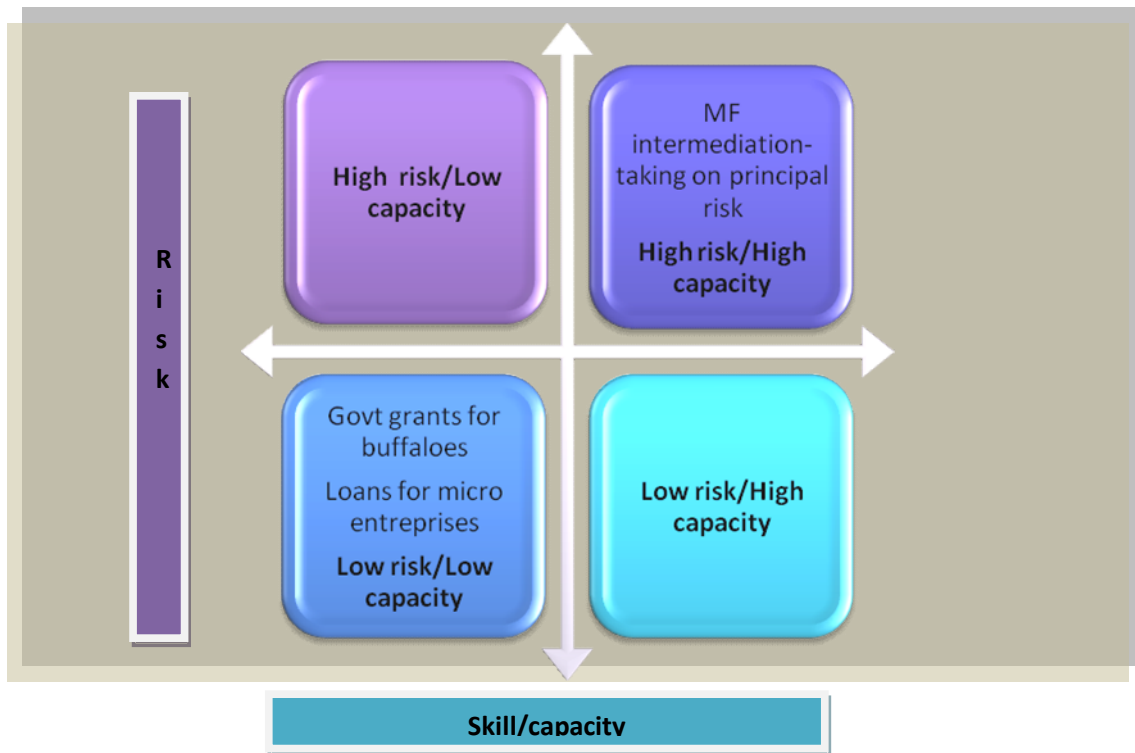
5.8.7 Impact.

The devadasi practice has ceased to exist in Belgaum district due to the SE's advocacy efforts, legal intervention and alternate livelihood avenues offerings. The organisation's activities have benefitted its fee paying members who are former devadasis and their children. The organisation's activities has also had a beneficial impact on the dalit community of the district, especially women and their girl children who are exploited and abused through the devadasi human trafficking system. Besides advocacy, the key intervention by the SE is the legal intervention on the victim's behalf and her representation in the legal system on a pro bono basis.

The SE is engaged in credit linkages that facilitate livelihood avenues for the members of the organisation including their families. The enterprise provides assistance and supports the educational plans of the children of its members. Support is provided in the form of free coaching for entrance exams, facilitating loans for education, assistance in securing free hostel accommodation and applying for scholarships provided by the government. It also offers legal help to women and children in Belgaum district to deal with domestic and societal violence and human trafficking. The enterprise also helps its members secure land rights and intervenes to stop child marriage.

The organisation has helped over 3400 former devadasi women who are members of the organisation and about 500 families belonging to dalit communities.

Figure 5.6 Case 6 SE Risk/Capacity matrix

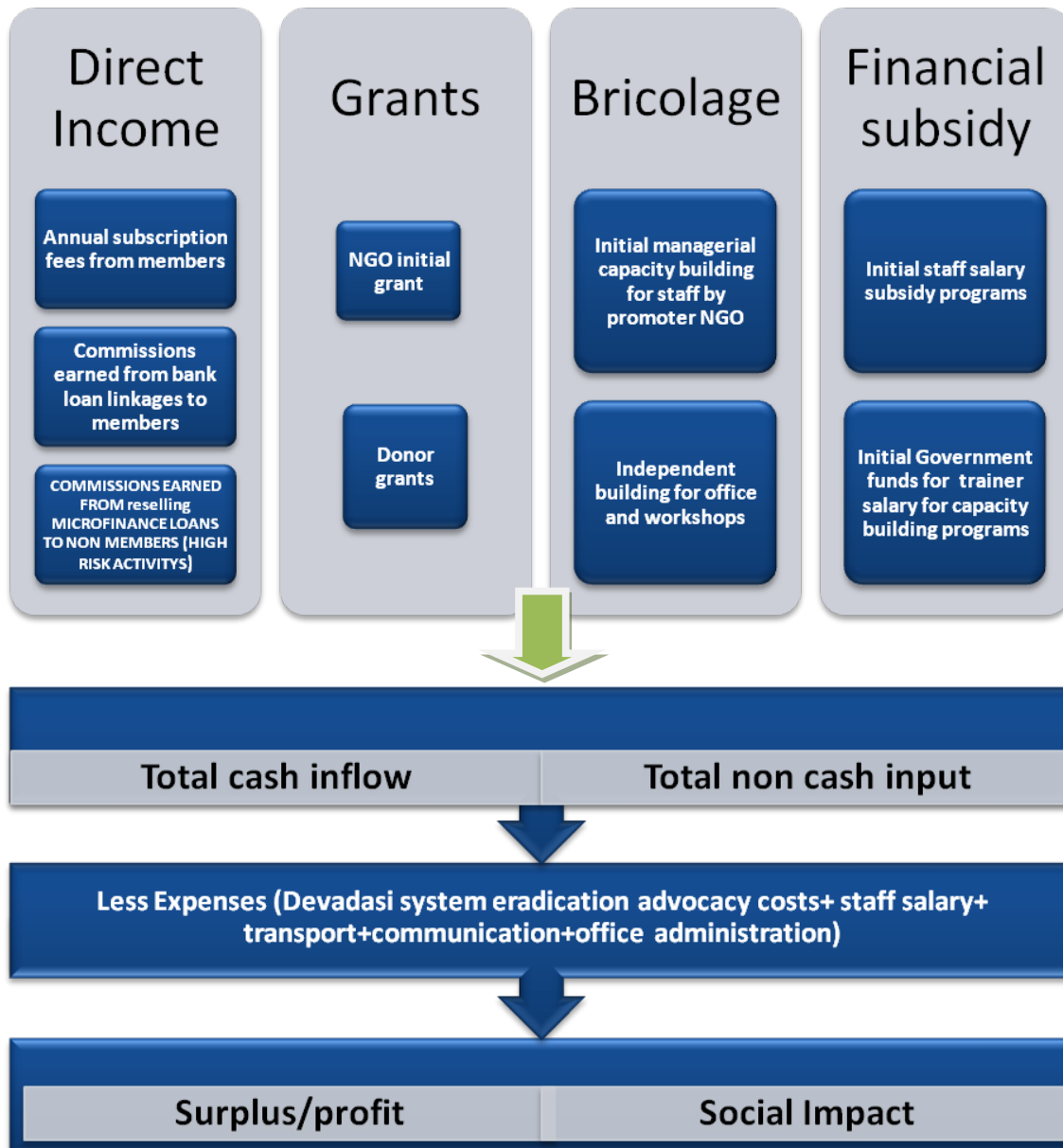


Matrix notes

In this matrix, the social enterprise activity of loan intermediation to members outside its community falls in the Hi risk Hi Capacity box as it requires high risk bearing ability and financial leverage. As the social enterprise comprises of the severely marginalised members of society and former victims of human trafficking, this is an unpalatably high risk activity undertaken for the survival of the organisation. The government grants for buffaloes and micro enterprises activities fall in the Low risk Low capacity required box, however still requires continued marketing support and risk mitigating tools including insurance.

Figure 5.7 Case 6

Financial process model: EXTREMELY MARGINALIZED ADVOCACY EFFORTS/ HIGH RISK MICROFINANCE (AS ALTERNATE FUNDING STREAM) / DOUBLE BOTTOM LINE (Ramanathan, 2018)



5.9 Case Analysis Constructs

The cases have been processed with the application of the following constructs as listed in Table 5.1. The framing devices used were the SEs's activity based except for the mission and value statements.

Table 5.1 Case Analysis Constructs and Analysis in a tabular format

Main theme/Construct	Specifics	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
Mission and Values		Community services ; socio economic empowerment of the poor and deprived	Community services; socio economic empowerment of the poor and deprived	Capturing an equitable share of the supply value chain	Community information/ content development and dissemination	Environment emissions reduction	Eradication of devadasi practice and socio economic empowerment of the marginalised
Capacity Building	<i>For finance</i>	Yes	No	yes	yes	no	yes
	<i>For fund raising</i>	No	No	yes	no	no	no
	<i>For operations</i>	Yes	Yes	yes	yes	yes	yes
Transparency and Accountability to stakeholders	<i>Maintenance of records</i>	Yes	Yes	yes	yes	yes	yes
	<i>Reporting systems</i>	yes	Yes	yes	yes	yes	partial

Financial sustainability support	<i>Financial subsidy</i>	yes	Yes	yes	yes	no	no
	<i>Bricolage (non financial)</i>	yes	No	yes	yes	yes	yes
	<i>Building and land</i>						
Collaboration	<i>Health intervention camps</i>	yes	Yes	no	yes	no	yes
	<i>Microfinance intermediation</i>	yes	Yes	no	yes	no	yes
	<i>Community upskilling</i>	yes	Yes	no	yes	no	yes
		Case 1	Case 2	Case 3	Case 4	Case 5	Case 6

5.10 Conclusion

Every social enterprise surveyed has a funding gap between its earnings related cash inflow and total cash outgo including its expenses, on account of pro bono service offerings and the socio economic vulnerability profile of its target customer. This satisfies the funding deficit supposition of the social enterprise whose primary mission is social impact with the profit goal being subordinated to the main goal of the social. However each of the social enterprise studied, varies in its profile of its finance source for its funding gap. Even in the case of the CBOs that were funded by the same lead NGO, the product and service offering profile along with the sustainability support differed based on the community the SE was embedded in. Each of the social enterprise surveyed has a variance in the profile of its finance source. The variance is related to the embedded nature of the SE's operations with its immediate community and the positive externalities it has generated.

This leads to the conclusion that Social Enterprise in India, is highly location and community specific. Scaling up, one of the metrics sought by investors in this sector may be contradictory to the SE's purpose of existence (embedded in its mission and values). The SE's earned income is derived from the community it aims to cater to and hence its goals would be irrevocably intertwined with theirs.

Chapter 6

Case Analysis and Discussion: Through the Theoretical Framework

6.1 Case Analysis Incorporating the Definitional Analysis of Social Enterprise and Signaling Theory

The researcher analyses the six SE cases through the framework of its meaning, proffered goals and the signals its applied ontological definition sends to a potential investor. The social enterprise multiverse is highly localized in its nature and context. It morphs its form and process depending on the sector it operates in, the target market it aims to cater to, the specific cultural dimensions and even the geography it is situated in. In the context of the CBO a prevalent form of a social enterprise in India, the characteristics of a non profit was heavily underlined in all its operational activities notwithstanding its efforts to achieve the first bottom line. The Farmer Producer Company was single focused in its operations and fit into conventional banking channels for funding its logistics and stock operations. Case 6, initiated by the extremely marginalised continued to need financial support even after 20 years of operations given that the main office bearers (the chief respondent, was a former co founder and a volunteer) were barely literate and combined with social exclusion, the enterprise started from a low base of self sustainability. The CBOs located in rural areas, with staff without professional qualifications, and disconnected from urban and networked investor were outside the ambit of startup funds to their low visibility to them. Case 5 with its educated founders and senior management ability to access investment networks, fit classic signaling theory. Case 6, though based in a rural area, sustained itself financially, through the signals of its founder NGO a decades old, well networked and established, sought out among others in the 80s and 90s, by various state government departments and Ford Foundation as part of their grant and donee portfolios

The six cases surveyed appeared to have the following commonalities (Table 6.1) and variances with respect to the nature of profits/outcomes targeted.

Table 6.1 SE Meaning: An applied ontological definition framework

Single/double/triple bottom line focus

Case	Legal status	Sector	single(first)	double	triple
1	Society	CBO		yes	
2	Society	CBO		yes	
3	Society	Communications		yes	yes
4	Producer company	Agriculture	yes	yes	
5	Private limited co	Sustainable energy	yes	yes	yes
6	Society	Gender	yes	yes	

In Table 6.1, corporate structures as observed in Cases 4 and 5 focus equally on the single bottom line of profit maximizing, and the double bottom lines of a combination of profits and social impact. CBOs have less focus on the profit goal. Case 6 was pressured to deliver profits on its micro finance intermediation due to the profile of its MFI investors. The enterprise was heavily dependent on the profits gained from this activity to fund its main goal of advocacy.

Table 6.2 Definitional analysis of social enterprises framework

Case	Legal status	Sector	Social goals	Economic goals	Environmental goals	Political agency/goals
1	Society	CBO	Yes	Yes		Yes
2	Society	CBO	Yes	Yes		Yes
3	Society	Communications	Yes	Yes	Yes	Yes
4	Producer company	Agriculture	Yes	Yes		
5	Private limited co	Sustainable energy	Yes	Yes	Yes	
6	Society	Gender equity	Yes	Yes		Yes

The CBOs in the sample- Cases 1, 2 and 4- fell in the political realm along with their social and economic goals

Table 6.2 highlights the purpose of the SEs existence as analysed through its mission and stated values. Education a key signaling component was a critical component for fulfilling investor metrics. In the framework of the signaling benchmark, enterprises founded by the marginalized in rural areas, fail to attract sustainable investor interest as seen in Cases 6 and also in Cases 2 and 3. Enterprises run by individuals from marginalized backgrounds struggle to retain investor interest even when their core constituencies may be in line with both government development goals and social impact investors. Case 6 attracted funds but only as an intermediary for micro finance which results in the enterprise taking on the risk of loan performance. The social enterprise run by the former victims of the human trafficking devadasi system underwrite performance risk for the social impact investor, which was in this case a well heeled micro finance company from a developed nation.

6.2 Examining the CBO and its Unique Role in Indian Social Enterprise

The original goals for the CBOs surveyed evolved from the goal of the parent NGO which was to develop institutional building capacity among the poor, capacity building for accessing available resources, training for social and economic empowerment and developing marginalized community's individual decision making skills and agency. A clear cut deliverable expected from the CBO by the investor non profit was that the CBO is expected to be an independent profit centre and at the same time deliver social good. Being trained in empathic service delivery and selectively hired for social attitude (among those CBO that the researcher surveyed), the staff were not inculcated with a 'commercial' approach when providing a service. They had also not been trained to raise funds or approach donors for funding the viability gap between the cash inflows and the needs of the second bottom line of community service delivery. This strained the functioning of the CBO by extending their managerial bandwidth and skills at handling their multiple roles of trainer, co-coordinators, organisers, managers, sellers and researchers.

The CBOs in parts have the classic double bottom line goal with the social objective combined with the profit goal and the triple bottom line goal combining the social with the economic and environmental goals. Financial viability gap funding continues to be required in the presence of multiple bottom line goals. By straining the reserves of existing personnel, the demoralization of trained and valuable personnel and consequent disruption in operations was observed. It is in this context that fund raising and donor engagement capacity building is an essential skill set required to be possessed by the manager and the staff of the CBO. The enterprise personnel appeared well trained and fully functional in accounts maintenance and the operational aspects of the enterprise. They however continued to seek support for the gap funding from their investor parent nonprofit. The contextualized domain knowledge gain from the decades old expertise of the investor non profit was apparent in the operational aspect of the CBO which helped them weather the lack of fund generating capacity

6.3 Mission and Goal wise Analysis

The non CBO social enterprises had more focused agendas when compared with the CBO's multivariiegated operational activities. However the relatively fewer objectives of the non CBO social enterprises (as seen in Case 5) made them more vulnerable to the sector preferences of the social impact investor. The sustainable energy investor received good ratings as per social impact investment metrics of the day, in terms of education (premium higher education for senior management), brand equity (international award) and also with ease of access (urban based and based in Bangalore, an urban region with a presence of social impact investors). However sustainable energy through biomass fuel found less favour with the investors as technology and business models in solar energy were the targets for the alternate energy investment portfolio at the time of the enterprise seeking funds. This affirms the discovery in the review on blended finance, where investor metrics often framed in the developed world context, conflicts with the social enterprise investee requirements. For the social enterprise (Case 6) in the gender sector, the main goal oriented activity of the enterprise continued to fail to attract funds. The enterprise had to resort to alternate business models of microfinance for cross subsidizing its devadasi practice elimination advocacy expenses. In return for the income earned from its lending activities of the monies extended to them by the microfinance investors, the former victims of the devadasi system and the impoverished 'dalit' marginalized communities of the area, were expected to bear the principal risk. The term 'dalit' addresses a large group of communities who have been subject to deprivations, societal exclusion and barriers of access to education, resources and health for centuries due to inherent societal traditions/conventions, leaving them vulnerable to poverty and destitution. In Case 6, the social enterprise was also pressured to scale up its micro lending activities to satisfy the internal annual targets of the micro finance investors even when they did not have the managerial bandwidth or experiential capacity of managing the loans and collection process of large amounts.

6.4 Case Analysis through IAD Framework

Given that there is no legal definition or framework for a social enterprise in the Indian context, the six SE cases had multiple legal frameworks. Many of the related rules and regulations that framed the enterprises surveyed, did not lend themselves to the funding requirements of a social enterprise which had to struggle to suit the conventional norms of donor funding and/or single bottom line led equity investments. Legal norms for crowd funding, a viable tool of community sourced finance for social enterprises as studied in Cases 1 and 2 that have cash flows of Rupees 50,000 or less per month, are yet to be formalized in the country. Incorporation under the Companies Act, albeit under the Producer company amendment was observed to be a difficult process and often defeating the very purpose of the timeliness required for commercial activity as seen in case 3. Analysing through a combination of signaling theory and the IAD framework highlights the variance between the Case 3 and Case 5. The former comprised of women from extremely disadvantaged and exploited communities and was embedded in groups of people that have faced inequity over centuries. The other was a company that was urban in context, had highly educated personnel and attracted attention of the investment community as seen through the framework of the signaling theory. Yet, Case 5 too found it difficult to match investor expectations as equity investment, even within the social impact investment framework came with expectations of returns available in conventional business.

There are currently no institutional incentives in the country's policy framework for social impact investments or a discounting of lending card rates for an investment portfolio targeting double and triple bottom line benefits. Equity investment continues to be about growth and scaling up before the venture capitalist can attempt to exit the investment at a profit, which is still focused on the single bottom line. As a social enterprise's objectives may be contextual and localized, scaling up, the preferred goal of an investor may be detrimental to the social impact goal of the enterprise. Differing social constructs and the cultural disconnect with the urban based investor connects also act as a barrier to timely investment such as in the case of Case 3 the farmer producer company.

The policy frameworks in place that favour hard evidence such as property ownership and collateral that favour the few also act as barriers such as in Cases 3 and 6.

6.5 Analysis Through the Framing Device of Bricolage

All the cases have resorted to bricolage as a key financial strategy, to resolve some part, if not all, of their funding challenges. The bricolage (Desa and Basu, 2012) content and terms are deeply localized. Specific to the individual social enterprise, it varies with each case depending on the sector it operates in, the socio cultural specifics of the community it is embedded in, the pattern of its financing and the socio economic profile of the founder and senior employees of the social enterprise.

It is observed both through literature review and through the six cases studied, analysed and illustrated in this thesis, that given conventional financial constraints, bricolage (Desa and Basu 2012) is a key tool used by social enterprises for plugging in the funding gap. The dimensions of the bricolage take on varying shapes depending on the sector the SE operates in and the managerial and financial bandwidth that the firm has. Collaboration with enterprises, individuals and communities is seen as a path explored by both SEs and nonprofits to leverage their existing resources (Van Sandt & 2012) and bring about new synergies in both operations and outcomes.

Table 6.3 Case wise Bricolage data

Cases	Legal status	Sector	Bricolage
Case 1	Society	CBO (microfinance+gender+empowerent+upskilling)	Infrastructure for health camps, agricultural intervention, land from community, office and factory premises from investor NGO
Case 2	Society	CBO (microfinance+gender+empowerent+upskilling)	Infrastructure for health camps, capacity training by lead NGO
Case 3	Producer Company(FPO)	Agriculture	Warehousing space from initiator NGO, managerial support from initiator NGO
Case 4	Society	Communications	Infrastructure for community intervention, land from community, Skilling training, office and factory premises from investor NGO
Case 5	Private Ltd Company	Sustainable energy	Capacity development from initiator NGO, shared office premises, volunteers
Case 6	Society	Gender	Capacity development from initiator NGO, land and office premises

The older CBOs that had institutional support for a longer period appeared to be more financial sustainable when compared to the CBOs which were relatively new and had fewer years of financial support. Gap funding or financing the revenue deficit appeared to have an impact on the CBO's success in its twin goals of profits and social satisfaction delivery as observed in Cases 1, 2,3,4 and 6.

6.6. A Social Enterprise Funding Model Contextualized Through the Six Cases

Deriving from the individual case models as analysed through thematic constructs of case methodology, a typology of a social enterprise model can be inferred in Figure 6.1.

Figure 6.1 Typology of a community service social enterprise funding model: an overarching model (Ramanathan, 2018)



Figure 6.1 illustrates the cash and kind inflow and outflow of an SE entity linked with its community and target market. The model focuses on the micro enterprise service model SE. This model has a combination of earnings which include commissions from bank loan facilitation, fees charged to entities that comprise its members, equity holders and stake holders, sales of farm produce, artisan crafts and cottage industry products offered by its entity members among others. Incentives from societal constructs including government bodies and public sector finance would be blended finance, tax incentives and tax discounts (currently not available in India except for a Section 25 of Companies Act provided for a nonprofit company) would minimize the cash outgo from an SE and thus augment the net cash inflow. Volunteers too minimise the cash outgo that would otherwise be required for paid staff.

6.7 Suggested Theoretical Proposition: The Localised Nuanced Network theoretical proposition

The analysis of the six cases brings out the following new theoretical proposition applicable for social enterprise finance. The cases illustrate that every social enterprise surveyed (except for Case 5) appears to draw its resources through local networks. The financial inputs are both intermittent, accessed on a need basis (in the case of events and projects), and regular (in the case of fixed expenses of staff, rental etc). The finance inflow is from multiple sources. The fund sourcing is diverse and yet largely local; the financial inflow mechanisms are complex. Yet both are open to modification- depending on the outcomes sought by the SE. A complex pattern of a multi-goal, multi-finance and a nuanced mechanism, is observed through the analysis of the social enterprise cases' financial strategies. The researcher proposes that proximity between the enterprise and its source of finance, including bricolage related support systems, is critical for achieving the social goals of the SE. A localised (Maskell & Malmberg, 1999) finance provider would better understand the nuances of the SE's often-vulnerable target communities and the financial structures that they are a part of. An efficient and effective financial model would include flexible channels of SE finance which would include user determined financial products based on the context dynamics of the SE. Hence, for an effective deployment of the limited financial options available to the SE, a nuanced delivery and

preferably a localised network of finance is required. Thus the researcher proposes the **‘Localised Nuanced Network Theory’** for social enterprise finance, the following of which would ensure a nuanced and localized inflow of finance for the SE’s community led goals.

6.8 Conclusion

The six cases are drawn from a single India state, all located in neighbouring districts in Southern Karnataka except for Case 6, which is located in northwestern Karnataka. The CBOs have a similar operational structure as they are initiated by one NGO. Yet, the cases have deep variance in the operational paths they adopt. They differ in the strategies adopted for financially sustaining themselves and as they evolve, in their service offerings to the community they are embedded in. Case 4- the community radio, is involved in the Nada Kacheri (the legal settlement of property disputes) in the area they are located in. In Case 1, the CBO incubates micro enterprises such as an incense stick manufacturing enterprise, as part of an effort to augment the local economy and the income of their members.

These variations affirm the researcher’s argument that the social enterprise is highly context and community specific in its meaning and function and hence the financing too would follow a similar pattern. Scaling up, a goal that is sought by the conventional investor, may defeat the very utility of the micro social enterprise as surveyed in this research study. The researcher has proposed the Localised Nuanced Network theory proposition for SE finance in the context of its community embeddedness.

The SE continually changes its subtext and operational capacities based on the evolving needs of the community it is based in. Catering to the poor and the marginalized, the social enterprise’s services has ripple effects on the market it caters too. These outcomes often change the very character of the target community and in turn induces the social enterprise to change its core operational plan in order to remain relevant.

6.9 Tabular Representation of Case data Collected During the Survey

Tables 6.4 to 6.13 present the nominal and ordinal data collected during the research in a tabular form. The data from the nominal/ordinal scale type data survey instrument (Appendix 2) administered to the respondents in each of the six cases is categorized through analytical concepts in a table form. The categorization is used as a cognitive tool for aiding the perception of a social and economic pattern that would support the analysis of the qualitative research study.

Table 6.4 Legal structure and Age of enterprise

Case no	education	gender	urban/rural	Legal structure	Year started
Case 1	12 th	m	rural	Society	2002
Case 2	12 th	m	rural	Society	2008
Case 3	10th/12th	m/f	rural	Producer Company (FPO)	2015
Case 4	12 th	m/f	rural	Society	1998
Case 5	MBA	m	urban	Private Ltd Co	2010
Case 6	M.A	f	rural	Society	1997

These SEs were registered under a range of legal entities- as societies, as a private limited company and an FPO. The age of the SEs surveyed varied from one to 20 years

Table 6.5 Financial capacity building

SE Case	Respondent (s) Education	Gender	Urban/Rural	Designation	Respondent has received financial skills training	SE Provides financial capacity building
Case 1	12th	m	rural	manager	yes	Yes
Case 2	12th	m	rural	team leader	Yes	Yes
Case 3	10th/12th	m/f	rural	CEO/president	Yes	No
Case 4	12 th	m/f	rural	staff	Yes	Yes
Case 5	MBA	m	urban	CEO	Yes	No
Case 6	M.A	f	rural	co founder	Yes	Yes

All the respondents had individual training in financial skills. Case 1 respondent had training in fund management, books of accounts and fund raising.

Table 6.6 Collaboration details

Case no	Urban/Rural	Designation	Response
Case 1	rural	manager	Collaboration for products-sanitary napkin usage awareness, carpentry/masonry skill training, assistance for hard copy application writing/online application/chalan filling/ bank account opening procedures/LPG connection/Aadhar card/ration card/Bond paper typing/question papers for school examinations from 5 th -9 th standard
Case 2	rural	team leader	Collaboration for products, services, general promotion, events
Case 3	rural	CEO/president	Collaboration for product supply and delivery with community and SHG members
Case 4	rural	staff	Collaboration for services, events, programme implementation, community skilling, health camps
Case 5	urban	CEO	Collaboration for product manufacture, logistics, and general promotion
Case 6	rural	co founder	Collaboration for services, events, website content, website management and fund raising

All the social enterprises surveyed engaged in collaboration for their operations.

Table 6.7 All applicable sector that the organisation operates/is present in

Case no	urban/rural	designation	Health	Education	ICT4D	Logistics	MicroFin	Agri	Advocacy	Training	Others
Case 1	rural	Manager	yes	yes	yes	no	yes	yes	yes	yes	SHG
Case 2	rural	Team leader	yes	no	no	no	yes	no	yes	yes	SHG
Case 3	rural	CEO/president	no	no	no	yes	no	yes	yes	no	no
Case 4	rural	Technical staff	yes	yes	yes	no	yes	yes	yes	yes	Legal awareness advocacy
Case 5	urban	CEO	no	no	no	yes	no	no	yes	No	Patented Smokeless cook top manufacture and distribution
Case 6	rural	Co founder	yes	yes	yes	no	yes		yes	yes	SHG

The CBOs were found to operate in a large number of sectors whereas Cases 3 and 5- SEs governed by the provisions of the Companies Act 2013, operated in single sector areas.

Table 6.8 Partner/Collaborator support in kind

Case no	Urban/Rural	Designation	Response
Case 1	rural	manager	Support for Office space, warehousing vehicle- one motorcycle, equipment-tailoring machines for training purposes, networking and promotion
Case 2	rural	team leader	Nil
Case 3	rural	CEO/president	Office space, Warehousing
Case 4	rural	staff	Office– Land donated by Panchayat; Building funded in two parts : Ground floor by founder NGO and first floor, housing the studio by MPLAD (Govt) funding, Radio station equipment and office furniture and computers by founder NGO
Case 5	urban	CEO	Shared office space by founder non profit
Case 6	rural	co founder	Office equipment including computers, telephone, Plot of land on which office located and 2 acres Land donated by Govt.

Table 6.9 Entities that the SE approached for fund raising

Case no	Urban/Rural	govt	pvt equity	self	bank	entity members	entity share holders	partners	others
Case 1	rural	no	no	no	no	Yes	yes	yes	yes
Case 2	rural	yes	no	no	no	No	yes	no	no
Case 3	rural	no	no	no	no	Yes	yes	yes	no
Case 4	rural	no	no	no	no	Yes	yes	no	no
Case 5	urban	yes	yes	yes	no	No	no	no	no
Case 6	rural	yes	no	no	yes	No	no	no	yes

Case 1: The enterprise has approached entity members , entity shareholders, partners and others .

Case 2: The enterprise has approached entity members the government and entity shareholders.

Case 3: The enterprise has approached entity members , entity shareholders and partners.

Case 4: The enterprise has approached entity members, entity shareholders and partners.

Case 5: The enterprise has approached the government, private equity investors and is also self financed (for startup funds).

Case 6: The enterprise has approached the government, banks and others.

Table 6.10 Period that SE received funding- loans/grant/equity/kind

Case no	Education	Gender	Urban/Rural	Designation	Response
Case 1	12 th	m	rural	manager	The enterprise received funding in kind for over 5 years
Case 2	12 th	m	rural	team leader	The enterprise received funding in kind for over 5 years and as grants for 3-5 years
Case 3	10th/12th	m/f	rural	CEO/president	Organisation still in inception at the time of interview
Case 4	12 th	m/f	rural	staff	The enterprise received funding in kind for more than 5 years; nil funding as equity; in cash as grants for over 5 years;
Case 5	MBA	m	urban	CEO	The enterprise received funding in cash as equity for over 5 years and in cash as loans for over 5 years
Case 6	M.A	f	rural	co founder	The enterprise received funding in kind for nearly 15 years, in cash as grants for over 15 years and in cash as loans for 20 years

Table 6.11 Source of SE's startup funds/seed funds/operational revenues

Case no	Urban/Rural	Designation	Response
Case 1	rural	manager	Enterprise is funded through donor grants and membership fees.
Case 2	rural	team leader	Enterprise is funded through donor grants and membership fees.
Case 3	rural	CEO/president	Enterprise is funded through loans and equity funds
Case 4	rural	staff	Enterprise is funded through Donor grant Membership fees and 'Others'
Case 5	urban	CEO	Enterprise is funded through Promoters funds Loans, Impact Fund
Case 6	rural	co founder	Enterprise is funded through Donor grant, Government Grants, Loans, Membership fees and 'Others'

Except for Cases 1 and 2, the SEs had multiple/varied sources of startup and operating funds

Table 6.12 Time taken for raising initial startup funds and if the SE is still raising funds

Case no	Gender	Urban/Rural	Designation	Period	Is the SE is still (working on) raising funds
Case 1	m/f	rural	programme officer	less than 6 months	Yes
Case 2	m	rural	team leader	less than 6 months	No
Case 3	m/f	rural	CEO/President	1 year-2 years	Yes
Case 4	f/m	rural	staff	less than 6 months	Yes
Case 5	m	urban	CEO	less than 6 months	Yes
Case 6	f	rural	co founder	3-5 years	Yes

Table 6.13 Responses to Likert scale statements No 29 to 42 in the survey instrument

(Appendix 2)

Question/Response	Responses per scale- in percent (total 6 cases)				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
The entire organization should be involved in fund raising activities	16.67	33.33	33.33	16.67	0.00
We have a good documentation process for all operations	50.00	33.33	16.67	0.00	0.00
Our documentation process helps us when we approach new funders/ donors/lending institutions.	66.67	33.33	0.00	0.00	0.00
We continue our relationships with our funders/donors /lending institutions.	16.67	83.33	0.00	0.00	0.00
Our documentation process helps us retain our relationships with our funders.	33.33	66.67	0.00	0.00	0.00
Our services profile helps us engage with existing partners and collaborators	16.67	50.00	33.33	0.00	0.00
We adapt our products/services to our donors' /collaborators and partners' requirements.	0.00	33.33	16.67	50.00	0.00
Our services and products are tailored to the customer's /users'/community's needs and requirements.	83.33	0.00	16.67	0.00	0.00

Our services and products are based on the organisation founder's/founding team's vision and goals.	16.67	50.00	0.00	16.67	0.00
I believe that the organisation must be independent in terms of donor funding and that all expenses should be met out earnings.	0.00	66.67	33.33	0.00	0.00
We cannot depend solely on the organization's earnings for sustenance.	16.67	50.00	16.67	16.67	0.00
We access new donors and funders lists through word of mouth.	0.00	50.00	33.33	0.00	0.00
We access new donors and funders lists through referrals.	0.00	50.00	33.33	0.00	0.00
We access new donors and funders through cold calls to names from lists of such organizations.	0.00	0.00	33.33	50.00	16.67

Chapter 7

Conclusion

7.1. The Socio Economic Utility of a Social Enterprise in the Indian Context

Social enterprises that fill in the gap between for profit and charity have a clear space in unique economies such as India's. Socio economic reform and development becomes a dire necessity in a nation where about 900 million sustain themselves on less than USD 3.71 or about Rs 250 a day and 280 million have less than USD 1.99 to spend for all their necessities including shelter, food, health, transport, education and communications. Policy implementation must by force strive towards equity and equitable access to resource and opportunities. With a fraction of the working population having the security of being employed in the organized sector with related livelihood benefit, the remaining populace are forced to engage in the unorganized sector or commercially fragile micro entrepreneurial activities.

In Case 4, the social enterprise has exceeded its mandate of social impact generation through information dissemination and community interconnectivity via the medium of radio. The CBO that supports the radio station with alternate income generation, is also engaged in supporting the milk dairy business of the area and in aiding the community's nutrition intake, with no economic benefit accrued to itself. In a multi party socio economic transaction in the acquisition of a milk yielding cow, the radio station brings together the SHG member farmer, the state milk producer, the bank lending the money to buy the cow, the SE itself by vetting the SHG member's borrowing profile and the veterinary doctor. The SE performs multiple service roles in this context. It helps the farmer by linking her to the bank providing the fund. It organizes the linkage between the veterinary doctor and the milk farmer for inspection of the cow before its purchase. It assists the bank by vetting the credit profile of the borrower thereby providing an informal guarantee of credit worthiness. It aids the milk producer in augmenting their raw material supplies. It increases business for the veterinary doctor who assists the process.

In addition to augmenting the economic value of the individuals and enterprises it interconnects, the SE also helps in the fostering of community health by adding a source of food for the underprivileged whose family will have access to milk consumption which would otherwise have strained their food budget. In the case included in the research sample, the radio station SE has performed all these functions pro bono, even though charging a fee would have helped them with their cash inflow. The radio station's income generated from alternate sources combined with their built in goal of generating social impact within the community they are embedded in, has facilitated their rendering of this technical and domain knowledge led service to the community without a fee. Clearly the goal of the SE is not monetary profit alone. Such a multi pronged enterprise model that ultimately benefited the community it is embedded in could not have existed in a purely for profit enterprise. The pricing of the factors involved would prevent a for profit firm to undertake the SE's role of catering to the extremely marginalized as studied in this case. The social enterprise has self funded the act of benevolence enabled by its alternate revenue streams. By acting as a catalyst for the economic transaction while bringing a new socio economic engagement to fruition, the SE takes on multiple dimensions in its entity profile as a charitable and a commercial enterprise.

7.2. Political Empowerment Rendered Through a Social Enterprise

Politics is about power relationships and the negotiation of power structures between the individual members of a community. Social entrepreneurs are deeply interlinked with change and take on the mandate of inducing change. By offering opportunities of group engagement and collectivization, while at the same time enabling access to alternative income streams, the social enterprise develops agency among the underprivileged and hitherto downtrodden. By doing so, the SE offers opportunities to the disempowered to renegotiate inequitable power relationships. The resulting agency and economic empowerment through the social enterprises' activities help the poor and underprivileged to take back some of the power they had ceded. In this context, social enterprises involve themselves with community requirements of social and infrastructural spends including those on health, education, sanitation, empowerment and environment related challenges.

These sectors have conventionally largely been addressed by government or quasi government institutions. The efficacy of the larger social system that has given the opportunity for the social enterprise to exist as an economic entity is to be tested. In order to do that the social entrepreneur contextualizes the immediate problem into a larger theory and ideological framework. Typically, a social entrepreneur looking at low literacy levels may reframe the problem as barriers to information access and empowerment. The social entrepreneur arrives at causal relationships between the immediate problem she or he discovers combining her/his experiential framework with a larger theory framework. This establishment of a causal context is arrived at intuitively or reasoned through. The personal becomes the political when the social enterprise conflicts with the ideology of the administration of the day and attempts to be part of the process of the community taking its power back from the authorities it has entrusted it to. The social enterprise thus becomes a confluence or even a triangulation, of the social, the political and the economic. The enterprise takes on the dynamic form of a process that empowers the community by letting it take back decision making in their social and economic choices from the conventional authorities in governance and finance. In a social enterprise, it is expected that the social entrepreneur and her/his team would use commercial methods to achieve their social impact goals. The social goals may even reduce the efficiency of the social enterprise if it were to be a solely for profit enterprise (Parkinson & Howorth 2008).

In brief, the concepts of 'social entrepreneurship' and 'social enterprise' can be defined only with reference to social, political and economic constructs. Since these three constructs lay the foundation for SE, the concept cannot be explained by making the constructs water tight compartments. Each construct cannot exist independently of each other. The conglomeration of these constructs can be seen in different realms such as using social entrepreneurship as an investment tool following a political ideology. Some of the classificatory frameworks used to identify social ventures for the purpose of investment decisions are whether they occupy a specific geographic space or are based on the character of the population the enterprise covers (Rubin 2009). In the literature review the researcher explored how the ontology of the concept satisfies social construct. For the

developing countries, the main agenda behind social entrepreneurship is to bring progress to the society through empowering the marginalized, including the poor and the women from disadvantaged communities, ensuring both social and economic wellbeing. The commercial construct of SE along with the concomitant political angle of the concept was analysed. Often the social entrepreneurs are motivated by their political ideologies. The functional strategies are aligned on the basis of these ideologies. Tying up of these three concepts explains the concept of SE as a business venture, based on social participation interwoven with political ideology.

7.3. Social Enterprise Finance as Observed Through its Multi Pronged Meaning

The diverse organisational structure, multi goal and multi input process model of a social enterprise gives rise to the need of a dynamic funding process rather than the conventional input output model of finance. Finance becomes an ongoing process as seen in the case studies with multiple actors involved when compared to a for profit firm's straight line equation of the top line, expenses and single bottom line. The experiential learning from the specific CBOs surveyed in the sample was that the break even is achieved after two years, provided handholding and support is given for the initial period of two years along with a 100 percent subsidy for the premises that the CBO is physically housed in.

The agency theory of business affirms that the equity holders have a stake in the firm's profits (after the first calls by institutional agencies who offer secured credit lines and collateralised loans) given that it is their cash input that causes the firm to assume its form and commence its existence as a legal entity. However in the stakeholder theory of ownership, often applied to the SE, the community and its individual members that an enterprise is embedded in has an equal claim on the firm and its outcomes. The firm is responsible to the community that gives it implicit permission to operate and hence entitled to receive benefits from the firm's operations. In this context, the twin concepts of cross subsidization and bricolage sustain the social enterprise ecosystem. The diverse patterns of finance places the social enterprise outside conventional finance norms, while

making it a resilient typology of business in the resource starved socio economic transactions of developing economies. The finance comes from multiple sources. As the context changes, the flow path for finance changes, and so do the goals and the outcomes of the social enterprise making it a paradigm of constant adaption to change. A multiple goal, multiple revenue source, multiple collaborator and intricately networked business enterprise makes for an innovative and constantly evolving funding mechanism vehicle. Social finance in the context of the cases surveyed is seen to be deeply localized. It is specific to the socio cultural norms and requirements of the communities the social enterprises are embedded in.

7.4. The Funding Deficit

As funding in general is almost absent for all forms of tiny and small enterprises both in businesses and in agriculture, social enterprise too face a similar funding gap. Social enterprise finance appears to be dire in the case of tiny and micro social enterprises. Investments ranging from Rupees one lakh to five lakhs (below USD 10,000) are well below the radar of impact investors. Micro social enterprises such as those covered in cases 1, 2 and 6 have low barriers of entry, fit into the socio economic profile of rural India and stem migration by providing rural employment and services. Institutional policies and an environment that catalyses both public and private funding including crowd sourcing, will meet the demand for finance at these ticket sizes.

7.5. Policy Learning and Prescription/Suggestions

Policy making is a critical form of an intervention in engineering a modern developed human society. Through policy, complex arrangements of frameworks are drawn for a community of individuals to follow. Ideally, these frameworks or rules help individuals of a society to co operate with each other to achieve commonly established goals with an optimal combination of their individual capacities. In the context of the IAD framework, the network model of policy making based on equity (Ostrom 1999), given India's poverty estimates, policy making in India must necessarily include linkages with the fragmented majority. The government hierarchies of policy structures must take into

account the multi layered requirements and processes of the heterogeneous society it serves. A key outcome of policy structures would be the delivery of equity in all aspects of development access, including job opportunities and upgrading earning potential.

Increasingly public discourse claims entrepreneurship as a viable option to jobs, as a tool for economic development. As entrepreneurship is increasingly sought to be fostered by the state, care should be taken to ensure that true entrepreneurial capacities are built and encouraged. Rent seeking entrepreneurship that sustains itself through the cornering of access through the mechanisms of licenses and institutional permissions, and also appropriate an unfair share of the nation's commons, must be discouraged. Through the paradigms of social enterprise models, the community through the policy mechanisms of the state, can help generate entrepreneurial models that produce positive externalities both for human society and the environment.

Policy makers now have cognizance of the fact that institutional finance does not find its way to the MSME sector and that the organized sector continues to remain the arena of the privileged minority. To address this imbalance, policy has been updated to include financing that is outside the realm of banks, other formal finance and their extensions including the new last mile coverage tool termed as 'business correspondents'. The angel investor guidelines under the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations 2013, Chapter III-A, attempt to deal with alternate forms of funding for the startups, given their difficulties with the conservative approach of conventional finance. However with the new policy restricting angel investors to individuals with a net asset base of a minimum of Rupees two crores, an angel fund to have a minimum corpus of Rupees ten crores and each individual investment to be a minimum of Rupees 50 lakhs (among other restrictions), this form of financing remains outside the investor framework of most micro social enterprises that require an optimal investment of 1000-5000 USD or below Rupees 5,00,000 as seed funds. The Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations 2013 also provide for Social Venture Funds (SVF) and SME Funds among other new category of investment funds available to startups. Here too,

similar restrictions prevail. A minimum investment of Rupees one crore per enterprise is prescribed, defeating the investment goals of the micro social enterprise as surveyed in the research study. Other proscriptions dictating the SVF as per the SEBI 2013 amendment include the restriction of grants to a minimum of Rupees 25 lakhs each grant, in addition to the social impact investee being prohibited from making profits out of the grant monies invested. This relegates the SVF grant monies out of reach for most social enterprises embedded in rural communities.

- Even as rules for social venture funds have been formalised , albeit with a seeming disconnect with ground realities, there is no separate policy for social enterprise in India as yet. A key investment barrier that could be resolved through policy would be the recognition of a social enterprise as such. Due to multiple compulsions, including the complex requirements of company formation, the non recognition of a social enterprise as a legal entity and the consequent higher taxation norms applicable to conventional private enterprises, many micro social enterprises especially CBOs exist in the form of societies. This places them outside the ambit of a social impact investor as equity stakes cannot be sought for in return for investment, in a society.
- In the late '80s an SHG comprising an informal group of 15-20 individuals was allowed to open a dedicated bank account in its own name. This enabled banks and micro finance institutions to view the SHG cluster as a viable market thus opening a new funding channel. A similar recognition for a social enterprise would increase its potential as an investment avenue for financial institutions in the country. Profit taking is currently discouraged by policy for an economic enterprise that exists in the form of a society. Hence a legal existence as a society discourages the conventional entrepreneur who may also have a social impact goal. Institutional recognition and a legal framework for SEs would enable banks and other lending institutions to recognise SEs as credit worthy entities similar to the legislation enabling SHGs to be viewed as a new market segment in micro finance.

- As observed through the paradigm of the financing model of each case, the path for each social enterprise is unique in reaching financial sustainability. A flexible and inclusive policy for funding of multiple forms of enterprise especially those that cater to the poor and the underprivileged are required. The 90-95 percent repayment cited in SHG repayment loan metrics suggest that financial efficiency seems achievable when every citizen is allowed financial agency and access at commercially sustainable rates. It is suggested that institutional support be provided in terms of both funding operating expenses and capacity building till the social enterprise succeeds in its twin goals of profits and social satisfaction delivery. Sustainability support till the social enterprise reaches breakeven could be offered at discounted rates as part of blended finance or in the forms of grants specifically developed for such enterprises. Once legal recognition is in place, an SE fund or cell could be constituted to channel grants and loans to this sector.
- Tax breaks and incentives could be given to a social enterprise to encourage their proliferation and to induce a multiplier effect. This would again require social enterprises to be recognised formally by policy makers.
- Training centres could be developed that are solely focused on SEs. Training to be provided for handholding/training for SEs- the training modules to include skills for costing, marketing, and networking (develop events, conferences for peer learning and sharing)

With the continuation of the large regulatory and policy gap with respect to social enterprises even as the more developed nations have begun to address this issue, policy makers in India are failing to utilize a tool that offers possibilities of a sustainable living for communities within their own socio cultural geographies. By being proactive and more innovative, policy makers could envision every citizen having an equitable stake in the economy and policy impact of the nation. Outcomes of investment need to be imagined rather than the focusing on the minutiae and strictures of failure prevention.

7.6. Limitations of the Research, Significant contribution and Possibilities for Future Research Studies

The main limitation of the study was the lack of evidence based literature on a compilation of all the social enterprises in India, largely owing to the fact that social enterprises have not been accorded a formal recognition by the government. The lack of a formal nomenclature has led the researcher to explore the MSME and the agriculture sectors where the majority of the poor and the underprivileged find marginal employment. The enterprises that employed and/or catered to the vulnerable section were studied as they satisfied the definitional norms of a social enterprise as evidenced in the literature review.

This thesis attempts to make the following contributions to literature on both social enterprises and its financial challenges. Firstly the thesis contributes to an understanding of the complex financial networks in SEs located in both the formal and the informal sector, especially as viewed through micro grassroots enterprises in Karnataka, India. The research contributes to the foundational base of primary data which could be a valuable tool for ongoing development research especially those focused on SEs. The policy frameworks surrounding the marginalised is scanned especially the lack of it when covering business units that exist in the twin universes of the social and the economic. Secondly the thesis also attempts to contribute to extant literature on the ontology of a social enterprise especially those situated in the South Asia context, when viewed through the cultural and economic framework of a state in southern India.

Future research directions that will augment existing studies in this still evolving area of research are suggested in the areas of exploring evidence of the positive externalities of social enterprises, on a continual in depth compilation of SEs at grassroots especially in rural areas in India and expanding the knowledge on investment orientation towards SEs in India.

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Appendices

Appendix 1: Qualitative Survey Instrument

Dear Sir/Madam

This questionnaire is prepared to understand the funding and related challenges faced by social enterprises. I assure you that I will use the collected data only for the purpose of my research work and your name and identity will be confidential and remain as anonymous in the PhD thesis/papers.

*Preeti E Ramanathan
Research Scholar
Dept. of Economics,
BITS Pilani, KK Birla Goa Campus*

Date and Time:
Enterprise name:
Place:

QUESTIONNAIRE

1. Name:
2. Gender:
3. Education:
4. Age:
5. Place of Origin:
6. Organisation:
7. Sector:
8. Years with Organisation:
9. Place of Work :

1. What is the mission of your organisation/enterprise group?
2. What are the objectives and goals of your organisation/enterprise group?
3. What are the influencers for starting/ joining this organisation/ enterprise group?
4. What were the enablers or the enabling environment that helped you start/join this organisation/ enterprise group?
5. What were the enablers or the enabling environment that helped you fund this

- organisation/ enterprise group?
6. How long since you have started /joined this organisation/ enterprise group?
 7. What did you do before starting/joining this organisation/ enterprise group?
 8. In your perspective what were the challenges you and your organisation/ enterprise group have faced in raising funds? Please explain.
 9. What was the funding process initially and what is it now?
 10. What was your funding plan- initial and subsequent? And what percentage/proportion of that have you raised?
 11. Please list all your collaborators and partners their operational details:
(pointers- chronology, sector, when approached, for how long, how are relationships sustained)
 12. What are the processes you follow to initiate contact with new funders/ donors?
 13. What are the processes you follow to initiate contact with new collaborators and partners?
 14. What are the processes you follow to sustain your relationship with your existing funders/ donors?
 15. What are the processes you follow to initiate sustain your relationship with your existing collaborators and partners?
 16. Does your organisation have training and skill development programs for capacity building for operational activities? Please elaborate.
 17. Does your organisation have training and skill development programs for financial capacity building, specifically fund raising? Please elaborate.
 18. What in your opinion is the most difficult task or challenge faced in your operations?
 19. In your opinion do you believe that you are working for social welfare and wellbeing?
 20. Why do you say you are an enterprise working for community benefit?
 21. Who benefits from your organizational/group activities?
 22. Could you provide an estimate of how many people have benefitted from your activities?
 23. What do you think are the desirable attitudes, a founder/employee should have to work or be part of an organisation/ enterprise group such as yours?
 24. In your opinion what are the desirable skills and capacities, a founder/employee should have to be a successful part of an organisation/ enterprise group such as yours?
 25. What would you have done or liked to do, if you had not started/ were not part of this organisation/ enterprise group?

Appendix 2: Nominal/Ordinal Scale Survey Instrument

Dear Sir/Madam,

This questionnaire is prepared to understand the funding and related challenges faced by development organizations engaged in entrepreneurial and/or business activities. I assure you that I will use the collected data only for the purpose of my research work and your name and identity will be confidential and remain as anonymous in the published thesis/papers.

Preeti E Ramanathan,
PhD Research Scholar,
Dept. of Economics,
BITS Pilani, KK Birla Goa Campus

QUESTIONNAIRE B

Demographics:

1. Gender : F M Others
2. Age: 18-35 36-55 56 and above
3. Education:

No education

12th and below

Degree and above (please list educational details):

4. Place (please name location of work): Urban _____ Rural _____

5. Designation:

6. Organisation/Group/Enterprise name:

Organisation details:

7. Organisational structure:

Society Trust Pvt. Co Partnership Co-operative Others _____

8. Please choose all applicable areas the organization operates in:

- SHG Health Education ICT Agriculture and extension Logistics
Microfinance Advocacy Training Others
-

9. Year of starting the enterprise/organisation _____

10. Year of starting operations _____

11. Number of founders: 1 -5 6-10 >10 N.A

12. Number of employees _____

13. Do you have training in financial skills and capacity?

Yes please list details: _____

No

14. Does your organisation provide structured/formal training in financial knowledge and skills?

Yes No Do not know

Funding- Cash/Kind/Partnerships

15. Do you collaborate with partners in your operations and activities?

Yes No N.A

16. If yes to above, please tick all applicable and list the number of years of collaboration:

Operations

Products

Services

Logistics

Supply

Delivery

Marketing

General promotion

Events

Website content

Website management

Banners

Others _____

17. Please tick all applicable below, if you have donor/investor/partner support in kind (non cash support)

Infrastructure

Office space

Warehousing

Vehicles/Transport

Equipment

Others _____

Administration and operation

Staff salary

Administration costs

Travel

Electricity

Advocacy and Marketing

Communication

Promotion

Others

18. For how long is your organization receiving/has received funding?

in kind:<6 months 6-12 months 1-2 years 3-5 years > 5 years N.A
in cash as equity?<6 months 6-12 months 1-2 years 3-5 years > 5 years
N.A

in cash as grants?<6 months 6-12 months 1-2 years 3-5 years > 5 years
N.A

in cash as loans?<6 months 6-12 months 1-2 years 3-5 years > 5 years
N.A

Funding process:

19. How was the organisation initially funded: Please tick from below and explain:

Promoters funds Donor Grant VC/Impact fund Government grant
Loans _____ Membership fees Others __-

20. How long did it take to raise initial funding (at the start of the organization)?

<6months 1year-2 years 3-5 years > 5 years

21. Are you still raising funds?

Yes No N.A/Do not know

22. Total funds raised so far? Please tick from below:

>5 lakh 5-50 lakhs 50 lakhs – 2 crores 2-5 crores >5 crores

Do not Know

23. What percentage of the funds raised are for promotion purposes?

24. What percentage of the funds raised are for administration purposes?

25. What other purposes have you raised funds for?

26. Whom have you approached for funds since inception?
Government Pvt. Equity Self Bank Entity members Entity
shareholders Partners listed above Others _____

27. Since inception, how many people/organizations have you approached for funding?
1-2 3-5 6-10 11-15 16-20 more than 21

28. Please rank the following organizational tasks you find most difficult with Rank 1 being given for the most difficult task.

- Fund raising
- Marketing and promotion
- People management (Sourcing, Retaining and matching talent to job requirements)
- Partnership/Collaborator coordination and management
- Managing income generating activities
- Proposal writing
- Other operations

Which would be the tasks you find most difficult that are not included in above:

In the following, please tick the most applicable:

29. The entire organization should be involved in fund raising activities
Strongly agree Agree Neutral Disagree Strongly disagree

30. We have a good documentation process for all operations
Strongly agree Agree Neutral Disagree Strongly disagree

31. Our documentation process helps us when we approach new funders/donors/lending institutions.
 Strongly agree Agree Neutral Disagree Strongly disagree
32. We continue our relationships with our funders/donors/lending institutions.
 Strongly agree Agree Neutral Disagree Strongly disagree
33. Our documentation process helps us retain our relationships with our funders.
 Strongly agree Agree Neutral Disagree Strongly disagree
34. Our services profile helps us engage with existing partners and collaborators
 Strongly agree Agree Neutral Disagree Strongly disagree
35. We adapt our products/services to our donors' /collaborators and partners' requirements.
 Strongly agree Agree Neutral Disagree Strongly disagree
36. Our services and products are tailored to the customer's/users'/community's needs and requirements.
 Strongly agree Agree Neutral Disagree Strongly disagree
37. Our services and products are based on the organisation founder's/founding team's vision and goals.
 Strongly agree Agree Neutral Disagree Strongly disagree
38. I believe that the organisation must be independent in terms of donor funding and that all expenses should be met out earnings.
 Strongly agree Agree Neutral Disagree Strongly disagree
39. We cannot depend solely on the organization's earnings for sustenance.
 Strongly agree Agree Neutral Disagree Strongly disagree
40. We access new donors and funders lists through word of mouth.
 Strongly agree Agree Neutral Disagree Strongly disagree
41. We access new donors and funders lists through referrals.
 Strongly agree Agree Neutral Disagree Strongly disagree

42. We access new donors and funders through cold calls to names from lists of such organizations.

Strongly agree Agree Neutral Disagree Strongly disagree

Supervisor Profile

Profile of Dr. ASWINI KUMAR MISHRA

Faculty and Head, Department of Economics

Birla Institute of Technology and Science (BITS)-Pilani, K.K. Birla Goa Campus, Goa

Zuarinagar, Pin-403726

Email: aswini@goa.bits-pilani.ac.in, mishra.aswini@gmail.com

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Educational Qualifications:

2009: Ph.D. (Economics)

Thesis title: Economic Reform and Social Security in Orissa: Fiscal and Institutional Constraints, Place of Research: NKC Centre for Development Studies (An ICSSR Research Institute), affiliated to Utkal University, Bhubaneswar, Odisha.

- Supervisor: Late Prof. S.P. Padhi (Ex-Director at NKCCDS-An ICSSR Institute, Bhubaneswar).
- Examining Committee: Prof. Manoj Panda (Currently Director at IEG, New Delhi) and Prof. Biswajeet Chatterjee (Former Dean, Jadavpur University)

1996-1998: M.A., First Class, Analytical & Applied Economics, Utkal University, Bhubaneswar, Odisha.

1993-1996: Graduation, Economics (Hons.), First Class with Distinction (in Mathematics), Utkal University, Bhubaneswar, Odisha.

1991-93: +2 Arts, First Class, Council of Higher Secondary Education, Bhubaneswar, Odisha.

Fellowships and Awards

- Received Indian Council of Social Science Research (ICSSR) *Doctoral Fellowship* (2006 -07), New Delhi.
- Qualified in the UGC– NET examination for *Lectureship in Economics* (1998).
- Received Excellent Performance Certificate in the Training Course on *Research Methodology and Computer Applications in Social Sciences* organised by Dr. Babasaheb Ambedkar National Institute of Social Sciences (An ICSSR Research Institute) Mhow, Madhya Pradesh from 20-31 August, 2007.

Affiliation(s) to Professional Bodies/Honors & Recognition:

- Received “Dewang Mehta National Education Awards (Regional Rounds)” in the "Best Professor in Economics" category held at Panjim, Goa on 16th August, 2017.
- STATA (Data Analysis and Statistical Software) “Speakers Award 2017” in the 2nd Stata Users Group Meeting held at Mumbai on 10th May, 2017.
- Member of Chronic Poverty Advisory Network, hosted at the Overseas Development Institute (ODI) in London, UK.
<http://www.chronicpovertynetwork.org/>
- Life-time Member of the **Indian Econometric Society (TIES)**
- Life-time Member of the **Indian Association for Research in National Income and Wealth (IARNIW)**.

Training Programmes /Courses Attended:

- Case Method Teaching Seminar, organised by Indian Institute of Management (IIM), Ahmedabad during 21-22 October 2016.
- *National Workshop on Panel Data Econometrics*, organised by Symbiosis School of Economics, Pune during 23-25 August 2013.
- *Quantitative Research Methods in Labour Research*, conducted by V.V. Giri National Labour Institute, Noida, Uttar Pradesh during 4-15 February, 2008.

- *Training Course in Research Methodology and Computer Applications in Social Sciences* organised by Dr. Babasaheb Ambedkar National Institute of Social Sciences (BANISS), Mhow, Madhya Pradesh during 20-31 August, 2007.
- *Young Scholars' Programme* organised by Indira Gandhi Institute of Development Research, Mumbai during 18-30 June 2007.
- *Computer Applications in Social Sciences* organised by Center for Social Studies (An ICSSR Research Institute), Surat, Gujarat during 13-22 December 2004.

Teaching/ Research Experience:

January 2009 till Date: Asst. Professor, Department of Economics, Birla Institute of Technology and Science (BITS)-Pilani, K.K. Birla Goa Campus, Goa, INDIA.

August 2008-January 2009: Academic Associate in Economics Area at Indian Institute of Management, Ahmedabad (IIMA).

2005-2007: Guest Faculty (For PG and Degree classes) in the Dept. of Economics, Vikram Deb (Autonomous) College, Jeypore-764001(Odisha)

February 2005-September 2005: Working as Research Associate at “*Council of Analytical Tribal Studies*” (COATS), Koraput, Odisha for the *Preparation of Perspective Plan for the National Rural Employment Guarantee Scheme (NREGS)* for Nabarangpur district, Odisha.

2001-2004: Three years of research experience at *Nabakrushna Choudhury Centre for Development Studies* (An ICSSR Research Institute), Bhubaneswar with varying degree of responsibility.

Administrative Experience:

July 2009-December 2013: Hostel Warden BITS Pilani, K. K. BIRLA Goa campus.

June - July 2013: Acting HoD, Economics Department, BITS Pilani, K. K. BIRLA Goa

Campus

2012 – December 2013: Member, Doctoral Research Committee, Economics

Department, BITS Pilani, K. K. BIRLA Goa campus.

First Semester 2013-14: Resource Person for Intensive Teaching Workshop (ITW)

at BITS, Pilani-K.K. Birla Goa Campus.

January 2014-till December 2015: Convener, Doctoral Research Committee,

Economics Department, BITS Pilani, K. K. BIRLA Goa campus

October 2015-till Date: HoD, Department of Economics

March (12-13) 2016: Convener, BITS Goa Economics Conclave

March (20-21) 2017: Convener, BITS Goa Economics Conclave

February (16-17) 2018: Convener, International Conference on Economics and Finance
(ICEF-2018)

Current Research:

MSMEs, Social Security, Infrastructure, Social Enterprises, Economic Inequality and Economic Mobility, Chronic and Extreme Poverty.

Sponsored Projects: Completed/Ongoing

- *Mining Closure, Economic Disruption & Local Level Sustainability: A Case Study of Goa, India;* Sponsored by ICSSR (Indian Council of Social Science Research, New Delhi) Completed.
- *Tribal Population and Chronic Poverty in India: A Note on North-South Divide.* Sponsored by IIPA, New Delhi and CPRC, UK 2004-05. Available online at http://www.chronicpoverty.org/uploads/publication_files/CPRC-IIPA_27.pdf

Publications:

Journals

- **A.K. Mishra & Anil Kumar** (2017) ‘What Lies behind Income Inequality and Income Mobility in India? Implications and the Way Forward’ accepted for publication in *International Journal of Social Economics* (An Emerging Sources Citation Index (ESCI) & SCOPUS Indexed Journal).
- **A.K.Mishra** and **Viral M Paramar** (2017) ‘Changing Contours of Income Stratification and Decomposition of Income Inequality: Evidence from Recent Longitudinal Survey in India’ in *Journal of Quantitative Economics* ("B" rank in ABDC Journal List), Springer, Volume 15(2), pp. 395–422. doi:10.1007/s40953-016-0057-0
- **A. K. Mishra**, **G. Rao**, **A Monga** and **B. Vishwanath** ‘Assessing Competitiveness in Emerging Asian Economies: Role of Governance and Infrastructure and Lessons for India’, in *Emerging Economy Studies* Vol. 2(1), pp.72-90 (May 2016) (A Sage Publication).
- **A. K. Mishra**, and **Atasi Kar** ‘Are Targeted Unconditional Cash Transfers Effective? Evidence from a Poor Region in India’ in *Social Indicators Research-An International and Interdisciplinary Journal for Quality-of-Life Measurement* (Springer International Publishing-"A" rank in ABDC Journal List) Vol.130(2),pp.819-843. .
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- **A.K. Mishra**, **B. Vishwanath**, **M. Sahoo & A. Kar** (2016) “Make in India: Challenges in Bringing a Manufacturing Revolution to India” in *JBIMS Spectrum* (A Journal of Jannalal Bajaj Institute of Management Studies, University of Mumbai) Vol.IV, No. 1, Page 405-420, ISSN: 2320-7272).
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- **A. K. Mishra**, Jigar N. Gadhia, Bibhu Prasad Kar, Biswabas Patra and Shivi Anand ‘Are Private Sector Banks More Sound and Efficient than Public Sector Banks? Assessments Based on Camel and Data Envelopment Analysis Approaches’, *Research Journal of Recent Sciences (RJRS)*, 2 (4), pp.28-35 (2013).
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- **A. K. Mishra**, S. Satpathy and B. Patra ‘Is Sustainable Mining in Goa Possible? Some Issues and Empirics’, in Mishra, Padmaja and Amarendra Das (eds.) ***Mining: Economic, Environmental and Social Implications***, New Delhi: Abhijit Publications (2013).
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- **A. K. Mishra** and S.P.Padhi ‘Some Measures of Human Development: An Inter-District Analysis’ (2004), ***Orissa Human Development Report- 2004***, Govt. of Odisha.

Working Papers

- **A. K. Mishra** ‘Tribal Population and Chronic Poverty in Orissa: A Note on North-South Divide’ (with S.P. Padhi and N. Panigrahi), **CPRC-IIPA Working Paper No. 27, 2005**, Chronic Poverty Research Centre, Manchester and Indian Institute of Public Administration, New Delhi.

- **A. K. Mishra** ‘Horizontal Equity and the Thirteenth Finance Commission: Issues and Ponderables’(with Keshab Das), **GIDR Working Paper No. 185**, 2008, Gujarat Institute of Development Research, Ahmedabad.

Ongoing/Completed Research Projects:

- *Natural Disasters, Socioeconomic Vulnerability and Policy Responses: A Comparative Study of Odisha and Uttarakhand in India*; sponsored by UGC, New Delhi. Status-Approved.
- *Mining Closure, Economic Disruption & Local Level Sustainability: A Case Study of Goa, India*; sponsored by ICSSR (Indian Council of Social Science Research, New Delhi). Status-Completed.
- *Tribal Population and Chronic Poverty in India: A Note on North-South Divide*. sponsored by IIPA, New Delhi and CPRC, UK 2004-05. Status-Available online at Chronic Poverty.

Conference proceedings

- Mishra, Aswini & Kar, Atasi. (2017). *Examining Changes in the Level and Shape of Income Distributions in India, 2005-2012* in the conference proceedings of **International Conference on ECONOMICS AND DEVELOPMENT, Colombo, Sri Lanka**. 34-47. DOI: <https://doi.org/10.17501/iced.2017.1104>.
- A.K. Mishra and Viral M Parmar (2015) ‘*Income Inequality and Economic Divisions in India: Some Issues and Empirics*’ **Indian Association for Research in National Income & Wealth (IARNIW)**, Vol-II, pp.161-176.
- **A. K. Mishra** et al. ‘An Assessment of Competitiveness in Emerging Asian Economies with Special Reference to India’ in the conference proceedings of SIBR-THEMMASAT Conference on Interdisciplinary Business and Economics Research, Bangkok, Vol. 3(2),ISSN: 2223-5078(CD-ROM)2014.

Editorial / Review Assignments

- Reviewer for *Asia-Pacific Sustainable Development Journal*, published by United Nations ESCAP, Bangkok.
- Reviewer for *International Journal of Social Economics* (An Emerging Sources Citation Index (ESCI) & SCOPUS Indexed Journal) published by Emerald Publishers.
- Reviewer for International *Journal of Engineering Management and Economics*, a peer reviewed journal published by INDERSCIENCE Publishers.
- Reviewer for *Development in Practice*, a peer reviewed journal published by Routledge .
- Reviewer a book titled “*Selected Essays on the Economy of Odisha*”, for OXFORD UNIVERSITY PRESS, New Delhi.

Other Personal Information:

- *Date of Birth*: Eleventh August 1976.
- *Marital Status*: Married, *Nationality*: Indian

Co Supervisor Profile

Professor Mathew J Manimala is the former Director-Research of XIME Group of Institutions. Prior to joining XIME in July 2015, he has served as Professor of Organization Behaviour (2001-2015) and Chairperson-OBHRM Area at the Indian Institute of Management Bangalore (IIMB), and as Senior Member of Faculty and Chairman-HR Area at the Administrative Staff College of India (ASCI), Hyderabad. At IIMB he has worked closely with the N S Raghavan Centre for Entrepreneurial Learning (NSRCEL) primarily to build the research competencies of the Centre during its early years, when he served as the Jamuna Raghavan Chair Professor of Entrepreneurship for two terms and as the Chairperson of NSRCEL for one term. He was also a Senior Enterprise Fellow of the School of Entrepreneurship and Business (SEB), University of Essex, UK.

Professor Manimala obtained his MBA degree from the University of Cochin, MBS degree from the University of Manchester and the Fellow in Management (doctoral degree) from Indian Institute of Management, Ahmedabad (IIMA). He has received several academic honours including a Certificate of Distinction for Outstanding Research in the Field of New Enterprise Development from the Academy of Management. He has been awarded research fellowships by prestigious international agencies such as the European Foundation for Management Development (for a research fellowship at Manchester Business School, Manchester, UK: 1990-91) and the Shastri Indo-Canadian Institute (for a research fellowship at the University of Calgary, Canada: 1998-99).

The teaching, training and consultancy interests of Professor Manimala cover a wide range of topics in Organization Behaviour and Entrepreneurship. Professor Manimala has done extensive research in the area of Entrepreneurship. His work on Entrepreneurial Heuristics is acclaimed by the community of researchers (including the Academy of Management) as a pioneering work in the field, wherein he has also perfected and used a novel methodology called 'Case-survey method'. He has published more than 50 research

papers and articles in refereed international journals and presented papers mostly in international conferences. Among the research projects initiated/carried out by him recently is the Global Entrepreneurship Monitor (GEM) project, a multi-country research project involving more than 30 countries, of which he was the leader of the India team for two years. The books authored/edited by him are the following:

1. ***Entrepreneurial Policies and Strategies: the Innovator's Choice*** (Sage Publications, New Delhi, 1999)
2. ***Entrepreneurship Theory at the Cross Roads: Paradigms and Praxis***, First Edition (Wheeler Publishing, New Delhi, 1999) and enhanced Second Edition (Wiley-Dreamtech, New Delhi, 2005, 2006 and 2009)
3. ***Enterprise Support Systems: An International Perspective*** (Manimala, Mitra and Singh, Eds), Response Books, A division of Sage Publications, New Delhi, 2009
4. ***Organizational Behaviour: A Psychological Perspective for the Asia-Pacific*** (Kalliath, Brough, O'Driscoll, Manimala and Siu), published by McGraw-Hill Asia-Pacific, Sydney, Australia, 1st Edn 2009, 2nd Edn 2012
5. ***Entrepreneurship*** (Hisrich, Manimala, Peters and Shepherd), published by McGraw-Hill Education, 1st Edn 2013, 2nd Edn 2014
6. ***Global Entrepreneurship*** (Hayton, Salvato and Manimala, Eds), published by Routledge, UK, 2014
7. ***Entrepreneurial Ecosystem: Perspectives from Emerging Economies*** (Manimala and Wasdani, Eds), published by Springer, 2015
8. ***Human Dramas and Dilemmas at Work: New Gen Cases in Organization Behaviour*** (Manimala, Vijaya and Chakravarti), forthcoming from McGraw-Hill Education

He is a member of the Editorial Board of several journals including *Creativity and Innovation Management*, published by Blackwell Publishers, Oxford, UK, and is the Editor of *South Asian Journal of Management*, published by the Association of Management Development Institutions in South Asia (AMDISA).

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Doctoral Candidate Profile

Preeti E. Ramanathan is a former social entrepreneur in rural trading and skilling, based on Information Communication Technology for Development (ICT4D) platforms, and a marketing and grain commodity professional. Her work experience in marketing includes heading the merchandising team at a global textile corporate, based in Jakarta, Indonesia, followed by an academic role as faculty of marketing and merchandising at LaSalle College of Arts, Singapore. Her experiential learning in trade and the logistics of world grain markets arises from her work as a global trader and researcher of grain markets, based at an agriculture MNC's Asian corporate headquarters in Singapore.

Currently in the CSR sector, the researcher has also worked as a project consultant on an Intel sponsored rural upskilling project at the Indian Institute of Technology Madras (IITM) Chennai. The researcher is a member of the CII (IWN) and Grameen Gyan Abhiyan (M. S Swaminathan Research Foundation, MSSRF), Chennai. She has two masters - in Economics and in Merchandising and Marketing (PGDAMM, NIFT).

Doctoral Candidate Published/Under Review Journal Papers

Papers published

1. Preeti Edakunny. (2018). The Globally Interlinked Mandi. *Economic and Political Weekly (EPW)*, 53 (14).
2. Ramanathan P.E. (2016). Fostering a Hybrid Enterprise: Petri dishing a Social Enterprise. *Journal of Innovation and Management*, 10 (4), 1-16.
3. Goel M and Ramanathan P.E. (2014). Business ethics and Corporate social responsibility – is there a dividing line?. *Procedia Economics and Finance*, 11, 49-59. (Elsevier, Scopus).

Papers under review

1. Ramanathan P.E. Social Entrepreneurship as a Subtext in Corporate Social Responsibility: An Exploration.
2. Ramanathan P. E. Digital Governance, Equity and Evolving Societal Structure.

Papers communicated

1. Ramanathan P.E and Mishra.A.K. Institutional Foundational Frameworks for Social Enterprises- an India Based Narrative.
2. Ramanathan P.E and Cheruvalath R. Defining Social Entrepreneurship -An Analysis through the Triple Lenses of the Social, the Political and the Commercial.

End notes:

ⁱ The workers employed with enterprises that are incorporated are generally categorised as formal workers globally and as organised sector workers in India. The workers employed by the unincorporated enterprises are termed informal workers or unorganized sector workers (in Indian nomenclature).

ⁱⁱ <http://socialinnovation.ca/>

ⁱⁱⁱ <http://www.socialenterpriseexchange.scot/>

^{iv} <http://www.socialenterpriseexchange.scot/>

^v <https://www.gov.uk/set-up-a-social-enterprise>

^{vi} <http://responsiblefinance.org.uk/policy-research/annual-industry-report/>

^{vii} <https://www.ontario.ca/laws/statute/10n15>

^{viii} [social enterprise.org](http://socialenterprise.org)

^{ix} <https://taxguru.in/company-law/rules-corporate-social-responsibility.html>

^x <http://www.undp.org/content/undp/en/home/blog/2017/7/13/What-kind-of-blender-do-we-need-to-finance-the-SDGs-.html>

^{xi} Business Line; 03 Jul 2014;Pg 10.

^{xii} <http://secc.gov.in/statewiseSeccDataSummaryReport?reportType=SECC%20Data%20Summary>

^{xiii} <http://secc.gov.in/welcome>

^{xiv} <http://www.nadakacheri.karnataka.gov.in>