



Social Entrepreneurship – Crafting New Business Model – Case study on Narayana Hrudayalaya and Gramin bank

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Abstract- Social entrepreneurship has received considerable attention of government and researchers in recent times. Social entrepreneurship by its' very nature is driven by a social cause. Though no entrepreneur can sustain without financial surplus, but this is the class of entrepreneurs who understand the difference between need and greed. They move ahead because of their clear vision and inspiring determination. They act as a catalyst to bring about a more than significant change to the society's immediate need.

Here we present two cases 1) Narayana Hrudavalay 2) Gramin bank

Both the cases present for profit scheme but with priority on social wealth creation than economic wealth creation. Both of these social enterprises instead of competing with local government made them partners in their venture which took their business model to national and international level. Their human thought process and grit enabled them to provide globally benchmarked services at lowest possible cost to people who till then did not have access to these services at all.

A study of these cases would help develop insight into the emerging area and facilitate do further research into this pleasant arena.

Keywords: social entrepreneurship, social enterprise, social entrepreneurs, social cause, competition

I. INTRODUCTION

Social entrepreneurship is a dynamic field which finds its support from academicians and economists, society and government as it works to bring about a significant change into ongoing problems of the society. Though the subject is quickly gaining popularity and importance there is an upheld confusion regarding what a social entrepreneur actually does and how is he different from a regular entrepreneur.

The concept of social entrepreneur was first addressed by the banks in 1972 who visualized of targeting and eradicating social issues through managerial practices (Nicholls, 2006). Several authors and researchers had given numerous definitions on social entrepreneurship considering its different aspects (Dees, 1998). Few prominent definitions on social entrepreneurship are

Alvord, Brown & Letts (2004) defines Social entrepreneurship as innovative solution to immediate social problem and mobilize the ideas, capacities, resources and social arrangement required for sustainable social transformation.

Said Business school (2005) defines social entrepreneurship as professional, innovative and sustainable approach to systematic change that resolves social market failures and grasp opportunities.

Despite of having several of definitions on social entrepreneurship, there is not a single definition that explain the comprehensive picture of social entrepreneurship, covering all aspects and dimension that create the situation of dilemma on how this topic should be studied.

In Indian context, social entrepreneurship is applicable to both nonprofit and for profit organizations. Apart from these other models of social entrepreneurship in India are philanthropic and CSR models. All

these models might be similar in terms of operations, activities and leadership but differ in terms of scale of operation and legal status.

Corporate social responsibility is the legal obligation to provide monetary and non-monetary gains to all parties other than owner of the organization. While social entrepreneurship is build on the principle to development and eradication of social issues from the society by using the power of business. Social entrepreneurs actually incorporate corporate social responsibility in their start-up model.

Similarly there is huge difference between social entrepreneurship and philanthropy. Philanthropy involves redistribution of income from wealthy to poor and it done to remove immediate suffering while social entrepreneurship is business model that works as support system in dragging the individual out from the suffering and making himself reliant. It emphasizes on social value creation and bringing social change through mutual benefit.

Objectives of the study

Following are the objectives of the study-

- ❖ To understand the concept of social entrepreneurship through case study.
- ❖ To identify the challenges and opportunities for social entrepreneurs though in-depth study of ongoing social ventures of Narayana Hrudalaya and Grameen Bank of Mohammad Yonus.

CASE:1

India's Health Care Sysyem- Challenges Inspiring Oppurtunities

Various reports on Indian health care system present a very dismal picture of India's health care situation. Going by specific data India's health care spending amounts to 4.0% of GDP as compared to Lower and middle income countries (LIMC) average of 5.7% and UK average of 9.8%.Of this 61% comes from out of pocket spending as against 37% of LIMC averageand UK average of 18.5%. Another infrastructural concern is bed density of 0.67% per 1000 population against a global average of 2.6. We are also far behind in workforce standards. India has 1.7 doctors per 1000 population as compared to 2.5 per 1000 people as per world health organization (WHO) guidelines. Rural India which resides around 70% of its population is in a much worse shape with less than 1 doctor per 1000 people and 1.1 bed density per 1000 population. Of 16000plus hospitals in India (second largest in the world) 62% are in urban areas.

The challenges of insufficient infrastructure, absence of a robust healthcare policy of government & huge gap in workforce requirements makes health care system as one of the pressing problems of the country. As per the definition of social entrepreneur this area poses tremendous set of possibilities and opportunities. Dr.Devi Prasad Shetty sensed this challenge and came up with a solution with the name Narayana Hrudyalaya (NH) in the field of cardiac diseases.

Narayana Hrudyalaya: Matching Quality, Affordability and Accessibility in Health care

Dr. Devi Shetty says "The first open heart surgery was performed 100 years ago yet only 8% of world's population can afford heart surgeries." Indians are genetically more susceptible to heart ailments as compared to West. Every year 2.5 million Indians require heart surgeries and only 80,000 – 90,000 surgeries are performed.Dr.shetty after returning from UK in 1989 set up Asia Heart foundation (AHF) which was involved in setting up heart care hospitals. While working in one of those hospitals Dr. Shetty used to see 100 out patients having cardiac disorders yet just one turned up for surgery because of the overwhelming cost associated with heart surgery. This made him conclude that *a solution is not a solution unless it is affordable*. He also realized the limitations of philanthropy based organizations when he said "*Philanthropy is not scalable, a fine business model is.*"While still in Kolkata his association with Mother Teresa as her personal cardiac surgeon helped him find a noble cause to his purpose i.e to serve the poor in a better way and fit the heart of children born with congenital heart diseases.

Thus he started Narayana Hrudyalaya with a mission to provide quality health services at affordable prices to the masses.

To meet the challenge affordability it went in for tweaking costs through

- ❖ **Wal- mart Approach-** High volume of procedures and higher capacity utilization which reduces cost per surgery due to economy of scale
- ❖ **Innovation-** technological innovations in x-ray machine and electro cardiogram (ECG) helped to reduced the initial as well as maintenance costs
- ❖ **Procurement-** NH has a tight control on costs and believes in hard bargains. It has reduced its inventory carrying costs by eliminating long term contracts and bringing in bulk supplies every week.
- ❖ **Human Resource Management** – NH pays fixed salary to its doctors rather than paying them per surgery. It takes care of high attrition rate of nurses by having a nurse's training school to supply trained nurses at low cost and premium package for the core team of nurses. This policy helps them keep their manpower cost at just 12% of the revenue.
- ❖ **Tight control over costs**–With daily P/L account and asset light model with green field projects, management contracts and low Capex which reduces the cost per bed to 27 lakh where industry average is INR 48 Lakh costs. Its financial structure includes 2 insurance schemes, philanthropy and donations.

To meet the challenge of accessibility Narayana Hrudayalaya

- ❖ Launched Yeshasvini health insurance scheme with government of Karnataka for the poor in 2003 covering 1600 surgeries at a monthly INR 5. It was replicated by two other states covering 30 million people. Later in 2004 it started an insurance scheme called Arogya Raksha with Biocon and ICICI Lombard for low income group with monthly INR 15. It also make available generic medicines which are 80% cheaper.
- ❖ It has the world's largest telemedicine centre and mobile vans to provide for medical services in far flung areas and foreign locations.

Affordability without compromising high quality accomplished through

- ❖ Belief in more of process innovation than product innovation. Regarded as Henry Ford of heart surgeries where a doctor operates only that part on the patient for which he has specialization and then moves on to the next patient which allows him to perform more surgeries in a day and thus improves his level of precision.
- ❖ Automated ICU system which reduces human error.
- ❖ Pioneered the cloud ERP system which provides integration of units, lifelong single patient record and real time data access.
- ❖ Ethics in business practices with transparent billing and fixed packages for patients, shared treatment planning institutional and external audit system
- ❖ NH runs its own 56 PG programs for doctors, 55 NH certified training programs, 37 programs for nurses and 1945 students at any given point of time.
- ❖ Patient & Employee Ailment Resolution & Learning System (PEARL) - With an objective of reducing the number of complaints NH started this system to allow patients and employees to send in their complaints via a mobile phone and receive updates. This system allows them to maintain brilliant service standards.

Outcomes and future challenges:

With all the relentless efforts made the outcomes have also been very forthcoming. Going by the philosophy of united we stand and divided we fall NH has actually used the real advantage of big numbers to benefit the society as a whole. NH conducts 10% of heart surgeries of the country. 50% of its patients are from economically backward class. 3.3% of patients receive free treatment and 48% avail some or the other form of discount. They have been able to deliver heart surgeries at around INR 70,000 which is less than any hospital in the country. They are working to bring this down to INR 28000. NH's high quality also shows in it's mortality rate of 2% and hospital acquired infection rate of 2.8/1000 ICU days. These figures are better than the best in the world.

In future NH plans to set up a health city and replicate its success into other specialities. It has also started its chain in 29 other cities. A big question by it's competitors is whether its model will be scalable across specialties and across cities. Government support with respect to tax subsidies, public land for construction of new facilities and resources for training centers has not been very forthcoming. As a

citizen of this country we can only hope that with dedication and determination of Dr. Shetty NH replicates it's success to make Indians a healthy population in times to come.

CASE:2

Grameen Bank: A Social Institution Engaged in Breaking the Cycle of Poverty through Micro Credit or a Mousetrap

Mohammad Yonus, a man who has given a new direction to entrepreneurship through his mission of eradicating poverty from society by using the power of business. With this notion he devised a business model by artistically combining the philosophies of two extreme types of corporate entities and the derived resultant he called as social business.

He defines social business as profit maximizing business entities who are indulged in creating the shareholder's wealth but the shareholder receive their dividend in the form of positive social change because the profit is reinvested for further expansion and for solving the social issues.

In 1972 when he was the professor of economics in Chittagong University, Bangladesh, he had an ambition of helping a poor every day, as he believes that poverty means being destitute of all human value. In 1974 when Bangladesh was attacked by great famine, he thought to convert his ambition into action thereby converse with several poor women of Jobra village where he came to know how those women are being exploited by local money lenders by charging huge interest on tiny loans and their conditions of granting loans were also demoralizing and unethical. The reality shucks him from inside and he decided to extend his hand to those poor women. With this notion he credited a small sum of 27\$ to 42 women without any collateral which they use to free themselves from those money sharks. This unintentional, unplanned event led the foundation stone of Grameen Bank and world realize the power of microcredit and microfinance.

In 1976, he launched a pilot project to draft the architect of micro credit delivery system to endow poor people of Jobra village and villages near the University of Chittagong with banking services. After receiving fruitful results, the Grameen Bank project was extended to Tangail District of Bangladesh. Finally in 1983 Grameen Bank became the authorized independent bank. But golden journey continues, starting from granting the loan of 27\$ in 1972 to 91643 million taka in 2014. In addition to that 21807 employees are working for him, 8640225 no. of members are associated and above all till 2014 grameen bank has 2568 branches in all over the world.

During this incredible journey, grameen bank was also honored with several awards and accolades like Independence Day award (highest government award). In 1994, Bank's "Low-cost Housing Program" begged *World Habitat Award*. On 13 October 2006 world most prestigious award i.e. *Nobel Peace Prize* "for their efforts to create economic and social development from below". Mosammat Taslima Begum, the first 20\$ loan borrower of Bank also received *Nobel Peace Prize* on 10 December 2006.

Grammen Bank works on the principle that loans are superior and meaningful option than charity because it provides improvised an opportunity to exploit their immense potential and creativity through establishing small business hence making them financially independent. Mohammad Yonus in his book – "*Banker to the Poor: Micro-Lending and the Battle Against World Poverty*" wrote that "People are impoverished not because they are foolish or they have lethargic approach. They are impoverished because they donot have an easy access to financial services. They are the actors of free market. If they are provided with small sum of money, and divulge some basic financial principles and practices then they can manage their own financial affairs.

Mohammad Yonus has framed unique system for its bank i.e. *Solidarity lending*. According to which loan will be provided to an individual who belongs to a group of 5 members. The individual borrower do not have to give any guarantee, do not have to enter into any legal contract with the bank and is solely responsible for the repayment of the loan i.e. none of the else member of the group will be considered as default. This practice reflect that the bank works entirely on trust but to appendage the lending, Grameen Bank wants the group members to submit regularly a tiny though affordable amount in variety of funds which can be further use at the time of emergency, contingency etc.

On the other hand, the group leader also makes assure that every member works seriously and fulfill all their responsibilities so that none of them will face the problem of bad debt. But in case if either member

of the group becomes defaulter then all the members of the group will collect the amount of the debt and pay back the loan. This is done not because of the courtesy for that defaulter member but because of Grameen Bank policy that they does not further lend any credit to that group whose either member becomes defaulter.

The Grameen is also renowned for its value system that is best reflected through its 16 decision. Every individual at the time of borrowing the loan has to speak publicly these decisions and promise to follow them whole heartedly. As a result of these decisions maximum children are going to school, people are able to provide their families with basic necessities, they have sanitary toilets, cemented houses for protection against rain, heat etc. All these almost change not only the lives but also the image of many villages of Bangladesh.

Women empowerment is also one of the respectable dimensions of the Grameen bank. 97% of the borrowers of Grammen bank are women. According to Md. Yonus women are better managers as they manage and utilize small funds in most effective way and their rate of repayment is also high. Moreover he believes that women are the reservoir of talent and it's their right to access to capital. When standard of women raise the standard of society itself will be upgraded.

In order to bring the social change on the large scale and to eradicate the social evils from below Grameen bank has entered into several ventures like *Grameen Communications, Grameen Shiksha, Grameen Baybosa Bikash, Grameen Software Limited, Grameen Udyog, Grameen Shakti ,Grameen Mutual Fund One (GMFO) etc.*

In 2011, the government of Bangladesh compels Mohammad Yonus to resign from his post of Managing Director, from Grameen bank stating he is over age, 72 to handle the responsibilities and prompt functioning of grameen bank. Sheikh Hasina, The Prime Minister of Bangladesh has put an allegation that grameen Bank and his sisters are established unlawfully and bank works under the roof of government. She also criticizes Md. Yonus stating he is the most corrupt individual.

Sudhirendar Sharma, a development analyst, also disparages Grameen Bank on the ground of misguiding the impoverished and putting them into debt-trap. According to him, philosophy on which Grameen bank operates, the ultimate benefit goes to the bank rather to poor people. Some critics have also given the statement that bank exists only because of the donations given by the people.

Now the question arises- *Can age of an individual make an important ground for the removal of Managing Director and nothing to do with experience and wisdom?*

Is Grameen Bank a social institution or a mousetrap for poor people?

II. CONCLUSION

Both the models of social enterprises studied in the paper represent the profit model which makes us conclude that social enterprises can have equal emphasis both for social and profit purpose. This increases the sustainability and scalability of asocial enterprise. From the study we can also derive that such enterprises gain general public acceptance that can be inspiring and motivating for pure profit enterprises to include social cause as their primary objective.

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