

# FUNCTIONAL EFFECTIVENESS OF SOCIAL ENTERPRISES IN TAMILNADU: BENEFICIARIES' PERSPECTIVE

Dr. Ravikumar. T<sup>1</sup>,

<sup>1</sup>Assistant Professor, Dept. of Management Studies, Christ University, Bangalore – 560 029,  
Karnataka, India. Email: [ravikumar.t@christuniversity.in](mailto:ravikumar.t@christuniversity.in)

## ABSTRACT

*Social Enterprises (SEs) serve underserved markets and are doing innovative business models which ensure affordability for the end consumer without eroding sustainability for the enterprise. Key areas of Social Enterprises include agriculture, education, energy, financial services, healthcare, housing, sanitation and water. The views and experiences of the people who benefit from social programs are very important to have reality check of any social enterprise. This study made an attempt to study about perceptions of social enterprise beneficiaries towards functional effectiveness of social enterprises in Tamilnadu. The study was based on primary data which was collected using survey method through structure questionnaire. Judgment sampling method was adopted and sample size was determined using Krejcie and Morgan formula.*

**Keywords:** social enterprise, social enterprise beneficiaries, functions, Tamilnadu, perspective

## I. INTRODUCTION

India's vibrant Social Enterprise (SE) space is young in terms of years of operation and nascent in terms of revenue size per enterprise. According to the Beyond Profit 2010 survey, about 68% of SEs have been in existence for five years or less. Furthermore, annual revenue for about 90% of SEs is Rs 30,00,000 or less. Given adequate space for youth, it is not surprising that one in three SEs experience losses in their current operations. But, in spite of this, SE revenues are growing rapidly, for instance, nearly one-third of the enterprises surveyed by Beyond Profit grew by over 50% between 2009 and 2010, while only 6% of the surveyed enterprises had negative growths.

SEs that adopt innovative business models with "for-profit" entities account for three-fifths of all SEs which are operating in India in the present situation. Thus, "for-profit" models also include collective ownership structures such as cooperatives and producer companies. Waste Ventures is one such organization that "incubates solid waste management companies owned and operated by waste pickers".

About one-fifth of SEs adopt not-for-profit structures, such as Aravind Eye Care Hospitals, which is registered as a trust, and sustained by charging users for affordable eye care. About 20% of the models can be categorized as hybrid, wherein two or more entities, while not legally bound, work in close synergy with each other, usually because they are both founded by the same individual or individuals. The Cashpor Group, which comprises both for-profit and "not-for-profit" entities, is a prime example of this.

A growing trend observed in the Indian SE space is the transformation of many "not-for-profit" models into "for-profit models" as these are in a better position to secure financing and scale over time. This was especially true of "non-profits" in microfinance, where the revenue model was clear early on. Many leading microfinance institutions (MFIs), such as SKS and Spandana, were registered initially as non-profits and subsequently transformed into for-profit companies.

## II. STATEMENT OF THE PROBLEM

Social enterprises are private organizations dedicated to solving social problems, serving the disadvantaged and providing socially important goods that were not, in their judgment, adequately provided by public agencies or private markets. These organizations have pursued goals that could not be measured simply by profit generation, market penetration or voter support. A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners.

The views and experiences of the people who benefit from social programs are often overlooked and underappreciated, even though they are an invaluable source of insight into a program's effectiveness.

To become more effective, social enterprises are turning to various sources for advice. Some look to experts who can share knowledge, research, and experience about what works—and what does not. Others turn to crowd sourcing to generate ideas and even guide decisions about future directions or funding.

Experts and interested public can produce valuable insights. But, too often social enterprises ignore the constituents particularly the lowermost who matter most, the intended beneficiaries of their initiative. In bypassing the beneficiary as a source of information and experience, social enterprises deprive themselves of insights into how they might do better—insights that are uniquely grounded in the day-to-day experiences of the very people the programs are created for.

In business sector, companies often receive a prompt wake-up call when they don't listen to their customers—sales and profits, the universal measures of success, generally decline. In the social sector, however, one may not get timely notice if one ignores their beneficiaries. Beneficiaries have few choices. They frequently accept a flawed intervention rather than no help at all, and they often express gratitude for even a subpar effort. As Bridgespan Group partner Daniel Stid describes the incentive structure, “[Beneficiaries] aren't buying your service; rather a third party is paying you to provide it to them. Hence, the focus shifts more toward the requirements of who is paying versus the unmet needs and aspirations of those meant to benefit.” This distorted power dynamic makes it more important for social sector leaders to seek and use the voice of the beneficiary.

Therefore, in this article, the study has made an attempt to understand about perceptions of beneficiaries drawn from the general public towards functional effectiveness of social enterprises.

### III. REVIEW OF LITERATURE

The terms social entrepreneur and social entrepreneurship were used first in the literature on social change in the 1960s and 1970s. The terms came into widespread use in the 1980s and 1990s, promoted by Bill Drayton the founder of Ashoka: Innovators for the Public and others such as Charles Leadbeater. From the 1950s to the 1990s, Michael Young was a leading promoter of social enterprise and in the 1980s it was described by Professor Daniel Bell at Harvard as 'the world's most successful entrepreneur of social enterprises' because of his role in creating more than sixty new organizations worldwide, including the School for Social Entrepreneurs (SSE) which exists in the UK, Australia and Canada and which supports individuals to realize their potential and to establish, scale and sustain, social enterprises and social businesses. Another notable British social entrepreneur is Andrew Mawson OBE, who was given a peerage in 2007 because of his regeneration work including the Bromley by Bow Centre in East London.

Although the terms are relatively new, social entrepreneurs and social entrepreneurship can be found throughout history. A list of a few historically noteworthy people whose work exemplifies classic "social entrepreneurship" might include Florence Nightingale, founder of the first nursing school and developer of modern nursing practices; Robert Owen, founder of the cooperative movement and Vinoba Bhave, founder of India's Land Gift Movement. During the nineteenth and twentieth centuries some of the most successful social entrepreneurs effectively straddled the civic, governmental, and business worlds – promoting ideas that were taken up by mainstream public services in welfare, schools, and health care.

The concept of SE has become the buzzword only in the recent past, backed by the economic boom in late 1990s and the government's inability to solve social problems. However by the end of 20th century, social entrepreneurs became the part of the sphere of development playing a significant role in the social, political and economic contexts for poor and marginalized groups. Social entrepreneurs have also become highly visible agents of change in developed economies, where they have applied innovative and cost-effective methods to address nagging social problems (i.e., poverty, gender inequality, awareness to public health etc.) that have defied traditional solutions. The concept of social entrepreneurship is a relatively new field of study. However, a lack of agreement persists regarding the domain, boundaries, forms and definitions of social entrepreneurship.

Social entrepreneurship is defined broadly in some cases and narrowly in others; thus, the literature has not yet achieved a consensus. The interpretation of social entrepreneurship ranges from a narrow perspective to a broader one. A narrow interpretation of the phenomenon considers social entrepreneurship to be a not-for-profit initiative in search of alternative funding strategies or management schemes to create social value. On the other hand contributions on SE view this phenomenon at a broader perspective by defining it as those social enterprises which are considered to be “organizations seeking business solutions to social problems”. Several researchers, specifically, provide evidence that in SE the concept of the social mission is central. According to this vision, SE is a process that aims to-

- address significant/alleviate social problems/needs • catalyze social change
- alleviate the suffering of the target group
- benefit society with an emphasis on marginalized people and the poor
- create and distribute new social value

Thus, all of these definitions agree that social entrepreneurship is a means to alleviate social problems and improve well-being. A broader definition of SE was also given recently by the European Commission, which considers the social enterprise to be an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. The European Commission uses the terms social enterprise and social business synonymously.

#### IV. OBJECTIVES OF THE STUDY

The main objectives of the study are as follows;

1. To identify and analyze the demographic and economic characteristics of the beneficiaries of social enterprises
2. To analyze perceptions of beneficiaries of social enterprises towards their functional effectiveness

#### V. RESEARCH METHODOLOGY

The study examines perceptions of beneficiaries of social enterprises in Tamilnadu towards functional effectiveness of social enterprises on the basis of their demographic and economic characteristics. Data and information relating to perceptions of beneficiaries of social enterprises in Tamilnadu towards functional effectiveness of social enterprises were collected through primary sources. Survey method was adopted to collect primary data. Data were collected from the respondents through well-structured questionnaire to measure perceptions of beneficiaries of social enterprises in Tamilnadu towards functional effectiveness of social enterprises. Judgment sampling method was adopted. Sample size was determined as 342 using Krejcie and Morgan formula at 5% level of significance.

Based on the core objectives of the study, 15 statements in Likert type five point scales were designed to measure perceptions of social enterprise beneficiaries towards functional effectiveness of social enterprises. The sub-dimensions considered to measure perceptions of social enterprise beneficiaries towards functional effectiveness of social enterprises are given below;

- a) Social mission
- b) Planning
- c) Organization ability
- d) Direction
- e) Co-ordination
- f) Staffing
- g) Wage and salary administration and
- h) Controlling

#### VI. ANALYSIS OF DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE RESPONDENTS

Table – 1: demographic and Economic characteristics of the respondents

NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGES
1	GENDER		
	Male	243	71.10
	Female	099	28.90
	Total	342	100.0
2	MARITAL STATUS		
	Married	180	52.60
	Unmarried	162	47.40
	Total	342	100.00
3	AGE GROUP		
	Less than 35 years	82	24.0
	36 to 50 years	121	35.4
	51 to 60 years	92	26.9
	More than 60 years	47	13.7
	Total	342	100.0
4	EDUCATIONAL QUALIFICATION		
	Up to HSC	113	33.0
	UG	125	36.5
	PG	104	30.4
	Total	342	100.0
5	NUMBER OF DEPENDENTS		
	Up to 3 members	123	36.0

	4-5 members	110	32.2
	More than 5 members	109	31.9
	Total	342	100.0
6	PLACE OF LIVING		
	Rural	149	43.6
	Semi urban	84	24.6
	Urban	79	23.1
	Metro	30	8.8
	Total	342	100.0
7	GROSS ANNUAL INCOME (INR)		
	Below 40000	146	42.7
	40001 to 70000	93	27.2
	70001 to 100000	83	24.3
	More than 100000	20	5.8
	Total	342	100.0
8	HAVING EMPLOYMENT		
	No	159	46.5
	Yes	183	53.5
	Total	342	100.0
9	HAVING BUSINESS		
	No	168	49.1
	Yes	174	50.9
	Total	342	100.0

The demographic and economic characteristics of the beneficiaries of social enterprises are summarized in the following points:

1. Majority of the respondents of this study are male beneficiaries of social enterprises (71.1%) and 29.9% of the respondents are female beneficiaries.
2. 52.6% of the respondents are unmarried and 47.4% are married respondents.
3. Almost 60% of the respondents are below 50 years old and the remaining 40% of the respondents are more than 50 years old.
4. 66.5% of the respondents have completed at least under graduate degree.
5. 36% of the respondents have up to 3 members as dependents and the rest of the respondents have more than 3 members as dependents.
6. Majority of the respondents are from rural area (46.6%).
7. 94.2% of the respondents have gross annual income of Rs 1,00,000 and only 5.8% of the respondents have more than Rs 1,00,000 as gross annual income.
8. 53.5% of the respondents are employed
9. Around 51% of the respondents have business.

From the above characteristics of the beneficiaries, one can understand that beneficiaries of social enterprises who are sample population of the study are mostly unmarried male from rural areas.

## VII. ANALYSIS OF PERCEPTIONS OF BENEFICIARIES TOWARDS FUNCTIONAL EFFECTIVENESS OF SOCIAL ENTERPRISES

**Table – 2:** Gender and Perceptions of beneficiaries towards functional effectiveness of social enterprises

Gender	Mean value	F value	P value	Result
Male	2.3700	1.683	.195**	Not significant
Female	2.4949			

Source: Primary data \*At 1% level of significance \*\*At 5% level of significance

The above One way ANOVA table shows that there is no significant difference between gender and perceptions of beneficiaries towards functional effectiveness of social enterprises. It clearly indicates that the respondents irrespective of their gender have same kind and level of perception towards functional effectiveness of social enterprises.

**Table – 3:** Age and Perceptions of beneficiaries towards functional effectiveness of social enterprises

Age	Mean value	F value	P value	Result
-----	------------	---------	---------	--------

Less than 35 years	2.4098	.859	.462*	Not significant
36 to 50 years	2.3248			
51 to 60 years	2.4457			
More than 60 years	2.5319			

Source: Primary data, \*At 1% level of significance \*\*At 5% level of significance

The above One way ANOVA table shows that there is no significant difference between age and perceptions of beneficiaries towards functional effectiveness of social enterprises. It clearly indicates that the respondents irrespective of their age have same kind and level of perception towards functional effectiveness of social enterprises.

**Table – 4:** Marital status and Perceptions of beneficiaries towards functional effectiveness of social enterprises

Marital status	Mean value	F value	P value	Result
Unmarried	2.4241	.151	.698*	Not significant
Married	2.3900			

Source: Primary data, \*At 1% level of significance \*\*At 5% level of significance

The above One way ANOVA table shows that there is no significant difference between marital status and perceptions of beneficiaries towards functional effectiveness of social enterprises. It clearly indicates that the respondents irrespective of their marital status have same kind and level of perception towards functional effectiveness of social enterprises.

The One way ANOVA Table – 5 shows that there is no significant difference between education and perceptions of beneficiaries towards functional effectiveness of social enterprises. It clearly indicates that the respondents irrespective of their level of education have same kind and level of perception towards functional effectiveness of social enterprises.

**Table – 5:** Education and Perceptions of beneficiaries towards functional effectiveness of social enterprises

Education	Mean value	F value	P value	Result
Up to HSC	2.4133	.660	.518**	Not significant
UG	2.4584			
PG	2.3356			

Source: Primary data

\*At 1% level of significance \*\*At 5% level of significance

The One way ANOVA Table – 6 shows that there is no significant difference between gross annual income and perceptions of beneficiaries towards functional effectiveness of social enterprises. It clearly indicates that the respondents irrespective of their gross annual income have same kind and level of perception towards functional effectiveness of social enterprises.

**Table – 6:** Gross annual income and Perceptions of beneficiaries towards functional effectiveness of social enterprises

Gross Annual income	Mean value	F value	P value	Result
Below 40000	2.4459	.721	.540*	Not significant
40001 to 70000	2.4183			
70001 to 100000	2.3795			
More than 100000	2.1700			

Source: Primary data, \*At 1% level of significance \*\*At 5% level of significance

### VIII. CONCLUSION

This study has focused on understanding and analyzing demographic and economic characteristics of the beneficiaries of social enterprises in Tamilnadu. Further, this research analyzed the perceptions of the beneficiaries of social enterprises on the functional effectiveness of the beneficiaries of social enterprises. The study results reveal that perceptions of beneficiaries towards functional effectiveness of social enterprises do not significantly differ on the basis of gender, marital status, age, educational qualification and gross annual income of the respondents. It shows that social enterprises discharge their functions effectively without any discrimination on the basis of gender, marital status, age, educational qualification and gross annual income of the respondents.

### IX. REFERENCES

1. Beyond Profit (Intellect) 2010, "Indian Social Enterprise Landscape Survey". Data self-reported by SEs.
2. The Sociology of Social Movements, London, MacMillan, 1972
3. The Social Entrepreneur Bill Drayton", US News & World Report, 2005-10-31. Retrieved 2006-11-03.
4. Weerawardena, J., & Sullivan Mort, G. (2001), "Learning, innovation and competitive advantage in not-for-profit aged care marketing: A conceptual model and research propositions", *Journal of Nonprofit & Public Sector Marketing*, 9(3): 53–73.
5. Prabhu, G.N., 1999. Social entrepreneurship leadership. *Career Development International* 4 (3), 140–145.
6. Cox, A., Healey, J., 1998. Promises to the poor: the record of European development agencies. *Poverty Briefings*, vol. 1. Overseas Development Institute, London.
7. Peredo, A.M., McLean, M., 2006. Social entrepreneurship: a critical review of the concept. *Journal of World Business* 41, 56–65.
8. Austin, J., Stevenson, H. Wei-Skillern, J., 2006. Social and commercial entrepreneurship: same, different or both? *Entrepreneurship: Theory & Practice*. 30 (1), 1–22.
9. Thompson, J., Doherty, B., 2006. The diverse world of social enterprise: a collection of social enterprise stories. *International Journal of Social Economics* 33 (5/6), 399–410.