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SUSTAINABILITY

SOCIAL ENTREPRENEURSHIP IN NEPAL

# Social Entrepreneurship in Nepal: EMERGING TREND TOWARDS CIVIC INNOVATION AND INCLUSION

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## 1.0 INTRODUCTION

Treating social problems as commercially viable opportunities underpins a new wave of 21st century philanthro-capitalism and is loosely termed as social entrepreneurship. The current interest in combining business methods with social impact stems from concerns that charity or government aid merely addresses symptoms, not underlying social problems.<sup>1</sup> Social entrepreneurship is a broad concept that builds on the notion of a business model that creates social value and generates income to ensure financial sustainability. It differs from other forms of entrepreneurship in the relatively high priority given to promoting social value and development versus capturing economic value.<sup>2</sup>

In the present context of Nepal, improving living standards whilst reducing donor dependency is especially relevant as donor organizations/

countries face volatile economic times. This is evident from the increasing number of donor countries starting to pivot their assistance to developing countries from grants/aid to Impact Investments in social enterprises.<sup>3</sup> Social enterprises have compelling commercial rationales and fostering their development is in the interest of multiple stakeholders.

## 2.0 BUSINESS OF SOCIETAL PROGRESS

Social Entrepreneurship (SE) sets out to create benefits (or reduce costs) for society at large, in ways beyond the general benefits of market activity.<sup>4</sup> Since they simultaneously generate social values as well as financial returns, the financial returns are important for determining the viability and sustainability of such ventures.

### 2.1 Concept:

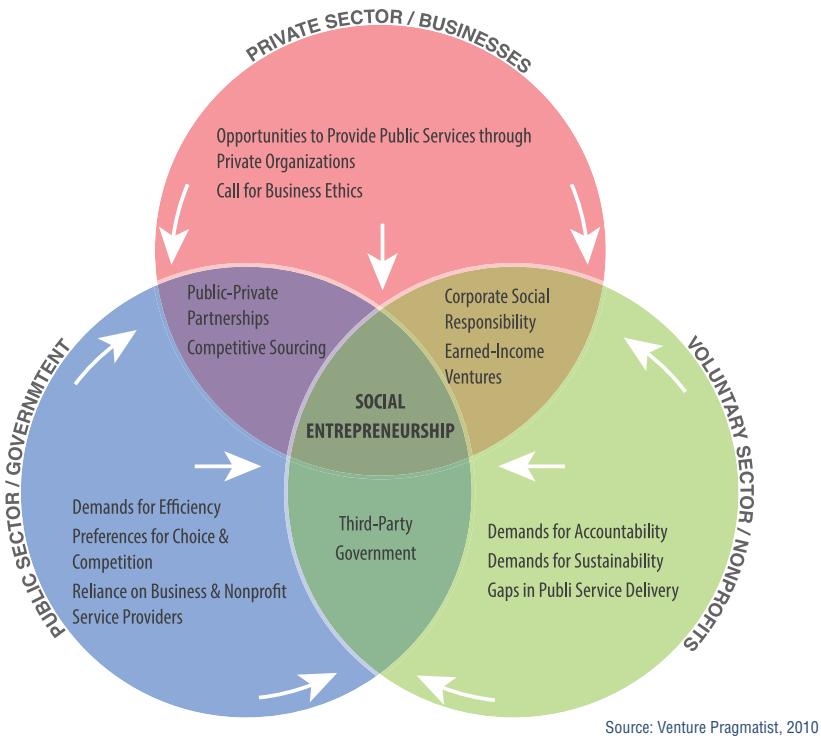
The boundary that separates social

entrepreneurship from ‘commercial entrepreneurship’ or ‘social initiatives,’ is yet to develop a concrete form. Although a wide variety of definitions can be found, the central component in its conceptualization is that it uses existing resources in an innovative way to address social problems or to meet social needs not served by the market. Broadly, social entrepreneurship refers to innovative activity with a social objective in either for-profit or non-profit sector.<sup>5</sup> Most social entrepreneurs use business as a tool for achieving social impact rather than viewing social impact as a positive outcome that will result naturally from their business.<sup>6</sup>

Enterprises which fulfill either of the following attributes were considered for the purpose of this study:<sup>8</sup>

- Non-profit initiatives in search of alternative funding strategies or management schemes to create social value.

### Relationship between SE and private/public/voluntary sectors<sup>7</sup>



- For-profit ventures engaged in socially responsible practice of commercial business through cross-sector partnerships.

## 2.2 Dealing with problems as opportunities

Social entrepreneurs see commercially viable opportunities in social problems and develop a business model to address the problems. One of the prominent differences between commercial and social enterprises lies in the perception of opportunity. While commercial entrepreneurship tends to focus on new needs, social entrepreneurship focuses on serving basic, long-standing needs more effectively through innovative approaches.<sup>9</sup>

Muhammad Yunus, regarded as one of the world's foremost social entrepreneurs, made credit accessible to the poor through Grameen Bank. Defying a popularly held notion that the poor are not bankable, the bank used them as an untapped source of business opportunity. It is estimated that Grameen Bank has distributed well over USD 11 billion (NPR 903.5 billion) since inception and has a loan recover rate of over 95%.<sup>10</sup>

**Ashoka:** Innovators for Public, founded in 1981 by Bill Drayton, identifies leading social entrepreneurs throughout the world (across over 60 countries) as Ashoka Fellows and supports them through a social venture

capital approach.<sup>11</sup> The Ashoka Fellows are provided with capital for their businesses. These investments not only yield attractive returns to investors but also provide market-based solutions to social and environmental issues. So far, 41 Nepali nationals have been awarded Ashoka Fellowships.

## 3.0 SCENARIO IN NEPAL

With approximately 55% of the population living under USD 1.25 (NPR 103) a day, Nepal provides enormous scope for social entrepreneurship. Using economically self-sustaining business models to address these challenges will not just deliver durable solutions but will also support job creation and income generation.<sup>12</sup> Social enterprises in India have emerged as a hotbed for sustainable, scalable and frugal innovations. Social enterprises in Nepal are in a nascent phase and continue to face numerous hurdles. Apart from lack of conducive political environment, most social enterprises in Nepal face operational and strategic challenges such as cumbersome regulations, difficulty in raising seed capital, and in creating value chains.

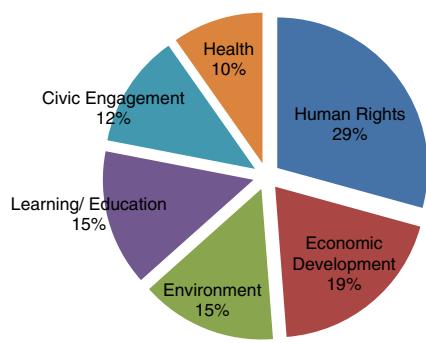
### 3.1 Some notable examples:

The initiatives taken in Nepal range in size and scale from much localized farms operated by a few individuals to those targeting the international market. As domestic case studies, three examples of successful social enterprises in Nepal are presented next.

#### I. SOLAR TUKI<sup>13</sup>

Solar Tuki is a solar-based household

### Focus areas of Ashoka Fellows from Nepal



Source: Ashoka Fellows, <https://www.ashoka.org/fellows>

lighting system that uses an integrated approach composed of community mobilization and technological intervention.

### INNOVATION AND ACTIVITIES

Kerosene-based wick lamps, known as *Tukis*, are used by around 2.4 million households in Nepal. 60% of Nepal's population spend more than USD45 million (NPR 3.7 billion) per year on *Tukis*.<sup>14</sup> The Solar Tukis provides low-cost and clean lighting and is a viable alternative to the traditional kerosene *Tukis*. Electricity fulfils only a tiny portion of the household energy needs in Nepal. People in the lower economic quintiles are mostly dependent on cheap, non-commercial carbon-based fuels. The Solar Tuki is effective in mitigating their economic isolation and inequities.

An individual unit of Solar Tuki, manufactured by authorized companies, is retailed at NPR 3,500 (USD 42.6). Since marginalized populations are the target consumers of this product, the project helped develop

their purchasing capacity by securing access to credit. Through local micro-finance institutions (MFIs), Solar Tuki purchases are financed by providing collateral free loans and allowing payments on an installment basis. This has made Solar Tukis affordable for the poor. Service centres, operating at village level, act as agents/dealers by supplying Solar Tukis and providing after-sale services, they receive appropriate trainings from the program.

### IMPACT

With a huge market, predicted to be 2.4 million in Nepal, the Solar Tuki has a potential of having an enormous social and environmental impact. Some of its major impacts are listed below:

- It provides affordable and cleaner alternative to traditional kerosene lamps.
- Solar Tuki technology has also improved access to information by making radios more accessible, particularly in rural villages where other media sources are not easily accessible.
- The manufacturing, distribution and regular services provided at the Service Centres have created employment opportunities for the illiterate semi-skilled populace.
- It eradicates health hazards resulting from the indoor pollution caused by kerosene lamps or firewood. An estimated 48,989 tons of CO<sub>2</sub> will be reduced in the first seven years of the program.<sup>15</sup>

- Students are able to study for longer hours using the Solar Tuki.

- The technology has formed numerous economic linkages that support poverty eradication efforts.

### II. NEPAL WIRELESS NETWORK<sup>16</sup>

Nepal Wireless Networking project was initiated by Mahabir Pun in 1997 to provide IT facilities in one of the most challenging places of the world, Nangi village in Nepal.

### INNOVATION AND ACTIVITIES

Nepal Wireless, registered as a not-for-profit company, provides internet services to the rural population living of Myagdi, Kaski, Parbat, Baglung, Makawanpur, Dolakha, Gorakha and Mustang districts. What started as a micro hydro powering computer labs in schools grew into a robust wifi-network was established which not only addressed the problem of the digital divide, but also paved the way for economic growth in the region through significant improvements in agriculture, health, commerce and tourism. In addition to providing computers and internet facilities in rural areas, it aims to maximize the benefits of wireless and information technology by introducing various applications useful in the rural context.

Communication centers act as intermediaries between end users and Nepal Wireless. This allows for a system where the project charges the centers at a fixed monthly rate for access to the internet. The communication centers are operated inde-

pendently. Besides these centers, the project also receives monthly revenue from the hotels and offices that have subscribed to the internet service. For its telemedicine program, 50% of the service fee charged for the patient stays at the local clinic and other 50% goes to the hospital providing the service.

### IMPACTS:

Using Internet Communication Technology (ICT) tools, Nepal Wireless improved the quality of life and enhanced the productivity of rural populations. Some of its impacts are described below:

- Education:** Students, teachers and villagers have acquired access to computers and e-learning materials.
- Health:** The telemedicine program connects rural health clinics to health professionals in the urban centers and provides quality medical assistance.

- Communication:** Internet telephone services allow villagers to communicate with family and friends abroad more effectively and cheaply.

- Commercial Activities:** Commercial activities have increased in the area as the locals gained from effective communication about their products through online forums such as Haat Bazaar Trading Forum. Moreover, remittance services allow villagers to receive money from abroad without having to go to urban centers.

- Tourism:** The ICT tools have enhanced the experience of tourists, particularly in Mustang district—a famous tourist destination. A virtual ATM system developed with the help of Thamel.com allows tourist to pay bills and get cash through virtual transaction.

- Environment:** Weather monitoring systems provides real time weather information and is useful for monitoring climate change.

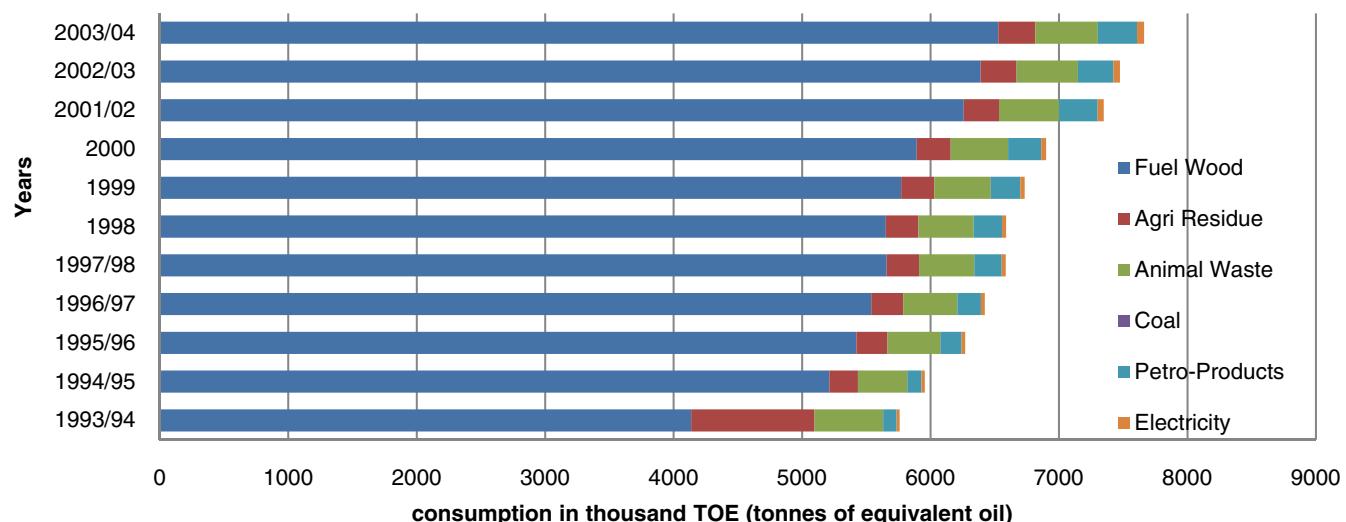
### III. ASSOCIATION FOR CRAFT PRODUCERS

Categorized as a social business, the Association for Craft Producers (ACP) is dedicated to providing designing, marketing, management and technical services to low-income and predominantly female craft producers.<sup>17</sup> ACP differs from the two examples given above in that it treats the Base of Pyramid (BoP) populace as producers instead of consumers.

### INNOVATION AND ACTIVITIES

ACP, one of the oldest and largest non-profit handicraft organizations in Nepal, was started in 1984 with 38 artisans and five staff. Today, the organization has grown to be a fully

Residential Sector energy consumption



Source: The Adventures of Solar Tuki, 2007

self-sustaining enterprise with 60 staff and over 1,200 artisans from 30 producer groups across 15 urban and rural districts in Nepal. It has two retail outlets called Dhukuti, one in Kathmandu and the other in Pokhara, and exports to more than 18 countries.<sup>18</sup> Meera Bhattacharai, the founder of APC, was concerned with one of the primary reasons for the marginalization of women - a lack of economic independence. Thus, income generation and empowerment for women through handicrafts, and the preservation of traditional crafts are the two main priorities of APC. Though the start-up costs of APC were initially covered by donors, within four years, it developed into a fully self-sustained and profit-making enterprise.

APC has proven that an organized work force of women with farm and family responsibilities and working irregular hours can be co-ordinated and turned into a fully competent and reliable work force. Trading in traditional Nepali handicrafts is commercially viable, if backed by an integrated system that includes a regular supply of raw materials, design ideas, management skills and organized market outlets. Thus, APC has adopted a hard-edged management style that embraces competition, rigorous quality standards catering to the latest trends, and earning healthy profits with high-margins.<sup>19</sup>

## IMPACTS

By successfully blending traditional craft with modern design and technology to suit market trends, APC has shown that financial and social profits are not incompatible. Some of its major impacts are listed below:

- Female artisans have developed better social standing because of their income generation, overall social awareness and empowerment. This has given them a greater voice in household decisions.
- Indigenous skills and the traditional crafts of Nepal, which were on the verge of extinction, are now preserved and promoted in the national as well as international market.
- Producers are provided with benefits through social welfare schemes, such as health and housing subsidies, an emergency fund and aid for education (two children per family, at least one being female), thus improving the overall standard of living.
- It has set a standard for handicraft businesses in the country by reintroducing ancient crafts and ensuring that product portfolios meet international quality and design standards.
- Girls education is strongly supported by the APC through its 'educational allowance benefit program' that helps female children go to school.

## 3.2 Catalysts and Sector Enablers:

The recent growth interest in the field of Social Entrepreneurship in Nepal has been accompanied by the growth of sector enablers-organizations that provide direct, non-financial support to individual enterprises as well as the broader field. A holistic ecosystem consisting of not just social enterprises but also incubators, consultants and industry organizations is inevitable for the field to flourish. The support system for social enterprises in Nepal mainly consists of NGOs, foundations, social activists and impact investment funds, providing a platform to access relevant social networks.

Multilateral institutions and development agencies such as The World Bank, UNDP, and transnational networks have also been functioning as catalysts for the growth of Social Entrepreneurship in Nepal. Moreover, profit-driven businesses have also been providing support and acting as catalysts for social transformation. Along with the growth of the field of Social Entrepreneurship in Nepal, its interaction with these public and private sector actors is increasing. However, the supporting ecosystem in Nepal is in an infant phase, there is a conspicuous lack of strong academic institutions, think tanks and policy groups catering to the needs of the field.

## RECOMMENDATIONS & OUTLOOK

The social enterprise industry in Nepal is still in its infancy. The sector needs the support and collaboration of multiple stakeholders to grow into a robust and innovative industry. A supportive ecosystem consisting of incubators, consultants, academics, donors and investors can make significant contribution to this field through their synergistic efforts. Below are some recommendations for the field to grow and prosper, eventually alleviating social problems and catalyzing social change.

- Regulations related to social enterprises should be well-defined and the policies that restrict their growth should be reformed after consultation with the stakeholders.
- Raising seed capital should be facilitated through the combined efforts of investors and donors. Social entrepreneurs should have easy access to grants and loans for financing their ventures, particularly in the growth phase.
- Peer-learning activities should be encouraged by creating more opportunities for entrepreneurs to interact with and learn from each other. This can be done through organizing conferences, establishing online communities and creating platform for regular interaction.
- Business schools should provide incentives for students to explore the field and join the social enterprise workforce. For instance, business ideas competitions can be held and the award money can be used to finance social ventures in the initial phases.
- The unemployed workforce in Nepal can be leveraged, through appropriate trainings and educational programs, to provide human capital.
- A collaborative approach should be adopted for

consumer education as it is a significant challenge while addressing the needs of BoP consumers. The infrastructure developed for training consumers can be shared among many social enterprises.

Partnerships with NGOs and INGOs is inevitable for the development of the social entrepreneurship sector. Since a social entrepreneur's primary source of capital is philanthropy, they have little or no obligation to return their capital to the donor. They are able to take more risks to experiment with social entrepreneurialism in expenditure heavy remote areas compared to commercial investors. Thus, partnership with NGOs should target market development and seed stage innovation, which could later be scaled using private sector capital and business skills.<sup>20</sup>

### 5. Conclusion

Entrepreneurial approaches can be a promising avenue to address social problems. Social entrepreneurs create appropriate structures to cater to social needs and fill the void left by the state, the development sector and the corporate sector.<sup>21</sup> Using innovative approaches to match investor values with community needs and generating both financial returns and social impact is the essence of social entrepreneurship. It is only recently that social enterprises have begun to be recognized by the business community, civil society and the general public as powerful agents for economic growth and inclusion. Though the sector is just opening up in Nepal, it holds much promise as the country has an abundance of unmet social problems and investment opportunities. Social entrepreneurship in Nepal certainly has the potential to drive the country towards inclusive economic growth. However, this potential cannot materialize without the infrastructure and environment necessary for businesses to flourish.

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