Social entrepreneurship in Asia: Moving towards a Structured Framework and Challenges

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Abstract: Entrepreneurial ventures addressing social issues has widely spread as a global phenomenon. The positive impact of social entrepreneurship on alleviating social problems has already been proven. As a newly evolved form of entrepreneurship with a keen difference from its commercial counterpart, social entrepreneurship encounters unique challenges. This study attempts to explore the barriers and policy challenges to social entrepreneurship development especially in Asian perspective. A sample of six social entrepreneurs were interviewed using an unstructured interview questionnaire. Common barriers include access to credit and other finance products, access to basic skills and technical knowledge, access to foreign capital and expertise etc. The outcome of the study cannot be generalized to other countries, as the barriers and policy challenges are influenced by political, economic, and social environment of the specific country. Governments can benefit from developing country-specific programs to identify such challenges to encourage social entrepreneurship. Using data collected directly from the social entrepreneurs, the study also provides a glimpse of the development of social entrepreneurship in countries like Bangladesh, India and Thailand; with similar economic roots but political and cultural variation.

Keywords: entrepreneurship, social entrepreneurship, barriers, policy challenges.

I. Introduction

Social entrepreneurship addresses the full range of development conundrum – economic growth, social development and environmental sustainability. Asia is uniquely positioned to suffer from challenges to these goals as it contains 60 percent of the world population with high density of population, heightened vulnerability to economic downturns, social upheaval and environmental degradation. In response, the social entrepreneurs in Asia have created diverse social enterprises in a variety of different sectors including: education for the disadvantaged, food security, sanitation and healthcare, affordable housing, microfinance, sustainable agriculture, clean energy and technology, and fair trade artisanal industry. The common feature across all social enterprises is the explicit commitment to social or environmental betterment.

The Asian social enterprises have demonstrable and sustainable socio-environmental impact (Seelos and Mair 2005a). Several social enterprises are also at maturity level where they actively seek capital to scale up their positive impact (Shujog 2016). However, a lot of individual activity by itself is not enough. “A great product idea married to a noble mission is rarely enough to make meaningful progress in the face of massive social challenges like improving the lives and livelihoods of billions worldwide living in impoverished conditions” (Karamchandani, Kuzanzsky et al. 2009). An Asian Development Bank investigation in India, Philippines, Kenya, Brazil and South Africa reveals no shortage of market based approaches that claim to be profitable or financially self-sustaining (Asian Development Bank 2011). On closer inspection, ADB found that many social enterprises are struggling financially and most serve a few thousand people, a handful of sand in the desert given millions living under extreme poverty line. Only a small portion of market-based initiatives are reaching numbers of people commensurate with the scale of the problems they aim to address.

The demand of financial investment outstrips the capacity of current specialized investment infrastructure and available capital is therefore often unable to reach social enterprises (Lee 2012). Despite the emergence of larger pools of capital for impact investing, social enterprises are often unable to access and utilize this capital. This gap indicates a need for consistent institutional framework incorporating social enterprises and intermediary institutions to match the demand and supply side of the impact investments.

The study takes off from the recently finished 3-year Doctoral program in “Developing Social Entrepreneurship Ecosystem”, funded by Universiti Teknologi Malaysia and it also includes different empirical studies (some 20 case studies). The paper attempts to explore the recent developments of social entrepreneurship in Asia as well as identifying the barriers and policy challenges to social entrepreneurship development in Asia.
especially in Bangladesh, India and Thailand. In doing so, it also attempts to explore the role of Government and International Organizations and participation of supporting institutions in the development of social entrepreneurship in those countries.

Asian Development Bank associating with Impact Investment Shujog, Singapore conducted a research on the state of social enterprises in Asia. To date, this is the only published material found by the researcher on the structure and present scenario of Asian social enterprises. The researcher also exchanged views with a number of social entrepreneurs from India, Philippines, Thailand, Korea and other countries to get an overview of the scenario at the Social Entrepreneurs Forum held in Singapore, 2012. The below mentioned findings regarding social enterprises in Asia is the result of the above said research by ADB and the round table discussion of the social entrepreneurs during the Social Entrepreneurship Forum 2012 in Singapore organized by Impact Investment Shujog. The researcher attended the round table discussion and recorded and transcribed the whole discussion for the purpose of addressing the present scenario of social entrepreneurship in Asia. The round table discussion can also be found at you-tube with keywords – impact forum 2012 and state of social entrepreneurship in Asia. The round table discussion was led by Mr Asif Saleh (Head of Communications, BRAC, Bangladesh) and the participants were Weina Lee (Head of Research, Impact Investment SHUJOG, Singapore), Neera Nundy (CEO, DASRA, India – provides financial and legal services to social enterprises), Lee Seung Hyun (SK Happiness Foundation, Korea), Jack Sim (CEO, World Toilet Organization, Singapore) and Wolfgang Hafenmayer (LGT Venture Philanthropy).

II. State of the Market

In India, the market intermediary interaction with social enterprises is strongly concentrated. The mature and sizeable social entrepreneurship sector of India attracted intermediaries with ample of opportunities – both through their CSR support and as attractive revenue streams. In contrast, the Bangladesh and Thailand social entrepreneurship markets are small while Singapore has the larger number of regionally involved market intermediaries and is thus disproportionately involved in the Asian SE marketplace in relation to market size. According to Nundy (2012) intermediaries are interested and willing to engage with the social enterprises operating in the more matured SE sector.

A number of market intermediaries assist social enterprises in capacity building exercises e.g. providing financial and accounting advice, as well as leveraging their own institutional relationships. Many specialized financial advisory institutions like Intellecap, Unitus, Grameen Financial and the Institute for Financial Management and Research are dedicated to developing social enterprises. The larger traditional intermediaries, on the contrary, are comparatively less supportive in social entrepreneurship development. The traditional intermediaries perceive SE sector as of low revenue potential and as many of the deals in the SE space are small in size ($3 million to $10 million) are considered as high risk. This perception of SE market shows the general lack of SE market understanding on the part of many intermediaries, where the reality is that there is significant revenue to be generated through participation in the SE marketplace. Approximately 4 billion people are living under extreme poverty line making it an attractive market for the social entrepreneurs to pursue with the products or services fulfilling the unmet basic needs of those people.

The biggest barrier to sustainable market-oriented growth of SEs is therefore the lack of awareness and knowledge among the framework partners about the present opportunities and how beneficial they can be for the growth and scalability of the social enterprise.

III. Role of the Government and International Institutions

Government plays an important role in promoting sustainable social entrepreneurship which is clearly evident from the development of social entrepreneurship sectors in the different countries (Asian Development Bank 2011). Government agencies, regulation and backing from international institutions play a crucial role as a support mechanism to the framework and catalyst in early stage development of the social entrepreneurship sector. In Bangladesh, India and Thailand, governments have contrasting approaches to social enterprises, and this contrast is reflected in the different levels of SE sector development.

In general, Asian governments are extremely supportive of the MSME sectors. These enterprises are really seen as the engine of growth in many of the Asian countries. On the other hand, many of the social enterprises, may be except of India, are very much deeply rooted in the non-profit sector - they are mostly NGO based organizations. These enterprises still benefit a lot from the existing funding sources that are out there for them. And there are also some countries like Philippines, Cambodia where NGOs are benefitted from well implemented tax incentives from the government. These supportive incentives are usually much better implemented for the NGO sector rather than for the SME sector. That’s why a lot of organizations in Asia are still deeply rooted in the non-profit sector (Lee 2012).
Then again the increasing trend of social entrepreneurship – NGOs that are doing social welfare – beginning to realize that donor money is drying up. So they are being forced really to look for the market for new sources of funding and that’s why a new trend of social enterprises have emerged – hybrid social enterprises. Today’s social enterprises have simplified the concept of hybrid entrepreneurship – where the non-profit section of the company is doing the social impact work and the other for-profit section is funding the non-profit section of the business.

Bangladesh has traditionally favored a larger role for the state and greater regulation has helped non-profit enterprises gain the support of local administration and government agencies. The government has also persisted on promoting the development of business ventures with social focus. The leading businesses in Bangladesh are the leading social enterprises, but they are still rooted in non-profit sector.

The Bangladeshi context contrasts with that in Thailand. Thai SE market is less matured and dominated by smaller social enterprises with the large donor-funded charities are working alongside, the divergence of for-profit enterprises and charitable work in policy is reflected in the domestic SE market. To foster the escalation of SE sector, the Thai government established Thai Social Enterprise Office (TSEO) to develop and encourage the growth of SE sector in Thailand. Now there is a vibrant SE market with emerging new and innovative social ventures with ample accommodation in policy (Asian Development Bank 2011). Interaction between framework players and smaller social enterprises likewise reflects government policy, and most active engagement seen between small, specialized institutional framework players such as incubators and emerging social enterprises.

Government policy and support from international institutions can also catalyze innovation and accommodate growth in the SE sector. It is evident from the policy brief presented by Impact Investment Exchange, Asia to the Finance Secretary of the Bangladesh Government highlighting recommended policy changes to facilitate easier access of foreign investment for local social enterprises. In India, policy reforms have already been introduced to allow revenue-generating models for the social enterprises ease norms for foreign investments and allow social enterprises easier access of capital.

IV. Role of Supporting Institutions in the Framework

The supporting institutions in the framework consist of the intermediaries and facilitators providing the support services for the growth of SE sector e.g. academic and research institutions, accounting firms, advocacy and interest groups, credit rating agencies, financial advisory firms, legal firms and private sector CSR initiatives.

Bangladesh

Bangladesh has a strong SE sector with high levels of interest among the framework partners, although lack of incentives abstain new partners to participate fully in the institutional framework. A number of social enterprises in Bangladesh are very large with social enterprises like the Grameen Bank, BRAC dominating the market. The SE sector in Bangladesh is comparatively large in comparison to its institutional framework partners. Due to this, most of the social enterprises in the space are largely revenue oriented, with some participation moving into the blended revenue – CSR space or Hybrid enterprises.

Figure 1  Bangladeshi Institutional Framework Partners engagement with SEs (Source: Asian Development Bank (2011))

Figure 1 depicts that there is some development among academics and accountants engaging directly with the SEs in Bangladesh (Saleh 2012). The research by ADB reflects a huge gap in the accounting services required by the medium and large sized social enterprises in the country. The impact of the mature Bangladeshi social enterprises as pioneers in the field is drawing significant support and interest from academic and research
institutions. But there still remains a gap in the level of engagement found among financial advisors, law firms and credit rating agencies. ADB found the overall broad involvement of the framework partners with the social enterprises in Bangladesh quite satisfactory but several organizations’ reluctant responses to get involved with the growing SE industry were also recorded. Although these sort of reluctant organizations are very small in number, but these nascent framework participants all belong to the financial advisors and accounting services which points to the disengagement between certain traditional framework intermediaries and SE movement. The result may seem discouraging, but most of these organizations are small sized accounting and advisory firms which lack necessary capabilities to facilitate services for social enterprises.

![Figure 2](https://example.com/figure2.png)  
**Figure 2** Financial Advisors and Accountants participation in SE sector of Bangladesh (Source: Asian Development Bank (2011))

The ADB research also found that Bangladeshi institutional framework participants have a strong interest in working with the social enterprises but lack of adequate incentives refrain them from scaling up their participation. The institutional framework partners don’t intend to participate in the SE space without some revenue source incentives. Unlike in other countries, the partnering intermediaries cannot provide the professional services in reduced or no-fee as the rates and margins are extremely low already. In spite of all these difficulties, the Bangladeshi SE market still seems lucrative to a small number of large framework partners and social enterprises. Large framework partners e.g. Standard Chartered, CitiBank have greatly benefitted from their participation with the large social enterprises like BRAC, Grameen and Shakti.

In Bangladesh, the framework partners are interested in working with the social enterprises, a good number of matured social enterprises exist and there is little evidence of market resistance – but still the Bangladeshi SE sector is not growing at the rate it is expected. Bangladesh can attempt to develop an effective social entrepreneurship institutional framework either through new regulation and policy changes or market restructuring or incentivizing the institutional framework partners to encourage more involvement in SE sector.

**India**

India has one of the most developed and matured SE sector in the world and being known as one of the first to have the successful for-profit social enterprises in the arena. The institutional framework partners are well-known to the concept of social entrepreneurship. Although India has some regulatory limitations regarding participation of Non-Indian International investments in the SE sector, the Indian SE market has a large number of capable and highly interested institutional framework partners and they are growing in their integration with the social enterprises (Asian Development Bank 2011). The following figure 3 shows that the institutional framework partners engagement are mostly with the newly evolved and growing social enterprises accumulating 66% of the market.
There is a wide variety and different sizes of social enterprises in India – ranging from small one-village startups to the mammoth microfinance organizations. It proves that there is a wide range of motivations for different sizes of social enterprises and framework partners (Nundy 2012). Lawyers, accountants and academic institutions – all play a significant role in making the Indian SE market a lucrative and successful one in Asia.

The figure 4 depicts high-level of participation of the framework partners like lawyers, accountants and financial advisors, despite Shujog encountered the most resistance form the nascent sectors (Asian Development Bank 2011). This occurs due to the specialized nature of most of the social enterprises and partly due to the smaller size of most of the deals. A more mature SE market and a number of functioning sustainable social enterprises with larger deals and financial investment can lure the larger partners to join the SE institutional framework and thus scale up the total possible benefit for the social enterprises (Lee 2012).
The majority of the institutional framework partners interested to work with the growing or nascent social enterprises in India are the financial advisors and accountants (Asian Development Bank 2011). Crucially, the presence of credit rating agencies is still required and Shujog hopes the credit rating agencies will get involved with the social enterprises and plug the gap in the sector through providing a much needed service (Lee, 2012). There is a strong domestic investment in the SE sector of India, but the domestic capital alone may not sustain the requirement indefinitely and therefore, regulatory changes to accommodate foreign investors are necessary (Hafenmayer 2012).

Thailand

Thailand is renowned for its strong ‘giving’ culture which posits an encouraging force in the field of social welfare and societal development. It also creates disengagement between social impact and corporate profit, which is also evident form the fact that social entrepreneurship in Thailand is still under magnifying glass due to the strong conceptual separation between “doing good” and “generating revenue”. It is strongly believed in Thailand that one should not make money off the poor and it is unethical for the social enterprises to make profit (Asian Development Bank 2011).

The overall participation of the Thai institutional framework partners in the SE sector is still growing or nascent. Although there are a good number of academic organizations, incubators and consulting firms are highly interested in the SE sector, but the motivation among lawyers, accountants and financial advisors is very limited (Asian Development Bank 2011). Most of the institutions’ interest and engagement in social entrepreneurship remains in the field of research and advisory, with some consulting services emerging (Lee, 2012). Due to the small size of the Thai SE sector, there is a very little opportunity of maximum output for Thai social enterprises and framework partners. The Thai framework partners engagement with social enterprises mainly motivated by CSR considerations.
The engagement of Thai framework partners with the SE sector is still at the nascent stage evident from the numbers available from the ADB research. Although the lawyers’ and financial advisors’ are interested to participate and willing to work with the social enterprises in near future, but majority of the accountants’ respond reluctant to participate in the framework and work with the social enterprises.

The Thai SE market is a complete contrast to the Bangladesh and India SE market in terms of the size of the social enterprises and involvement of the framework partners as facilitators to the social enterprise development. Majority of the Thai social enterprises are small in size which represents a ‘not-so-attractive’ opportunity for the partners to involve in the institutional framework development. The numbers from the research points that Thailand SE market is at its early stage, however the positive trends indicates that it has a great potential to be successful SE market in near future.

V. Social Entrepreneurship Challenges in Asia

Barriers to Social Entrepreneurship Development

**Access to credit:** Micro-credit scheme was introduced to mitigate the market failure caused by the poor people’s lack of collateral and less access to traditional financing for investment. The objective was to create alternative income generating activities for the poor to address the problems of poverty, inequality and environmental sustainability as well as creating a little social value. Conventional financing institutions was not interested to get involved in this sector due to the high transaction costs of making and securing the repayment of the small loans dispersed to the poor. Organizations like Grameen Bank, BRAC have contributed significantly in overcoming those barriers and established micro-credit scheme as a mode of developing the lives of the poor. The ‘social enterprises’ are recognized as the ‘missing-middle’ in the system – which is too large for the micro-credit scheme to satisfy and too small for the traditional financing to attract. Such small social enterprises are essential for creating social value and organizations like BRAC, ASHOKA, SHUJOG are researching on developing financial products to suit their needs.

**Access to other finance products:** Growth in financing opportunities needs to be accompanied by growth in access to other financial products e.g. insurance. Small scale social entrepreneurs face the risk uninsured risk like if they borrow to invest in a business which then fails due to some external factors such as flood or natural calamity. Even the informal village-level mutual insurance hardly works as all the members of the village faces the identical risk – for example, if natural calamity occurs then it would affect each member of the mutual insurance scheme simultaneously. Government should encourage the non-financial institutions and insurance companies to expand their offerings to micro-insurance and micro-savings.

**Access to basic skills:** The micro-credit movement and the arising social business movement have reduced the barrier of access to financial products to a certain extent whereas the social entrepreneurs still facing the limitation in accessing the basic skills of developing a business venture. Lack of basic skills in accounting, business planning, legal activities often scale down their credibility with donors or lenders.

**Access to information:** The absence of social entrepreneurs association often limit their access to social networks which are not only important sources of information and business opportunities but also sources of non-conventional funding. In recent years, steps are being taken already to form social entrepreneurs association in countries like Malaysia, Thailand and Singapore. But countries like Bangladesh and India still lacks behind.

**Access to technical knowledge:** Social entrepreneurs in Asia are offered with ample of opportunities to use new technology especially in the field of sanitation, clean and renewable energy, to promote sustainable economic development (Lee, 2012). Although social entrepreneurs have innovated several financing mechanism based on third-party financing, carbon credit to fund such opportunities, still they lack technological...
or financial expertise to implement them (Bangladesh Enterprise Institute 2010). It is found that most of the social entrepreneurs and people likely to engage with think tanks and donors are from public policy and economics background and are very much keen to solve through economic and political mechanisms rather than using technology and innovative financing mechanisms (Mohiuddin, Parveen et al. 2013).

**Access to foreign capital and expertise:** Research shows that the non-residential members of the subcontinent diaspora are willing and support the economic development of their countries particularly in their home areas, through identifying opportunities, providing capital or mentoring. However, they lack the information and ways to identify the worthy recipients. Government policies on foreign direct investment in these countries impede the transfer of money from abroad and the transactions costs are high for the foreign direct investment (Asian Development Bank 2011).

**Policy Challenges to Social Entrepreneurship Development**

**Bangladesh:** The Bangladesh economy has been growing at more than 5% per year since 2003, achieving solid growth in the midst of ‘economic crisis’ (CIA World Fact Book, 2012). With a solid social entrepreneurship growth, the key policy challenge is to overcome the barriers of entrepreneurship development, ensuring the benefits of the growth reach marginalized people, and ensuring economically, socially and environmentally sustainable growth.

Still social entrepreneurs consider lack of start-up financing as the premium challenge to social venture development (Asian Development Bank 2011). Although a number of entrepreneurs are increasingly getting involved in ventures like insurance, micro-savings, building social networks and information dissemination, technological expertise; still the persistent gap in start-up financing for converting the micro-level social ventures to a self-sustained venture prevails the same (Bangladesh Enterprise Institute 2010). The scenario is the same with the sectors like skill development training, mentoring and fostering links with other business ventures.

The regulatory policy of the Bangladesh Government refrain the mission driven for-profit organizations getting access to the massive development foreign funding entering Bangladesh. The priority is given to the mission driven non-profit ventures and charities. The restrictions on capital flows to social ventures and dividend extraction across national boundaries, as well as barring them to raise debt capital are the examples of the policies that discourage investment and hamper intermediary support in the social entrepreneurship sector. However, entrepreneurs are working on innovative organizational models and engaging them to serve the marginalized people and slowly evolving a new social entrepreneurship spectrum.

**India:** India has one of the most developed and well-organized SE sectors and is recognized to be one of the premier countries to have successful for-profit SEs. Until recently the social ventures had to be structured as trusts, co-operative societies or section 25 companies (Indian Companies Act, 1956) under the regulatory policies of The Trust Act of 1882, the Societies Registration Act of 1860, section 25 of the Companies Act of 1956, section 12A and 80G of Income Tax Act, and the Foreign Contribution Regulation Act of 1976 (Asian Development Bank 2011).

However, under the New Economic Policy, India is liberalizing foreign investment incrementally, policies for technical collaboration and joint ventures, and formalizing institutional investors and venture funds in the class of business investors. Regulations have been formulated to allow the micro-finance activities to get foreign investment since 2005 (Reserve Bank of India, 2005), and the small and medium enterprises to invite initial public investment in 2010 (Securities and Exchange Board of India, 2010).

Although government is making efforts to address the shortcomings, still some regulatory hurdles prevail on the way of social venture development – i) foreign investments in the form of proprietary or partnership structure require prior government approval, ii) borrowing in foreign exchange cannot be used as working capital, iii) regulations governing the registration and operational procedure, and pursuing new initiatives of the social ventures pose operational constraints (Nundy, 2012).

Since 2010, a number of Government departments – Health & Social Welfare, Women and Child Development, Social Justice and Empowerment, and Council for Advancement of People’s Action and Rural Technology – have initiated the NGO Partnership System collectively to develop a networking platform among different bodies pertaining social entrepreneurship development. Accordingly, the social ventures have also developed revenue generating models to become financially sustainable as commercial enterprises, developing ways to access the foreign investments as equity and loans by including the element of financial return on it and adopting mainstream avenues for greater flexibility in their business models and mission.
Thailand: The Thailand Investment Market is regulated under two government policies – Investment Promotion Act of 1977 and Foreign Business Act of 1999. The Foreign Business Act prohibits the foreign investment to enter three specific Thai business sectors – i) businesses related to primary natural resources based industries, ii) businesses pertaining to national security, art and culture, and iii) businesses relating to accounting, legal services, and engineering where Thai nationals are not yet capable to compete the foreign nationals to give them an edge of advantage. Still there is an opportunity for both the foreign and domestic investors to get involved in the businesses listed in the 2nd and 3rd category after getting the approval from the Board of Investment (BOI), though the process of approval, according to the investors, known to be very time-consuming with unpredictable outcomes (Asian Development Bank 2011).

However, government has taken necessary steps to develop a solid foundation of social entrepreneurship in the years to come. In 2007, a change in the Foreign Business Act granted the overseas investors much more flexibility in investing allowing them to invest up to $5 million and $50 million in the stock markets. Atchaka Sibunruang, the then Secretary General of the BOI, stated that Government and BOI both are considering pushing regulatory change, especially tax exemption law, developing an information network for the social entrepreneurs and thus developing a trend towards trade and investment liberalization.

VI. Conclusion & Future Research

The study explores the current scenario and participation of supporting institutions in the development of social entrepreneurship in Asian countries. It also identified the barriers and policy challenges towards the development of social entrepreneurship. While some similarities were found among the entrepreneurs studied, there were some noteworthy differences, too.

In examining the barriers, ‘access to finance’ was the highest rated problem in all three countries. Also there seemed to be general agreement that lack of skill and technical knowledge was impediments. Bangladesh, India and Thailand will need to promulgate policies to ensure the social ventures access to financing. In order to create a more vibrant social venture sector, they all need to work with academic institutions and business organizations to offer training programs to focus on business knowledge and management and technical skill. Issues identified for future research in this article are – i) how social ventures can ensure the double bottom lines i.e. social change and economic gain, ii) influence of social and personal networking in achieving social venture’s mission, iii) understand how social ventures foster innovation and inclusiveness and bring positive social change, iv) developing performance measurement tools for social ventures. A clear and broader identification of the fundamental issues raised in the article will enable to establish social entrepreneurship as a separate field of study.

References