

Finalist 'Social Entrepreneur of the Year' 2008, India

INTRODUCTION

In the third year of partnership between the Schwab Foundation and Social Entrepreneurship, UNDP and the Nand and Jeet Kehmka Foundation, the 'Social Entrepreneur of the Year' Award has grown dramatically. From 140 organisations who participated in the SEY 2008, three finalists were announced - Arbind Singh - Nidan, Prema Gopalan - Swayam Shikshan Prayog and Brij Kothari - Planet Read.

Swayam Shikshan Prayog, was commended as it had connected women survivors of the Maharashtra earthquake with large business such as BP Energy and recently Godrej, to launch large rural retail business. The finalists were recognized to have achieved quantum leaps in because they operate through strategic partnerships and leverage the resourcefulness of all actors in their ecosystem (Whether national media, private corporations or the state). Another is because they give voice to the most excluded sections, by building sustainable institutions of change. Finally, all three are individuals in a hurry of achieve large scale change.

DESCRIPTION OF THE ORGANIZATION

Swayam Shikshan Prayog (SSP) is building networks of rural "social businesses" that are co-created by private corporations and women entrepreneurs who have survived disasters such as Latur and Gujarat earthquakes and the Tsunami (1993, 2001 and 2004 respectively).

With the facilitation of SSP, networks of rural women entrepreneurs have launched retail businesses in renewable home energy products, food essentials and health funds in partnership with BP, LIC and others.

SSP stimulates enabling business environments for both rural women and global companies in 'Base of the Pyramid' or BOP markets. Its bouquet of incubation and business development services aligns networks of women entrepreneurs, village institutions, and corporations to launch profitable enterprises that are governed by a triple bottom line:

- a) *Financial* - Everyone in the value chain makes a profit.
- b) *Environmental* - All enterprises are rooted in the principles of clean, renewable energy.
- c) *Social* - All businesses fortify the development of village communities and ensure inclusion of debutant entrepreneurs in networks of financial and social capital.

Working in the disaster-prone terrains of three Indian states, SSP has nurtured around 850 women retail entrepreneurs with a total consumer base of 63,000 families and cumulative earnings of Rs. 2.3 crores. It has ensured more than 33% income growth per entrepreneur. Through its microfinance entity, since 2006, SSP has facilitated 10,438 women for starting agri and non-farm businesses through savings and group credit products.

BACKGROUND SITUATION

In 2008, a study conducted by a leading Indian business group revealed that India is a trillion-dollar economy, of which retail accounts for about 40%. Within retail, nearly three-fifths is spent on food and groceries. 60% of the food market is rural and 40% is urban.¹

Statistics such as these have placed rural retail as a fast-emerging enterprise in India. However, small farmers and producers still need to be linked to markets. According to SSP's own study, in central and southern India, more than 18.8 crores low-income rural consumers can't get convenient, if any, access to quality, affordable products that will improve their lives. Additionally, rural producers and consumers require a large aggregator of products and efficient supply chains to ensure equitable terms for those living in the hinterlands.

For the village entrepreneur, the two roadblocks for a rural business are access to markets and access to credit. While the India microfinance sector has provided capital to the poor, it is estimated that they need 10 times this amount to function as entrepreneurs.

¹ <http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4269>

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For large companies, knowledge of underserved markets and the lack of expert logistics, marketing and distribution infrastructures are the biggest impediments to profitable rural businesses. For example, ITC and Hindustan Levers state that developing distribution infrastructures and supply chains from scratch is their biggest cost-driver². Further, rural women are typically disenfranchised from retail jobs which often go to men from low-income communities.

THE INNOVATION

SSP is developing the infrastructures and social networks essential for rural retail³ by putting women in charge of business. These retail businesses sell products and services that are critical to the development of entire communities.

SSP starts up new women entrepreneurs in disaster-prone areas. It then organizes them into social networks to spot and address gaps in the Base of the Pyramid. Thereafter, Prema and her team:

- Deepen social channels to promote market growth.
- Identify potential corporate partners.
- Facilitate local women to incubate business models with large corporations.

SSP's Business Development Services (BDS) offers access to capital, market insights, linkages to government, incubation of legal entities and skills building of micro-entrepreneurs to help both rural and urban companies succeed.

Building social channels to promote 'Base of Pyramid' markets

SSP develops Self-Help Groups (SHGs) and harnesses them into enduring social networks. These social networks are optimized as natural supply chains by both large corporations and existing women entrepreneurs that wish to do business in the Base of Pyramid space.

Since 1998, SSP has launched and mentored 20 Sakhi Federations in Maharashtra—a dynamic umbrella-network of 5000 SHGs. Over time, these SHGs have created the markets and demand for essential products. They have also coalesced into channels of trust and social capital.

SSP has leveraged these social networks to build 'business-ready village eco-systems' where entrepreneurs, suppliers, consumers, SHGs and companies are brought together into an integrated value chain. The strength of each actor in the network is harnessed to launch new BOP markets and grow niche segments into mature markets.

The Sakhi Federations of 60,000 women offers multiple advantages to companies and rural entrepreneurs planning to launch a rural business. It provides:

- An efficient pipeline of first-generation entrepreneurs with experience in managing credit, savings and micro-businesses.
- Trust-based relationships among members that ensure loyalty, consumer awareness and first-hand market insights - urgent requirements for private corporations that wish to operate in underserved markets.
- A credit and social line between members that also serves as a natural distribution chain with reduced cost of sales, promotion and retail - leading to savings for the consumer and increased profit for the venture.

Thus, businesses promoted by SSP draw inputs from rural consumers at every stage of the R&D and production process. Additionally, the income increase of individual entrepreneurs in turn bolsters the asset-base of the

² ibid

³ Such as Warehousing, procurement and distribution channels, village retail entrepreneurs and consumer bases.



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Federations and ensures profits to the partner company. For example, Access, a new company launched by SSP and women entrepreneurs in 2006 clocked profits of INR 182286 in September 2008.

Co-creating businesses between rural entrepreneurs and private corporations

Members of the Sakhi Federations have co-created entire business models with partner for-profit companies. The businesses are owned by communities, governed by rural women and provide private corporations the social infrastructure they need for profit. The ventures are unique in that:

- The partner company becomes critical to the rural entrepreneur's value proposition and vice versa.
- They build social legitimacy for corporations, expand the impact of SSP and synergistically increase the rural entrepreneur's incomes.
- They create a virtuous cycle where social value creation leads to commercial success and vice versa. For example, the clean home energy business launched has generated a profitable business by reducing indoor air pollution in 51,000 rural homes and saving Rs. 77 lakhs in household monthly incomes.

Examples of SSP Promoted Businesses

SSP has launched and promoted flagship rural businesses as independent legal entities in segments of:

Clean home energy appliances and bio-fuel: In 2005, as voices in the Sakhi Federations and allied SHGs demanded clean cooking fuel, SSP went into business with BP to distribute its IIS⁴- patented Oorja stoves. These portable cooking appliances operate on bio-mass pellets that can be sourced from local farmers and burn bio-mass extremely efficiently, leading to smoke-free kitchens.

SSP established **Adharam Energy Private Limited (AEPL)**—a company to distribute BP's energy product and manage the network of village-level retail entrepreneurs/agents—the Jyotis. AEPL is a joint business vehicle through which 680 Jyotis pooled their investments, licenses, and risk, to launch, for the first time, a joint operation with one another and with a corporation.

BP supplies the product; AEPL handles the distribution from the warehouse to 800 Jyotis who interact directly with customers, collect orders and payments, deliver the appliances and repeat orders of bio-mass pellets. The Jyotis handle service complaints and keep daily sales records. A Jyoti invests INR 10,000 into the business and collects cash from customers on sales. This investment grounds the village entrepreneur's stakes in AEPL. She serves 200-250 customers in her village and earns up to INR 2,000 a month on sales commission. Typically, a Jyoti would meet her customers thrice a month, totaling 1,000 interactions per month to educate, promote, motivate and demonstrate the benefits of clean fuel.

Since 2006, 55,000 families have purchased the Oorja stoves with a total business turnover of INR 10 crores.

Rural- Rural retail of essential home groceries: In 2006, SSP launched Annapurna, a food and nutrition retail business, that transacts through the Sakhi Federations. Annapurna supplies high quality groceries and other home essentials to SHG members at affordable prices at their doorstep.

For Annapurna to succeed, it needed to wrestle with rural supply chain inefficiencies, logistical complexities and the legal constraints. SSP thus launched *Access* - a first-of-its-kind company that specializes in rural-to-rural sourcing, stocking, distribution, marketing, and retail of products demanded by village consumers.⁵

Access has created for Annapurna a local distribution chain —i.e. it sources agri-products from farmers, SHG members and women producers and then supplies the packaged commodity back to rural households. This has shifted consumer preference from urban products to high quality groceries produced in the consumers' backyards.

⁴ Indian Institute of Sciences, Bangalore

⁵ Access was co-created by SSP in 2006 through expert advice from BOP consultants Jebb Brugmann and Avik Roy and in partnership with other CSOs, namely CCD and WOTR.

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Village retail agents or Laxmis link the customer to Access. *As of September 2008, Access had sold 50-75 locally-procured items, sourced through 30 farmers and women producers, to 7,000 families month after month, through a retail network of 120 Laxmis with a combined sales turnover of Rs. 5 crores.* Research has revealed that shopping through the Annapurna model leads to savings of up to INR 240 per month per family or 6% of mean monthly income per family.

From January 2009, Access will enlist rural women shareholders specially committed to local procurement. As a model with no precedence in the rural BOP segment, Access aims to partner with other producers, MFIs and CSOs keen on rural-to-rural retail businesses.

Health Mutual Funds:

Growth and sustainability of village entrepreneurs are linked directly to their health. Loss of business due to illness can set back the profitability of the individual entrepreneur and of the collective supply chain. The Sakhi Federations offers Health Mutual Fund - a health insurance product that was designed by SSP through first-hand consumer insights. **The product has enlisted 9527 members, with a cumulative business turn over of INR 980,000 and is marketed by 65 retail entrepreneurs or Ashas.** With tie-ups with 19 private hospitals, claims of up to INR 1,04,456 had been disbursed since 2006.

Social Micro-finance: To de-risk new entrepreneurs in their retail businesses, SSP and the Sakhi Federations pooled competencies and capital to launch Sakhi Samudai Kosh (SSK) - a social micro-finance institution (MFI) in 2006. Over two years, SSK has disbursed loans worth Rs. 8.22 crores to over 6491 women SHGs for agri-businesses, non-farm trade, construction of toilets and investments in retail enterprises⁶.

For the Sakhi Federations, launching SSK has been a fitting counter-act to local banks that had refused to transact with village women. Women members of SSK report that access to capital through their own MFI, has now positioned them as "unputdownable voices" in Base of Pyramid markets.

Taken together, the enterprises launched by SSP have leveraged the power of rural communities as both consumers and producers. Indeed, rural women can now consume critical development products - health funds, clean home energy appliances, affordable groceries and access to timely credit. Additionally, as suppliers and retailers of the same products (whether as the Oorja-Jyotis, Annapurna-Lakshmis, Health Mutual- Saathis or Sakhi Federations leaders), women have dramatically increased their family incomes and consumer choices.

The producer- consumer convergence has also led to the design of products and services that tap into the existing wealth of a community - its social capital. Thus, all retail entrepreneurs for the Oorja, Annapurna and Health Mutual businesses are nominated, trained and financially-buffered by their SHG groups. In turn, they are accountable to the Sakhi Federations and their SHG members on all parameters of good business performance.

STRATEGY

SSP works as a facilitator and trainer. At the village-level, it develops and trains first-generation entrepreneurs to succeed in managing turn-key businesses. For companies navigating through the thickets of underserved markets, it functions as a) a link to rural partners and b) an interpreter of the resourcefulness embedded in village scenarios.

All operations launched by SSP are premised on 4 Cs:

⁶ SSK operates on an annual interest yield of 16.61%. 1755 SHGs of Sakhi Federations have been linked to SSK. Partnership with the Sakhi Federations has enabled high volumes of small transactions (1 loan officer can handle a loan portfolio of upto INR 2,186,691). The social networks of the Sakhi Federations have minimized the cost per disbursement to INR 0.05. In 2008, based on periodic evaluations by CRISIL, SSK declared operational self-sufficiency of 101.26%

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- Customer- focus - Consumers drive the integrated value chain.
- Capacity Building - Women entrepreneurs train at all levels to be successful at business.
- Connectivity - Social networks create the ground for enterprises to sustain and scale.
- Community impact: Both financial and social capital is first locally sourced through loans, capitalization by rural women, investments by for-profits, etc

SSP steers the 4C process through its Business Development Services (BDS). *The creation of AEPL as a joint venture with British Petroleum (BP) is illustrative of what is possible through SSP's BDS offerings.*

The BP-SSP partnership kicked off in 2005-06. To sell its Oorja stoves at a price that the rural consumer could afford, BP urgently needed two things:

- a) Insights and credibility in an untested market.
- b) Inexpensive relationship-building with a geographically-dispersed customer base.

In turn, SSP and the Sakhi Federations needed a world-class partner to open up the renewable energy products market in BOP segments.

Thus, BP, Sakhi Federations and SSP jointly identified markets, collaborated in product design, erected logistics and distribution systems, negotiated scale and profit projections and framed regulatory mechanisms. Through its BDS functions, SSP set up a team of AEPL field executives, warehouse stores and a complex logistical network to reach the products to the village. The Sakhi Federations recruited and trained a village-level distribution network of Jyotis (or village retail entrepreneurs). The business model and implementation was executed through joint working groups. BP made a long-term contractual commitment to SSP and AEPL (rather than work with several distributors to spread the risk). The contract was continually adapted to address the choppy waters of an experimental business and the capacities of women entrepreneurs.

The manner in which BP and SSP struck a commercial agreement bears little resemblance to traditional supplier-channel deals: One difference lies in the transparency about cost structures and margins. Both BP and SSP shared their internal economics to understand the choices they faced in terms of distribution costs, consumer service options, growth rates, and breakeven points. The partners developed a financial model that would allow everyone in the value chain to make money. Women entrepreneurs became the first to receive cash generated by the business, allowing them to recover their business capital. SSP had to assume a great deal of the credit risks and legal liabilities for the agents in the villages. The multinational had to reveal business data it would not normally share with distributors.

The AEPL model has demonstrated the advantages of business co-creation for the BOP segment:

- Even as BP capitalized on the extensive infrastructure of SSP's social networks, SSP and rural women shared credit for co-developing the stove and gained credibility as successful collaborators with a global firm.
- All partners brought unique balance sheet advantages to a new business. BP's deep pockets withstood the trials of a start-up, allowing SSP to quickly access assets, such as warehousing facilities that the business required.

Merging disaster management and response with rural market growth

Since 1993, SSP has expanded the depth and breadth of its initiatives in the 5 most disaster-prone districts of Maharashtra, 3 districts of Gujarat (post the 2001 earthquake) and 2 districts of Tamil Nadu (post Tsunami).

SSP operates in disaster-hit geographies *by choice*. The strategy of converging disaster response with BOP market creation dates back to the experience of Prema and her team after the Latur earthquake of



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1993. In 1994, as a consultant to the Maharashtra government's Repair and Strengthening Program (R&S)⁷, SSP revved up 700 (hitherto sleeping) Mahila Mandals⁸ in 500 villages of Osamabad and Latur. It organized more than 1,000 village women into a social network of *Samvad Sahayaks* to monitor and supervise the state's ambitious rehabilitation program. The goal: To ensure full entitlement to families whose homes had been damaged during the earthquake. In less than two years, Samvad Sahayak had covered more than 100,000 families. They put the community at the centre of the R&S process. The Maharashtra government passed an order recognizing the sahayaks as key implementation agencies for the R&S program⁹.

This credibility, gave women the agency to set up self-help groups, community funds and win community contracts from district administrations¹⁰. From this organic base of post-disaster women architects, emerged the Sakhi Federations that are now doing business with global corporations.

Repeat experiences in Gujarat and Tamil Nadu confirmed to SSP that women who organize into spontaneous community groups to reclaim their lives after a disaster, can be facilitated to build their own SHGs, peer-learning clusters and federations. Over time they pool their collective will, human capital and resources into community-owned businesses and policy initiatives. This embeds entrepreneurship into the DNA of disaster-affected communities. It also creates business-ready environments that can then be optimized by for-profit companies.

Prema and her team are scaling the SSP experience through a national Community Disaster Resilience Fund in India. The fund will be administered in partnership with the National Disaster Management Authority of the Government of India and the National Alliance for Disaster Risk Reduction. Having demonstrated success in difficult, disaster-hit geographies, the model of SSP can be potentially seeded in all areas that have mature SHG formations.

SOCIAL IMPACT

Through extensive trainings in disaster response and business skills, SSP has created a base of 10,000 rural experts who can kick-start community re-building processes in the immediate wake of a calamity.

After the Gujarat earthquake in 2001, Sakhi members from Latur and Osamabad pooled INR 100,000 and set off to Kutch and Jamnanagr (among the worst affected sites). They organized women to steer the state's post- earthquake reconstruction programs. This marked the launch of SSP in Gujarat. Post-Tsunami, SSP and members from the Sakhi Federations stepped into Tamil Nadu. 500 women today run a community health watch network that has impacted 13,000 households in 41 villages.

More than 300,000 families have been directly served by SSP's combined enterprises since 1998. Their profile places them in medium to extreme categories of exclusion: 20% are landless agricultural workers; 28% are employed in micro-trade businesses; nearly 49% constitute small farmers.

Every SSP- promoted business has led to savings for women, in turn strengthening their asset base. The cumulative savings of 38,000 women linked to the SSK Micro-finance stands at Rs. 5.8 crores. Access to health insurance has led to total annual savings of Rs. 40 lakhs for 9,000 families. Adharam Energy Pvt. Ltd. has reduced indoor air pollution in 55,000 rural homes, leading to savings of Rs. 77 lakhs in household monthly incomes. The average income growth per entrepreneur stands at 33%. A strong asset-base has also strengthened the advocacy voice of the Sakhi Federations member.

⁷ A home owner-led, self-help initiative for the repair and construction of partially-damaged homes. R&S covered 1300 partially-affected villages and accounted for the largest share of government-aid.

⁸ The Mahila Mandals had been in existence as part of the government ICDS program.

⁹ The Samvad Sahayaks involved women in re-designing their homes, mounted terrific struggles against corrupt contractors and lobbied with the government to expedite the release of claims.

¹⁰ After the closure of the R&S program, the *Samvad Sahayaks* pooled their resources to construct public information centers (Mahila Mahiti Kendras)- hubs of peer-training and information exchange- that are active till today.