

SOCIAL ENTREPRENEURSHIP AND ITS FUTURE: A CASE ON INDHA CRAFT

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Abstract

Social Entrepreneurship worldwide had been much spoken about as an emerging concept. Rural India presented an immense opportunity for such phenomenon to benefit two third of the population living at the base of the pyramid. Indha was one such enterprise which provided economic and financial sustainability to the underprivileged women. Indha craft was established with the objective of empowering the local women and artisans and making them financially self-reliant. The organization had trained around 10,000 women and provided them a platform to sell their handmade products in cloth, paper and other crafted items. The social venture was struggling to break even after 11 years of operations and existence. Eleven years of severe struggle for survival left Indha to ponder over whether it should continue to touch the lives of the women and artisans pan India or close down as an unsuccessful attempt.

Keywords: Social entrepreneurship, triple bottom line, breakeven, Karigari project, bottom of pyramid

BEGINNING OF A NEW VENTURE

Captain Indrani Singh, along with his manager Mr. Satya Prakash, was addressing a group of management students who had come on an industrial visit as a part of their Entrepreneurship course. She was discussing the problems which Indha craft, her social enterprise had been facing after 11 years of existence. She was asking the young minds to suggest possible solutions for her business problem. The social enterprise had not break even for almost 9 years of existence and made Captain Indrani to rethink on the strategies that could be implemented to convert it into a profitable venture.

HISTORY OF THE PARENT ORGANIZATION-LITERACY INDIA

Captain Indrani, the first woman commercial pilot hailed from Haryana and she also started her Literacy India in the year 1996 as a non-profit organization with the objective of empowering and educating underprivileged children. It was started in the Palam Vihar area of Chauma Village in Gurgaon. The area was a developing where a number of buildings both residential and commercial were mushrooming and hence it saw influx of migrant labors both skilled and unskilled from various regions of the country. Literacy India had set “3 Es” as its vision namely- Education, Empowerment and Employment. Over the past many years Literacy India had been

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imparting secondary education and developing creativity in children through a number of workshops and guidance from art professionals. The non-profit organization was providing education to about 4000 children in classroom and its reach had crossed almost 35000 women and children. It had centers pan India which include various states such as Delhi, NCR, Himachal Pradesh, West Bengal, Uttar Pradesh, Jharkhand, Rajasthan, Andhra Pradesh and cities like Hyderabad and Bengaluru. It was also operating in the remote villages of Purulia, Darjeeling and North 24 Parganas in West Bengal, Sadla, Jhiri and Manohar Thana in Rajasthan, Chandan Keyari in Jharkhand, Varanasi in Uttar Pradesh, Pahara and Chattair in Himachal, Nalgonda in Andhra Pradesh and Bangaluru in Karnataka. In the National Capital Region Literacy India trained women in handmade paper products, embroidery, tailoring and pottery. In Haryana, most of the male members were agricultural laborers and hence earned little, so women in the family were major contributors in the family. The NCR region also had influx of migrants from UP, Bihar, Orissa, West Bengal and Madhya Pradesh. These families were living in pathetic condition and the women in the family needed support to survive in these difficult circumstances. More so, there were some communities in Delhi like Bhati Khurd which belonged to the Gujjar community and did not allow their women to go out of the houses and earn their living. The remotes centers in the states of West Bengal, UP, Jharkhand, Himachal and Rajasthan were perpetually challenged with respect to infrastructure, accessibility. Agricultural laborers faced seasonal unemployment and women in the family face discrimination, domestic violence and suffered from harassment and abuses.

The association of Literacy India was through through Pathshala, Vidyapeeth and Gurukul. The concept of Pathshala was open classroom. With the main objectives of facilitating the children to learn so that they could join mainstream schools and also could retain and reduce the school dropouts through remedial classes. The open classroom is for all the children-street children, children who had never been to school, child labors, school dropouts and children belonging to rural and semi urban areas. There were about 11 such centers in the National Capital Region (NCR).

Literacy India was also running a school till Senior Secondary, affiliated to the National Institute of Open Schooling along with OBE accreditation in Bajghera, Haryana under the Vidyapeeth programme.

Children had been introduced to Digital Dost under the Gyantantra initiative which contained multimedia content and helping them in teaching learning process. It had interactive games, puzzles, colorful templates and many more features to aid in the process. Gurukul programme on the other hand supported meritorious to average students for higher education by providing scholarship to them.

Literacy India in its efforts to make the underprivileged youths employable, also provided vocational training to youths who were either school dropouts or showed lack in interest in formal studies. Literacy India organized CCA, CCC and O level courses under the accreditation of NIELIT. Other courses on web designing, DTP, Networking, Tally for accounting and spoken English were also provided to them to make them employable. The graduating students were working in organizations such as Maruti Udyog Ltd, B-Cube, Reliance Fresh and Big Bazaar whereas corporates such as Wirkle Technologies and Aricent had provided technical support for these programmes. These courses created opportunities in Information Technology and

Electronics System Maintenance, Data Entry Operator, Electronic Data Processing, Presentation of Office Work, Internet Surfing, Designing Active web pages to name a few.

Literacy India also ran a programme under Shiksharth that aimed to bring creativity in slum children by organizing painting classes, pottery, theatre, dance etc. The children had performed in Rashtrapati house and also in different cities such as Shimla, Chandigarh, Bhopal and acted in UNICEF and various Bollywood movies such as 3 Idiots, Bhaag Milkha Bhaag.

INDIAN HANDICRAFT SECTOR AND ITS PROBLEMS

Informal sector mainly comprised of manufacturing, construction, wholesale and retail trade and transportation and storage, which were the main providers of employment. India's informal sector employs 86 percent in the rural India and 98 percent in the urban India in the non-agricultural sector. Among the informal sector, around 75 percent in rural and 70 percent in urban areas were engaged in small enterprises. Average daily earnings of a regular wagger had been reported around Rs.189 for males (in rural area) and Rs.121 for females (in rural area), whereas Rs.258 for males (in urban areas) and Rs.194 for females (in urban area) (NSSO Report No. 557).

Half of GDP in India was contributed by the informal/ unorganized sector according to Credit Suisse, a global financial service company reported.

INDHA CRAFT BUSINESS MODEL

Literacy India also started the women empowerment programme under its Karigari project which aimed at training artisan and non-artisan women in handicrafts and had made them self reliant. Karigari basically addressed women who faced discrimination and exclusion in their family and had wanted to take step forward to change their lives. It trained women in these handicrafts and had supported them to be entrepreneurs. The project not only provided training to these women but also provided a platform to link them with big players to market their products directly or indirectly. The Karigari programme again revolved around the three- Education, Empowerment and Education and it tried to identify local artisans and their skill sets. It then trained by creating a linkage between indigenous skills and modern outlook with new technology for better finish and marketing.

Indha, a social enterprise was established in the year 2005 by Literacy India as an offshoot of its Karigari projects which had trained underprivileged women across India. Indha had changed the lives of thousands of women by providing them a livelihood means and lifting them above poverty. Indha provided vocational training in sewing, tailoring, block printing, vermin compost, leaf plate making, manufacturing recycled and handmade paper. A Self Help Group was set up around Gurgaon (Haryana) which had trained around 10,000 women and currently it employed hundreds of highly skilled women workforce capable of producing all kinds of hand crafted items of cloth and paper. The journey began with the Karigari project (Exhibit 5 and 6) from the year 1994 to 2005 when Indha started with a small group of 10 artisans and with time it had created its own design and capability and has hired its own Marketing, MIS and Quality Control team. Today, Indha had completed 11 years of existence and it had increased the number of centers across India and augmented the capacity also. It employed about 320 artisans making them self-reliant and empowered. Indhacraft project had become Indha Limited Liability Partnership and has a management team of 5 members. The products it manufactures include

furnishings, bags, folders and paper products which catered to women (70%), children (2%) and unisex products (28%) which include both women and men. The focus of Indha craft was on corporate gifting and had a number of products catering to varied clients like Microsoft, Kuoni, General Electrics, Tupperware, World Bank etc. It catered to National Capital Region and also overseas customers. It had a waste paper recycling unit which manufactured paper used in greeting cards and other stationary related paper products. Artisan centers were located in the states of Jharkhand, West Bengal and Rajasthan. The business model of Indha craft was different from Fab India and SEWA chikan. Indha craft was training artisans through experts from NIFT and IIFT rather than just procuring products as done by Fab India. It did not follow the retail format where companies had showrooms in malls or markets. It had its own exclusive outlets from where they were selling their products; they were also relying heavily on internet marketing of their products through Flipcart, Amazon etc. Fair Trade Forum had chosen Indha shop as their lead brand (Exhibit 1 and 2). The artisans at Indha had been supported in marketing, designing, quality finishing and developing new skills. Indha shop had become a part of European Union document as a fair trade brand. Also, it had entered into partnership with Shopclues.com and Craftsvilla.com. Indha had close to 30 centers pan India and had about 20 trainers and mentors who guided and trained the artisans and also the management team. The strengths of the Indha Craft lied in its direct link with the artisans whereby competitive pricing was provided for their handmade product. The trained artisans took over varied materials and contemporary designs which had international appeal. The capital investment was low and hence the model could be replicated at various centers which were set up around the identified clusters of these traditional art forms and their origin. After 11 years of its existence the firm had not been able to break even and become profitable which required a relook at its standard operating procedures, input costs, supply chain and quality control measures. According to Captain Indrani Singh, “the main reasons why the Limited Liability Partnership firm Indha Craft had not been able to breakeven was high raw material cost, decentralized business model and training cost incurred on artisans across different clusters.” Opportunities lied in unexplored national and international markets. Main threat to the social enterprise was low cost products from East Asia, any impact on the flow of tourism and also machine made goods (Exhibit 3). Presently, Indha had a hybrid model which had profit and non-profit organization working under the same roof. Literacy India was the parent organization which was non-profit and Indhacraft, an offshoot of Literacy India was for profit organization but it had not been able to reach that stage. The combined financial statement is illustrated in (Exhibit 4).

COMPETITORS IN THE MARKET

The social enterprise was facing competition from low cost Chinese products which were flooded in the market in almost all product categories. It was also facing competition from machine made products. Fab India was not a direct competitor as the business model it employed was different from Indha Craft. Fab India had been procuring directly from craftsmen and there were no middlemen or intermediary in the process; also artisans received share of profits on their goods. Handicraft industry was considered to be the largest employment generating sector after agriculture in India. But over the last three decades the number of artisans and craftsmen had decreased by 30 percent. Numerous new ventures had been set up to promote these traditional handicrafts which were on the verge of extinction or lack support to flourish.

Craftsvilla was one such online market place which provided opportunity to craftsmen to sell handicraft jewellery. It connected the seller and buyer directly without a middleman. It had reported revenue of Rs. 4 crore in the year 2013 and a network of 4000 craftsmen across India.

Industree craft was also a social enterprise selling home décor products. It had a hybrid model similar to Literacy India and Indhacraft and had profit and non-profit organization under the brand name Mother Earth. It had a network of about 10000 craftsmen to sell these home décor products. The Industree Foundation provided technical training, capacity building, design development, infrastructure support to artisans who had collectivized to form self-help groups who manufactured products and sell products (Exhibit 7).

FUTURE PATH

The enterprise would be expanding its visibility and increasing its sales and brand promotion through online marketing channels. It was also planning to increase the scale of operation by having enhanced production capacity with appropriate new machines. The firm also planned to convert semi-skilled women as Indha sales agent and also helped them train in quality control procedures and processes. Also, to create a mentor and mentorship programme where senior people from corporates were on the board and acted as advisors and guided to the overall growth and development of the programme. But above all, the enterprise had to concentrate on the profits to sustain in the coming years in order to provide financial support to the parent organization-Literacy India. Indha aimed to identify products that could easily be manufactured in rural areas. Also, it should be requiring training for a short period of time and low inception cost. Indha Craft was at cross roads.....would it survive test of time or fade in history? What steps it should take to become profitable in coming years? Should it change its business model and follow the retail format followed by Fab India? Should it relinquish the philanthropic model whereby it was training artisans pan India? Should it aggressive in promoting the brand in the global market through online marketing channel.

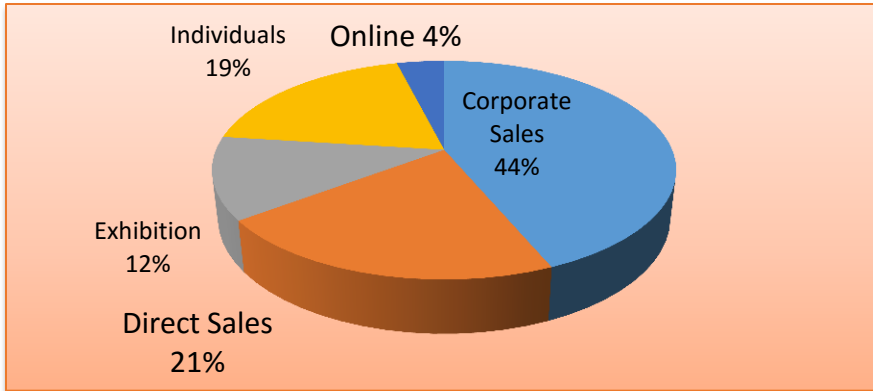


Exhibit 1: Proportion of Sales through various channels

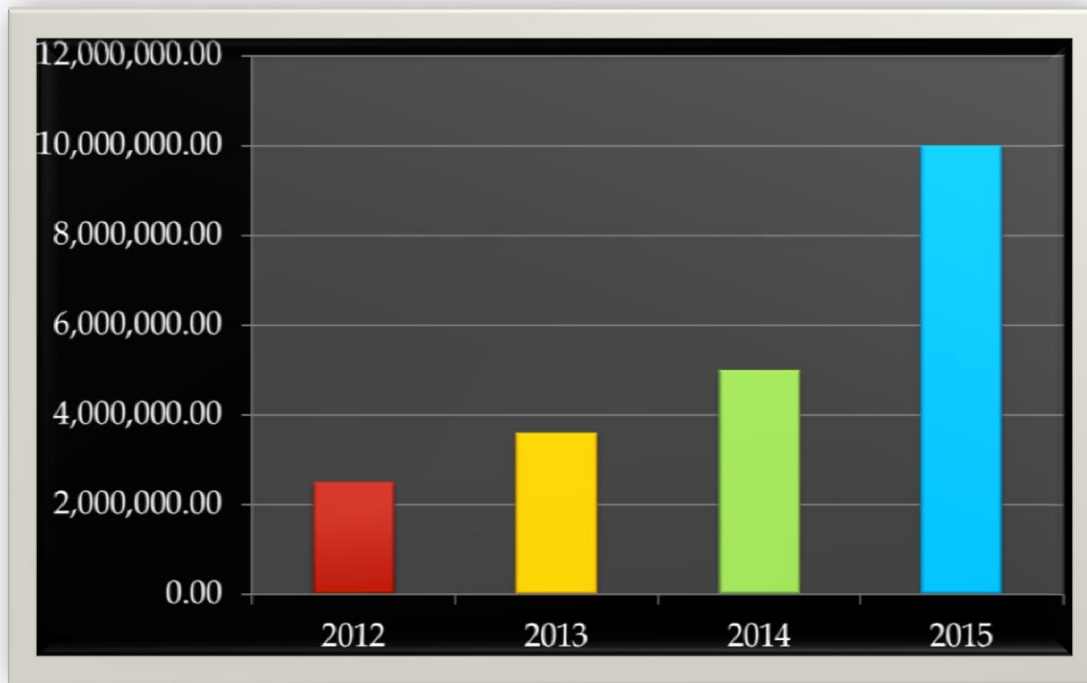


Exhibit 2: Sales Goal for coming year



Exhibit 3- SWOT Analysis

Exhibit 4: Financial Statement of Indhacraft

Balance Sheet as on 31st March, 2016

Statement of Profit and Loss Account for the year ending 31st March, 2016

Particular	Amount (2015-16)	Amount (2014-15)
	31,80,009	33,57,359
	153,778	87,856
	453,216	5,62,930
	37,87,003	40,08,145
	12,03,734	16,59,641
	7,71,066	10,64,746
	17,76,917	12,49,379
	37,51,717	39,73,766
	35,286	34,379
	0	0
		34,379
	35,286	(10,623)
	(10,905)	
		23,756
	24,381	

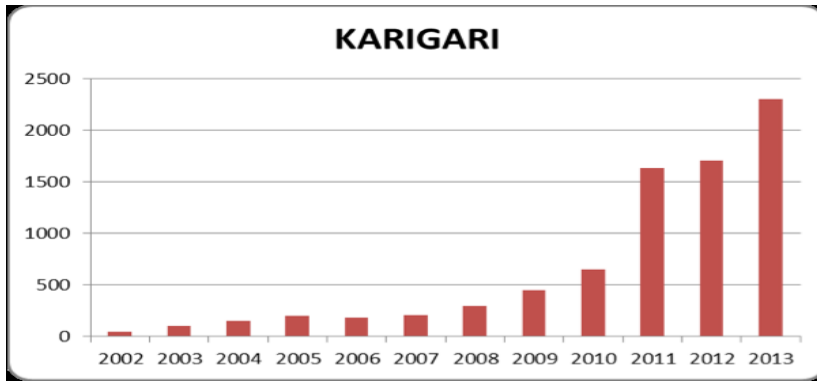


Exhibit 5: Reach of Karigari Project

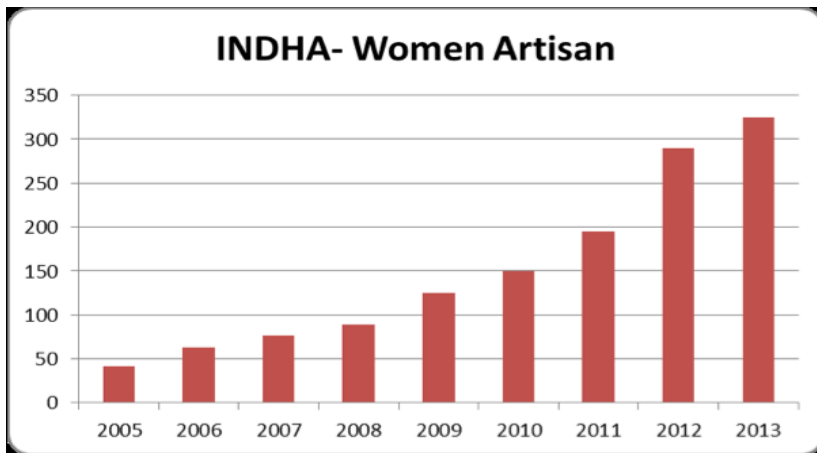


Exhibit 6: Women artisans at Indha over the years

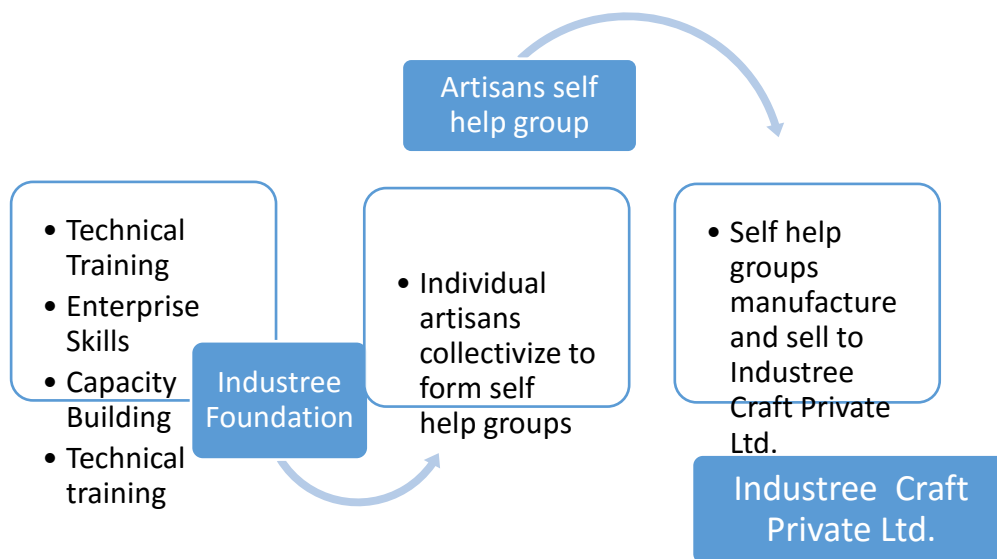


Exhibit 7: Business Model of Industree Craft

TEACHING NOTE

Social Entrepreneurship and its Future: A Case on Indha Craft

Social Entrepreneurship is the new buzzword in the present scenario. These social enterprises are touching and impacting the lives of underprivileged population in India. They are making a difference in their own way. Indha Craft is one such enterprise operating on the outskirts of the millennium city in the village Bajghera.

- ✓ Do social enterprises need to think about financial viability to survive in the long run?
Please discuss.

The central question that needs to be asked-do these enterprises should only focus on social impact or they need to be financially viable as well? Raising resources and utilizing them efficiently and optimally will determine the survival and success of the enterprise in the long term.

Indha Craft has been in existence for the past 11 years, yet it has not been able to break even after almost decade of existence. Indha Craft has a hybrid model where Literacy India, the parent organization is a not for profit organization and Indha Craft is a Limited Liability Partnership.

Indha Craft, an offshoot of Literacy India, trains women to make hand-crafted items so that they can earn their livelihood. The social enterprise has trained around 10,000 women and provided them a platform where they can sell their products.

The objective of this case is to understand how a social enterprise with scalable social impact can achieve financial viability and feasibility in the long run. Captain Indrani has started this enterprises and is at cross roads as the future seems uncertain. Presently, organization is thriving on domestic and international donations. Also, corporates have contributed towards Literacy India as a part of the Corporate Social Responsibility initiatives.

- ✓ What should social enterprises do to raise resources? Does the organization need to look into the processes, quality standards and scale of operation?

Presently, Indha Craft is catering mainly to the corporate gifting market and selling handcrafted items to clients such as Microsoft, Kuoni, WorldBank, Tupperware to name a few. The social enterprise is also reaching the global market through online market place like Flipkart, and Amazon.com. Also, it has entered into partnership with shopclues.com and craftsvilla.com to promote and market its products. Online sales are just 4 percent of total sales whereas major chunk of the sales is through corporate sales of about 44 percent of total sales. The enterprise has started taking orders through its website. But the scale of operation needs to be increased in order to take up international orders. Moreover, to sweep the international market it is essential that the product portfolio should be increased, high level of quality needs to be maintained in terms of finishing of final merchandise, standardized processes, efficiency and cost effectiveness in the overall supply chain.

Indha Craft has about 30 centers across India through which it trains artisans. The business model is unique because of direct link with the artisans unlike some of its competitor which buy finished products from the artisans rather than bearing training for them. The main reasons for Indha Craft to not being able to breakeven after 11 years of existence are high raw material cost in the production cycle, decentralized business model and humungous training costs incurred by the enterprise to train artisans.

- ✓ Assess the financial health of the company based on the past year financial statements attach in the annexure of the case.

Analysis of financial statements using key ratios revealed that total income has fallen by -0.055 percent from 2012-13. Net profit margin is 0.76 percent in the year 2015-16 whereas the figure was 0.59 percent in 2014-15 depicting meagre a growth of 0.17 percent. Inventory has shown a growth of 71 percent from 2015-16. Inventory turnover has increased from 1.5 to 1.81 from 2014-15 and hence the inventory period has also declined during this period is a positive change for the LLP. Cash and bank balances have grown at 72.2 percent from 2015-16 to 2014-15. Loans and advances have at 14.2 percent as compared to 2014-15; whereas the current liabilities have increased by 169 percent from 2014-15 to 2015-16.

Financial statements for hybrid organization are prepared as a combined statement and hence needs to be looked into with greater details. Donations raised for the not for profit organization is used for training the underprivileged artisans. India Craft is manufacturing handcrafted items such as bags, folder, stationary and home décor items.

What is the strategy Indha Craft needs to adopt to be able to break even and start making profit?

The challenge for the enterprise is to achieve greater scale in business because then only the objective of social impact on the society as a whole can be achieved. The social enterprise can also raise funds from venture capitalists in order to expand the business. The big question before

the enterprise is: how to achieve a sustainable model which targets at triple bottom line to survive in the competitive environment. The triple bottom line ensures that economic, social and environment factors are taken into account while measuring the performance of the enterprise. The enterprise can aim at increasing the sales and reducing the input cost to increase profits in the long run. How the enterprise puts all the blocks together is a challenge to be dealt with?

- ✓ Do you think Indha Craft has a sustainable business model and if not suggest the changes it needs to incorporate to survive competition and other challenges?

The social enterprise has a sustainable business model which can be replicated in different states to enhance the scale of operation of the enterprise. Venture capital funding can be infused to expand the business at different locations and also online sales should be encouraged. More focus should be on the international market which can bring in more topline growth for the enterprise.