

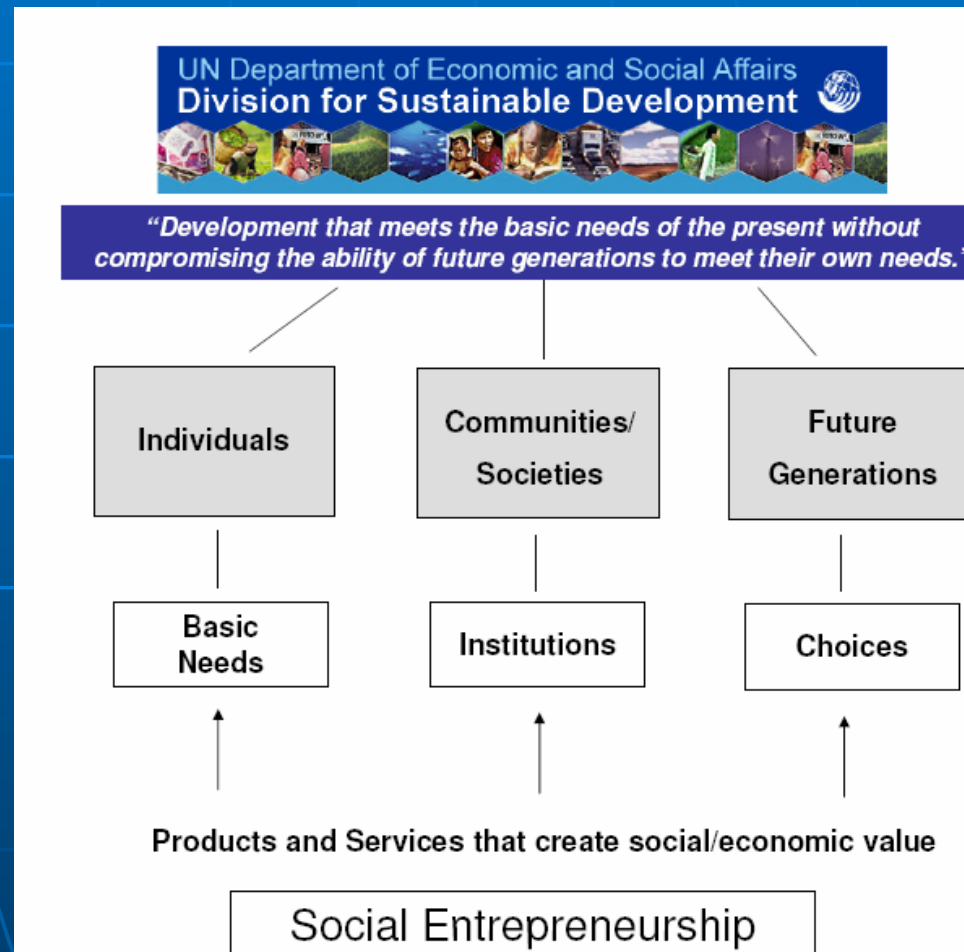
# Social Entrepreneurship

# Introduction

## **Today's Society**

- Hans Rosling on Global Population

# UN Developmental Goals



# Millennium Goals

## The Big Picture

Making a Challenge tangible ...

Sustainable Development – one proxy: Millennium Development Goals

Objectives

Eradicate extreme poverty and hunger

Achieve universal primary education

Promote gender equality & empower women

Reduce child mortality

Improve maternal health

Combat HIV / AIDS, malaria, other diseases

Ensure environmental sustainability

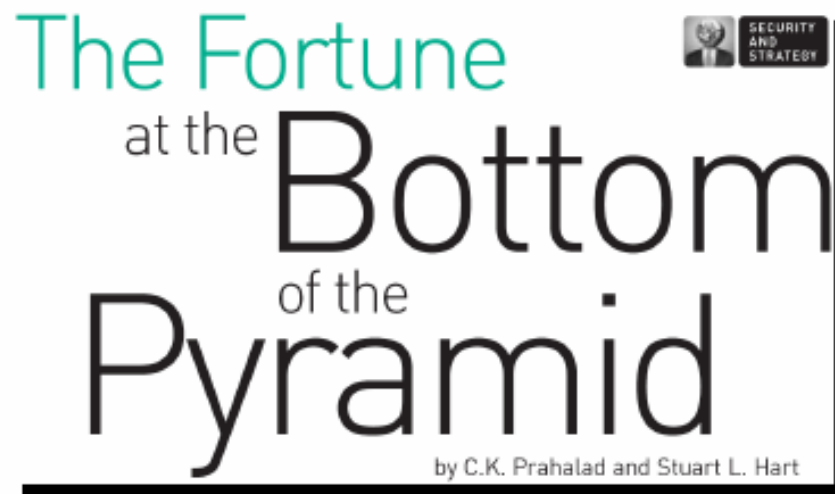
Develop a global partnership for development

***Social Entrepreneurship: innovative models of providing products and services that cater to basic needs (rights) that remain unsatisfied by political or economic institutions.***

# Poverty Reduction

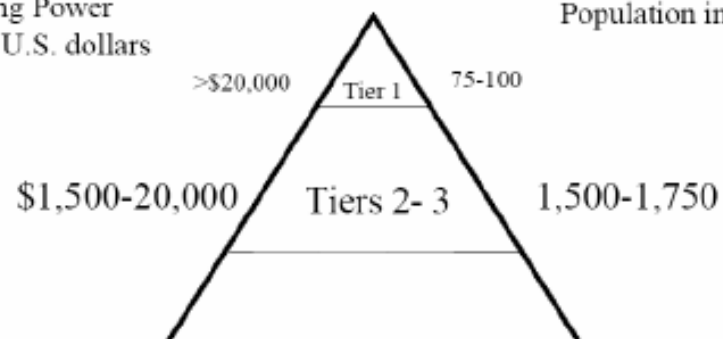
...doing business with the poor was thought to be a win-win scenario.

*The Bottom of the Pyramid concept as a market of 4 billion with annual incomes up to 1500\$*



Purchasing Power  
Parity in U.S. dollars

Population in millions



# Poverty Premium

## The High Cost Economy of the Poor

### Causes

- Transaction costs
- Distribution costs
- Lack of scale and competition
- Misconceptions of suppliers

Cost	Dharavi	Warden Road	Poverty Premium
<b>Credit</b> (Annual interest)	<b>600%- 1000%</b>	<b>12%- 18%</b>	<b>53x</b>
<b>Municipal grade Water</b> (per cubic meter)	<b>\$1.12</b>	<b>\$0.03</b>	<b>37x</b>
<b>Phone call</b> (per minute)	<b>4c – 5c</b>	<b>2.5c</b>	<b>1.8x</b>
<b>Diarrhea Medication</b>	<b>\$20</b>	<b>\$2</b>	<b>10x</b>
<b>Rice</b> (per kg)	<b>28c</b>	<b>24c</b>	<b>1.2x</b>

Dharavi is a shantytown on more than 1m in the heart of Mumbai; Warden Road in an upper-class community in a suburb of Mumbai.

Source: Prahalab and Hammond, HBR 2002

# Microfinance

Microfinance refers to small-scale financial services provided to poor people without access to the formal banking sector, including (by order of declining importance)

- Credit: provision of small loans (as low as US\$ 10) in short terms (1 year or less)
- Advice and training in with basic business and financial skills.
- Savings and insurance services: safely store excess liquidity and provide liquid forms of interest yielding savings

Thailand flower vendor example (1998)

# Microfinance Innovations

- Group lending (solidarity loans)
  - Joint liability (group of 3-20 people): if one does not repay, all lose
- access to future loans
- Social pressure (social assets as collateral)
  - Risk sharing
  - Scale economies in administrative costs
  - Peer selection: Good clients will match (if they have better information about each other) and reduce monitoring costs for the bank.



# Two Competing Examples

- Kiva.org
- Prosper

# Examples

- Michael Pickard's Safe Water