

Surviving in an economic downturn

By Grace Segran



OF THE 984 BRITISH SOCIAL enterprises and small businesses which responded to a poll by UnLtd, a social enterprise in the UK, 21% of respondents said they had been “badly affected” by the economic climate and 34% had used personal loans and credit cards to boost their organizations’ growth.

What’s the climate like for social enterprises in India whose economy is expecting growth this year? Are social enterprises in India immune to the global economic meltdown?

Dasra, a social enterprise that focuses on financial, advisory and investment services based in Mumbai is doing well. “This is probably due to two reasons: we’ve never relied on credit or loans and India has not been hit as hard as the west so far,” says its president Deval Sanghavi.

Dasra builds close collaborations with organizations, providing valuable coaching on strategic, management and organizational challenges. Although their investors have been hit by the downturn, they have been quite resilient in their giving.

“In fact, we have been attracting new

investors who realize that the Dasra investment model of coupling growth capital with hands-on assistance will further leverage their investments as opposed to donating through traditional grant making foundations,” the social entrepreneur who began his career in investment banking at Morgan Stanley New York in the Leveraged Buyout Group told *Globe Asia*.

Shifting focus

PEJMAN ALTAFI, DIRECTOR OF ENTERPRISES OF Hand in Hand in Tamil Nadu until January 2009, says that in anticipation of a further slide in the economy, some Indian social enterprises might focus more on economically sustainable activities. However, he warns that the danger there could be that the poorest of the poor might be left out, since they are often the hardest to reach.

Hand in Hand works on an integrated strategy to address the challenges of poverty and underdevelopment. It aims at building self-reliance of disadvantaged groups by alleviating poverty through sustained income generating programs.

Impact on the poor

SANGHAVI BELIEVES THAT THE RURAL POOR have been somewhat shielded from the economic downturn since they have not been able to access traditional credit markets or invest in the stock market. “In fact, even those who have had access to microfinance are still paying back their loans on a timely basis as opposed to many corporate houses and/or governments who borrowed above their means in order to take advantage of the lack of regulation in the banking system. The drop in oil prices and deflation has also made food more affordable than it was six months ago,” he adds.

An example of indirect impact the economic downturn might have on the poor is that people in developing countries would buy less fair trade products and this will in turn affect the livelihood of the poor as well as the sustainability of the organizations promoting fair trade, says Altafi.

A Swede by nationality, Altafi who now works with Voxtra Foundation in Oslo, adds that it is too early to say how exactly the financial downturn will impact social enterprises in India as well as the poor people they work with.

According to Kevin Teo, head of Volans Asia, a social innovation company based in Singapore, there will likely be less impact for rural, agrarian communities that are less connected to the economy as their original lifestyle is oriented towards a self-reliance model. “Anecdotally, I think the middle class is more heavily impacted than the poor!”

This is also where the irony of social enterprise could possibly show up, he says. A poverty alleviation program that focuses too aggressively on economic development could lead to mono-cropping and reduced capacity for self-reliance.

As an example, a social enterprise could take this opportunity to introduce or broaden biodynamic farming methods to cater to near term subsistence needs while building capacity for ongoing income generation.

“You could argue that Indonesia’s intiplasma model is a franchise model for social enterprise. With available government support, it’ll be great to see more social entrepreneurs adopting this approach while building some capability for subsistence within the franchisee community,” Teo says. **GA**