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B.Com Honours | Semester III | Calicut University

SOCIAL ENTREPRENEURSHIP

Course Code: COM3MN202 • Module 2 Notes

Module II: Building Blocks of Social Enterprise

Social enterprises rely on specialized operational and financial building blocks to ensure economic self-sufficiency while maintaining uncompromised fidelity to their core social mission.

Unit 7: Social Enterprise as a Business Model & Types of Business Models

1. Core Business Models:
Cross-Subsidization Model: Charging market rates to affluent customers to subsidize free/cheap products for low-income beneficiaries (e.g., Aravind Eye Care System).
Fee-for-Service Model: Beneficiaries pay affordable, cost-recovery fees for essential services (e.g., clean drinking water kiosks).
Employment Model: Enterprise directly employs marginalized individuals (differently-abled, rural women) to produce commercial goods (e.g., eCoExist).

Unit 8: Understanding Pricing Models for Social Enterprises

Pricing Strategies:

> **Subsidized Price = Unit Production Cost - Internal Cross-Subsidy Contribution**

Freemium Model: Basic services free to vulnerable populations; premium features charged to corporate/institutional clients.
Tiered Sliding Scale Pricing: Product prices structured dynamically based on verified household income levels.

Unit 9: Creating Delivery Channels for Social Enterprises

Last-Mile Distribution Networks: Overcoming infrastructure deficits in remote areas by training local micro-entrepreneurs as distribution agents (e.g., HUL Shakti Ammas, SELCO solar technicians), ensuring localized service support and trust.

Unit 10: Financing Social Enterprises – Impact Investing & Social Impact Bonds

1. Capital Sources:
Impact Investment Funds: Equity capital seeking blended financial returns and measurable social impact (e.g., Elevar Equity, Acumen Fund).
Social Impact Bonds (SIBs): Outcome-based financial contracts where private investors fund social interventions, and government/donors repay investors only if verified social outcomes are achieved.
2. SIB Outcome Repayment Calculation:

> **Investor Return = Principal + (Bonus Rate × Verified Percentage Target Achieved)**

Unit 11: Strategies for Competitiveness & Communication Strategies

1. Competitive Advantage: Building brand authenticity, community trust, low customer acquisition costs through word-of-mouth, and operational frugality (frugal innovation / Jugaad engineering).
2. Impact Storytelling: Combining quantitative social metrics with compelling beneficiary narratives across digital and institutional stakeholder channels.

Practical Case Analysis (Aravind Eye Care Cross-Subsidized Pricing Model): An eye hospital performs 1,00,000 surgeries annually. 40,000 surgeries are paid at a premium rate of Rs. 15,000 each. 60,000 surgeries are provided free to rural poor. Operating cost per surgery is Rs. 4,000. Compute total revenue, total cost, net profit, and cross-subsidization surplus.

Step-by-Step Financial Solution:

- *Paid Surgeries Revenue:* (40,000 imes 15,000 = ext{Rs. 60,00,00,000}) (60 Crores).
- *Free Surgeries Revenue:* Rs. 0.
- *Total Operating Cost (1,00,000 Surgeries):* (1,00,000 imes 4,000 = ext{Rs. 40,00,00,000}) (40 Crores).
- **Net Surplus / Profit Generated:**
  > **Net Profit = Total Revenue (60 Cr) - Total Cost (40 Cr) = Rs. 20,00,00,000 (20 Crores)**
- *Conclusion:* Premium paying patients fully subsidize 60,000 free surgeries while generating a Rs. 20 Crore surplus for expanding hospital infrastructure!