

Scaling up social innovation

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IF we see progress as an improvement of our collective ability to address various issues—from material concerns like the provision of adequate livelihoods to all, to socio-political ones such as how we relate to each other and govern ourselves—then social innovation is central to progress. Social innovation largely results from the work of passionate individuals who establish or use diverse platforms for addressing issues that bother them. Because of deep feelings towards the cause they espouse, such individuals act through their own will; hence such action is dubbed voluntary.¹

Most social innovation in modern times has arisen from the voluntary sector, in part because it is hard for individuals to pursue their passion in either state or market institutions. However, our hypothesis is that to scale up, social innovation has to move from the voluntary sector to state and market institutions. We will illustrate this with some examples, mainly from the field of social innovation that the author is familiar with, namely livelihood promotion.

Loosely defined, livelihood promotion is an organized effort to enable millions of poor people to earn a living adequate to support themselves and their families with food, clothing, shelter as well as basic services like health care and education. There have been many efforts at livelihood promotion. We look at some of the prominent ones with a view to draw lessons about the origins of social innovation and

1. In popular thinking, as well as in literature, there is some confusion between voluntarism, which means 'of one's free will', and volunteerism, meaning 'working without remuneration'. We believe volunteerism is a small though important subset of voluntarism, which describes self-willed action.

the processes by which it can be fostered. The idea is not to extol a few of the many who have contributed, but to elicit lessons for the promotion of social innovation so that faster and less costly progress can be achieved.

The pioneer of voluntary action and social innovation in modern India was Mahatma Gandhi. Among several interventions, Gandhiji promoted *khadi*, hand-spinning of cotton into yarn, both as a symbol of the freedom struggle as well as an attempt at giving every poor person a means of livelihood while meeting a basic need—clothing. To institutionalize the idea of khadi, he established the All India Spinners' Association. This organization constituted the beginning of voluntary action in India for livelihood promotion. Gandhiji's disciple, J.C. Kumarappa subsequently worked on a number of village industries—from edible oil extraction using bullock-driven *ghanis* to pottery and blacksmithy. An entire network of local voluntary institutions emerged around the country to promote khadi and village industries, replicating the original social innovation by Gandhiji.

After Independence, these organizations received support from the Khadi and Village Industries Commission (KVIC). Though not a particularly dynamic institution, the KVIC is responsible for at least generating part-time wage employment for millions of poor rural households and, in that sense, has taken the original ideas of Gandhi and Kumarappa to scale, a case of social innovation going to scale with state sponsorship.

In 1951, watching the growing violence linked to the issue of unequal land ownership in rural India,

Gandhiji's foremost disciple, Acharya Vinoba Bhave decided that he would make it his mission to persuade landowners all across India to voluntarily give part of their land to the landless. Between 1951 and 1967, Vinoba undertook a 25,000 mile long *pada-yatra*, convincing land owners to give up part of their land and in the process managed to gather pledges for over 4.2 million acres of land. Bhoodan was a major social innovation for more equitable distribution of a primary means of livelihood—land. However, as much of the land was barren and needed substantial investment, this innovation got stuck in the second phase.

In response to this predicament, several Gandhian leaders came together to establish the Association for Sarva Seva Farms (ASSEFA) in 1979 as a NGO. ASSEFA raised funding from international supporters, state governments and banks, and established Sarva Seva Farms on Bhoodan lands in Tamilnadu and several northern states. Under the leadership of S. Loganathan, ASSEFA was successful in establishing Bhoodan allottees on their land and undertaking cultivation. It also diversified its work beyond land and water resource development and agriculture to include dairy and village industry, primary education, community health and housing. It further modified its funding strategy from seeking largely foreign grants to primarily self-help group based credit from banks.

Today ASSEFA works with over a million poor families in close to 10,000 villages in eight states of India. In its ambit are two community owned non-bank finance companies, with total assets of over Rs 200 crore, and five milk processing plants with a capacity exceeding 100,000 litres per day, and marketed in pouches as

Seva brand milk. ASSEFA scaled up Vinoba's social innovation using market institutions such as finance and dairy companies.

Another of Gandhiji's initiatives was the trade union, Textile Labour Association (TLA), Ahmedabad, set up in 1916. It became the main union of textile workers in Ahmedabad. A young woman, Ela Bhatt, joined it in the 1950s but found the TLA insufficiently responsive to the plight of self-employed women workers such as street vendors. So she branched out and set up the Self Employed Women's Association (SEWA) as a trade union of street vendors, push-cart workers and home-based women workers. SEWA members in turn set up the SEWA Bank to take care of their savings (over Rs 100 crore) and credit needs. SEWA and affiliated organizations inspired by it today serve nearly one million poor women, and have also come a long way from their roots.

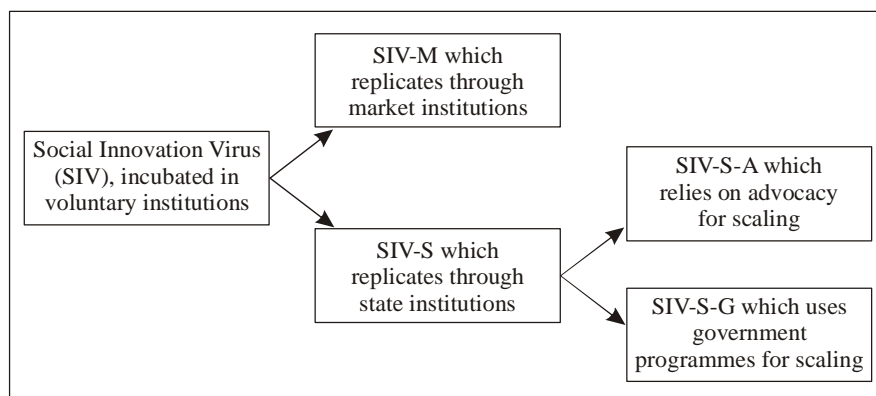
Another Gandhian, Manibhai Desai, started the Bharatiya Agro Industries Foundation (BAIF) in Pune and through it established large programmes in several states for cattle breed improvement through artificial insemination. He innovated the idea of motorcycle borne artificial inseminators servicing cattle in a number of villages. The idea has since spread all over India with government support.

BAIF set up a chain of bull farms and liquid nitrogen plants, for semen collection and preservation, as also a modern factory to produce animal vaccines.

The second generation Gandhian leaders of these organizations, though starting off in the voluntary sector were able to significantly build bridges with state and market institutions. All the three Gandhians described above – Loganathanji, Elaben and the late Manibhai – recognized the need for using 'modern' inputs – be it legal forms such as a bank to raise capital, or technology such as artificial insemination, or methodology such as establishing a large number of self-help groups. More importantly, they recognized the need for well educated professionals to run their organizations.

Through them came not only new ideological influences and methodological innovations, but also new networks and support systems. Thanks to such pioneers, social innovation has come to assume a very different meaning in 2009 as compared to 1909, when Gandhiji wrote *Hind Swaraj*.

Let us think of social innovation as a (good) virus – SIV or the social innovation virus. SIV is born in the supportive 'petri dish' of voluntary institutions, but seeks to replicate itself using the more vigorous medium



of state and market institutions. In the process, like a virus, it has to mutate, ideologically and methodologically. Two broad strains of SIV emerge – SIV-S, that is capable of thriving in the political environment of state institutions and SIV-M, which thrives in the economic environment of market institutions. Within the SIV-S strain, again there are two variants – SIV-S-G, which primarily uses government programmes and machinery to replicate and the SIV-S-A strain which primarily uses advocacy as a means of engaging with state institutions.

State institutions include constitutional institutions such as panchayats, statutory institutions like primary agriculture credit cooperatives and water users' associations, and state sponsored informal institutions such as self-help groups for linking with banks for credit or joint forest management committees and watershed committees. Of course, government departments and programmes are very much part of state institutions, as are state owned banks, promotional and regulatory institutions. SIV-S tries to modify the behaviour of these institutions into becoming more participatory, more equitable and inclusive, and more conscious of sustainability, both financial and environmental.

Since the 1970s, many voluntary agencies not only engineered social innovations but actively engaged with state institutions to scale them up. One such voluntary institution is MYRADA. Under the leadership of Aloysius Fernandez, Myrada pioneered work in the field of rural credit. The need of poor households for credit, consumption, as well as productive activities, has never been adequately met. They are buffeted between a plethora of state sponsored institutions offering subsidized credit, which is difficult to get in practice, and

expensive moneylenders. Myrada innovated a methodology to extend credit to the poor in the late 1980s.

Myrada formed self-help groups (SHGs) of women from poor households and encouraged them to save, using the pooled savings to lend to a few among them. Later it linked the SHG with a local bank to extend more credit to the group, which was made available to its members. Myrada worked with NABARD to replicate this SHG-bank linkage model through the public sector and regional rural banks that have a large rural branch network. The large scale replication of the SHG-bank linkage model to cover over four million SHGs by 2008 is a classic example of how social innovation can be scaled up by state institutions.

One person who mastered the art of scaling up voluntary sector social innovation through state institutions, or the SIV-S-G strategy, was the late Anil Shah, who retired as a civil servant and, among other posts held, was the planning secretary and rural development secretary in Gujarat. He was the first executive director of the Aga Khan Rural Support Programme (AKRSP) in Gujarat. Under Anil Shah's leadership, AKRSP did path-breaking work in the fields of joint forest management and watershed development. In 1994, on retiring from the AKRSP, Anil Shah established the Development Support Centre, DSC, Ahmedabad.

One major initiative by DSC is in Participatory Irrigation Management (PIM), where farmers in a canal command area undertake the management of the irrigation system. Based on DSC's work in PIM and watershed development, Anil Shah shaped NGO sector thinking about generic principles for community based natural resource management. Known as the

Bopal Principles, their influence is evident in the 11th five year plan document and the formulation of the new watershed guidelines.

A number of civil servants have been able to scale up social innovations in the field of livelihood promotion even while working in government, using the SIV-S-G strategy. Meethalal Mehta, a retired chief secretary of Rajasthan, was a key architect of the Antyodaya programme under which five poorest families in a village were identified by the gram sabha to whom the government provided an income generating asset. This was in 1977. When Indira Gandhi came back to power in 1980, she adopted this idea and replicated it as the Integrated Rural Development Programme (IRDP), which has run non-stop since then (renamed as SGSY since 1999) and is arguably the world's largest, though not very successful, self-employment programme having reached over 75 million households.

In 1999, T.K. Jose, a young IAS officer from Kerala, designed and ran for over seven years a poverty alleviation programme called Kudumbashree. It is based on neighbourhood groups of poor and vulnerable households federating into area development societies and at a higher level, community development societies. Much acclaimed, this programme now covers almost all the poor families in the urban wards and rural panchayats of Kerala, offering them savings and credit services with bank linkage and training, alongside common facilities and marketing support for a number of production activities.

Bigger than Kudumbashree in numbers and again based on a three tier structure of self-help groups, village organizations and *mandal mahila samakhyas* (women's cooperatives), is the Velugu or Indira Kranti Patham

(IKP) programme run by the Society to Eliminate Rural Poverty in Andhra Pradesh. Velugu was conceived on the basis of work done earlier in the UNDP's South Asia Poverty Alleviation Programme (SAPAP) by K. Raju, a highly committed IAS officer. This effort was influenced by Shoaib Sultan Khan, head of the Aga Khan Rural Support Programme, Pakistan. SAPAP led to the design of the much bigger, Rs 2200 crore World Bank supported Velugu/IKP programme. Initially led by K. Raju, it is arguably India's largest and most successful poverty alleviation and empowerment programme, reaching over 12 million households through women's self-help groups. Just to provide an idea of its scale, over Rs 6500 crore of credit was extended by banks to these SHG members in 2007.

A large number of social innovations are embedded in government programmes like Kudumbashree and Velugu. This is a new phenomenon, where many government programmes have adopted the ideology (e.g. empowerment) and methodologies (self-help groups, village organizations) of the voluntary sector. Yet, once they succeed, there is danger of a social innovation scaled up through state institutions being hijacked by politicians for their own ends. For example, the SHG-bank linkage programme in Andhra Pradesh became politicized at the time of the state elections in 2003. The incumbent Chief Minister, Chandrababu Naidu, patronized the movement and put pressure on banks to lend money to SHGs in a big way and reduce interest rates from the then prevailing 12% to 9%. In the competition for pre-election giveaways, Y.S. Rajshekhar Reddy promised to subsidize the interest rates further, so that SHGs would have to pay only 3% per annum. He won the

elections and implemented the scheme. The SHG movement in Andhra Pradesh has grown in scale and bank funding increased enormously (getting nearly Rs 9,000 crore of loans in 2008). Fortunately, even as SHG members attend political rallies in large numbers, the movement has (so far) not become an organ of the state and retains its grassroots momentum.

The alternative approach to working with state institutions is advocacy, or the SIV-S-A strategy. This may sometimes include militant activism. Examples of this abound. The Chipko movement of the 1970s, to protect community rights over village forests in the Uttarakhand hills, used the unique method of hugging trees to prevent them from being felled. Eventually this led to the heightening of political aspirations of the hill people and the formation of a separate Uttarakhand state out of Uttar Pradesh. The same is true of the tribal rights movement in the Santhal Parganas and Chhota Nagpur belts of Bihar, which then separated to become the tribal state of Jharkhand.

Medha Patkar led the Narmada Bachao Andolan (NBA) from the mid-1980s to draw attention to the plight of 'project affected persons'. Her efforts changed the way the economics of large dams was hitherto conceived, with the benefits being overstated and the environmental costs of inundating forests and social costs of displacement of tribals being grossly understated. All this has changed in a major way due to the work of the NBA and related activists. Medha Patkar's efforts also led to huge changes in the formulation and implementation of rehabilitation and resettlement packages, culminating in the National Policy on Rehabilitation and Resettlement, 2007.

Another successful example of SIV-S-A is the work of Aruna Roy and Nikhil De at the Mazdoor Kisan Shakti Sangathan in Rajasthan which insists on transparency and accountability in public works at the village level. This was highly influential and eventually led to the Right to Information Act, 2004. A related campaign, to ensure wage work for the rural unemployed, which had its roots in the Maharashtra Employment Guarantee Scheme, 1973, led to the National Rural Employment Guarantee Act (NREGA). This transformed a long-standing but not very effective government programme of rural wage employment into an enforceable right to paid work for up to 100 days a year.

There can hardly be a better example of 'scaling up' or mainstreaming than this, of a social innovation idea (food for work or employment guarantee) into a nationwide programme positively impacting millions of poor households every year. Yet, despite the Congress claiming credit for its sponsorship of the NREGA and several ground-level reports of poor people not being given work, while vested interests fill up false muster rolls and pocket the money, such attempts at making political capital or money on the side from the NREGA do not take away from its overall accomplishment.

Today, with markets getting integrated, technology creating disruptive changes in both demand and how it is met, and the increasing need for capital, many activists have taken a businesslike approach to make livelihood promotion efforts more sustainable. Hence social innovation is metamorphosing into a new form called 'social entrepreneurship'. Here, the innovation aims to use the power of market institutions to scale up. Elements of

this include new generation philanthropies like the Gates Foundation which are more like social venture capital funds rather than grant makers. Another element of their strategy is the use of highly paid but cause-driven professionals in place of volunteer human resources. High technology and marketing savvy, including targeting what C.K. Prahlad calls *The Fortune at the Bottom of the Pyramid*, is an integral part of this paradigm.

The SIV-M, strategy works well in those set of circumstances where the social problem is amenable to being addressed through a businesslike approach. This is true, of course, for income-generating activities such as handloom and handicraft production, which has seen the involvement of several social enterprises like Fab India, Anokhi and recently, Rangasutra. Together they provide work for, or seen another way, marketing outlets for, thousands of weavers and craftsmen. One such social enterprise is Fab India, set up by John Bissell in 1960 with a single outlet in Delhi. Subsequently, his son, William, expanded the number of outlets and the production base in the late 1990s. One of the innovations to ensure that weavers and craftsmen become partners and not just piece-rate workers, was the establishment of several 'regional supply companies' where weavers are also shareholders.

Even social services like eye care, sanitation, lighting, and water purification can be converted into a social enterprise. Examples of this are the Aravind Eye Hospital, Madurai, which conducts a large number of cataract operations and even has a world-class facility for manufacturing intra-ocular lenses. The Sulabh Shauchalaya network was established by Bindeswari Pathak, initially as an attempt to do away with the prac-

tice of headload carrying of human excreta by sweepers. This has now become a large network of pay toilet facilities in the country, providing much needed services to the public while improving sanitation in cities and also upgrading the working conditions of persons engaged there.

SELCO in Bangalore, set up by Harish Hande, is a pioneer in solar lighting systems. Similarly, Byrraju Foundation set up by Ramalinga Raju of Satyam Computers has constructed a large number of water purification plants at the village level which are run by franchisees, and provide safe drinking water at a reasonable price, while being financially sustainable.

This is a brave new world still finding its form and purpose. However, in one sub-field, microfinance, it has reached maturity and that example is worth describing briefly. The Bangladesh Grameen Bank (BGB) model is emulated by microfinance institutions such as SKS, whose staff helped form groups of landless women and offer micro-credit to them through funds that SKS borrows from banks. Vikram Akula, founder of SKS Microfin Ltd, which today is India's largest microfinance institution, grew up in the US and came to India as a young student to work with an NGO. In search of a solution to the poverty he saw, Vikram visited the Grameen Bank, Bangladesh, established by Professor Muhammad Yunus. Vikram began a 'Grameen replication' by setting up an NGO in the 1990s.

Slowly SKS grew to a scale where donations and friendly loans were not adequate and Vikram was constantly searching for lending funds. He built a strong team to carry out the work, while he went back to finish his doctorate from the University of Chicago. Later he joined

McKinsey for a couple of years, where he honed his vision for scaling up SKS. In 2005, SKS Microfin, now transformed into a non-bank finance company, raised private equity capital and among the investors was Vinod Khosla, the Silicon Valley venture capitalist. Vikram has received many accolades for his work, and was named among the 50 most influential young people in the world by *Time* magazine. Over the last couple of years, SKS has raised over 100 million dollars as equity and five times as much bank loans. It works with over three million households.

Like SKS, several other microfinance institutions have shown an ability to reach scale way beyond anything that was imaginable for the earlier generation NGO microfinance institutions. Along with this, the discourse has changed – the word 'equity' which was used by the early social innovators to mean equality and social justice, is now used by the next generation social innovators to mean share capital. Time will tell whether this will lead to a more effective addressing of social problems, or result in 'mission drift' that several microfinance institutions are already charged of.

Just as in the case of SIV-S, where there is danger of a social innovation sponsored by state institutions being hijacked by politicians for their own ends, in the case of SIV-M, there is a danger of the social innovation being misappropriated by people out to make a straight business profit. But, despite the dangers, we argue that social innovation incubated largely in the voluntary sector must learn to embrace state or market institutions for scaling up. Otherwise, a thousand bonsai innovations may bloom, but society's big problems will remain unresolved.