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Paradoxes of Social Entrepreneurship

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Abstract¹

Social entrepreneurship ideal combines three principles in one place. I.e. social responsibility, non-profitability based economic solvency and long-term sustainability, especially during the crisis time. These three principles offer three relevant paradoxes namely accountability paradox, excludability paradox and resiliency paradox, at least at the conceptual level. These paradoxes arise in context of the modus operandi of social entrepreneurships. A clear understanding on these paradoxes is very important to advance the agenda of social and solidarity economy in general and social entrepreneurship in particular. Current paper analyses the three systemic paradoxes of the social entrepreneurship and offers some suggestions to address them. The paper argues that social entrepreneurship is a very important concept that should be understood objectively and scrutinized critically as a subsystem of new capitalism.

¹ The views expressed in this paper are those of the authors and are not necessarily those of the United Nations.

Introduction: defining social entrepreneurship

Social entrepreneurship is a type of entrepreneurship that is fundamentally distinct than other traditional profit-making entrepreneurs (e.g., Dees 1998; Emerson and Twerksy 1996; Thake and Zadek 1997). The existence of social entrepreneurs can be tracked back to the early ninetieth century (Bornstein 2004) while current understanding is somehow different from most of the earliest forms of social entrepreneurs, even from some of the famous social enterprises that currently exist. These differences can be understood properly once the social entrepreneurship ideals are put within the context as it started evolving as one of the pillars of social and solidarity economy. Contextualisation of the concept would also be instrumental for my paper as this will set the ground for further discussions. It will also relieve the audience from searching through numerous concepts of social entrepreneurs that are floating around since the concept is still evolving. Therefore, the paper will set-out the assumption, traits and other dynamics related to social entrepreneurs without necessarily referring to any of the definitions that exist, and try to understand the relation between social entrepreneurs, development and welfare to the society, with refereeing to the contextual concepts of it.

The context

The new understanding of social entrepreneurship started in the beginning of the last decade (Bornstein 2012) as part to the discussion of a solidarity economy as it was widely evident that the existing financial capitalism failed to address some of the very important social problems societies facing across the globe. The ideas for social entrepreneurs were to do business as well as to retain some of the very basic principles of human rights, environmental protection, and also to address some of the failures of markets. The reason for the new evolvement of the concept was highly related to the development of a capitalistic system under Structural Adjustment Programmes during the 1980s and 1990s, by which the countries undertook reforms in their financial and real sectors through privatization, deregulation and fiscal adjustments. These measures were believed to deliver development through tricked down mechanisms, which didn't work as promised. Governments were largely curbed out from the market making social policies residual in nature and as a result, income gaps between rich and poor widened historical high. Social safety nets advised by the proponents were fall short in addressing social problems and there was an understanding that proactive social policies are essential to address market failures. Relative successes of NGOs in delivering social services in the absence of governments also opened up the discussion of social business as that can benefit from the successes of the not-for-profit sectors. Over the last three decades, NGOs and voluntary sector became one of very efficient and cost-effective ways to provide some of the social services, especially in the developing countries where governments were inefficient, expensive and weak (Ulleberg 2009). So a revolution of the not-for-profit voluntary sector has been seen that provide some social goods across the globe, particularly in the global south.

However, the discussion on social entrepreneurs got momentum after the financial crisis triggered in the middle of the last decade. The recession

provided three very important circumstances that helped the social entrepreneurs to become one of the major avenues for the search for a new and responsible capitalism: a) governments all over the world became financially weaker than they were before the crisis in terms of their fiscal capacity, and sovereign debts; b) traditional entrepreneurs, including some of the most reputed financial institutions lost their credibility and some of them went bankrupt; c) proactive social policies became the main issues to be included in the capitalistic system to ensure equity within the system in the wake of some massive protests, including Occupy Wall Street movements in the US revealing the fact that only 1 per cent of the world's population owns the 99 per cent of worlds' wealth. In this context, social entrepreneurs seem to satisfy all parties affected by the financial crisis in the following ways:

1. Social entrepreneurs give the governments some good reasons for rolling back from their responsibilities to provide social goods. Given the fact that most of the governments are simply unable to expand any services because of their financial constraints, social entrepreneurs give the governments a leeway to quit. In this case, social entrepreneurs exploit the experiences of not-for-profit sectors as they have been performing very well in delivering social goods in terms of efficiency, coverage and effectiveness.

2. Social entrepreneurs give the traditional entrepreneurs a chance to regain their reputation with some kind of partnerships with these not-for-profit sectors in the areas of social business.

3. Social entrepreneurs give the capitalist system another chance to succeed and make them more resilient to the crisis while including some of the very important aspects related to equity and social justice.

Social entrepreneurship thus seems the obvious outcome to address the pitfalls of the prevailing capitalist system as it is the win-win-win situation for the governments, non-profit-sectors, and business communities affected to different degrees through the financial crisis. Schumpeterian innovation is the key here that allows social entrepreneurs to do social businesses in a different way, governments to give-away some of its responsibilities, lets the not-for-profit sector to expand even rapid, and gives the business enterprises an opportunity to engage with the not-for-profit sector to regain their reputation. That is what we mean by social entrepreneurs as we mention the concept within the context of social and solidarity economy and in the post-2015 development agenda.

The contextual definition

In line with the discussions in the previous section, social entrepreneurs solve social problems (Austin, Stevenson, & Wei-Skillern, 2006; Dees 2001) in a financially sustained manner (ILO 2011) and thus, reduce government burden during the economic crisis. They are neither business enterprises (as they don't make a profit) nor charities (as they don't depend on grants and donations for their delivery of social goods and services). They are also distinct from the Corporate Social Responsibility realm even though their works relate to social responsibilities. The social entrepreneurship ideal combines three principles in one place. I.e. social responsibility; non-profitability based economic solvency

and long-term sustainability especially during the crisis time. The overarching principle is that they do business differently than the other traditional enterprises through Schumpeterian innovations.

Three paradoxes of social entrepreneurships

Social entrepreneurship is considered as one of the important pillars for the social and solidarity economy (ILO 2011). It combines three principles in one place. I.e. social responsibility; non-profitability based economic solvency and long-term sustainability, especially during the crisis time. These three principles offer three relevant paradoxes for social entrepreneurships ideal, at least at the conceptual level.

First paradox: accountability paradox

Social enterprises respond to social problems and thus, deliver social goods that bring up the first paradox of the concept, i.e. accountability paradox. Traditionally, governments and public institutions deliver social and public goods, and the citizens make the governments accountable for their delivery of services. In a modern state, the citizens and the government have a social contract by which citizens pay taxes, and the government delivers social goods (Ortiz 2007). Governments are held accountable for their success and failure in providing social and public goods at the local, national, and global levels. Accountability paradox is built around the accountability and responsibility aspects of social services provided by social entrepreneurs who replace government institutions in delivering those services.

What social problems?

As social entrepreneurships in conceptually aims to solve social problems, the first question comes in mind is what kind of social problems? If the social problems are related to national security and other sovereignty related issues, the social entrepreneurs are not the right institutions to address these problems—that's for sure. Social entrepreneurs may come forward to social problems like education, health, housing and other social services that the existing market or government arrangements fail to respond to. However, from the conceptual domain, it is not clear on what particular type of failures social enterprises aims to handle. If it is the market failure, then social entrepreneurs are welcome to innovate ways to solve that particular market inefficiency as governments are constrained by financial abilities. Many of the proponents of social and solidarity economy will argue that the governments should play a truly active role as the current system lacks an effective equity principle for development, however, given the fiscal weaknesses, most of the governments would not be able to expand their services to address market failures and would be very happy to see some social enterprises come into play. The social entrepreneurs who address market failures, in this context, are less problematic as some of these issues would go unaddressed any ways as governments are not simply in a position to correct these problems. Nevertheless, if social enterprises aim to address government failures, then it would be a very different discussion and need more caution in understanding the working of social entrepreneurships. It

is, however, true that government and market failures are sometimes so heavily linked that it is very hard to differentiate between them. The lack of regulatory mechanisms for financial markets during the recent financial crisis is a government failure while that is severely induced by the operations of markets (Tanzi 2011).

The accountability paradox is especially critical in a context when policy makers and other stakeholders stress on the proactive role of government as they found social policies became residual policies in many countries- thanks to the Structural Adjustment Policies during last decades. Any further roll back of the governments from the social services is believed, to have disproportional impacts on marginalized and vulnerable people within the society. The recent economic crisis also called for a strong government role to overcome the market failure. There are numerous government failures in the developed and developing countries while the call now is to overcome these failures, not to retreat from the responsibilities of the governments.

Government failures often give way for charities and social entrepreneurs to come delivering social goods and services. In a social and solidarity economy, social entrepreneurs increasingly involve in providing social services in countries where governments are feeble due to their limited resources, weak governance structure and fragile political institutions. It is not surprising that the social entrepreneurs would deliver social goods and services more effectively than many governments in developing countries. Thus, governments in these countries may find an easy escape from their responsibilities of providing social goods and services to their citizens by the fact that the social enterprises deliver those services effectively. If this continues, over time, social enterprises would become the prime suppliers of goods and services instead of many governments in many developing countries. The paper argues that providing social goods through social enterprises would be a good starting point while prone to become paradoxical by which people may find no legitimate authority that accounts on them for any mishaps in providing social goods and services.

Given the fresh call for a proactive role of governments in the wake of the recent financial crisis, and the emergence of social entrepreneurships as a new narrative for responsible capitalism, I would like to limit my discussion on the interplay between government and social entrepreneurships while referring to government failures. I will concentrate on two possible scenarios of government failures and the operating of social entrepreneurships to assert some of the issues related to the accountability paradox of social entrepreneurships.

Scenario 1: weak governments and strong social entrepreneurships

All over the world, governments became financially weak in terms of their ability to provide social services regardless of their developmental status. This weakness of governments may serve as an opportunity for the social entrepreneurs to come forward to engage themselves in solving social problems.

In developing countries, there are already strong presences of NGOs that work on various social issues largely replacing governments from these services because of three advantages they enjoy vis-à-vis governments that are equally

applicable to social entrepreneurships, at least at the conceptual level. These three factors are: a) operating cost for the social services provided by the NGOs are less than the government counterparts; b) the business model is more user-friendly and customer oriented than the government initiatives; and c) NGOs are either locally based or work with local groups that give them better access to customers than the governments. Unlike the governments, NGOs go to customers instead of waiting for them to come.

Social entrepreneurs would have same kinds of advantages as NGOs over governments. Given the success of NGOs in developing countries, we assume that the social entrepreneurs will become major suppliers of social services and eventually crowd-out governments from most of the social services. What would be the accountability framework in case government's crowd-out and leave social entrepreneurs to serve its people? If people are not happy with services provided by social entrepreneurs, what would be the mechanism to address that? It is evident and important to keep in mind that some of the projects undertaken by NGOs in developing countries proved unsustainable (Guardian 2012) in the long run while seemed useful at the beginning. In case of social entrepreneurships, what would be the mechanism to deal with this short-term and long-term dichotomy? It should be understood that only being social entrepreneurs does not guarantee that these entrepreneurs wouldn't seek for monopoly and engage in activities that might turn out to be socially bad.

Scenario 2: weak government with failed social entrepreneurships

The scenario 2 is even more problematic than the previous one when a social entrepreneurship fails, as like as many other entrepreneurships. If the entrepreneurships fail at the beginning, governments may have a chance to correct their failure. If the failure comes after the government has already crowded-out from the market, it becomes very hard for governments to come back and reengage themselves the social services. It would be very expensive, time-consuming and challenging in terms of efficiency, effectiveness and access as the governments were absent or less active in providing the services. Some developing countries were trying to re-establish some of their previous institutions that were dissolved during the Structural Adjustment Programmes and that seemed to be very difficult given the fact that the governments were absent from the market for so long.

In many cases, re-establishment is just simply impossible. If social entrepreneurships become unsustainable and ineffective in providing certain services, the reinstallation of government services to that area may not be an easy task. In many cases, the governments from developing countries would not be able to intervene to bail-out these entrepreneurships as they fail. In case of social entrepreneurs fail, and the people are denied their access to very basic social services necessary for their livelihoods, whom is to blame? What would be the accountability principle for the governments to ensure sustainable supply of social goods and services, in case they are completely crowd-out from the services they used to provide? The experiences of privatization in the developing counties had the same problem as many of the services were discontinued (Mehrotra and Delamonica, 2005).

There is another dimension on this aspect of this issue. Sometimes social entrepreneurs may not necessarily fail, but change their preferences to other social services over the one they are currently providing. This kind of changes in preference is easier for the social entrepreneurs than many of the governments. What will happen in case social entrepreneurs change their preferences from a particular social service that is very crucial for a certain group of people and government is already crowded-out from that service? Some developing countries have similar experiences with NGOs that changed their preference due to the changes in preferences of donors (Ahmed, 2001). In many cases, some of the very important social services are ceased only because of the changes of preferences from the donors. I want to flag this issue here because the same may happen with social entrepreneurships. Since social entrepreneurships solve social problems, I assume the impact of discontinuation of any social services would have greater impacts on the society than that of NGOs.

Issues to address the first paradox

a. Regulatory mechanism vs. innovation

A proper regulatory framework on how social enterprises will work would be very important to advance the agenda of social and solidarity economy. Again, the framework will be flexible enough to encourage, facilitate as well as monitor innovation since innovation is one of the key aspects for social entrepreneurs. Social entrepreneurs need to be innovative to do their business differently to address the market and government failures. Dichotomy between innovations and regulation is that the regulatory framework often becomes so rigid to allow innovation, while inadequate regulatory mechanism often fails to monitor innovations that often sidestep regulatory frameworks as it happened during the recent economic crisis (Tanzi 2011). The innovation in the financial sector was so rapid that the governments were not able to monitor these instruments properly. The challenge is to find a balance where the governments can regulate the social entrepreneurships while not hindering the innovation principle of social entrepreneurships. As the field of social entrepreneurships is still not developed in terms of concept and mechanisms, an intellectual endeavor to the operations of social entrepreneurship would be very important discussions to have at the national and international level.

b. Role of the government

The role of government is a long debated discussion that cannot be accommodated in this context. Yet, what would be the role of government in the wake of social entrepreneurships, would be a great discussion considering the specific circumstances in many developing countries. A strong role of government would be instrumental in achieving the goals of social entrepreneurships while governments might sometimes hinder effective implementation of projects undertaken by social enterprises, especially in developing countries. There should be a clear understanding of the role of government in case of the discontinuation of social goods and services, changes of preferences of social entrepreneurs as well as on ways, governments help social entrepreneurships in pursuing shared social goals. Opening up a discussion on the role of government in a social and solidarity

economy in general and in social entrepreneurships in particular, would be a good start.

c. New market or new institutions in the existing markets?

At the end of the day, social entrepreneurships operates in the capitalist system while take advantages of the system. Market-based system benefit all in the society through trickled down mechanism while the agents in the system work for their self-interests and maximise social benefits by maximising their self-interests. As the social entrepreneurs are not motivated by profit and self-interest, so we are not yet sure how the social entrepreneurship will work under capitalist premises. Professor Yunus and others were talking about the new institutions like Social Stock Markets and others. It is yet to know how these new institutions will work with the existing system and also. How can they be differentiated from the existing institutions? It is not yet clear how the social interest instead of personal interest will work in the capitalistic system and how the existing capitalist enterprises will engage themselves in the social domain.

d. Agency issues

One should be very careful in differentiating the agency dynamics from the conceptual dynamics of social entrepreneurships. There is a strong romanticism in the existing understanding of social entrepreneurships thanks to some of the very distinguished personalities like Muhammad Yunus and others. For an objective understanding of the concept, these agency dynamics and related subjective assumptions should be replaced with objectivity, and the assumptions that these enterprises might behave like same ways as the traditional enterprises. Many social entrepreneurships succeeded because of the leaderships of some extraordinary visionaries who were motivated by their strong ideology and dreams to change the world. It would be unwise to assume that all social entrepreneurs will be as smart as Muhammad Yunus....So it is very important to give due considerations on the frameworks of social entrepreneurships and putting aside the agency dimensions related to the concept. Romantic understanding on social entrepreneurships and subjective assumption on their self-regulation might open avenues for social bad.

Second paradox: excludability paradox

One main difference of social entrepreneurships from charities and other donor driven initiatives is their financial sustainability. The social entrepreneurships are financially sustainable that means that social entrepreneurs are not dependent on donors and other external sources for their operations. Financial sustainability principle of social entrepreneurships creates another paradox .i.e. excludability paradox. By this paradox, social entrepreneurships struggle to find a way to be financially sustainable without excluding people who need the most of some social services.

Financial sustainability vs. non-excludability

As social entrepreneurships aimed at solving social problems, their goods and services must reach the people who are marginalized, disadvantaged, vulnerable and socially excluded. The whole idea of social entrepreneurships is

to include the excluded in the social services through innovative entrepreneurships. Financial sustainability principle of the social entrepreneurships is very problematic if this principle is combined with the principle of non-excludability of social goods. To be financially sustainable, the firms need to generate their own revenue. Revenue collection from services provided by social entrepreneurs would be the major way of generating revenue to maintain their financial sustainability. In the context of social entrepreneurships, revenue based model for financial sustainability can be of three following types:

- a. User-fee based sustainability framework
- b. Economics of scale based sustainability
- c. Cross-subsidization

The following section will investigate these options of financial sustainability vis-à-vis social entrepreneurships in general and social inclusivity principles in particular.

- a. User-fee based sustainability principle

User fee is one of the most popular mechanisms for generating revenue. It is assumed that the social entrepreneurs will go for the user-fee based economic sustainability for goods and services they provide. If the user fee is the way to achieve financial sustainability, then the exclusion of certain segments within the society, including women and other marginalised groups like indigenous people, people with disability, migrants and people in extreme poverty will be denied access to the essential services that are crucial for them to overcome their barriers to their development. The experiences of introducing the user fees for basic social services were not at all good in developing country contexts. Numerous examples showed that the user fee works as a negative means for financial sustainability that exclude the poorest of poor to the services that are essential to them to break the vicious cycle of poverty. Social services and goods are normally targeted to the people who are otherwise unserved and left behind to assist them overcoming the livelihood struggle they face. In most cases, these programmes are highly subsidized and funded by the governments that are not based on revenue centred financial sustainability models rather based upon the principle of social transfer and solidarity. User fee based sustainability principle directly colludes with the solidarity principle of social services.

- b. Economics of scale based sustainability

As the social entrepreneurs want to solve the social problem while including the most vulnerable sections of the society as their service populations, they want to keep the user-fee as less as possible. One of the ways to charge the minimum user fee is to achieve the economics of scale. Achieving of economic of scale is a way to charge a minimum user-fee so to reduce the chances of exclusion for financial reasons. However, considering the spirit of social entrepreneurships, the scope for achieving the economics of scale for social ventures is severely limited. One of the very appealing aspects of social entrepreneurships is their localized nature. Social enterprises initiate with the local problems as their starting point to ensure that the local problems are

solved in locally in a sustained way. If these enterprises want to achieve economies of scale, they need to operate beyond their local scopes and need to become big to generate enough revenues to impact upon the cost for per unit of production. First, in many contexts, that is not simply likely, and second, even if it is imaginable to achieve the economics of scale, it goes against the principle of the localized nature of their operation.

c. Cross-subsidization

Another revenue-based option for reducing the user fees is cross-subsidization of the social services by which social entrepreneurs generate revenues from other profit-based initiatives and use that revenue for social endeavours they undertake as social entrepreneurs. This approach is used in the corporate sectors under the realm of the Corporate Social Responsibilities. As social entrepreneurship as a concept is a stand-alone initiative that generates revenue for itself, this financial approach is unsuitable for social entrepreneurs. Besides, cross-subsidization is by itself is limited in scope and there is very limited scope for manoeuvre. This approach would have the same drawbacks suffered by the Corporate Social Responsibility (CSR) in terms of their impacts, applications and scopes. The bottom line is also clear that the said approach is not at all sustainable financially and greatly influenced by the amount of revenue earned elsewhere. This supply-side approach was very much disconnected from the needs of the people for whom the projects are designed and takes place in the first place.

What can be done?

Innovation is a big area where the social entrepreneurs can try to overcome the paradox of excludability. The financial sustainability should not be overridden by the exclusion of the marginalized people. The entrepreneurs should innovate the financial mechanism by which they can serve the largest section of the excluded people in their programmes. May be a traditional revenue-based model is inadequate in this connection. While innovating the new financially sustainable mechanism, the social entrepreneurship should be careful in the following issues related to financing social entrepreneurs:

- a. There should clear understanding whether the entrepreneurs would be profitable or non-profitable or less profitable than the other private providers into the market. If it is profitable, it is also should be clarified how the profitability of such entrepreneurs will fit to the overall objectives of the social entrepreneurship principle. There should be a clear understanding how the profits will be totally reinvested for the social objectives.
- b. If there is no existing market for social services, how the social entrepreneurs protect themselves from monopoly behaviour and encourage other social entrepreneurs to come in the same business to create a fair competition and quality of social services. As governments often oversee the monopoly behaviours of the firms, it is also very important how these enterprises will work with government agencies to create a social space for competition and quality.
- c. How the investment to social enterprises will occur. If the traditional commercial enterprises, including banking and other financial institutions

and private entities agree on investing in such enterprises, how the enterprises and governments will ensure that the social objectives will be given preferences over the financial preferences of the traditional commercial capital investment.

Third paradox: resiliency paradox

The concept of social entrepreneurship arises in the wake of the financial crisis as a remedy for another financial crisis. Though the social entrepreneurship concept does not explicitly talk about the resilience to the crisis, it is logically assumed from the context and the discussions that the expectations from social entrepreneurship are rooted in the concept of the social capitalism. By social capitalism, the expectation is to address social problems through capitalism. In that sense, social entrepreneurship is one of the pillars of social capitalism.

Social enterprises are not as sustainable as they are thought because they are also prone to the same *moral hazards* problem financial enterprises had, which contributed to a full-blown financial crisis. Social entrepreneurship works within the capitalist economy as a potential sub-system, so it is important to imagine the operation of these enterprises within the business cycle framework. Given the current financial crisis it is thought that social enterprises would reduce the negative impacts during the bust period. Social entrepreneurs deliver social goods and services and very much linked with provisioning basic social services to the society. So it is assumed that, without proper legal structure, they may behave the same way as the irresponsible financial institutions behaved during the boom period of the business cycle. And in the bust period they may be rescued by the governments as the social costs for not rescuing these enterprises will be more than the economic costs of rescuing. The worst part of the story is, governments may not wait until a full-blown financial crisis to save these enterprises, they may occur anytime leaving the governments with no options but to save them from going burst.

Financial crisis vs. Social crisis

Financial crisis is bad, because it affects all the sectors within the economy. The main effect is on GDP, employment, and output of the real and service sectors. Other social services like education, health, social services are affected only by indirect measures taken by the governments in a way to reduce their responsibilities in terms of fiscal burden. Sometimes the social sectors are benefited from crisis as many governments, including USA has taken the Keynesian measures to offset the economic crisis through investments in the social sector including education and health. The functioning of social entrepreneurship in relation to the boom and bust cycle of capitalism is still not entirely clear. Just to give an idea of how the future crisis will look like in a social and solidarity economy, where social entrepreneurs will be one of the major means to provide social goods and services, let us assume that the social entrepreneurship will also collapse in the wake of the crisis. This is a much generalised idea, yet we cannot deny that the social and solidarity economy will also operate under overall capitalist principles, and capitalist system structurally goes through the boom and bust cycles, so we need to refer to this phenomenon of capitalist principle with the social entrepreneurship ideals.

So let's assume that the economic crisis unfolded in a social and solidarity economy. First of all, there is no theoretical understanding yet on how the social entrepreneurs will be more resilient to the crisis. So, the system fails, we can assume that all the sectors of the system will fail or at least will be impacted by the failure of the system. Social entrepreneurs thus suffer the similar kind of problems as the other sectors of the economy.

I just want to flag here that the failure in the financial capitalism and social capitalism will be structurally different in terms of their impacts, coverage and its links to the livelihood of the people. If the financial crisis becomes very severe for a prolonged period of time, the impact of the financial sector to transform to the social sectors. Recent financial crisis somehow didn't transform to social crisis thanks to the prudential policies taken in North America. Given the operation of social entrepreneurs in the new capitalism, we still yet to see the initial unfolding of a crisis- that is true. However, what is important here as a cautionary note, is that the crisis of a social economy will start as a social crisis because of the collapse of the social enterprises. If the financial crisis is replaced by a social crisis, the impact will be much bigger and deeper than the financial crisis, and it will obviously impact on the poor and marginalized people than the other segments within the society in terms of access and availability of basic services that are necessary to provide them essential skills to enhance their livelihoods. Social crisis is fundamentally a deeper crisis that the governments want to avoid. But given the *modus operandi*, the governments will not be able to respond due to their absence in the market that is already given up to the social entrepreneurs.

Localized crisis

Moreover, in a social and solidarity economy, small and localized type of social crisis may occur that may impact on one sector of the social services like education or health. As the social sectors are very big and more complex than the financial sectors, it is understandable that social enterprises fail more frequently than their financial counterparts. Because most of the social entrepreneurs are meant to be working at the local level, the failure would be local and sometimes governments may require to step-in even if there is not a full-blown crisis. In a social economy, the crisis will be distributed to the local levels. This would be a very new dimension of the crisis. The crisis in a social economy would have some distributary and invisibility aspects that will allow the crisis to be running background of the economy in a continuous basis while there might not be any full-blown capitalist crisis.

Way out

Again, innovation is the key here. If social entrepreneurs depend on creative innovation to overcome the possibilities to fall in a social crisis, governments have to have some kind mechanisms to supervise as well as support such innovation. There will be government mechanisms in place to encourage innovation as it is one of the main premises on which the concept of social entrepreneurs built on. The governments should be smart enough to handle innovation in a way that ensure transparency and accountability within the system. The recent financial crisis was hugely affected by the financial innovations that went unregulated and unchecked by the regulatory authorities.

Regulatory mechanism is a key to ensure proper functioning of social entrepreneurs.

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