

# The Business of Doing Good

By SMITA JAIN

A growing tribe of social entrepreneurs are making investments in small businesses to lift millions out of poverty. Acumen Fund, a nonprofit global venture fund, is helping these businesses to expand.

Even though living standards in India have risen rapidly in the past few decades, there are still huge levels of income inequality.

Trying to address this problem is a growing tribe of philanthropists who believe that social entrepreneurs—people who develop social innovation through entrepreneurial solutions—can provide the key to lifting millions out of poverty.

“We strongly believe that business can play a role in poverty eradication. The high incidence of debt among lower-income communities is largely due to lack of access to essential goods and services, such as health care,” says Varun Sahni. He is the India country manager of Acumen Fund, a nonprofit global venture fund started in the United States. The fund helps social entrepreneurs grow their businesses in India by providing strategic investments. “We nurture businesses that are developing high-quality goods and services that are affordable and accessible by that market,” says Sahni.

Standing at the crossroads of the business and philanthropic worlds, Acumen Fund is striving to prove a point to both: “We seek to prove that small amounts of philanthropic capital, combined with large doses of business acumen, can build thriving enterprises that serve vast numbers of the poor. Our investments focus on delivering affordable, critical goods and services—like health, water

and housing—through innovative, market-oriented approaches,” says its Web site ([www.acumenfund.org](http://www.acumenfund.org)).

Acumen Fund was founded in New York in 2001 by Jacqueline Novogratz, a former Wall Street investment banker who wanted to use her skills to find solutions to challenges facing the world through new methods. She decided to start a not-for-profit venture fund that would invest in small businesses in the developing world using money donated by individuals.

Acumen Fund’s strategy focuses on making small equity investments in businesses that provide affordable housing, water or health services. It has investments in India, Pakistan, South Africa, Egypt, Tanzania and Kenya. Companies in which the fund has made equity investments are expected to return the capital and impact at least a million people within five years. “Because our capital is philanthropic in nature, our ability to take risks is higher. So we work with investee companies to build viable businesses. Our expectation is to have our capital returned and to ensure that there is social impact, innovation and market creation,” says Sahni.

In India, Acumen Fund has invested in five social enterprises—Drishtee, IDE India, Medicine Shoppe India, WaterHealth International and Scojo. These investments are managed by Acumen Fund’s office in Hyderabad, Andhra Pradesh, which began operations this year.



*A vision entrepreneur at Scojo, which sells low-cost eyewear with help from an Acumen Fund investment.*

While IDE India distributes low-cost drip irrigation systems that can help double or triple a small farmer’s income, Medicine Shoppe India is a Mumbai-based chain with a pharmacy/clinic format aimed at low-income urban customers.

WaterHealth International works to build community water systems, and has provided safe affordable water to more than 100,000 people in rural India. Another Acumen Fund enterprise is Scojo, which conducts vision screenings and sells low-cost eyeglasses so poor workers, such as tailors or artisans, can



Photographs courtesy Acumen Fund (New York)



continue to earn their living.

“We see tremendous opportunity in India. It is a growing economy with millions of middle-class, rural and urban poor citizens whose aspirations and opportunities are rising,” says Sahni.

“We are seeing a surge of entrepreneurs in India who are looking at businesses that will serve low-income communities. The challenge facing organizations such as Acumen Fund is to identify these entrepreneurs and nurture their businesses.”

Drishtee, an enterprise in Noida, Uttar Pradesh, says it plans to transform the face of rural India, an endeavor that is being accelerated by an equity investment from Acumen Fund. “Drishtee aims to empower entrepreneurs to provide essential goods and services to villages through an information and communications technology based network of rural entrepreneurs,” says Nitin Gachhayat, its co-founder. Using a franchise model, Drishtee has pioneered a network of kiosks that provide information on its diverse product offerings, such as eyeglasses, books, lighting, cell phones, health care, microfinance, e-government, education and insurance. Today, there are more than 1,600 Drishtee entrepreneurs in 12 Indian states, serving some 1.5 million customers.

In a market where companies interested in a “double-bottom line” of profit and social development are often dismissed by traditional lending institutions, it was not easy for Drishtee to find

investors, says Gachhayat. “As a social enterprise, it was hard to find traditional venture capitalists to back us when we first chose to start a for-profit company in 2002. We sought support from Acumen Fund because its mission matched our own and they could understand the space that we were coming from,” he says. In addition to equity, however, he emphasizes that the managerial assistance and extensive network provided by Acumen Fund have been valuable. “Acumen Fund’s partnerships with other like-minded organizations have also been extremely advantageous. For instance, we are now distributing spectacles developed by Scojo through our franchising network,” he adds.

Acumen Fund has provided to Drishtee an Acumen Fund Fellow, David Lehr, a former Digital Vision Fellow at Stanford University in California. Acumen Fund has seven fellows globally, three in India. They are experienced global corporate professionals with an interest in social development who are placed by Acumen Fund to provide their expertise for nine months.

Lehr, originally from New York, is helping Drishtee streamline its decision-making. He is launching Drishtee’s first health care program in rural India, for which he has spent five weeks in Saurath, Drishtee’s project village in Bihar. “My work at Drishtee has completely changed my understanding of India, and especially the challenges

*Above left: A delivery service near Vijayawada, Andhra Pradesh, that has sprung up in conjunction with the investment of WaterHealth International to provide safe, clean water to poor customers.*

*Above: Employees at the inauguration of a new Medicine Shoppe outlet near Mumbai for low-income customers. It includes a clinic, optical services and a pharmacy.*

faced by villagers,” says Lehr. “Though I have traveled widely and visited villages similar to the ones Drishtee works in, I have never gotten to know the residents or had any real insight into their lives. Gaining this knowledge and being able to apply what I have learned has been the biggest takeaway for me.”

Fellows are encouraged to document their experiences through video, online journals and photography, reflecting Acumen Fund’s firm belief in the power of creativity in unleashing powerful change in the field of development. “Acumen is a highly creative organization. We believe that because our work is cutting-edge, there are a tremendous number of insights which Acumen is gaining about what works and what doesn’t work,” says Sahni.

“In order to get these lessons out to the outside world, it’s important to be creative in one’s thought process.”



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