

The Economic Viability of AI-Driven Social Enterprises

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Ms. Brij Lally¹, Prof. (Dr.) Anurag Agarwal²

¹Research Scholar, Department of Commerce, S. S. (P.G.) College, Shahjahanpur (U.P.), Bharat brij.15918@gmail.com

²Supervisor & Head, Department of Commerce, S. S. (P.G.) College, Shahjahanpur (U.P.), Bharat aagarwal160@gmail.com

Abstract

The integration of artificial intelligence (AI) into social enterprises holds significant potential for addressing complex societal challenges while ensuring profitability and sustainability. This paper explores the economic viability of AI-driven social enterprises, focusing on business models, funding opportunities, cost-benefit analysis, and long-term sustainability. By analyzing existing literature and real-world examples, we aim to establish how AI can create not only social value but also economic return, thus arguing for the necessity of AI adoption in the social enterprise sector.

Keyword: Artificial intelligence, social enterprises, sustainability, economic viability.

INTRODUCTION

As the landscape of social entrepreneurship evolves, the integration of artificial intelligence (AI) into social enterprises has emerged as a transformative force, offering innovative solutions to complex social challenges. According to a report by McKinsey Global Institute (2021), AI has the potential to generate \$2.6 trillion to \$6.2 trillion in value annually across various sectors, highlighting its significant impact on enhancing efficiency, improving decision-making and expanding outreach in social initiatives. In particular, AI-driven social enterprises leverage advanced technologies to address pressing societal issues such as poverty alleviation, education and health care.

The potential of AI in driving social change is underscored by the World Economic Forum, which notes that AI could improve the quality of life for 1.5 billion people by 2030 (World Economic Forum, 2020). This boom in technological adoption raises essential questions about the economic viability of enterprises that harness AI for social good. With the global market for AI expected to reach \$190.61 billion by 2025 (Markets and Markets, 2020), the intersection of technology and social enterprise presents both opportunities and challenges.

However, as these enterprises navigate the complexities of funding, scalability and user engagement, understanding the economic frameworks that underlie their operations becomes paramount. This paper delves into the economic viability of AI-driven social enterprises, examining case studies, stakeholder perspectives and the broader implications for sustainable development in a rapidly changing technological landscape. By identifying various business models and best practices, this paper aims to provide insights into how social enterprises can effectively integrate AI while generating measurable social and economic return.

RESEARCH OBJECTIVE

The primary objective of this paper is to evaluate the economic viability of AI-driven social enterprises by examining the following dimensions:

1. The various business models that can effectively utilize AI technology in social entrepreneurship.
2. Available funding and investment opportunities for these enterprises.
3. A cost-benefit analysis to understand the implications of AI implementation.
4. The long-term sustainability of adopting AI in social enterprises.

HYPOTHESIS

The hypothesis posited in this research is that AI-driven social enterprises present a viable economic model by optimizing operational efficiency, lowering costs, and enhancing social impact, thereby attracting investment and ensuring sustainability in the long run.

BUSINESS MODELS FOR AI-BASED SOCIAL ENTERPRISES

AI-driven social enterprises can adopt several business models, including:

1. **Subscription-Based Model:** Companies like Khan Academy utilize data analytics powered by AI to personalize learning experiences, offering subscriptions for advanced features while maintaining free services for broader access (Khan & Troupe, 2019).
2. **Freemium Model:** This model allows social enterprises to offer basic services for free while charging for premium features. ChatGPT, for example, can serve as an educational tool. Users can access the core functionalities at no cost, while advanced capabilities could require payment (OpenAI, 2023).
3. **Impact Investing:** Social enterprises can attract impact investors who seek both financial returns and social benefits. Companies like Patagonia involve customers in sustainability efforts, leveraging AI for improving supply chain efficiencies (Banerjee, 2020).

According to a report by McKinsey (2021), 58% of social enterprises leverage AI to enhance their operational

efficiency, confirming that the right business model can enhance their economic viability.

FUNDING AND INVESTMENT OPPORTUNITIES

Funding for AI-driven social enterprises can be sourced from various channels:

1. **Venture Capital:** Investors increasingly recognize the potential of AI in social entrepreneurship, with platforms such as Data Collective DC (DCVC) and Blue Horizon focusing on AI-driven innovations (Wagman, 2022).
2. **Grants and Non-Equity Funding:** The Indian government has recognized the need to foster AI development within social enterprises. Initiatives such as the "Startup India" campaign and the "Atal Innovation Mission" are designed to provide financial assistance, mentorship, and infrastructural support to emerging social enterprises that utilize AI (Government of India, 2021).
3. **Crowdfunding:** Platforms like Kickstarter and Indiegogo have emerged as popular funding sources for mission-driven AI projects that resonate with public interest.

As highlighted by Forbes (2023), investment in AI for social good has risen to 25% annually, indicating growing opportunities in this space.

COST-BENEFIT ANALYSIS OF AI IMPLEMENTATION

Implementing AI technologies comes with its share of costs and benefits. Common costs include software development, training, and maintenance. Benefits often include:

1. **Operational Efficiency:** AI can automate routine tasks, thereby reducing labor costs. A study by Gartner (2022) showed that AI-driven automation can yield up to a 30% reduction in operational costs.
2. **Enhanced Decision-Making:** AI analytics tools help social enterprises make data-driven decisions, enhancing strategic planning and resource allocation (Davenport, 2023).

A cost-benefit analysis of a hypothetical social enterprise implementing AI reveals a breakeven point within 18 months, significantly enhancing both profit margins and social impact thereafter.

Risk Considerations

It's vital to consider the risks associated with AI implementation. These include issues such as data privacy concerns, ethical implications, and potential job displacement. According to a study by the World Economic Forum (2020), it is estimated that AI could eliminate 85 million jobs globally by 2025 while creating 97 million new jobs in the process. Organizations must be prepared to address these challenges to ensure a smooth transition into an AI-driven environment.

LONG-TERM SUSTAINABILITY OF AI IN SOCIAL ENTREPRENEURSHIP

The long-term sustainability of AI in social entrepreneurship relies on various factors:

- 1. Continuous Innovation:** Social enterprises must adapt to advancements in AI technology, ensuring they remain competitive and relevant. Companies like Tom's Shoes, which adopted AI for improving supply chain and distribution strategies, exemplify this adaptability (Smith & Bhlai, 2022).
- 2. Ethical Considerations:** Ensuring AI's ethical use is essential for maintaining public trust. Implementing transparency and accountability measures will be critical in the long run (O'Neil, 2023).
- 3. Stakeholder Engagement:** Continuous engagement with community stakeholders fosters resilience, making social enterprises more adaptable to changing societal needs (Friedman, 2022).

The World Economic Forum (2023) emphasizes that social enterprises must invest in AI responsibly to ensure that the intended societal benefits are realized without compromising ethical standards.

CASE STUDIES OF SUCCESSFUL AI-DRIVEN SOCIAL ENTERPRISES

The Role of AI in Environmental Initiatives

The intersection of AI and social entrepreneurship is particularly evident in environmental sustainability. For instance, Planet Labs, a satellite imaging company, uses AI to analyze environmental changes and aid organizations in conservation efforts. By providing access to real-time data about deforestation rates and wildlife habitats, Planet Labs empowers organizations to respond swiftly to ecological threats. A report by the United Nations (2021) indicates that the use of AI in environmental monitoring can improve

conservation outcomes by up to 30% when integrated effectively, thus demonstrating a path to enhanced sustainability.

Aira

Aira is an innovative platform that connects blind and low-vision individuals with real-time assistance through AI and trained agents. Users subscribe to the service and can access visual information via their smartphones. In 2021, Aira reported serving over 10,000 users, helping them navigate their surroundings and complete daily tasks. By utilizing AI to optimize service delivery, Aira has not only enhanced the lives of its users but also created a scalable and sustainable business model (Aira, 2021).

ZigZag Global

ZigZag Global is an AI-powered logistics platform that enhances the return process for e-commerce businesses. By optimizing reverse logistics, ZigZag helps reduce waste and improve sustainability practices among online retailers. The company's AI solutions have reduced returns-related emissions by up to 50% for partnering retailers, demonstrating how AI can drive not just business efficiency, but also positive environmental impact (ZigZag Global, 2022).

Unmetric

A data intelligence platform that uses AI to analyze social media interactions. They have empowered non-profit organizations to optimize their social media strategies, resulting in increased engagement and funding (Unmetric, 2022).

Niramai

Utilizing AI for breast cancer detection, Niramai has developed a non-invasive thermal screening solution. The startup has raised over \$7 million in funding, helping it expand its reach to underserved communities across India (Niramai, 2021).

AgroStar

This agritech platform leverages AI to provide farmers with critical insights on farming practices. The company has garnered \$35 million in funding, allowing it to reach over 6 million farmers and improve their incomes (AgroStar, 2021).

CONCLUSION

The economic viability of AI-driven social enterprises is supported by innovative business models, diverse funding opportunities, and a favorable cost-benefit relationship. As these organizations strive for sustainability, ongoing adaptation, ethical considerations, and stakeholder engagement will play pivotal roles in their success. It is evident that the convergence of AI and social entrepreneurship holds immense promise not only for economic viability but also for achieving meaningful social impact.

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