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Social Business and First Access

In order to address the question of “What is social entrepreneurship?” I will take a step back and discuss what social business is. Social businesses operate very similarly to standard businesses in that they typically provide some sort of service or value to its targeted market in exchange for money. Social businesses, like any other business, aim to generate profits. Social businesses differ in the way that the profits are used. Company profits are never put back into the pockets of owners and shareholders. Instead, profits are put back into the business in order to let it grow, with the eventual of the business being self-sustainable. Investors are entitled to recouping their initial investment, but generally do not receive profits. The mission of the company, rather than the profits it will generate, drives investors to invest in social businesses. Another major difference between standard businesses and social businesses is the problem that the business aims to address. Social businesses aim to address issues in society, such as access to clean water, health care and financial services. Social Entrepreneurs aim to start social businesses that will help other people, instead of a business that aim to maximize profits for the founder of the business.

Matt Hennessy taught us about how the company he works for, First Access, has actually created a successful business model around the idea of a social business. I have to admit that if I were to hear the First Access business idea from a friend, I would have probably said good luck, and stopped there. The business model, in my opinion, is complicated. In addition, the data team has to deal with very complex data that is different from each mobile carrier. I really like how First Access was able to overcome these difficult areas in starting their business because it goes to show that with serious dedication, an entrepreneur can get things done that most people think are impossible. The direct customers for First Access are Microfinance Institutions, but the microfinance institutions deal with the people that need a loan. These kinds of loans are targeted towards people who live in very poor areas of the world that have high mobile penetration.

The mobile solution that first access came up with is to use the massive amount of data collected by Mobile Carriers to generate a credit score that Microfinance Institutions can use to identify the risk associated with lending to this particular person. This reduces costs for the Microfinance Institution. A mobile solution was chosen because it was recognized that mobile carriers have this data, and that this is the kind of data that can evaluate a person’s borrowing credibility.

Android apps could make sense for a different market, but the market that First Access is after mostly has feature phones, and not smart phones. If Android phones could be used, I imagine that the loan officer would never even need to visit the home of the borrower. I see a more advanced solution as an app that the borrower can go into and pick from a bunch of a Microfinance banks that are affiliated with First Access and get live quotes from these banks. There should be a disclaimer saying that the quotes will not be honored until further research is done on the applicant. Technologically, I do not think this would be difficult for First Access to implement. I think more of the problem is that users for this market probably do not have Android phones and the Microfinance banks use First Access on a customer-by-customer basis, and may not want to open up this option to everyone.