



## ROLE OF POLITICAL ECONOMY IN MEDIATING INNOVATION AND ENTREPRENEURSHIP– A PERSPECTIVE BASED ON SOME CASES FROM NEPAL

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### ABSTRACT

*This paper analyses the role of political economy to influence innovative behavior of social entrepreneurs. The paper consists of critique on the understanding and interpretation of social entrepreneurship from the perspective of political economy. Review of past studies reveals limited analysis on the role of political economy in mediating the innovating behavior and functions of social entrepreneurs. In this study while dragging the theoretical perspective in analyzing the practical experience, opinion of some selected social entrepreneurs in Nepal have been collected and analyzed. Findings are based on the analysis of thematic and content analysis of the past studies and the opinion collected from the interviews of social entrepreneurs. The main aim of the paper is to get insight into the role of political economy in influencing innovative behavior of social entrepreneurs. The approaches and methodology applied include review of theories on political economy and its interconnection between the innovation and social entrepreneurship. Method applied to achieve objective covers content and thematic analysis of the interviews of selected Nepali social entrepreneurs. Theories relating to the each of the thematic areas have been reviewed from the literature available in books, journals, newspaper, magazines and different internet sources. It is seen that innovation is independent work of an individual which generally happens to be indifferent with the political, economic and social system but a good system of political economy can influence the innovative behavior and can play a significant role to flourish social entrepreneurship more effectively.*

**Keywords:** Economics, Innovation, Political Economy, Social Entrepreneurship, Social Science

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### Introduction

Basic theme of this study is how political economy as the interrelationships of philosophies on politics, economics and all other branches of social sciences plays role in mediating the innovative behavior and social entrepreneurship. There are divergent views on the role played by political economy in innovation. We find that every concept of social sciences and economy are inter-connected, but we also can find views that innovation is an independent science and economics is to be separated from the aspects of social sciences.

Study from the perspective of political economy by Wang et al., (2021) showed democracy exerts a significant influence on innovation. Better performance with respect to promoting innovation is shown by democracies while autocratic rule found to be interdicting the innovation (Wang et al., 2021). This finding



somehow seems to provide ground for rebutting the proposition that innovation as a science is an independent act of an individual irrespective of the political economy whether democratic or otherwise.

The term political economy has been widely used to denote the economic impact of the government policy. The study of political economy is primarily focused on the interrelationship of individuals, government and public policy. How the fundamental theories of economics i.e. capitalism, socialism and communism work in real world situation is basic concern of the political economist (Kenton, 2021). As this is the integrated sets of ideas drawn from economics, political science and sociology, its pervasiveness is assumed in every aspect of the society.

Product, process or program that profoundly brings improvement in the basic routine of the social system is the direct and fundamental outcome of any successful social innovation. Any successful social innovation has durable broad impact on the social system (Westley, 2008). Innovation as the process of transformation of creative ideas results in combining resources in a new way delivering new and improved products and services which will be resulted in new and improved social situation.

Development is a process of bringing changes which can be resulted in creating opportunities to achieve potential of human being. Social entrepreneurs bring social changes through innovative behaviour. The word ‘social entrepreneur’ and ‘innovation’ seems to have long used as old phenomena but appears to be new in many contexts. For many it is still new and the meaning has been expressed differently by different people (Odinokova et al, 2028; Seitzhanov et al., 2020).

The concept of entrepreneurship discovery and alertness as described by Kirzner (2009) argue that entrepreneurship discovery process is related to actor’s interpretations framework. This process promotes changes in the existing situation ultimately resulting in revolutionary changes in the economy (Yu, 2001). Kirzner’s discovery theory of entrepreneurship maintain that there exist opportunities in the society objectively independent of the entrepreneur and alertness leads to discovery. The entrepreneurship is conceived as discovery of opportunities to created economic value. Kirzner (2009) argue that the endogenous changes in the market has disrupted the market equilibrium and never can be in the state of equilibrium. Exogenous tendencies are responsible for potential efficiency and growth of the market.

Political economy is the study of relationship between individuals and governments, and public policy affecting the society. Sociology, politics and economics are the academic disciplines which help for study of the relations. Characteristics include study of production and its factors and their relation, ownership of property and resources and its distribution, supply and demand and interaction of the government and public policy. The important type of policy economy include capitalism, socialism and communism (Kenton, 2022). Those are the most popular and main categories of the framework of political economy even though we can find different variants of theses ‘ism’ in the literature.

Why the same exclamation ‘social entrepreneurship’ is happening in neo-liberal America as in Communist China. How the emergence of social entrepreneurship is related to the political environment needs better understanding to mobilize the movement (Miller, 2015). It seems that the term innovation and social



entrepreneurship is understood differently in different part of the world and in different environment of political economy. The term ‘social entrepreneurship’ seems not being understood and interpreted with a unanimous definition. The understanding has been interpreted as a business initiative with major breakthrough in the existing business situation; while in many instance it has been extended to a purely voluntary and philanthropic like activities or non-for profit activities as well. Also we may observe differences in the interpretation of the theoretical concept and practical implications in the studies of social entrepreneurship.

Nepal has gone through several types of context of political-economy. There are individuals and institutions that are called as social entrepreneur. If these are social entrepreneur or entrepreneurship (SE) as per the theory how their innovative initiation has been influenced by the then and now given context of political-economy is the basic motive of this study.

### **Problem Statement:**

Each and every activity in the society revolved around the framework of political economy adopted by the society. Entrepreneurial activity is not an exception because it should maintain significant interrelationship with economic, social and even the political system of the society.

Schumpeterian model of innovation is widely studied as seizing opportunities which implies a process of disruption. Schumpeter’s development model summarizing capitalism means innovation, and innovation requires entrepreneurs (Vaz-Curado & Mueller, 2019). In Kirznerian discovery theory of entrepreneurship fundamental element is alertness which leads individual to find discoveries essentially important to fulfill human need and wants.

Potentially successful social entrepreneurs may fail in their endeavors if there cannot be a coherent environment between the different variables under the political economy with innovation and social entrepreneurship. This is the first and foremost important gap identified in the literature review under this study and this paper contributes something for in this gap. Additionally, among vast amount of literature on innovation, social entrepreneurship and political economy studies on the interrelation of innovation and social entrepreneurship with political economy is scarce.

### **Objectives and Research Questions**

To get insight into the role if any of political economy in mediating the innovative behavior of individuals and flourishing social entrepreneurship is the general objective of this study. The study delves into extracting the understanding of social innovation, social entrepreneurship and aspects of political analysis. To analyze the divergent views about the role of political economy in social innovation and entrepreneurship and analyzing it in a country context to consider its pervasiveness in the context of every society is one of the important objectives of the study. In particular, through the review of the previous studies and review of the opinion of some leading social entrepreneurs in Nepal this article attempts to answer the following questions:

- Who is social entrepreneur and what is the source from where innovator and social entrepreneurs emerge?
- How the theory of social entrepreneurship is connected with theories related to political economy?



- Does political economy mediate innovation to be turned into a successful social entrepreneurship?

## Methodology

Methodology applied for the study includes review of the theoretical frameworks of political economy, individual innovative behaviors and effectiveness of social entrepreneurship. Review of such previous studies includes the sources comprising text books, reviewed journals, working papers and different internet sources. Thematic and content analysis of the resources reviewed has been performed. Specifically the review of the literature is concentrated to find the opinion of the notable sociable innovators and entrepreneurs from Nepali society about the role of the political economy in promoting innovating behavior and social entrepreneurship. The conclusion of the study is significantly influenced by the analysis of the interviews of the social entrepreneurs reviewed for meeting the purpose of the study.

## Review of Literature

Review of literature on the theories of entrepreneurship reveals different thoughts within the body of the knowledge. Innovative Entrepreneurship Theory given by Joseph Alois Schumpeter, Economic Entrepreneurship Theory by Richard Cantillon, Sociological Entrepreneurship Theory by Max Weber and Opportunity Based Entrepreneurship Theory by Peter Drucker are some of the land mark theories under the entrepreneurship reviewed in this study. Importantly, this article is largely based on the theory of Schumpeter. This theory tells us that the main task of an entrepreneur is innovation, and if the innovation is successful the entrepreneurs can earn economic profit which is in the form of reward for the successful performance.

Review of literature shows there are divergent view on the relation of political economy with the social innovation and entrepreneurship. The theoretical frameworks given by different theorist shows divergent views and conclusions. Some highlight the positive role of politics, economic and social environment of the society to be conducive for innovative minds. While some are either silent or find no role of political economy in the promoting innovating behaviour and flourishing social entrepreneurship.

Attempting to find the simple meaning of political economy we can find different types of terminologies used. Capitalism, Socialism, Communism and Democracy along with their different variants of these 'ism' are used. What is socialism under one theoretical framework is not the same under other frameworks.

Public ownership of productive capital and natural resources, collective decision making, contribution based distribution of income, social justice and equality are the feature of the socialism generally advocated by the socialist. Some believe that there is no generally accepted definition of socialism. Means what is a socialist model of the economy is not equally valid everywhere as has been interpreted in multiple ways. The term democracy has also been defined in multiple ways by the scholars according to their value and what is democracy in one context is not a democracy for the others. In some extreme instance the system operating as a democracy and somehow seems accepted domestically has been attempted to be interpreted as autocracy for others. Still among the large bunch of contemporary academics of political economy we can find many scholars



calling the democracy of some countries like USA and India as ‘plutocracy’. As the ‘democracy’ has been turned into a ‘plutocracy’ American dream has been badly damaged (Mahbubani, 2018). Plutocracy directly or indirectly provides access of the small bunch of wealthy and powerful class of people to the government and able to control the public affairs in order to secure their vested interests.

Companies are the main institutions in capitalism and capitalism requires entrepreneurs. Schumpeterian opportunities emerge out of the new information arising exogenously because of the changes in the technology, political and social nature. Schumpeterian thought emphasizes entrepreneur as the main agent, however, socio-economic and political environment is required for the entrepreneur to thrive. To fund the venture of the entrepreneur there needs a financial market, to give high pioneering profit as the reward to the entrepreneurs and incentives to the imitators and followers there must be high tolerance for high profit (Vaz-Curado & Mueller, 2019). The market, profit making and incentives are highly influenced by the political economy of the country.

Politics can mean accountability and efficiency in way of function of the government. Government establishes and enforces the regulatory provisions. The history of capitalism shows democratic governments in the capitalist industrialized world enforced reasonable regulatory system which did a good job of polishing free market (Yunus, 2009). Although the government inefficiencies and vested interest thwarted to the desired progress especially in the developing world, government actions can be proved important for development of entrepreneurship.

Economist Baumol (2010) as quoted by Kickul et al., (2012) in their interview with Nobel Laureate Mohammad Yunus, mentioned broadly four basic forms of capitalism (i) state-guided capitalism (ii) oligarchic capitalism (iii) big-firm capitalism and (iv) entrepreneurial capitalism. In entrepreneurial capitalism significant role is played by small innovative firms. In promoting social business education Yunus highlights the necessity of collaboration of government involvement and partnership of private companies for interdisciplinary social business education (Kickul et al., 2012). As further highlighted by Kickul et al., considering the consequences for teachers as well as the programmatic problems in incorporating social business concepts and initiatives into curriculum and pedagogy, Yunus’s social business model is integrated into the capitalist economic worldview that predominates in western business schools.

Political economy has to influence each and every aspect of a country or a society. Schumpeter has also expressly not denied it. He is a diehard supporter of capitalism and saw potentiality of social innovation in capitalist system. He saw little or no influence of political system in the development of social innovation. But talking about possibility of something under a particular political system but denying the role of such system in social initiations like social innovation seems somehow ridiculous. There are diversified views that innovating something new can make the individual a social entrepreneur.

Political system is fundamentally influenced by the class of people having control over the system. In fact, every political economic theorist has in one or the other way accepted it. A social class of people consists of those who share same economic attentiveness. The class is conscious about their economic attentiveness which



brings them in collective action in protecting their interest by influencing the political economy and its environment. Higher social class is generally found to be more influential. However due to deprivation from the opportunities lower class make few landmark changes in the history of any country.

Marxist Political Economy (MPE) comprises analysis of historically evolved interdependent structure of economy, politics and society (Dimmelmeier et al., 2016). Marx thoroughly has combined sociology and economics. Schumpeter although accepted the hypothesis of Marx discarded and replaced the essential elements with his own subsidiary hypothesis. Schumpeterian theory is as whole half a Marxian and un-Marxian in several important aspects (Taylor, 1951 p. 532). Marx believed that the basis for social change would be revolution by the oppressed against the capitalist. Under his proposition of social class and struggle between the classes the oppressed class represented by the workers turns away and ultimately topple the owner to control the means of production to lead the way towards classless society. But Schumpeter believed the destruction of capitalism as a result of its success and society moves toward socialism. Social change by revolution is the important point of difference between Marxism and Schumpeterian ideology; because Schumpeter denies the inevitability of revolution as perceived by Marx.

Schumpeter insisted strongly to separate economics from the rest of the branches of social sciences unlike the Marxian idea of unified, single and inclusive concept of all economic-social science. Schumpeter insisted economics and sociology are different and it is injurious to both of these two discipline to fuse together into a rigid 'synthesis' like Karl Marx did. Schumpeter discarded Marx's theory of social classes and class relations (Taylor, 1951 p. 537-538). In Schumpeterian theory there is innovative and expansive dynamism with creative spirit of great entrepreneurs. As the social sciences are taken to be separated from economic theory innovation is an independent act of an entrepreneur. Taylor (1951 p. 544) opined that despite Schumpeter's too absolute and impossible ideal of completely independent science it cannot be impugned but influence of value judgments is unavoidable in this type of study because omniscience is impossible.

Super-rich individuals seek new investment opportunities and are making significant contribution to improve the situation of weaker and starving individuals. In doing so these rich individual act in contrast to traditional capitalist by searching short-cut which is straight right start of social entrepreneurship with social innovation (Sandal, 2016). Discussing new social class system with three distinct classes in place of traditional structure of social classes Sandal, (2016) characterized the world population of today as the Starving Class, the Desperate Class and the Elite Class. The starving class is unable to have better life without help from others and struggling to propel their life from hunger, starvation and reduced joy of life. Another class is the desperate class which is desperate of falling down into the starving class. Individuals in this class are dependent people and do not believe on their work ability, education and talent. The next social class is the elite class. Individual in this class are independent individuals having focus on their personal and economic freedom which is the essential requirement for innovation from independent scientific behaviors for dynamic changes in the society (Sandal, 2016). The whole gamut of the above discussion about social class is that it is the elite class individual





capable of being social innovator and act as the social entrepreneur as an independent scientist irrespective of political and/or other influences.

There are evidences that socialist economy meeting people's basic need better than capitalist economy but there is no clear evidence that the performance of socialist economy has been worst comparing to capitalist economy in terms of economic growth. Capitalism ceases to be viable system and socialism will take place as viable solution to fundamental crisis in humanity (Li, 2013). But when market economy and socialism is mixed up success achieved is difficult to relate to a particular political economic concept. Taking the case of China, it's political economy described as 'socialist market economy' provides ground for common debate on adding 'socialist' in 'market economy'. According to Baumol (2010) quoted by Kickul et al., (2012) China is state-guided capitalist society. So is the case in India, Japan and Germany that this type of capitalist system tries to guide the market.

Socialism means new cultural world, freedom from exploitation of man by man and society of peace and love (Schumpeter, 2003). Every socialist wishes to revolutionize the society with economic angle and the outcomes he expects from the economic institutions (Schumpeter, 2003). But high industrial growth is achieved by collaboration of government official and private entrepreneurs even in the regime like China. The private e-commerce entrepreneur group like Alibaba group has boosted business growth by collaboration between the government officials, communist party members and the entrepreneurs (Yu, 2018) in China.

Schumpeter envisaged two type of society as commercial and societal and mentions others only incidental. Commercial society is institutional with two elements of private property in means of production and regulation of production process by private contract or management (Schumpeter, 1997 p. 168).. Schumpeter's view is socialism can solve some innate tendencies of capitalism.

Fundamental and incremental innovation and their impact on competition parameters are ever changing. Institutional structure of a nation's political economy provides firms with certain advantage in activities. Many vibrant were forced under a result of state policies because of not having connection to the top level policy pyramid. Important institutional similarities among innovative communities like fluid horizontal networks, university linkage, and support of every level of governments is some of the key factors of firm's level success. The issue of innovation and its institutional co-requisites is of paramount importance even in political economies like Germany and Japan (Ibata-Arens, 2003).

Behaviour Political Economy (BPE) can be usefully applied to innovation policy. Some typical inefficiency in practical innovation policy can be associated with behavioural biases of policy-makers and citizens. As a possible remedy, it is argued that a more rule-based and less discretionary approach to innovation policy could reduce the harm done by biased individuals in the political sphere (Schnellenbach & Schubert, 2019).

## Discussion and Analysis

An entrepreneur is an independent social agent in the economy (Schumpeter, 1942). Entrepreneurship is the innovative process of seizing opportunities by launching a new business with new resource mobilization, and



managing for benefits. It is a departure for the way of life today. As innovator, entrepreneurs try untried technology based on new innovation (Agrawal, 2010). Innovation is an independent science free from any influence by any politics or any other social sciences. But how the attempt of the innovative entrepreneur is going for the business in the given socio-economic environment can be affected and mediated by the political economy is the basic theme of this paper.

Social innovation is emerging discipline and fast growing practice. Social innovation is distinguished from the business innovation in the sense that while the latter is focused on market and consumer need the former is driven by the unmet human needs in the society (Lettice & Parekh, 2010). Irrespective of business or social innovation, simply innovators are those individuals who innovates the new ideas, new product, new process of doing the things. Innovation and social entrepreneurship are intertwined.

Schumpeter was the pioneer of the idea that innovation and entrepreneurship is central to change and economic development. He described the entrepreneur as the agent of innovation (Ziemnowicz, 2013). For Schumpeter the corner stone of capitalism is entrepreneurship which is the source of innovation and driver of capitalist economy (Liberto, 2022).

Fundamental difference in the understanding and meaning of the traditionally understood entrepreneurship and social entrepreneurship is, in the former the entrepreneur tries to create product, services or process for which its consumer will pay while the current emerging phenomena of social entrepreneurship denotes an act of an individual creating product, process of services bringing benefit to the society encompassing changes in the social system which was not seen before, However, the understanding on the social entrepreneurship also seems to be different in different context, individual and institutions.

The rise of Social Entrepreneurship (SE) is influenced by the given political -economy context (Nurshafira & Alvian, 2018). Management Study Guide (MSG) publishing Factors Which Affects Entrepreneurship written by Juneja (2022) mention significant factors as political factors, legal factors, taxation, availability of capital, labor market, raw material and infrastructure.

As per Marx theory of historical materialism human society passes through six stages namely, primitive communism, slave society, feudalism, capitalism, socialism and the ultimate stateless communism. Marxist economic proposition says economic development is a process by which more value is generated. The value is generated by labor and the unpaid labor is the surplus value. The dialectical model of Marxism gives birth to contraction between the different social systems ultimately resulting into a change in the social system. Marx's structure of class relation has taken different form now in the world socio-economic situation has drastically changed than what he perceived on the basis of the situation he developed his theory. This theory analyses the transformation of society with integrating the economics and social sciences.

It is inevitable that society will change in a way that ensures that everyone has an equal chance to develop. The process of social transformation goes through several phases. Any social change cannot occur concurrently in a separate and diverse society in this diversified world. It's just a matter of time, which could be in hundreds or even thousands of years. Importantly, the trend of change over the long run is always toward gradual





transformation to capitalism, socialism and democracy; nevertheless for the short term, it is not necessary to assume that society cannot return to the previous system. In other words, fluctuations within or between the social systems that have been accepted may slow down the transformation process, but they cannot halt the gradual transition of the society. In Marxism the ultimate stage of the transformation results in communism (Nepal, 2018).

Schumpeter's Innovative theory entrepreneurship contradicts many propositions given by Marx regarding the social classes and their relation. It emphasizes on the social transformation through innovation and social entrepreneurship. Schumpeter's proposition that economics is to be separated from the social sciences and development of innovation and social entrepreneurs is an independently evolved science. It is hard to deeply and fundamentally contradict with this idea but also it is difficult to study particular economic phenomena regardless of the effects of other sphere of social sciences.

Sandal (2016) has given different structure of social classes and advocated that innovation comes from the elite class of people. Agrawal (2010) mention innovative successful entrepreneurs are found in the developed economies, because these individuals can try the untried idea, knowledge and technology to introduce new production methods, opens new markets and explore and exploit new source of raw material with aggressive experimenting. Analyzing economic-elite domination in testing theories of American politics covering elites, interest groups and average citizen, Gilens & Page, (2014) discussed economic, social, political and military elites. Elite class in the context of the study of social entrepreneurship not necessarily includes the economic elite. Sandal (2016) mention elite class person are not dependent on capital profit or wage earned and are not focused on the income or status based on man-made motivational system. These elite persons have no concern about slipping from the current elite class to desperate or deprived class, hence have flexible economic value. Elite class people can withstand with sharp economic upheavals or circumstances without giving up their fundamental value and principles which forms the basic structure of their life (Sandal, 2016).

Taking Nepal as case representing developing world at least in the case of south Asia innovator seems to have emerged from all of the economic classes. For example the from among case discussed in below paragraphs Gehendra Shumshere who belonged to economic elite class and was an army general and the son of the then prime minister of Nepal, . Excepting Gehendra all the cases relating to the innovator discussed below are not from the economic-elite class. However, from the new class structure as discussed by Sandal (2016) they seem to be regarded as the elite. It is important to mention that although the elite class is has expressly mentioned as potential of giving new innovation, the possibility of giving innovation by the starving and desperate class as well has not been denied. Following paragraphs analyses the findings of some cases from Nepal.

Achyutanand (*Biman Pundit*) was a really innovative person from a remote village of Nepal. Once he visited the then British India and saw the steam engine rail used for transport. His time was almost two hundred years ago at the time of autocratic Rana family regime were in absolute power and the king was also powerless. There was no people's representation. Soon after returning to home he was successful to develop a steam car



with applying the knowledge he observed while visiting India. The car was able to carry two passengers but that could not be preserved for future generation to observe. He was bankrupt due to investing of his own property for his innovation. Another innovator Gehendra Shumshere (discussed later) gave some amount to him to repay his loan. After receiving the amount, instead of repaying the old loan he started another project of making airplane first with steam engine. Later viewing the non-feasibility of such technique financially he started developing kerosene engine. Kerosene was also hardly available at that time in Nepal. After many unsuccessful attempts due to financial crisis he became insanely mad with no financial means and an innovative mind ended along with his life (Dhakal, 2020). Because of the failure in different efforts to innovate thing which would have proved noble for transformation of society, the case of *Biman Pundit* is almost a myth and a case of general knowledge only in Nepali society.

Gehendra Shumshere was from ruling Rana regime. He life time was from 1871 to 1906 (Wikipedia). He is known as an innovator in Nepali society for his designed firearm. He is also known as the first scientist even to a school child of Nepal. Born to noble Rana family he was given responsibility to handle the ammunition department of the army of Nepal at the age of 14 due to his interest to mechanics and ammunition. Boiler rice mill, wind motor to pump ground water and mechanical machine gun are few of his innovation. He also developed and showed the electricity generation first time in Nepal. It is a belief in the Nepali society that due to his influence in the military the then ruler were scared and he was believed to be murdered at his age of 35 (Wikipedia, 2022; JBR, 2008). Born in an economic elite class, Gehendra due to his core nature of an independent scientist lately became target of the then ruler and believed to have swung down from his economic status due to the conflict with then ruler. But from the view point of new class structure he remained in the elite class. He is still a theme for study along the Nepali history of a scientist being independent of political pressure and devoted to do something new to change the status of the society. However, the prevailing political system of the time had very adverse impact on his working.

Ram and Laxman Rimal who have now 50 innovations and obtained patent in five of their innovation including water flow control machine, electronic voting machine, Nepali voting machine, priority based electricity supply and GPS Nepal application. In an interview they expressed their view that stable government is necessary for prioritization of innovation and financing of research and development (Lama, 2017). Originally Ram and Laxman are from a remote area of Nepal. The successful entrepreneurship they are undertaking with the things they innovate is well known at least in Nepali society.

In an interview given to collegesnepal.com Mahabir Pun, a Nepalese social entrepreneur, teacher and an activist, who is among many of his innovations mostly known for wireless networking project in Himalayan areas of Nepal answering to a question relating to how governments can help replied government is responsible for nation building. So it is supposed to take a lead to manage idea brought by scientists, innovators and social entrepreneurs. Every developed country is doing that job which the government of countries like Nepal also can follow. Government needs to provide a platform to support the innovations (Colleges Nepal, 2022). In another interview given to a Mountain Forum Bulletin, Pun shared idea of the collaboration with the



educational institutions of the country and concerned ministry of the government of Nepal to utilize his project idea of ICT for rural development in Himalayas of Nepal by linking rural villages with tele-education and tele-medicine services (Mahat, 2009). His work as a scientist has been internationally recognized with awards including the Magsaysay award.

Sanduk Ruit developed a strategy of using inexpensive intraocular lenses to bring small-incision cataract surgery for developing world but seems to be too expensive for many cataract patients, so later developed a new intraocular lens which could be far cheaper. With this new innovation Ruit has restored sight of more than 120,000 people from Nepal and beyond. His achievement and contribution to the society with this innovation has been acknowledge with the Magsaysay awards from Philippines and other several awards in from across world including Australia and India.

Ruit, an individual originated from ordinary family of a remote district of north-eastern Nepal experienced that political cultural of Nepal is a hurdle not only in other sectors of the country, but it is degrading the situation in hospitals functioning as well. The networking of political parties and their strong sister organization are mediating the role in creating the hurdles. Rather than moving for hollow political ideology, there needs a strong statesmanship in the political arena which can bring our society with vision to sustain as a nation in the 21<sup>st</sup> century modern economy (Lamsal, 2014).

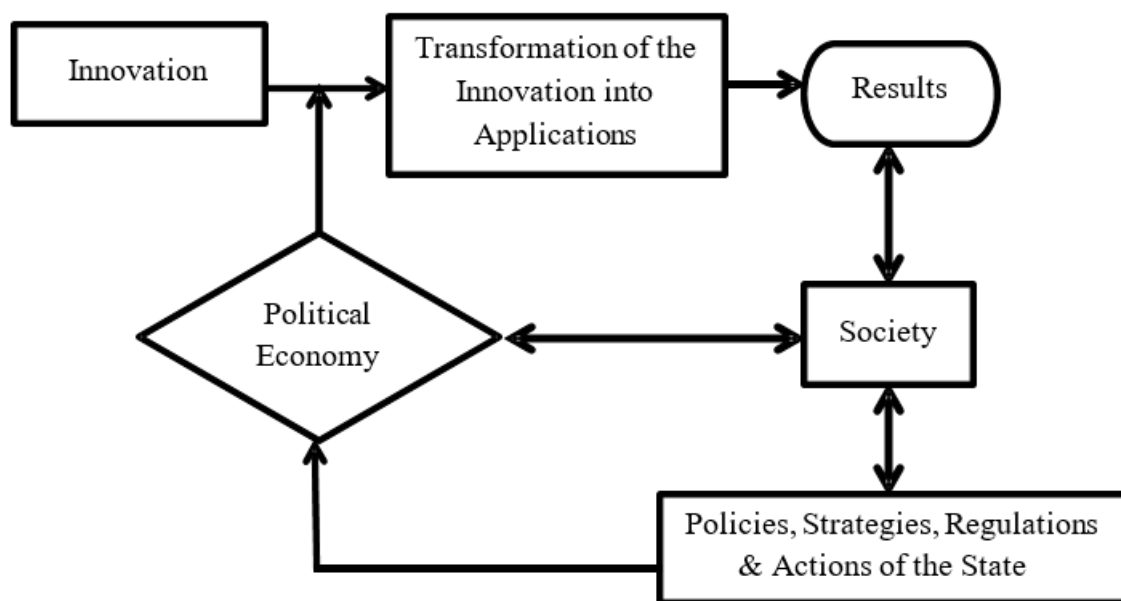
Innovation being an independent scientific behavior of social entrepreneurs is continued even in a situation of not-friendly environment of political economy. However, where political economy is conducive enough to promote such independent scientific behavior the pace of development of the society is faster (Nepal, 2020).

Explaining the source and social class from where an innovator entrepreneur may emerge is scarce. Sandal (2016) elaborating the three types of social classes of present day world mentions innovator come from the elite class of the society. But possibility of innovation from other social class also has not been denied. Elite class in this context not necessarily covers economic elite but individuals with core value of independent scientist. Sandal elaborates because of their focus of life on the personal and economic freedom as the basis for innovation; independent science and dynamism in societal changes elites are independent, self-administered and self-funded.

Innovation unlocks the social problems. Successful innovators can lead the society in a way that every individual chooses to go by the innovative idea, product or things. Internet in present day is the burning examples of the success of innovation and place held by the successful innovator in the society in terms of economic and social value and respect. Because the social innovators are highly creative, dynamic and committed individual innovation leads them to entrepreneurship.

Initially successful innovation can make an individual an entrepreneur. Continuity with innovation in the entrepreneurship makes the entrepreneur sustainable with opening doors for new opportunities. Creativity is the fundamental element for innovation. Innovative individual uses skills, ideas, models, process, product or thing in the existing situation of the society in order to change which according to Schumpeter is the process of creative destruction.

There is great debate on whether political economy can influence innovative behavior of an individual and his resulting action as social entrepreneur because of the success of his innovation. Review of literature and analyses of the cases revealed that social values, knowledge, skills and experience, motive of profit, innovative idea, social network and ethics, community rule and government policies are factors affecting the role of social entrepreneurs. Among several factors affecting the innovative behaviours policies of the government is the major factor immensely critical to promote the behaviour among the prospective entrepreneurs. Thinking innovation is independent but to implement the innovative knowledge and technologies an entrepreneur has to interact with the given ecosystem of the political economy. In other words, political economy can mediate between innovation and social entrepreneurship. The role has been expressed in the fig. 1.



**Figure 1.** Relation of Political Economy with Innovation & Resulting Social Entrepreneurship  
*Source: Author's illustration*

Fundamental proposition of the above presentation is when innovation is successful with experimentation by the innovator who himself tries to transform the new knowledge, idea, process and product into application. The successful result will turn him into an entrepreneur. When practical application of the innovation with successful results is put into the market or the society it should face various types of politico-economic challenges. As the state action always runs behind the new things coming into the society the state reacts with the new results in the market.

The positive tendencies along the framework of political economy can result as positive stimuli to the social entrepreneurs. Policies, strategies, regulations and actions of the state have impact over the new venture of the social entrepreneur. Conducive environment created by the state response will encourage innovation and will give him profit else the innovator may quit not only the venture but in an extreme situation he may disappear from the economic environment.



Trying to ground the Schumpeterian theory of innovation and indication given from the Nepalese cases discussed show that action of an individual to realise that innovation can be an independent scientific action. Whereas if the innovator jumps to the society with his new innovation it has to interact with given political economy as this determines success or failure of the business. Capitalism, as per the Schumpeterian proposition is fertile for innovation and capitalism would ultimately destroy due to its own success. Unlike Marxian theory, Schumpeterian proposition emphasize economic system eventually creating substantial intellectual class which live by attacking structure of private property and freedom that is needed for existence of itself. However, question pertaining to the types of political economy is also not found to be unanimous. Because innovations are claimed emerging in the societies which are not officially proclaimed as the capitalist, like China and other similar societies. Even in case of capitalism, as Ibata-Arens, (2003) mentions comparative political economy go beyond the 'East versus West' delves deeper into domestic and regional institutional complexities making different variants like liberal and neoliberal capitalism. As mentioned before, individual innovative initiation may be independent scientific action but institutional innovation can be affected by the political economy from the beginning itself. As an independent scientific activity individual innovation also has to come across the given environment created by the political economy.

## CONCLUSION

It is found that there is no debate about what innovation is and who innovators are. Pervasiveness of the concept of social classes and the underpinning concept of the activities of the classes and the relation between the classes is universal. The discussion on the Nepalese cases also reveals that economically elite class alone is not the sole source for emergence of innovators. Even though, theoretically innovators emerge from the elite category of the social class but the emergence of the innovations or the potentiality of innovation from the other social class is cannot be ruled out. Therefore, innovators may emerge from any of the social classes. Elite class in the context of innovation and social entrepreneurship shall be understood as the individual who not necessarily need to be from economic elite class but individual with basic value of being an independent scientist which is the fundamental of elite class studied under the new class structure.

Although capitalism is regarded as more fertile for innovation, there is debate and no unanimity about the type of socio-political system in which social entrepreneurship can blossom fully. In case of individual innovative action, it is an independent act to achieve something different and good for the social transformation. Individual initiations towards such achievements keep going amidst many obstacles including the environment of political economy. But this may not be always applicable for institutional innovation, which prevail more in the present day environment of innovation. Whenever the new innovation is taken into transformation to application it has to interact with the environment given under the specific political economy of the society. Business opportunities and problems cannot be isolated from resolving the issues related to the political economy. The context of the society or country specific policies, strategies, regulations and actions of the particular state mechanism have significant influence in putting the innovation into practical application



under an entrepreneurship. Social innovation and entrepreneurship by nature is spontaneous featuring independent initiation of an individual. But it is indicated from the findings that innovation blossoms in an open society whereas it shrivels in a controlled environment. Detail analysis on how these variables are interrelated to each other has been left for future studies.

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### Conflict of interests

The authors declare no conflict of interest.

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