Fair Trade Practices, Social Innovation and Social Impact: A Case of Mahaguthi Craft with A Conscience

Jeetendra Dangol¹, Kee-Seon Yoo²†
¹Public Youth Campus, Faculty of Management, Tribhuvan University, Nepal
²Handong Global University, Republic of Korea

This study presents the case of Mahaguthi Craft with a Conscience founded in 1984, a non-profit-distributing social enterprise that helps the marginalized small producers and generate employment. The main aim of this study is to evaluate fair trade practices, social innovation and social impact. This study is based on the primary data. This study analyzes data in the three different stages. First, evaluate the practices of fair trade by reviewing the existing documents, such as, self-declaration report of Mahaguthi and external social audit by World Fair Trade Organization (WFTO). That had been validated by an interview with the chief executive officer (CEO) of Mahaguthi Craft. Interview includes to evaluate social innovations and social impact Secondly, a structured survey questionnaire has been used to examine the social impact to beneficiaries, mainly, Mahaguthi employees. Results reveals that Mahaguthi has been following ten principles of Fair Trade practices very effectively. Product innovation, supply chain management innovation, technology innovation, new business model and business ecosystem innovations are key points to Mahaguthi for positive change of social welfare of marginal group of peoples. Additionally, this study finds the major five components for measuring their impact to Mahaguthi staffs, such as, economic, self-confidence, organizational goal, social and leadership impact. Fair trade practices are the first stage of social innovation and positive impact to society. This case study may be the best example to practitioners and academia for operating social enterprise for social change through generation of employment.

KEYWORDS: Fair trade, Social innovation, Social impact, Social enterprise, Mahaguthi Craft with a Conscience

Introduction

According to OECD (2013), social enterprises need to incorporate major three components, mainly, (i) entrepreneurial (revenue generation from business transaction); (ii) social (the pursuit of a social mission and delivery of goods and services to contribute in that mission); and (iii) governance (accountability, participation and transparency). Additionally, social enterprises should be able to integrate the social welfare and market, and add social values (OECD, 2013). Integration of the social welfare and market to create social values are the most important issue of the social enterprise. In this regard, social enterprises should be considered ethical business practices, innovative and forward-looking business models with a sufficiency-focused economy while taking care of people and the planet. Dangol and Chitrakar (2022) reported that absence of promotional social enterprise act, financing policies, and business support services are major challenges for promoting the sustainable and growth of social enterprises in Nepal. During the COVID-19, Fair Trade organizations have posed bigger challenges in achieving the SDGs since the pandemic has created challenges not only to the economic aspect but also to the health, education, safety and security of the communities (Dangol and Chitrakar, 2021).

Biggsa and Lewis explored Association of Craft Producers (ACP) in Nepal has integrated fair trade principles and practices into its operations and this has influenced its organisational innovation, growth, and sustainability over the course of 25 years. Similarly, Ribeiro-Duthie (2020) explained that the sustainability issues are progressively addressed by the fair trade movement. It indicates, fair trade movements should be considered as a major concern to achieve sustainable devel-
The main objective of the study is to examine the Fair Trade practices, social innovation and social impact to create a social value of Nepalese social enterprise, Mahaguthi Craft.

The next section states the brief introduction of Mahaguthi organization. Section three reviews the literature on the subject. The methodology of the study is discussed in the fourth section. The fifth section presents the results and conclusions. The last section provides the conclusion and implications.

**Brief Introduction of Mahaguthi**

Mahaguthi Craft With A Conscience a profit-not-distributing social enterprise was established in 1984 as a small income generating project of a foundation. Initially it started its operation by selling fabrics made by the trainees of the foundation, later it extended its services and networks with small artisans, producers in various parts of Nepal. The founder board of trustees had envisioned it as a dynamic organization that uplift the livelihood of women and marginalized communities of Nepal through craft making.

Mahaguthi Craft with Conscience is a Fair Trade and non-profit-sharing company established to provide socio-economic empowerment to the people especially women through Fair Trade. In another word, Mahaguthi is empowering people through income generation and capacity development. It promotes small artisans and producers promoting local resources, culture and crafts keeping fairness in heart and mind and professionalism on hands. It has been working with around 1,000 individual craft producers and groups around the country and 80% of them are women. Being the founder member of Fair Trade Group Nepal, and member of World Fair Trade Organization Asia and Global, it practices, promotes and advocates Fair Trade at national, regional and international levels. Mahaguthi is producer as well as exporter organization. It has own production as well as work with different producer groups.

Regarding governance and operation structure, Mahaguthi has a voluntary board of directors elected from AGM and elected board appoints CEO runs the operation. 100% profit reinvested as it registered as profit-not-distributing company. It reinvests its earning on capacity building, sustainable livelihood projects and so on.

1. **Vision**
   Economic and social progress for equity, justice and peace.

2. **Mission**
   Establish Mahaguthi as a BRAND for sustainable Fair Trade enterprise that promotes economic, and social well-being of producers, artisans and disadvantaged communities. It practices and promotes values of equity and justice. It builds capacity for quality, innovation, competitiveness and customer focus while promoting its products and services both locally and internationally.

3. **Objectives**
   - Promote sustainable livelihood opportunities for small artisans and marginalized communities
   - Foster the growth of microenterprises by strengthening their connections in both the upstream and downstream sectors of their industries.
   - Enhance the skills and capabilities of small artisans and community groups to elevate their performance levels, emphasizing improvements in both quality and quantity.
   - Support and preserve traditional culture, art, and artisanal practices by innovating and creating new products using traditional skills and resources.
   - Champion and actively engage in fair trade practices as a means to drive sustainable trade development, advocating for equitable economic interactions.
   - Contribute to SDG 2030 by generating employment opportunities for women and other marginalized communities

4. **Governance**
   Legal Status: Company profit not distributing (100% profit reinvested in business and community)

5. **Governing Board**
   The board members are volunteers except the CEO.
   - Ms. Maggie Shah, (President) – Entrepreneur, philanthropist and founder “Women Enterprise Association Nepal (WEAN)
   - Ms. Rita Thapa, Founder President and current board member – Feminist Activist, Philanthropist who had established “Tewa Foundation”, “Women Enterprise
Association Nepal (WEAN) and “Nagarik Awaj”

- Mr. Bhai Raja Bajracharya, Board member – Retired school principal and founder member
- Ms. Saraswoti Joshi, Board Member – Retired Auditor from Tribhuvan University
- Ms. Sarita Tuladhari, Board Member – Entrepreneur
- Mr. Krishna Kumar Gurung, Board Member – Social Entrepreneur
- Mr. Sunil Chitrakar, PhD, CEO/ MD – Social entrepreneur, educator

Management Team is led by CEO and staff members who have long work experiences.

6. Key Affiliation
- Founder Member of Fair Trade Group Nepal
- Member of World Fair Trade Organization, now Mr. Chitrakar is serving and Board of Director

7. Main Activities
- Production of Handmade goods such as garments, home décor, gifts etc.
- Capacity building of small artisans by providing training, financial support, market access, product development, and social campaign.
- Advocacy and lobbying for Fair Trade, Sustainable livelihood, SDG 2030 and social enterprise.

Literature Review

1. Fair trade and social enterprise

The WFTO Guarantee System (GS) integrates both Fair Trade and social enterprise validation into a single framework. Its purpose is to authenticate that an enterprise is guided by a mission, prioritizing the well-being of its producers, evident in the organization’s structure, systems, and operations. Developed by experts and innovators within the Fair Trade movement, the system aims to be trustworthy, transparent, and cost-effective.

WFTO outlines 10 Principles that Fair Trade Organizations are required to adhere to in their daily activities. The organization conducts monitoring to guarantee the adherence to these principles. The principles encompass aspects such as (i) fostering opportunities for economically disadvantaged producers and (ii) promoting transparency and accountability; (iii) Fair trading practices; (iv) Fair payment (fair price, fair wages and local living wage); (v) Ensuring no child labor and force labor; (vi) Non-discrimination, gender equality, freedom of association; (vii) Ensuring good working conditions; (viii) Providing capacity building; (ix) Promoting fair trade; and (x) Climate action and protection of the environment (wfto.com).

Fair Trade businesses are not only practical but also attractive. They have introduced innovative business models that prioritize the well-being of people and the planet. These enterprises emphasize their social mission while ensuring commercial sustainability. In this pursuit, Fair Trade businesses serve as an alternative to the conventional focus on maximizing profits. In other words, Fair Trade enterprises show an alternative business model which can help to care for small producers, workers and other stakeholders. Fair Trade enterprises together are focused on the mission of Fair Trade. They are always focused on eliminating inequality and reducing poverty to achieve the sustainable development goal.

WFTO community has reached 410 members across the five regions from 83 countries (Annual report, 2022, WFTO). Fair Trade Group Nepal (FTGN) is one of the members of WFTO. The FTGN has 31 member organizations, more than 10,000 low-income producers, more than 45,000 individuals benefiting through Fair Trade activities covering more than 30 districts. FTGN member organizations exported to more than 25 countries in North America, Europe, and Pacific Asia (Annual Report 2022, FTGN).

Additionally, one of the member organizations of the FTGN is Mahaguthi Craft with a Conscience, which is the best example of the social enterprise in Nepal. In Mahaguthi, workers and producers were involved in management decision-making. The workers and producers can share their ideas during their periodic meetings as well as during the planning and review workshops. These activities are helpful to prepare future plans, set organizational goals and a way forward.

2. Social innovation and social enterprise

Social Innovation Europe (2013) characterized social innovation as novel concepts, institutions, or methods that address social needs more efficiently than current approaches. Likewise, OECD (2010) described social innovation as efforts to enhance the well-being of individuals and communities through employment, consumption, or participation, aiming to
offer solutions for individual and community challenges. These definitions underscore that social innovation involves introducing fresh ideas to address social issues. According to Micheli (2012), the fundamental characteristic of social innovation is the concept of resolving social problems, with the requirement that it enhances and transforms the lives of those in need. Moreover, it should produce a beneficial social outcome, propelled by a combination of social and economic incentives, and possess qualities of being innovative, scalable, and enduring. Trott (2008) and Schilling (2008) described different typologies of innovations, such as, product innovation, process innovation, organizational innovation, management innovation and marketing innovation.

3. Social impact and social enterprise

According to OECD (2015), social impact measurement aims to assess the social value and impact produced by the activities or operations of any for-profit or non-profit organization. In this regard, social enterprises are designed to address the social challenges. Therefore, social enterprises are expected to create social value with positive social impact. Clifford (2014) defined social impact with explaining four key elements: (i) the value creation of someone’s activity, (ii) the value experienced by beneficiaries, (iii) positive and negative affect and (iv) an impact that is judged against a benchmark of what the situation would have been without the proposed activity. Mary et al. (2018), Ebrahim and Rangan (2010) highlighted organization produces several types of impact, such as, economic impact, social impact, political and cultural impact.

Research Methods

This study used qualitative as well as quantitative research design, mainly, description and narrative in nature. Mahaguthi was selected as a case study for the four reasons. Firstly, it is dedicated to identify and develop new products in-house as well as in small producers, mainly, garment products including fashion items and handicrafts. Secondly, it is a member of the Fair Trade Group Nepal and practices fair trade following ten principles of WFTO. Thirdly, Mahaguthi has been widely recognized for being socially engaged towards the environmental and social community. Lastly, social innovations are addressed to develop new products and sales in local as well as abroad. It creates a positive social impact that has been widely recognized at international level.

This study analyzes data in the three different stages. First, evaluate the practices of fair trade by reviewing the existing documents, such as, (1) self-declaration report of Mahaguthi, (2) peer review report, and (3) external social audit by World Fair Trade Organization (WFTO). Second, an interview had been conducted to the chief executive officer (CEO) of Mahaguthi Craft to evaluate social innovations and social impact. Lastly, a structured survey questionnaire has been used to examine the social impact to beneficiaries, mainly, Mahaguthi employees.

Results and Discussion

1. Measuring Fair Trade Practices of Mahaguthi

Mahaguthi is a founding member of Fair Trade Group Nepal in 1993 and member, World Fair Trade Organization. The study evaluates the practices of fair trade by reviewing the existing documents, such as, (1) self-declaration report of Mahaguthi, (2) peer review report, and (3) external social audit by World Fair Trade Organization (WFTO) considering ten Fair Trade principles (www.wfto.org). Additionally, for validation, an interview has been conducted to Dr. Sunil Chitrakar, Chief Executive Officer (CEO), Mahaguthi.

#Principle 1: Creating opportunities for economically marginalized producers

The organization's core objectives include alleviating poverty through trade. It provides assistance to economically disadvantaged producers and employees. In this regard, Mahaguthi is providing higher wages than the minimum wage rate set by the government, which is known as local living cost. Additionally, health insurance, festival allowance and interest free loan are also provided to their small producers and workers.

Chief Executive Officer (CEO), Mahaguthi claimed that “clearly articulated mission statement and objectives that support Fair Trade practice, promote and advocate Fair Trade at regional, national and international levels. Website, brochures, leaflets communicate and make people aware about Fair Trade. We engage actively in the Fair Trade promotion campaign.” In addition, he argued that “we make them aware about Fair Trade principles during visit and also organize
small meeting groups where we tell them about the role of Fair Trade”. It shows Mahaguthi is advocating Fair Trade. They are working with backward and grass-root producers which helps them gain more work opportunities and sustain their livelihood. Mahaguthi actively searches for communities that need support, mainly, marginalized ethnic groups, women, and disabled people. They prefer the inhouse producers as priority is given to women. They search potential producers/ artisans through FTG Nepal networks and livelihood promotion programs. The CEO mentioned that Mahaguthi is preserving cultural identity and heritage, creating employment at local level and creating economic opportunities at local level. These activities reduce income insecurity and poverty to social and economic empowerment.

#Principle 2: Transparency and accountability
The organization maintains transparency in its management and business relationships. It upholds accountability to all stakeholders while valuing the confidentiality of commercial information. In this issue, the CEO described that they have defined organizational and governance structure with a credible accounting system. They conduct AGM on a timely basis and board meetings as per requirement. The board of directors are voluntary and provide their time, energy and networking free of cost for the organization and benefit to the marginalized communities. They fulfill all compliance with government rules on tax, auditing, annual updates at company registrar's office and other as required. Additionally, annual reports, cost calculation, business information, producers and production supply chain related information are shared among the members, board members, Fair Trade Organizations (FTOs), trading partners, artisans and producers. Mahaguthi provides annual highlights which includes the fair trade aspects and impacts to the general public and customers.

Mahaguthi also provides a platform to internal and external producers to attain planning workshops, review workshops, staff and management meetings and group discussion. These activities show they have an effective internal communication system with workers and/or producers as well as suppliers of Fair Trade products.

#Principle 3: Fair trading practices
The organization engages in trade with a commitment to promoting the social, economic, and environmental welfare of economically disadvantaged producers and workers, prioritizing their well-being without maximizing profits at their expenses. In this issue, CEO, Mahaguthi shared that they focus on innovation, creating value, and supporting other purpose-driven organizations. Additionally, he claimed that “we do not engage in anti-competitive or unethical practices. We do not copy competitors. We do not sell products at a loss to force competitors out of the market. We do not collude with competitors to fix prices. We do not spread false information about competitors”. It indicates, Mahaguthi is conscious of innovation and ethical business practices, and creating social value.

#Principle 4: Fair payment (fair price, fair wages and local living wage)
According to WFTO, a fair payment is one that emerges from continuous dialogue and active participation, mutually negotiated and agreed upon by all parties. It ensures equitable compensation for producers and aligns with market sustainability, with due consideration for the principle of gender equality in pay for equal work. The ultimate goal is to provide fair payment, consisting of fair prices, fair wages, and local living wages.

In this issue, Mahaguthi is paying equal pay for equal work. The CEO explained that “we set wages based on performance, not gender or other social categories and we pay local living wages that enable all workers to live comfortably within the community”. Current wage payment in Mahaguthi is above minimum government wages. Additionally, they are paying for medical and other facilities.

#Principle 5: Ensuring no child labor and force labor
Nepal's Child Labor (Prohibition and Regulation) Act of 2000, enacted by the Government of Nepal, sets the minimum working age at 14 years and identifies hazardous work as permissible only for those aged 16 and above. Both the Child Labor Prohibition Act of 2000 and the Children's Act of 1991 explicitly forbid forced labor and practices akin to slavery. However, it is worth noting that the minimum age for hazardous work does not align with international standards and does not adequately safeguard the well-being of adolescents aged 16-17 by permitting them to engage in work that may jeopardize their health and safety. In this regard, everyone has to provide the photocopy of their citizenship while joining.
Mahaguthi, which helps to verify the age and to keep its record. It shows Mahaguthi is free of child labor.

#Principle 6: Non-discrimination, gender equality, freedom of association

According to WFTO, the organization maintains a non-discriminatory stance across all aspects of employment, including hiring, compensation, training accessibility, promotion, termination, and retirement. Discrimination based on factors such as race, caste, national origin, religion, disability, gender, sexual orientation, union affiliation, political beliefs, HIV/AIDS status, or age is strictly prohibited. Furthermore, even in informal employment arrangements involving women, the organization ensures equal compensation for equivalent work. It acknowledges and upholds the comprehensive employment rights of women, with a firm commitment to guaranteeing that women receive their complete statutory employment entitlements.

In this regard, the CEO claimed that their commitment to “No discrimination” in employment is expressed and communicated in our company law, rules and regulation guidelines in written format. In Mahaguthi, all wages and salary sheets are in written format and accessible to all their workers and producers/artisans. They are providing equal wages and benefits to male and female workers. They select producers or producers’ groups on the basis of product line, product, and quality. The majority of the workers are female (around 80%). Similarly, 90% of artisans are women, where HoD and immediate supervisor is women. It indicates, Mahaguthi is an organization where non-discrimination, gender equality, and freedom of association are the main pillars of the organization towards their social goal as well.

#Principle 7: Ensuring good working conditions

The organization should provide a safe and healthy working environment for workers and producers. In this issue, Mahaguthi has an annual health and safety assessment. CEO describes “Our in-house production manager is responsible for Health and Security issues. Our supervisors are trained and the direct manager is aware of relevant risk areas and risk prevention. During our in-house drill and training, we encourage our workers to identify and address risks of their own workplace”. They have installed fire extinguishers in the workplace, workshop and shops. They regularly check electric installations and equipment for minimizing workplace accident risk.

In addition, they provide personal protection gears to workers and adequate training to use and handle chemicals, safe storage and product safety information. All machinery and tools are up to date. They check them very frequently by trained technicians. They have designated well trained staffs to run those machinery and tools to prevent accidents and incidents. The CEO said that “we provide jar and bottled water to our staff and workers with signs. We provide separate toilets for male and females with signs on them. We have emergency first aid kits available in our office and factory premises at easily accessible places. They have to wear all protective equipment which are mandatory by our guidelines”. All these provisions and practices ensure that Mahaguthi have good working conditions with safety measures.

#Principle 8: Providing capacity building

The Fair Trade organization consistently strives to enhance the positive developmental outcomes for economically disadvantaged producers and workers through the principles of Fair Trade. According to CEO, Mahaguthi, they make regular assessments of the training needs of their workers and producers. They organize annual meetings to plan the required training and allocate the required budget from BODs meetings. He claimed that “we organize/arrange regular training programs for our FT suppliers. We encourage them to participate in training organized by FTG Nepal, Federation of handicraft Association of Nepal. We help them to take part in different B2B meetings/trade fairs/expo at national and international level to expand their business and market”. It indicates, Mahaguthi provides greater effort for providing capacity building to their workers and small producers, which fulfill the guideline of WFTO.

#Principle 9: Promoting fair trade

As per WFTO, the organization fosters awareness about the objectives of Fair Trade and advocates for greater justice in global trade through Fair Trade practices. In this issue, CEO, Mahaguthi said that “We promote Fair Trade as a core principle of our business. We don’t generate any fake information and news through our brochure, website, and social media. We promote WFTO and its principles through our business practices. We promote WFTO and its principles through social
media, website and brochure, and in-store banners. We have an annual activity for women rights and women's role. We organize an in-house event to mark International Women's Day. We take part in various campaigns / rallies / advocacy to raise awareness and to educate about Fair Trade. We participate in World Fair Trade Day by organizing an Open House in our retail outlets, we launch our new collection during that event to celebrate WFTO's Day. We take part in various events organized by Fair Trade Group Nepal”. It indicates Mahaguthi is a dedicated Fair Trade organization.

#Principle 10: Climate action and protection of the environment
Organizations that produce Fair Trade products maximize the use of raw materials from sustainable managed sources. CEO, Mahaguthi said that “during our operations we care for ground water and open water sources. We are aware of the reuse and recycling of water sources. We have taken steps to reduce our external water use, such as rainwater harvesting and on-site water treatment”. Similarly, they are aware of legal requirements in waste management and prevention of soil contamination. They have a waste management plan and waste water treatment plant to prevent soil and water contamination. They recycle and upcycling to waste production and try to be almost zero waste.

2. Measuring Social Innovation of Mahaguthi
This unit is based on an interview with Dr. Sunil Chitrakar, CEO, Mahaguthi on August 15th, 2023 at his office, Satungal, Kathmandu. The interview was approximately one hour. A spreadsheet was created using the responses provided by the interviewers during the recorded interviews. Alongside capturing the interview sessions, detailed notes were taken regarding the important points articulated by the interviewees. These notes, in conjunction with the audio recordings, underwent multiple rounds of analysis, with selected quotes extracted to emphasize the interview's key insights. Consequently, a systematic qualitative content analysis approach was applied during the analysis process.

He said that “Fair Trade innovates, values creation”. It indicates the concept of Fair Trade itself-innovation which is always focused on creating value. When asked about Mahaguthi and the social innovation process, he said that “when Mahaguthi had started its work there were not many NGOs nor government programs and private sector’s interventions, especially the economic resilience of marginalized producers. Being an NGO, it had adopted a business model to create economic opportunities, which itself was a business model innovation. Despite the legal ambiguity at that time, it had continued its business linking those producers to the market. The business model puts the people first before profit. It was driven by the mission to empower people economically”.

He also added, “Mahaguthi works with communities, producers and artisans; it assesses local resources and adds value to make the product marketable and with its embedded business development services such as financing, capacity development, product development”.

Regarding production innovation and market value, he argued that “product innovation has been a part of continuous growth and expansion. Market value is added on the indigenous skills and resources to make the product marketable, e.g., Mithila painting, once ritual art of the Mithila community turned into a lifestyle-products that has transformed the whole community promoting their identity, and their livelihood opportunities”. In addition, he explained “we have been taking business risks, investing in skills, technologies and communities and creating a market for the products produced by small artisans. We have invested to turn the artisans into small enterprises giving them business skills and linking their products to the market”.

“Staying in business for four decades is a constant battle and a hercule’s task. One of the most challenging tasks is to match the marginalized community’s products to a highly demanded competitive market. We work with the community, which is less fortunate in terms of resources, skill and knowledge and we try to produce high quality products to meet the demand of the world market, which needs lots of product innovation, process innovation and creative marketing efforts. Innovation has been a daily task”.

“We try to understand the market and their needs. We add value on the skills and products of our artisans and producers to create value for the customers. In this process, we not just do product innovation, but also provide training, technology upgrade and provide business skills to our artisans and producers”.

It indicates that Mahaguthi creates social value through social innovation from the very beginning. Product innovation, supply chain management innovation, technology innovation,
new business model as well as business ecosystem innovations are key points to Mahaguthi for positive change of social welfare of marginal groups of peoples.

Regarding social enterprise, fair trade, social innovation and social impact, he shortly opined that “At Mahaguthi, a social enterprise, I feel honored in sharing smiles, being able to contribute in creating opportunities for many people. It has all been possible with our common understanding from South to North that Fair Trade works. It works today and will work tomorrow. Let’s make things happen. Together we make a difference”. It is shown that fair trade practices generate different types of innovations, which can create social value in the society as social impact to workers, marginalized small producers and customers.

3. Measuring Social Impact of Mahaguthi

This study measured the value experienced by beneficiaries, mainly, employees of Mahaguthi. Data was collected through

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<tr>
<td><strong>Organizational goal</strong></td>
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<tr>
<td>1</td>
<td>I am happy with working environment of Mahaguthi</td>
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<td>I am able to contribute to individual and community through my work in Mahaguthi</td>
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<td>19</td>
<td>Saved and protected from human trafficking</td>
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<td><strong>Leadership impact</strong></td>
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<td>I get opportunity to enhance my capacity in Mahaguthi</td>
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<td>16</td>
<td>Stopped or prevented migration</td>
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<td><strong>Economic impact</strong></td>
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<td>6</td>
<td>Mahaguthi ensured me regular and steady income</td>
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<td>8</td>
<td>I have increased access to job opportunity</td>
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<td>9</td>
<td>Mahaguthi made me economically empowered</td>
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<td>10</td>
<td>I am able to develop myself as entrepreneur</td>
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<td>11</td>
<td>Enabled access to buy quality product for daily consumption</td>
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<td>12</td>
<td>I am able to open bank account and transact in bank</td>
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<td>13</td>
<td>I am able to buy insurance polies to my families</td>
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<td>14</td>
<td>I am able to provide quality education to my children</td>
<td>.679</td>
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<td>15</td>
<td>I am able to bought quality health care/Better treatment</td>
<td>.753</td>
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<td>18</td>
<td>I ensured to provide and eat quality food to my family</td>
<td>.698</td>
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<td>26</td>
<td>I experienced that I am able to contribute economically to my society</td>
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<td><strong>Social Impact</strong></td>
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<td>21</td>
<td>Increased my dignity</td>
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<td>23</td>
<td>I am able to establish and obtain own right in family and community</td>
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<td>I am able to raise voice for own right and arguments</td>
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<tr>
<td><strong>Self-confidence</strong></td>
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<td>I am proud to work with fair trade group organization Mahaguthi</td>
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<td>4</td>
<td>I am confidence that Mahaguthi always involve for the innovation</td>
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<td>7</td>
<td>I am empowered in compare to past</td>
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<td>20</td>
<td>Increased the confidence working at Mahaguthi</td>
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<td>22</td>
<td>Increased knowledge about awareness/conscious on the right</td>
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<td>25</td>
<td>Personally, my attitude is changed positively</td>
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physical distribution of questionnaires and collection on the same day (August 15, 2023) at the Mahaguthi office. It reduces the non-response bias. This study designed a survey tool consisting of 26 statements. The questionnaire comprised 26 items presented in a closed-ended format, utilizing a 5-point Likert scale for responses, where, 1 for “strongly disagreed” and 5 for “strongly agreed”. The study deals with content validity. The questionnaires have been finalized after a small sample of pre-testing that involved five undergraduate students.

Respondents’ Profile
This study is based on 51 responses from 59 in total employees. Regarding the respondents, fourth-fifth of the respondents are female indicating female employees are predominating the organization to their counterpart male employees. This result indicates that female is actively participating in the initiatives of social enterprises. Among of them, the average experience in Mahaguthi is 16.33 years. Similarly, average age of the employees is 44 years. Average age and experiences of Mahaguthi’s employees show that Mahaguthi is the attractive to their employees and staff turnover is very low. Majority of the respondents are factory workers, who work on garments and textiles, and hand-made papers products at Mahaguthi factory, Satungal, Kathmandu.

Goodness of Measures
The factor analysis has been performed to determine the unidimensionality of constructs and validity of questionnaire (Williams et al., 2010). This study used factor analysis with Principal Components Extraction and Varimax rotation. As for factor analysis of the independent variables, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO-MSA) is .811; while the Barlett’s Test of Sphericity is significant at 1 per cent level of significant (p-value < 0.01). Furthermore, the cumulative percentage of variance explained is 79.13 per cent.

Table 1 presents the factor loadings (value more than 0.52) of the items in five independent variables with Eigen value more than one. Items were successfully loaded into their respective factors. This study finds the major five components for measuring their impact to Mahaguthi staffs. The first component is economic impact (Eigen-value = 15.690) with eleven items, The second component is self-confidence (Eigen-value = 1.398) with six items. The third component is organizational goal (Eigen-value = 1.377) which consisted of three items. The fourth component is social impact (Eigen-value = 1.076) and fifth components is leadership impact (Eigen-value = 1.033) with two items.

Table 2 shows the results of an inter-item consistency analysis. The Cronbach’s alpha (α) values of all five variables are greater than the 0.70. It indicates that these social impact variables are considerable for further analysis.

Mean, Standard Deviation and Pearson Correlation
Table 3 depicts the mean, standard deviation and correlation among the social impact variables (leadership impact, organizational goal, self-confidence, social impact and economic impact). Among the social impact variables, the leadership impact (mean = 3.774, SD = 0.802) is highest rated by the
respondents, followed by organizational goal (mean = 3.771, SD = 0.881). Similarly, in the third rank rated by respondents is self-confidence (mean = 3.765, SD = 0.701), and in the fourth rank social impact (mean = 3.721, SD = 0.689). The respondents rank economic impact (mean = 3.517, SD = 0.803) is in the fifth. The results indicate that Mahaguthi’s employees are more focused on their leadership development and decision-making activities. They are also understanding the organizational goal to create social value of Mahaguthi using their own self-confidence. This may be happened due to regular capacity development training programs to Mahaguthi staffs. They are getting their local living wages and fringe benefits including insurance and medical facilities.

Clifford (2014) explained four key elements of social impact. Out of four social impacts, this study focuses social impact related to the value experienced by beneficiaries, mainly, employees. Similarly, economic impact, social impact, political and cultural impact are the major social impacts created by social enterprises (Mary et al., 2018; Ebrahim and Rangan, 2010). But this study identifies five social impact variables, such as, leadership, organizational goal, self-confidence, social and economic impact. Which may be help for the future research in the area of positive impact to society and social value creation.

Pearson correlation has been calculated to determine the strength and direction of association between pairs of variables. All pairs of variables are statistically significantly positively correlated at 1 per cent level of significant.

Conclusion and Implications

This study was performed to measure fair trade practices, social innovation and impact of the Nepalese social enterprise, Mahaguthi Craft. The result indicates that Mahaguthi is practicing ten fair trade principles very effectively. The fair trade principles are issued by WFTO. Regarding validation, there are three different stages. First, WFTO receives and reviews the self-declaration of social enterprise organization, Second, WFTO conducts peer review and in third stage, performs social audit. Effective implication of fair trade practices help Mahaguthi to create social value. In conclusion, fair trade organizations can play a greater role to create social value addressing poverty alleviation of marginalized producers and workers; reducing market inequalities; protecting environment; enabling fair work conditions; promoting responsible consumption and production.

Mahaguthi is operating using innovative activities in the social business. Mahaguthi succeeded to create social value for positive change of social welfare of marginal groups of peoples because of social innovation in different areas, mainly, product innovation, supply chain management innovation, technology innovation, new business model, business ecosystem innovations.

Economic, self-confidence, organizational goal, social and leadership impact are major factors to measure social impact to Mahaguthi staffs. Fair trade practices are the initiation stage of social innovation and positive social impact. Mahaguthi creates social value through fair trade practices, social innovation and positive social impact to their employees, marginalizing suppliers and society.

This paper has both theoretical and practical implications. Theoretically, it highlighted the importance of fair trade practices, social innovation and impact to society. Organizations need to understand the importance of fair trade practices to their stakeholders. Practically, this study places the importance of social entrepreneurship including fair trade, social innovation and social impact related courses in graduate and undergraduate programs. These courses help students to enhance their entrepreneurial knowledge, skills and competencies focusing on their society and social value. Thus, this case study may be the best example to practitioners and academia for operating social enterprise for positive social change through generation of employment. Additionally, this study helps to understand the current status of developing countries related to fair trade practices and its effectiveness, social innovation and impact. More research in this area may help to find out new direction in the future.

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