



TITLE: Social Business in Bangladesh-A study on Grameen Bank

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Abstract: Social business is cause driven business and it is a process that bridges an important gap between business and benevolence. The present study aimed to contrast Conventional business with Social Business as defined by Prof. Muhammad Yunus. In accordance to that aim, primarily background of the social business has been described. Then, the main arguments in regard to both subjects have emphasized. Subsequently, the main differences between Conventional business and social business have been identified. The study also depicted the first endeavors to create such business with in Grameen Group. This paper attempts to overview of the idea, discuss current practice of social business in Bangladesh; and compare social business model with other existing business models.

Keywords: Social business, Poverty alleviation, Grameen Danone ,Social business model.

1. INTRODUCTION: Bangladesh is the birth place and leader of social business. Nobel Peace Prize Laureate Professor Muhammad Yunus developed the concept of 'social businesses. Social business is originally developed in the context of poor countries. The social business storm began with the foundation of the Grameen bank back in 1976. The Grameen bank was established to provide microcredit to poor people as an alternative to the conventional banking techniques. The aim behind this idea is giving opportunity to solve their social problem by encouraging them to be an entrepreneur. Though Grameen Bank took three decades to receive full global recognition, the model has in fact strongly influenced the way of thinking in the banking, development, and non-profit sectors – promoting the idea that entrepreneurialism, rather than charity, was the way to overcome mass poverty. Based on his experiences with Grameen bank and pro-poor business in Bangladesh, Muhammad Yunus started to promote the idea of social business and define the concept: Social business is a cause- driven business. In a social business, the investor/owners can gradually recoup the money invested but cannot take any dividend beyond that point. Purpose of the investment is purely to achieve one or more social objectives through the operation of the company; no personal gain is desired by the investors. The company must cover all cost and make profit, at the social objectives, such as health care for the poor, housing for the poor, financial service for the poor, nutrition for the poor, malnourished children, providing safe drinking water, introducing renewable energy, etc. in a business way (Yunus,2007). It has three key characteristics-- it looks to solve social problems including all forms of poverty; it should not incur losses and it has to be sustainable; and any surplus or profit generated by the social business are to be reinvested into the business. Investors or shareholders will not get any share of the profit; however, they will get back their initial investment (Yunus and Weber, 2007, Yunus and Jolis, 2007, Hoque, 2011).

2. OBJECTIVES: The main objective of the study is to evaluate the social business scenario in Bangladesh. The specific objectives of the study are as follows:

- i. To analyze the welfare implications of the social business;
- ii. To compare the social business with other business models;

3. METHODOLOGY OF THE STUDY:

Data and information: This article is based on information collected from various secondary sources including books on social business authored by Dr. Muhammad Yunus, different articles on social business, business ethics and social responsibility, and a few related websites.

Analytical framework: The analysis will be mainly based on description. In case of necessity, simple tabular presentations may appear. Statistical and econometric analyses are not feasible options due to the fact that the social business is a new concept and necessary data are not yet available.

4. THEORETICAL FRAMEWORK:

i).Concept of Social Business

Social business is a cause driven business. In a social business, the investors/owners can gradually recoup the money the money invested, but cannot take any dividend beyond that point. Purpose of the investment is purely to achieve one or more social objectives through the operation of the company; no personal gain is desired by the investors. The company must cover all cost and make profit, at the same time achieve the social objective, such as healthcare for the poor, housing for the poor ,financial service for the poor ,etc. in a business way.

ii).Two different types of social businesses:

Type-I (Yunus et al., 2015) social business is non-loss and non-dividend and focuses only on business dealing with social objectives. Product may be produced for the benefit of the poor to solve social problem; i.e Grameen Danon has produced —Shakti Doi|| (Yogurt) which is fortified with vitamins and other nutrients for the poor children (in Bangladesh) who suffer from malnutrition. Type-I business is owned by investors and they will reinvest all its profit to expand and to improve the business and, as mentioned earlier, investors will get back their initial invested amount (Yunus and Weber, 2007a, Yunus and Jolis, 2007b, Hoque, 2011).

Type-II (Yunus et al., 2015) social business is profit making company, which is owned by the poor and disadvantaged either directly or through trust. They can gain through receiving direct dividends or through any other indirect benefits; such as, the product can be produced by the poor people but exported to an international market while net profits would go towards workers' benefits.

iii).Seven principles of Social Business (Yunus -2008):

1. Business objective will be to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization
2. Financial and economic sustainability
3. Investors get back their investment amount only. No dividend is given beyond investment money
4. When investment amount is paid back, company profit stays with the company for expansion and improvement
5. Environmentally conscious
6. Workforce gets market wage with better working conditions
7. ...do it with joy

5. SOCIAL BUSINESS -The CONCEPT EMERGES IN BANGLADESH

Bangladesh is noted as leader in Social Business. Organizations including and BRAC are long-standing innovators in the market and are beginning to export their expertise to other developing countries. More generally, the Bangladesh economy grows at approximately 6% per year, primarily through private sector growth rather than from natural resources, and whilst this figure could perhaps be increased to 8-9% it is not clear that the economy could accommodate significantly higher growth levels than that. It is apparent then that there is no fundamental policy failure in Bangladesh. Social enterprise and conventional business are able to start and grow at a rate much faster than comparable developing countries. The policy emphasis should therefore simply be to remove the remaining barriers to social and conventional entrepreneurship, to ensure that the benefits of growth are delivered to marginalized people, and to ensure that growth is economically, socially and environmentally sustainable. The level of private sector activity can probably not much faster, what is required is a greater quality of activity which directly targets equitable and sustainable economic and social development. Social entrepreneurship can significantly contribute to such an objective.

Grameen Bank and BRAC are the two best examples of Social Business Enterprises in Bangladesh. An example of SBE can be Grameen DANONE's 'Shokti Doi'. It is said to provide 30 percent of a child's daily requirements of vitamin, iron, zinc and iodine. Rural women, as well as tiny shops in rural areas are engaged in the product selling process. As for Grameen, today more than 8.0 million customers in around 80,000 villages of Bangladesh are benefiting from this business model. Still more have been helped worldwide as the Grameen Bank has served as an example for many micro-finance initiatives on almost all continents.

Grameen Telecom and Grameen Phone : It has made modern telecommunication available to people throughout Bangladesh, with enormous economic and benefits. Grameen phone, a mobile phone

company, was launched in 1996 and quickly expanded its network coverage to cover the whole country. By the middle of 2009, Grameen Phone had become the largest tax-paying company in Bangladesh, with over 2.5 million subscribers. Grameen Bank would provide a loan to a Grameen borrower to buy a cell phone and become the telephone lady of the village by selling telephone service, one call at a time, to those without phones of their own. More than 400,000 telephone ladies were created through this program.

Grameen Shakti (1995) has become the fastest growing solar home system company in the world. It was founded in 1996 as a not-for-profit company to provide solar, bio-gas, improved cook stove and wind energy in remote rural Bangladesh. It sells 14,000 solar home systems per month to the villagers in Bangladesh. By the end of 2010 it will have half a million solar home systems in operation in these villages. It will also have half a million improved cooking stoves and 50,000 bio-gas plants in operation. Grameen Shakti won over one million dollar 'Zayed Future Energy Prize' at second World Future Energy Summit being held in Abu Dhabi.

Grameen Kalyan (1997) exists to provide good-quality, affordable healthcare for Grameen bank borrowers and other villagers. It operates fifty-four health clinics and offers a health insurance program providing basic healthcare to families for the equivalent of around \$2 per year per family. They are now in the process a building up a nationwide healthcare system through a series of Social Businesses specializing in providing healthcare.

Grameen Fisheries and Livestock Foundation was launched in 1986 to administer nearly 1000 fish pond in northern and western Bangladesh that had become moribund under poor management by a government agency. By the end of 2009, they had organized over 3,000 poor people into groups who produce 2,000 tons of fish per year, work to maintain the ponds, and receive nearly half of the produce in exchange for a share of the gross income. In 2002, a livestock program was added, providing training, vaccination, veterinary care, and other support services to help poor women become dairy farmers and assist others in improving and expanding existing dairy operations.

Grameen Shikkha (1997) was created to provide education to the children of Grameen bank's borrowers, including preschool classes held at Grameen bank centers. In 2003, it was expanded to include a Scholarship Management Program, which created an endowment fund for generating scholarships for poor students. By 2009, it had accumulated enough in the endowment fund to provide scholarships to 2,500 poor students. It continues to expand the endowment to finance more and more scholarships each year.

Grameen Uddog (1993) and **Grameen Shamogree** (1996) are textile companies that Grameen created to revive and modernize the traditional Bangladesh handloom industry of manufacturing beautiful cotton fabrics and garments. Grameen Uddog helped local weavers bring to the international markets a new, uniform line of fabrics under the brand name of Grameen check. Grameen Shamogree focuses on local sales of Grameen Check garments.

Grameen Danone (2009): Grameen Danone Foods Ltd entered Dhaka market January 18, 2009 with its nutrient-rich 'Shakti' brand food items to build a cushion against the subsidy it provides for selling the products at cheaper rates among the rural poor. This company produces yogurt fortified with micro-nutrients which are missing in the diets of the malnourished children of Bangladesh. To achieve the social goals Grameen Danone was founded on, the company is consistently working to improve the product and expand the company's reach into villages across Bangladesh. A new product was launched in the rural areas: Shakti Doi yogurt in squeezable pouches. This product is not only cheaper than the yogurt in cups, but it has a much longer shelf-life out-of the cold chain and it is also more hygienic, eliminating the need for spoons.

BASF Grameen:

BASF Grameen Ltd established for better nutrition and protection against insect-borne diseases. BASF SE and Grameen Healthcare Trust on March 5, 2009 announced the establishment of a joint Social Business venture, according to a message received from BASF in Ludwigshafen, Germany. Dr. Jurgen Hambrecht, Chairman of the Board of Executive Directors of BASF SE, and Dr. Muhammad Yunus, Nobel Peace Prize Laureate and Managing Director of Grameen Bank, signed an agreement in Ludwigshafen to establish a joint venture called BASF Grameen Ltd. The purpose of the company is to improve the health and business opportunities of the poor of Bangladesh. BASF Grameen Ltd. will start by utilizing two products from BASF's portfolio: dietary supplement sachets containing vitamins and micronutrients, and impregnated mosquito nets that offer protection against insect-borne disease. Grameen BASF has already sold 30,000 imported nets in Bangladesh, and each sale represents villagers that are escaping the threat of malaria. Locally produced nets will be available in the market in May, 2011. The factory being build for this purpose will be able to produce for both domestic and international markets.

Grameenphone partners with Microsoft : Grameenphone Ltd partnered with Microsoft to use Microsoft Digital Literacy Curriculum in order to increase IT literacy among the rural people across the country. The agreement was signed at the GP head office in Gulshan on November 4, 2009. The Digital Literacy Curriculum a unique e-learning module which will educate people on relevant IT skills such as basic computer skills, accessing the internet and world wide web; using productivity applications; understanding computer security and privacy; and leading a digital lifestyle.

Grameen Healthcare teams up with Uniqlo (2010)

In December of 2010, Grameen Health Care Trust launched a joint venture with the Japanese retail clothing chain UNIQLO. It has created a social business to operate in Bangladesh.

The venture aims to establish new Social Business in the field of 'functional clothing; with focus on healthcare, for the poor. The company is marketing functional clothing items that will improve the health and hygiene of the Bangladeshi people. The flagship product for Grameen Uniqlo is reusable sanitary napkins for women. The sales of these napkins will go toward ensuring females can attend school and work without worry, and it will also initiate open discussion between women regarding their needs, eliminating any sense of taboo.

Grameen GC Eye Care Hospital

It is established an eye-care hospital specializing in cataract operations, with a capacity of 10,000 operations per year. This social business was set up with an investment from the Green Children Foundation, created by a pair of singer-songwriters, Milla Sunde (from Norway) and Marlow Bevan (from England). The hospital charges patients for its services on a sliding scale based on ability to pay, so that the fees paid by more affluent patients help to subsidize the care received by the poor. The Eye Care Hospital is an example of a social business that was created by the Grameen companies alone rather than as a joint venture with an outside organization.

Based on the success of the first hospital in Bogra, a second Eye Care hospital was opened in Barishal, Bangladesh, and Grameen Healthcare Trust is already getting ready to build the third and fourth Eye Care Hospitals. The achievements of the Eye Care Hospital chain speak to how great the need is for proper healthcare in the rural areas.

Grameen Veolia

Bangladesh has a terrible drinking water problem due to the contamination of tubewell water by (naturally-occurring) arsenic. Grameen Veolia is a prototype for supplying safe drinking water in a sustainable and affordable way to people who are faced with similar water crises. Once it is perfected, it can be replicated in other villages, within Bangladesh and elsewhere. Grameen Veolia now pipes its arsenic-free water to 19 tap points in villages surrounding the plant, and they are working to expand this network even further. Along with the sales of the water, Grameen Veolia has been introducing awareness of arsenic poisoning with the partnership of local government and religious leaders, as well as with local schools.

Grameen Reebok

Grameen Reebok emerged from a partnership with Adidas, the German-based international shoe and sportswear company that owns the Reebok brand. Adidas has taken on the challenge of making sure

that nobody in the world goes without shoes, even the very poor. In addition, adequate shoes protect from infection with ground born diseases (e.g. the hookworm, a parasite that enters the body through the skin of the feet and can cause anemia).The joint-venture social business, Grameen Reebok, will design and market shoes that are affordable even to the poor, and it is currently test-marketing its first prototype product. The test marketing has been very successful; the responses of the village consumers to the design and style have been positive. For the first time, the rural poor are being seen as a sought-after consumer base, and they have been very involved in the development of all of our social business products.

Otto Grameen Trust

Germany's Otto Group has signed deal with Grameen Trust to start a joint venture in textile in Bangladesh Yunus Center said in a statement November 12, 2009. Under the deal, Grameen and Otto will jointly set up Grameen Otto Trust and Grameen Otto Textile Company. Grameen Otto Textile Company will establish a factory in Bangladesh to produce readymade garments for the international market under "socially and ecologically sustainable conditions'.Otto Grameen Textile Company is an example of a Type II social business. It will be a for-profit company that will operate in the conventional market, producing clothing in Bangladesh for export sale. It is unique in that it is owned by a trust, the Otto Grameen Trust, and profits generated from the textile company will be held by the trust and used for a pre-determined cause that will benefit the employees and the local community. In addition to receiving the benefits of the Trust, the workers will have dignified working conditions and social services, representing a greater company investment in the employees.

Grameen Fibreglass

Grameen Fibreglass is a joint venture with IHS Fibreglass, which is owned by a Bangladeshi ex-pat who wanted to give back to his country in a sustainable manner through social business. It is the first Grameen partnership with a Bangladeshi business owner. (We hope many more will come forward.) This joint venture company will introduce fibreglass products to Bangladesh. The first product offered will be biogas tanks, to popularize the use of biogas as a sustainable, ecologically sound source of renewable energy. Grameen Fibreglass will also expand to produce fibreglass roof tiles, which can be assembled into a raft during the annual monsoon season. It will also produce pipes to improve sanitation and sewerage, as well as fibreglass building materials, boats, and furniture.

Grameen Intel: The Intel Corporation has created a social business company called Grameen Intel to bring information technology-based services to the poor in healthcare, marketing, education, and

remittances. In two clinics in Savar, Bangladesh, mobile healthcare workers equipped with smart phones provided by Grameen Intel are using technology to assess the risk profiles of pregnant mothers who have limited access to medical care in their home villages. Mothers at risk are then referred to neighboring hospitals for further diagnostics, bringing the mother into the health care system at an early stage in her pregnancy and increasing the chances of a favorable outcome for mother and infant.

Grameen Yukiguni Maitake

Grameen Yukiguni Maitake was created in partnership with Yukiguni Maitake, a Japanese corporation that is a major producer of mushrooms and mung beans. This joint venture with the Grameen Agriculture Foundation will train local farmers to produce mung beans for both export and domestic sale. Grameen Yukiguni Maitake will also employ rural women as mung bean sorters and processors. Beans larger than 4mm will be exported to Japan to create bean sprouts, while smaller seeds will be sold in the Bangladeshi markets as a more nutritious alternative to local lentils.

Grameen Felissimo

This joint venture company will produce clothing in Bangladesh with a specific pattern similar to Grameen Check for sale by Felissimo, a popular mail-order marketer of clothing. Earlier this year, Felissimo launched an international design competition where the winning design will be used as signature pattern for the clothing line. The Grameen Felissimo fabric will be hand-woven by impoverished rural women. This new initiative will create many jobs for people that have previously been considered "unemployable", giving them a change to lift themselves and their families from poverty.

6. SOCIAL BUSINESS VERSUS PROFIT MAXIMIZING BUSINESS (PMB) AND NOT-FOR-PROFIT ORGANIZATIONS

There are both similarities and dissimilarities between social business, PMB and not-for-profit organizations. A comparison is made in Table-1.

Table1: Comparison between social business, PMB and not-for profit organizations

Basis of comparison	Profit maximizing business	Not-for-profit organizations
Profit equation	Economic profit equation exists.	Economic profit equation exists.
Dividend distribution	Dividend distribution	Dividend distribution
Social responsibility	Social responsibility	Social responsibility
No responsibility to fulfill	No responsibility to fulfill	No responsibility to fulfill

social objectives except some legally nonmandatory CSR.	social objectives except some legally nonmandatory CSR.	social objectives except some legally nonmandatory CSR.
Objective is only to fulfill social goals.	Objective is only to fulfill social goals.	Objective is only to fulfill social goals.
Main objective is to fulfill social goals.	Main objective is to fulfill social goals.	Main objective is to fulfill social goals.
Owners and financiers of the business	Owners and financiers of the business	Owners and financiers of the business
Owned and financed by some	Owned and financed by some	Owned and financed by some
Owned by none but financed by donors	Owned by none but financed by donors	Owned by none but financed by donors

Source: Constructed by the author on the basis of information found from Yunus and Weber (2007)

7. IMPLICATIONS OF SOCIAL BUSINESS FOR SOCIAL WELFARE

On the basis of the theoretical design and construct of the social business model the following welfare implications of it can be inferred:

Poverty alleviation: Poverty alleviation, the ultimate goal of social business model, can be achieved in two ways. Type I social business will lift the living standard of poor by providing their basic needs at reachable prices. On the other hand, type II will enhance their money income by making them self-entrepreneurs.

Employment generation: Huge employment opportunities for the poor can be generated through supply, production, and distribution channels. By the construction of the model poor people will get the priority in the recruitment process of a social business company.

Low price goods and services for the poor: Social business is supposed to provide low price goods and services such as education, food, nutrition, sanitation, technology etc. Lower price may become the main competitive advantage of the social business.

Protecting climate and eco-system: One of the seven principles of social business is to be environmentally conscious. Its environment friendly product and activities can be an inspiration for other business to follow policies conducive to the environment. As a result economy will receive more products without sacrificing the environment.

Health care for poor: One of the reasons for our extreme poverty is that the poor have to sell their last resort for treatment. There are government efforts to provide free or low cost treatment but these are insufficient. So, many poor people either die or lose even their last resort. Social business may be of great help in ensuring health care for all those who are below poverty line.

Removing social unrest: Unemployment and poverty are the major sources of social unrest. Thus, fulfilling basic needs and generating employment social business can fix the problem of social unrest.

8. CONCLUSION

The idea of social business is still in its nascent stage. Being a very new and incomparable subject, it may take some more time to assume a full-fledged and mature structure in both conceptual and operational dimensions. Promotion of social business can help alleviate poverty and mobilize natural resources and

affords of the poor people to make them self-reliant through income generating activities. Thus the innovative business approach like social business development process may play a key role towards empowerment of poor people through emerging as job creators instead of job seekers. Thus, the concern stakeholders may take appropriate policy actions for social business development in various sectors of economy like education, health, infrastructure, energy in the study area as well as in Bangladesh too.

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