
SOCIAL BUSINESS: A RESPONSE TO THE NEW GLOBAL ECONOMIC REFORM

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ABSTRACT

Despite the economic development and prosperity achieved around the world during the last decades, poverty continues being a significant challenge to tackle. The article points out the need of a major change in the financial framework of capitalism that allow poor people to gain economic empowerment and therefore, access to better life conditions. This can be achieved through social businesses, which are those that exist for the collective benefit of others. The article offers examples of social business, including the case of the Grameen Bank in Bangladesh, as well as different ways to design this type of businesses, stressing out the importance of information technology, as an effective way to spread out this innovative idea.

We are currently living in a time of unparalleled prosperity, fuelled by revolutions in knowledge, science, and technology, particularly information technology. This progress has changed the lives of many, yet billions of people still suffer from poverty, hunger, and disease. There has been an ongoing battle against challenging living conditions- overcrowding, floods,

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deforestation, erosion, soil depletion and natural calamities in the developing countries. However, solutions are available —provided we are willing to entertain fresh thinking about poverty and its remedies—. The real problem in most of the 3rd world countries is widespread poverty, which is a man made phenomenon.

There are countless scintillating signs of improvement as far as poverty is concerned. In particular, there should be emphasis upon the economic empowerment. One major change in the financial framework of capitalism is necessary to address the basic fault of the capitalist system. It's a change that will allow individuals to express themselves in multi-dimensional ways and address the problems left unsolved or even exacerbated by the existing conceptual framework. And although the remedy of social enterprise that I propose hereunder may be viewed as a significant shift in the structure of capitalism, but I believe this can help creating a poverty free world.

Social business: the business with a social objective

Social business is a type of business with the aim to change the world, a business driven by creativity and passion for problem solving. I call this new type of business “social business,” because it exists for the collective benefit of others.

A social business is a business whose purpose is to address and solve social problems, not to make money for its investors. It is a non-loss non-dividend company. The investor can recoup his investment capital, but beyond that no profit is to be taken out as dividends by the investors. These profits remain with the company and are used to expand its outreach, to improve the quality of the product or service it provides, and to design methods to bring down the cost of the product or service. If the efficiency, the competitiveness, and the dynamism of the business world can be harnessed to deal with specific social problems, the world will be a much better place.

Over the years, Grameen has created a series of companies to address different problems faced by the poor in Bangladesh. Whether it is a company to provide renewable energy, a company to provide healthcare, or yet another company to provide information technology to the poor, we were always motivated by the need to address the social need. We designed these businesses as profitable companies, but only to ensure their sustainability so that the products or services they provided could reach more and more of the poor —and on an ongoing basis. In all these cases, the social need was the only consideration; earning a profit was no consideration at all. That is how I realized that businesses could

be built that way, from the ground up, around specific social needs, without relying on the motive of personal gain.

Grameen Bank: the first social business

The concept of social business crystallized in my mind through my experience with the Grameen companies. The first social business that I started was Grameen Bank, in 1983 to help address the problem of poverty in my country, Bangladesh. In order to help the poor and to give them access to credit—which no other financial institution wished to do—I had to redesign the ways bank operate.

Sensing a new era for my homeland, I returned to Bangladesh, took a job as a professor of economics at Chittagong University. The tiny country had a shaky economic foundation, and was prone to natural disasters like a 1970 cyclone that devastated the coastal region. It became known as one of the world's poorest nations, and the 1974 famine proved even more ruinous to Bangladesh's poor. I felt totally empty, because here were the real problems, and here was my "knowledge and expertise," which had no meaning in the face of the people who lived next door to me. This was very hard to accept, and I started thinking about what I could do to help the poor to rise out of poverty.

In trying to discover what I could do to help, I learned many things about Jobra—my hometown—, about the poor people, and about their helplessness. I came face to face with the struggle of poor people to find the tiniest amounts of money needed to support their efforts to eke out a living. I was shocked to meet a woman who had borrowed just five taka from a money-lender and trader. The condition of the loan: she would have to sell all her products to him at a price he would decide. A five-taka loan transformed her into a virtual slave.

I started seeing real people in that village, not like in the textbooks, where you imagine people behaving in a certain way. These were not imaginary people, these were real people with everyday problems. And it excited me that, for the first time, I got the feel of people and their problems, and I could do something about it. A field trip to a village with my students yielded some insight into this quandary: there, I met a woman who made bamboo stools, but she earned just two cents for each. She told me and the class that if she could save 20 cents to buy her own supply of bamboo, she would not have to borrow from the dealer who sold it to her; because she owed him money, he was allowed to dictate the price of each stool she sold.

The problem that kept coming back, again and again: the problem of loan sharking. I'm sure that such terrible things happen in every country, even today. Whether it is in the village, or the little towns, the rural towns, or in the big cities, it doesn't matter, loan sharks are everywhere. I became very close to this problem, because I was talking to people and trying to see the problems as they were, and there were very concrete instances that shocked me. Then I thought to devise a project that would loan money to such struggling entrepreneurs, and then track their success rate. We found 42 other villagers who needed a small bit of capital to start a more independent economic life. All had met certain requirements, and the total amount needed to seed their initiatives was just \$27.

Gradually I launched the collateral free microcredit project in 1976 and founded Grameen Bank in 1983 to provide banking services targeted at the poor, especially poor women. After more than 30 years, Grameen Bank has become an international organization and microcredit has become a worldwide phenomenon in almost all countries of the world. I never imagined what I started out in the village of Jobra to solve a local problem would become a global movement. Today Microcredit is one of the best tools currently available to encourage women's entrepreneurial drive.

Many may think redesigning something like this must have been very difficult but in fact it was quite simple. All I did was learn all about how conventional banks operate; and then just did the opposite. Instead of making the people come to the bank, the bank goes to the people. Instead of individuals taking loans and being solely independent for their repayment, women were asked to form groups of five, who would support and encourage each other, and take out the loan together. Instead of the poor being viewed as un-creditworthy, they were seen as entrepreneurs who lacked access to finance. The Grameen Bank can therefore be thought of not only as the first example of social business, but also the first instance of design for social business in order to fight poverty.

Other Grameen social businesses

After Grameen Bank, I started creating businesses, one after another, which are problem-focused businesses. I looked at a problem, and design a business out of it and ran it as a business. The intention was not to make money, but to solve the problem. So we created that, and a multinational company, Danone, joined us to create a social business. We created a new company called Grameen-Danone Co that produces and sells yogurt, fortified with micronutrients, to poor households in villages of Bangladesh. Apart from ensuring that rural children have access to

an affordable product that helps them combat malnutrition, the Grameen Danone yogurt factory in Bogra also helps the local economy by providing steady work for cow farmers, as well as the ladies who go out and sell the yogurt in the countryside.

Many other companies started coming, like the water company Veolia. We started a water company because Bangladeshi people have a serious problem with water: half the population drinks poison every day. In the medical journal *Lancet*, a study says that many people are dying because of the arsenic, and in the meantime they suffer a lot with physical problems caused by this semimetal, and it's becoming worse. So we created this business as a social business to bring clean water to the villages, and it works. In this case, as usual, we created a very small company, starting very small, and if it works, then we keep on repeating the model so we can get bigger and reach out to many more people.

We have a joint venture with BASF, a German company, to produce treated mosquito nets, because Bangladesh has a lot of malaria and some dengue fever. We wanted to make sure people can protect themselves from mosquitoes, and we have done it in a social business way. Neither BASF nor Grameen want to gain profit out of it.

Moreover, we have already established an eye-care hospital specializing in cataract operation, with a capacity to undertake 10,000 operations per year. This social business was set up with the money from the Green Children Foundation, created by two singers in their early twenties, Tom and Milla, from England and Norway. The GC Eye Care Hospital reached its break-even point in 14 months. The Eye Care Hospital is also an example of a social business that was created by Grameen companies alone, instead of the joint venture format with multinational organizations.

Intel Corporation created a social business company called Grameen-Intel to bring information technology-based services to the poor in healthcare, marketing, education and remittances. In 2 of the clinics in Savar, Bangladesh, mobile healthcare workers equipped with smart phones are using technology to assess the risk profile of pregnant mothers who have limited access to medical care at the villages. Mothers at risk are then referred for further diagnostics, bringing the mother into the formal service for basic healthcare.

You may have read about us signing an agreement with the clothing company UNIQLO to set up a joint venture in Bangladesh as a social business. This is the first Japanese company to set up a social business in Bangladesh. We are very happy about it, and it opens up the door for other Japanese businesses to

see what they can do. Some other Japanese companies are now in the pipeline, and right now we are negotiating, settling all the details. We are delighted that Kyushu University has set up a unit called the “Grameen Creative Lab” to provide all the information and explain what social business is – to connect us with Japanese businesses, academics and the media. The world needs to understand what social business is.

Another company that we are almost at the operational stage with is ADIDAS. Many of you may be wondering what ADIDAS is doing with Grameen? We gave a challenge to ADIDAS when we met them, saying that, as a shoe company, they should have a mission, and that mission should be: no one in the world should go without shoes. As a shoe company, it is their responsibility to make sure they can produce shoes that are affordable to even the poorest person. They accepted the challenge, and that has gradually turned into a social business with us. They will be producing shoes in Bangladesh for the poorest people, so everybody can afford very cheap but good-quality shoes, with the Reebok brand-name. Test marketing has begun, to see if people find them comfortable and attractive, and are willing to wear them. Shoes for poor people are very important, because if they remain barefoot they become victims of many diseases, which enter the body through the soles of the feet. All the parasitic diseases—for example, all the worms, hookworms and other types—make your stomach bloated, and so on. So people can wear the shoes and protect themselves from these diseases. This is another health social business example that focuses on protecting people and at the same time, is able to cover its costs. In social business, a company can make a profit, but this profit doesn’t go to the shareholders, because the shareholders are not interested in the profit. The shareholders are interested in the solution to a problem – and this comes from the *selflessness* of the shareholders, not their selfishness.

Grameen-Otto is planning to set up a garment factory as a social business in collaboration with Otto, a large chain store and mail-order company of Germany. Profit of the company will be used for the improvement of the quality of lives of the employees, their children, and the poor of the neighborhood.

Strenuous efforts have been made in the past, by the governments and by NGOs, still going on. So we said, “Let’s try our own way”. We created all these companies to address these issues. The purpose of these companies is not making money for Grameen, not making money for the multinationals or anybody else. It is a business where money comes back, it turns around and is recycled. Unlike charity. In charity you give money, it does the work, but it doesn’t come back. But if you can design a social business, then it comes back, again and again. Once you start the pendulum, it never stops, because it refuels itself. That is the power of a social business.

As these examples show, social business is not just a pleasant idea. It is a reality, one that is already beginning to make positive changes in people's lives.

Social Business in the globalized world

Powerful multi-national social businesses can be created to capture a share of the benefits of globalization for poor people and poor countries. Social businesses will either bring ownership to poor people, or keep the profit within poor countries, since taking dividends will not be their objective. Direct foreign investment by foreign social businesses will be exciting news for recipient countries. Building strong economies in poor countries and protecting them from plundering companies will be a major area of interest for social businesses.

Creating a global infrastructure for social business

Once the concept of social business becomes widely known, creative people will come forward with attractive designs for social businesses. Young people will develop business plans to address the most difficult social problems through social businesses. The good ideas will need to be funded. I am happy to say there are already initiatives in Europe and Japan to create Social Business Funds to provide equity and loan support to social businesses.

To connect investors with social businesses, we will need to create a social stock market where only the shares of social businesses will be traded. An investor will come to this stock-exchange in order to find a social business, which has a mission to his or her liking, just as someone who wants to make money goes to the existing stock-market.

Social business gives everybody the opportunity to participate in creating the kind of world that we all want to see. Thanks to the concept of social business, citizens don't have to leave all problems in the hands of the government and then spend their lives criticizing the government for failing to solve them. Now citizens have a completely new space in which to mobilize their creativity and talent for solving the problem of our time. Seeing the effectiveness of social business governments may decide to create their own social businesses or partner with citizen-run social businesses, and/or incorporate the lessons from the social businesses to improve the effectiveness of their own programmes.

Again, globalization is extremely important; when you open up the world countries benefit from each other. The theory is that everyone benefits from

specialization. But in practice we see big countries taking over the economies of the small, poor countries; big companies taking over the small companies; and big companies becoming more powerful than the governments themselves. In that type of globalization only one side wins. The benefits should be shared. Not a tiny bit for me and a lot for you. So to make things more equal we need regulation. Governments will have an important role to play in the promotion of social business and its regulation. They will need to pass legislation to give legal recognition to social business and create regulatory bodies to ensure that transparency, integrity, and honesty is ensured in the social business sector. They can also provide tax incentives for investing in social businesses as well as for social businesses themselves.

Learnings from the current crisis

The world has experienced a financial earthquake in 2008. Now the most important feature of the new global economic architecture will be to bring the half-built theoretical framework of capitalism to completion by including the second type of business, the social business, in the market place. Once it is included in the framework, it can play a very important role in solving the financial crisis, the food crisis, the energy crisis, and the environmental crisis. It will also provide the most effective institutional mechanism for addressing the unresolved problems of poverty and ill-health. Social business can address all the problems, which are left behind by the profit-making businesses, at the same time as it tones down the excesses of the profit-making businesses. Instead we should see this as a mega opportunity to address long-term problems in their integrated solution packages.

Unlocking the human potential

Today's young people have enormous capacity —much more capacity than we had as young people. Why is that? Because of technology. Text messages, chat rooms, the internet —anywhere in the world you can get connected. We see each other, talk to each other. That has made this generation of young people completely different from any generation ever in the history of the world, and this places enormous power in their hands.

Now, what are we going to use this power for? To make money for ourselves? Or, do something else? Now everyone has the capacity to change the world. Each one, not collectively, each one of us has the capacity to change the world. Because it is a world of ideas. All you have to do is come up with an idea, an idea for solving a specific problem. Without an idea, you will never start.

People are talking to me in Japan about the old people's problems. Old people are left out —nobody is going to need them or talk to them, they are isolated from society and from family. But why should this be so? They are very important members of society: they should be admired and be part of society on an everyday basis. You can create a social business to let them have contact with everybody else, and have fun together. It's a question of ideas, and I'm just mentioning it, but you can come up with 101 ways we can bring old people to remain involved with everybody else, and to be respected and admired, and feel important. This is just one example.

Another problem is homeless people. Of course, we can design a social business that helps homeless people, too —it is just a question of using the creative mind. Once we have designed it, then we go and apply it.

Healthcare is one area where an enormous amount of creativity is needed, because healthcare is actually being eroded in most countries. People often don't receive any healthcare at all from the profit-making healthcare companies or from their government, which is supposed to provide them with healthcare. So what do we do? Just watch? Do nothing? We can do something. We can create a little social business to address the problem of one disease or another. Or integrate them or bring the service to your doorstep, using the technology that we have at our command. We can make it all happen. It is all possible. But it is not possible within the present paradigm; it is possible in a "big-jump" way, because this is the age of the impossible turning into the possible.

What is impossible today becomes possible tomorrow. How are we going to use this power? To let people die of disease, without any attention – unnecessary deaths? To let people remain poor unnecessarily, engaged in finding tiny scraps of food to feed their children for the day? That's not a human life. When people have to spend all day worrying about food, that's an animal's life —that's what animals do. Human beings are created for much bigger purposes: we have a much bigger mission in our life than worrying about finding food. That is why human beings are different from animals. So this is a challenge you have to take. Nobody will impose it on you, you have to take it; and it is much bigger than what I am doing now. I want to grow as tall as my potential allows me, and I wish the same for you.

If you think about it, it will happen. And there will be no poor people left, because you have already solved that in the process. You talk about poverty; what is poverty? You will have to create a museum, a "poverty museum", so you can take your children and grandchildren and show them poverty. And

I'm sure they will not like what they see. They will tell you that they will never let it happen again. So that's the challenge you have to address. Today, it's possible. And that's for you.

Dreaming of a poverty free world

The wonderful promise of social business makes it all the more important that we re-define and broaden our present economic framework. We need a new way of thinking about economics that is not prone to creating series of crises; instead, it should be capable of ending the crises once for all. Now is the time for bold and creative thinking-and we need to move fast, because the world is changing fast. The first piece of this new framework must be to accommodate social business as an integral part of the economic structure.

1. The challenges and opportunities illustrate some important themes that many of the world's developing countries share:
2. The need to think strategically about development, analyzing a country's potential role in its region and the world in search of opportunities for growth.
3. The need to get past myths, stereotypes, and assumptions about poor countries and their relations to their neighbors.
4. The need to find fresh, positive approaches to development that emphasize the potential strengths of a country and its people, not just their problems.
5. The need to think about how social business can address social and economic problems that are usually left to be resolved by governments.

My friends, a better world starts with imagination. Let us start imagining new and creative solutions to the problems of poverty and climate change that mankind faces today and start turning our dreams and imaginations into reality. Let us start now. One day we will put poverty into museums so that our grandchildren will be shocked and horrified with what plight poor people had to suffer due to the throes of abject poverty. We have the capability to design our lives to ensure a safe planet. We just need to focus our energy in the right way to have a sustainable, healthy, and peaceful future.