

Author's Summary

While free market capitalism is thriving globally almost unopposed now and bringing unprecedented prosperity to many, half of the world lives on two dollars a day or much less. Eradication of poverty remains the biggest challenge before the world. Colossal social problems and deprivations, mostly poverty-related and very unevenly distributed around the globe, continue to shame us everyday. Obviously the free market has failed much of the world. Many people assume that if free markets can't solve social problems governments can. After all government is supposed to represent the interests of society as a whole. But decades and even centuries of experience has shown that while government must do its parts to help alleviate our worst problems, it alone can not solve them.

Fortunately for us there is a keen desire among many to lend a hand through charity for addressing the problems of poverty and other social problems. Charity is rooted in basic human concern for other humans. The concern is now a days usually expressed in the shape of non-profits and NGOs which may take various names and forms. Then there are aid organizations sponsored by rich governments bilateral and multilateral. Nonprofits and aid organizations are trying to keep the problems within some control. But charity is a form of trickle-down economics; if the trickle stops, so does help for the needy. On the other hand multilaterals like World Bank focus only on growth as the means of helping the poor, but can not see that the poor people can be actors themselves. There are serious questions about the type of growth that can help the poor. As another response to the global social problems some businesses are identifying themselves with the movement for

Corporate Social Responsibility (CSR), and are trying to do good to the people while conducting their business. But profit-making still remains their main goal, by definition. Though they like to talk about triple bottom lines of financial, social, and environmental benefits, ultimately only one bottom line calls the shot: financial profit.

I always believed that poverty can be totally conquered quite soon if the right approach is adopted. I based my belief on the inherent ability of the poor that can be unleashed once they are given the opportunity to help themselves. This I have proved in action through my three decades of experience with Grameen Bank. I invented the concept of microcredit and started Grameen Bank in Bangladesh, which basically recognized that credit without collateral is a fundamental right of the poor. Our success with this in my own country has been widely replicated all over the world including in some of the richest countries; and the Nobel Peace Prize 2006 for me and for Grameen Bank is one recognition to that success. The story of Grameen Bank has been told in my earlier book: 'Banker to the Poor'. In this new book I have described the further evolution of Grameen System. But more importantly I have introduced and elaborated here my broadened concept of Social Business, that Grameen experience has led me into.

Grameen allowed the poor to be an actor in the free market and to enjoy some of its fruits to try to come out of poverty. It is fundamentally a business model, pure and simple. This is a Social Business. There can be other Social Business not necessarily involving microcredit. They are just like any other business; but for social objectives and not for personal dividend. I have tried to show in the book why Social Business can succeed

in addressing social problems where other means mentioned above have failed. Social Business should not be confused with the term Social Enterprise which is used in a more encompassing sense and includes NGOs, personal initiatives, charities etc. and may include Social Business too.

Social Business introduces a totally revolutionary dimension to the free market economy. It keeps all the mechanism through which the normal Profit Making Business (PMB) works and prospers – capitalization, expert business management, competitiveness etc. – but investors here do not receive any dividend though they can recover their investment if they want to, to reinvest in other Social Business or PMB. The satisfaction gained in achieving the social goals are the only motive behind the investment and the business will be evaluated according to that standard. Essentially it is a no-loss, no-dividend business aimed at social objectives – education, health, environment, whatever is needed. The profits here remain with the business and help it to grow further. The whole thing is based on the premise that entrepreneurs need not be motivated only by the profits they personally receive, but can also be motivated by social goals and may enjoy success there with equal satisfaction. The important thing is not to mix up a Social Business with a PMB. In fact the inclusion of Social Businesses alongside with PMBs in the business world will give the free market capitalism a larger, nobler and a more fulfilling purpose. Its advantages over straightforward charity are many—efficiencies, continuous use with each turnover, competition with PMBs following the same rules, utilization of business innovations being some of the most important ones.

There can be two types of Social Business. Type One focuses on businesses dealing with social objectives only, as has just been mentioned. Type Two can take up any profitable business so long as it is owned by the poor and the disadvantaged, who can gain through receiving direct dividends or by some indirect benefits. There are various ways how the ownership can go to the poor. The two types can be mixed together in the same Social Business as has happened in the case of Grameen Bank. In a similar mixture of the two types, a socially beneficial rural toll road or bridge can be built by a company as a Social Business whose ownership will belong to the poor. On the other hand a huge project such as the Deep-Sea Mega Port in Bangladesh I have been advocating for, which will be used by several countries in the whole region and can potentially change the economic face of Bangladesh, can be built by a Social Business owned by the poor women of the country.

Is this an utopia? Will there be Social Businesses outside the realm of microcredit? Who will invest in such Social Businesses? I could answer these questions confidently in the book, not only because I have faith on my idea and on the ability of the entrepreneurs to have social motives as well as profit making motives; but also because I am seeing this actually to happen at this very moment. I have devoted a good part of the book on the details of the first such Social Business we have started – Grameen-Danone Company which went into operation in early 2007. The idea of the company was born over just a casual lunch I had with Franck Riboud, the Chairman and CEO of Groupe Danone, a large French corporation – a world leader in dairy products. It took just that time for me to convince him that an investment in a Social Business is a worthwhile thing for Danone shareholders. Even though it will not give any personal dividend to them, he believed that they

would go for it when everything will be explained to them. However, it took somewhat more time to fix up the modalities, the product (a fortified sweet yogurt for the poor malnourished children of Bangladesh at a price they can afford), the financing, tax and regulatory issues, new yard sticks for evaluating business and many other such details. And I have devoted many pages of the book on these details to show how all these things can be taken care of. The yogurt -- 'Shokti Doi' (Energy Yogurt) is already in the market. The Grameen System has invested in a second Social Business -- this time an Eye Hospital where the poor can have eye treatment and cataract operations at a very low cost and all others in the small town and the villages around will have an excellent medical facility where there was not any like that before.

Social Business is a new concept and its practice is just beginning. As my book reveals, it has to make a lot more explorations while gaining more experience. There are challenges to be faced and solutions to be made. For example, we had to invent a totally innovative marketing system to keep the market fragmented so that the low cost 'Shokti Doi' is reserved only for the poor children and does not disappear in the urban market for the well to do. I have also touched upon other issues such as how can the ownership of the Type Two Social Business be transferred to the poor, or how can the wonderful opportunities offered by IT be best deployed for the Social Business.

One thing is very clear to me -- that with the Social Business taking off, the world of free market capitalism will never be the same again, and it then will really be able to put the deathblow on global poverty. I am sure, many

business wizards and successful business personalities will apply their abilities to this new challenge – the challenge of creating a poverty-free world within a short time. At the moment we are seeing merely the line of horizon. Soon a good part of business genius of the world will devote itself to this new goal of social good. A whole new stock market with its new indices will thrive in the financial capitals of the world motivated by this new incentive. It will accelerate the process of poverty eradication to an unthinkable pace using the same market mechanism which accelerated the global prosperity for the rich in the first place.

Welcome to the new world of Social Business.

Muhammad Yunus

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