**Vision 2050: Poverty-Free World**

**Social Business – A Step Forward**

**Professor Muhammad Yunus**

Nobel Peace Laureate

Grameen Bank, Dhaka

Bangladesh

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.

I also started Grameen Bank because I found it difficult to teach elegant theories of economics in the university classroom, in the backdrop of a terrible famine in Bangladesh in 1974. Suddenly, I felt the emptiness of those theories in the face of crushing hunger and poverty. I wanted to do something immediate to help people around me, even if it was just one human being, to get through another day with a little more ease. I became involved because poverty was all around me, and I could not turn away from it.

However, much is needed to be done to solve the problems of poverty created by the half-built economic architecture and to put poverty into museums by 2050.

Free Market Economy

Many of the problems in the world today persist because of a too narrow interpretation of capitalism.

Capitalism centers on the free market. It is claimed that the freer the market, the better is the result of capitalism in solving the questions of what, how, and for whom. It is also claimed that the individual search for personal gains brings collective optimal result.

We know free-market capitalism cannot allocate all resources efficiently and individual profit maximization does not lead to collective happiness because 3 billion people are suffering though poverty, hunger, and disease.  It is clear that capitalism is not effective in tackling such unresolved problems as persistent poverty, lack of access to health care and education, and epidemic diseases. Clearly, present version of capitalism is an outright threat to the environment.

We have remained so impressed by the success of the free-market that we never dared to express any doubt about our basic assumption. We worked extra hard to transform ourselves, as closely as possible, into the one-dimensional human beings as conceptualized in the theory, to allow smooth functioning of free market mechanism.

Capitalism is a half-told story. Look at the way capitalism has defined the “entrepreneur.” The theory of capitalism assumes that entrepreneurs are one-dimensional human beings, who are dedicated to one mission in their business lives − to maximize profit.

By defining "entrepreneur" in a broader way we can change the character of capitalism radically, and solve many of the unresolved social and economic problems within the scope of the free market. Let us suppose an entrepreneur, instead of having a single source of motivation (such as, maximizing profit), now has two sources of motivation, which are mutually exclusive, but equally compelling − a) maximization of profit and b) doing good to people and the world.

Each type of motivation will lead to a separate kind of business. Let us call the first type of business a profit-maximizing business, and the second type of business as social business.

Social business will be a new kind of business introduced in the market place with the objective of making a difference to the world. Investors in the social business could get back their investment money, but will not take any dividend from the company. Profit would be ploughed back into the company to expand its outreach and improve the quality of its product or service. A social business will be a non-loss, non-dividend company.

Social Business

While I was wondering whether the idea of social business would make any sense to the corporate world I had an opportunity to talk to the chairman of Danone Group Mr. Franck Riboud about this subject. It made perfect sense to him right away. Together we created Grameen Danone company as a social business in Bangladesh. This company produces yogurt fortified with micro-nutrients which are missing in the mal-nourished children of Bangladesh. Because it is a social business, Grameen and Danone, will never take any dividend out of the company beyond recouping the initial investment. Bottom line for the company is to see how many children overcome their nutrition deficiency each year.

We created a small water company to provide good quality drinking water in a cluster of villages of Bangladesh. This is a joint venture with Veolia, a leading water company in the world. Bangladesh has terrible drinking water problem. In a large part of Bangladesh tubewell water is highly arsenic contaminated, surface water is polluted. This social business water company will be a prototype for supplying safe drinking water in a sustainable and affordable way to people who are faced with water crisis. Once it is perfected, it can be replicated in other villages, within Bangladesh and outside.

We have already established an eye-care hospital specializing in cataract operation, with a capacity to undertake 10,000 operations per year. This is 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 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 smartphones 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.

A shoe company, Reebok, is test marketing the products for its social business to make sure that nobody goes without shoes. Another joint venture company, Grameen BASF, was created to produce chemically treated mosquito-nets to protect people in Bangladesh and Africa from malaria and other mosquito-borne diseases. It has sold 30,000 nets in Bangladesh.

We recently signed an agreement with the Japanese retail chain UNIQLO. The goal of the joint venture is to produce reusable sanitary napkins for women to address the issue of women’s health.

Almost all social and economic problems of the world will be addressed through social businesses. The challenge is to innovate business models and apply them to produce desired social results cost-effectively and efficiently. It can change the lives of the bottom 60 per cent of world population and help them to get out of poverty.

Three basic interventions will make a big difference in the existing economic system: a) broadening the concept of business by including "social business" into the framework of market place, b) creating inclusive financial and healthcare services which can reach out to every person on the planet, c) designing appropriate information technology devices, and services for the bottom-most people and making them easily available to them.

Economic theory has not provided us with any alternative to this familiar private sector. I argue that we can create a powerful alternative ― a social-consciousness-driven private sector, created by social entrepreneurs.

Grameen as a Social Business

Even profit maximizing companies can be designed as social businesses by giving full or majority ownership to the poor. This constitutes a second type of social business. Grameen Bank falls under this category of social business. It is owned by the poor.

Grameen Bank is a social business owned by its borrowers. They hold 95% of the shares. The remaining 5 % is owned by the government. The profits are paid out as dividends to the borrowers through their saving accounts.

The poor could get the shares of these companies as gifts by donors, or they could buy the shares with their own money. The borrowers buy Grameen Bank shares with their own money, and these shares cannot be transferred to non-borrowers. A committed professional team does the day-to-day running of the bank.

Bilateral and multi-lateral donors could easily create this type of social business. When a donor gives a loan or a grant to build a bridge in the recipient country, it could create instead a "bridge company" owned by the local poor. A committed management company could be given the responsibility of running the company. Profit of the company will go to the local poor as dividend, and towards building more bridges. Many infrastructure projects, like roads, highways, airports, seaports, utility companies could all be built in this manner.

Grameen is in the process of implementing other social businesses that are owned by a Trust that benefits the poor. Otto Grameen Textile Company is a for-profit company that will produce clothing for the export market. Profits generated from the textile company will go to Otto Grameen Trust, which will ensure that the profit generated by the textile company will be spent to benefit the poor. The workers will have dignified working conditions, social services, and ownership prospects.

Creating a Global Infrastructure for Social Business

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.  
  
To enable a social stock-exchange to perform properly, we will need to create rating agencies, standardization of terminology, definitions, impact measurement tools, reporting formats, and new financial publications, such as, The Social Wall Street Journal, and new electronic media, such as, Social Bloomberg. Business schools will offer courses and business management degrees to train young managers how to manage social businesses in the most efficient manner, and, most of all, to inspire them to become social business entrepreneurs themselves.

Role of Social Businesses in Globalization

I support globalization and believe it can bring more benefits to the poor than its any alternative. But it must be the right kind of globalization. To me, globalization is like a hundred-lane highway criss-crossing the world. If it is a free-for-all highway, its lanes will be taken over by the giant trucks from powerful economies. Bangladeshi rickshaws will be thrown off the highway. In order to have a win-win globalization we must have traffic rules, traffic police, and traffic authority for this global highway. Rule of "strongest takes it all" must be replaced by rules that ensure that the poorest have a place and piece of the action, without being elbowed out by the strong. Globalization must not become financial imperialism.

Powerful multi-national social businesses can be created to retain the benefit of globalization for the poor people and poor countries. Social businesses can solve the problem of the lack of poverty rights for natural resources in the global South. The extraction of natural resources by the global North devastates the livelihood of the poor, so social businesses can be set up to protect those resources from over-extraction and ensure that the poor get a fair price for resources that belongs to them.

Role of the Individual in Social Businesses

The problems often look daunting, but we do not have to be discouraged by their sizes. Social businesses should always aim to increase their reach and impact. However, it can start by careful look at the smallest components of the problems. Then it becomes an innocent bite-size problem, and you can have all the fun dealing with it. You'll be thrilled to see in how many ways you can crack it. You can tame it or make it disappear by various social and economic actions, including social business. Pick out the action which looks most efficient in the given circumstances. Tackling big problems does not always have to be through giant actions, or global initiatives or big businesses. It can start as a tiny little action by one individual. If you shape it the right way, it can grow into a global action in no time. Even the biggest problem can be cracked by a small well-designed intervention.

Engaging Your Potential

The creativeness and problem-solving skill of the individual to do good in the world through social business will subvert the one-dimensional human being of economic theories and help complete the half-built economic architecture.

I encourage you to engage your multi-dimensional personalities to help make the world a better place.

Together, we can put poverty into museums.