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## RESEARCH PAPER

### Study on “Building Social Business: The New Kind of Capitalism That Serves Humanity’s Most Pressing Needs” by Muhammad Yunus

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#### ABSTRACT

*The essay or review describes or analyses the content, style and merit of the publication on Social Business by Professor Muhammad Yunus (Yunus, 2010), with a focus on the new idea, theory and practice of social business. Social business is defined as “A non-dividend company that is created to address and solve a social problem”. He introduced rules by which his clients would pay him back in weekly increments without interest. Through a multi-dimensional world-view, capitalism can begin to include space for social business. A social business combines commercial and social goals. The investors desire no personal gain and so establish the investment purely to achieve one or more social objectives. Grameen Bank has since grown as a nationwide bank which serves over 8 million borrowers, most of whom are women. Yunus argues that social businesses are more beneficial than mere charity organizations because charity encourages dependence among those being served, whilst social businesses put those being served in the position of being an active participant in the economy. He contends that poverty is not created by poor people but it is created by the system of built institutions. The philanthropy side of social business makes sense and logically very convincing. Its feasible to do both conventional business and social business. Traditional capitalism is viewed as seeing individuals as one-dimensional beings that are only out for personal gain, which in the world of economics results in making highest profit possible. Social businesses must be self-sustaining and its owners must remain committed to never take any dividend beyond the return of investment. However, a social enterprise combines commercial and social goals, but with emphasis on the latter.*

**Key words:** Building Social Business, Capitalism, Muhammad Yunus

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#### ANALYTICAL EXPOSITION

Social business is defined as “A non-dividend company that is created to address and solve a social problem” (Yunus, 2010). The investors and owners of a social business gradually recoup the money invested and do not take any dividend. The investors desire no personal gain and so establish the investment purely to achieve one or more social objectives. However, the established business must be financially sustainable and recover all costs incurred. Upon attaining the return on investment, the profit acquired is directed towards the expansion of its outreach programs and increase in the social impact. A social business is the foundation of a sharing economy which addresses societal issues and is also known to include social media as part of its business plan where foods and services are made available through crowd-based technologies.

Professor Muhammad Yunus, a former Economics Professor at Dakar University in Bangladesh, is the founder of the Grameen Bank in 1976 motivated by the frustration by the

local banks that refused to lend money to the poor people. He introduced rules by which his clients would pay him back in weekly increments without interest (Yunus, 2010). The simple process was frustrated by red tape that slowed down the process but proceeded to open the “Grameen Bank” which means “Village Bank”. Grameen Bank has since grown as a nationwide bank which serves over 8 million borrowers, most of whom are women. It was discovered that children of borrowers benefited more when the borrowers were mothers than the fathers due to cultural practices. The spending pattern of the borrowers showed that the men borrowers spent the money on themselves whilst the women borrowers spent the borrowed money on their children for food and education. Empowerment of women who are in charge of household finances enabled many women to start up small businesses, and hence became “Grameen Ladies” that brought a positive impact on their social status within their communities and families (Yunus, 2010).

The essay or review below describes or analyses the content, style and merit of the publication on Social Business by Professor Muhammad Yunus (Yunus, 2010), with a focus on the new idea, theory and practice of social business.

### **CRITICAL CONTEXT**

Yunus argues that social businesses are more beneficial than mere charity organizations because charity encourages dependence among those being served, whilst social businesses put those being served in the position of being an active participant in the economy (Yunus, 2010). This approach encourages entrepreneurship. He contends that poverty is not created by poor people but it is created by the system of built institutions (Yunus, 2010). He noted that all people, including the poor, are born with many gifts that will ultimately benefit society if people are given the opportunity. Traditional capitalism is viewed as seeing individuals as one-dimensional beings that are only out for personal gain, which in the world of economics results in making highest profit possible. However, people are multi-dimensional beings, of which self-interest exist and cannot explain one’s entire makeup (Yunus, 2010). Through a multi-dimensional world-view, capitalism can begin to include space for social business. Social businesses must be self-sustaining and its owners must remain committed to never take any dividend beyond the return of investment. There are two types of social business:

1. **Type I:** focuses on businesses dealing with social objectives only. Type I is a “non-loss, non-dividend company dedicated entirely to achieving a social good” (Yunus, 2010). For example, the product produced is for the benefit of the poor.
2. **Type II:** 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. Type II is “a profit-making company owned by poor people, either directly or through a trust that is dedicated to a predefined social cause” (Yunus, 2010). For example, the product could be produced by the poor but exported to an international market while net profits would go towards workers benefits.

Social business widens the market and presents a new option to consumers which places emphasis on retaining the profit within the company for future expansion but with the limits of the amount equivalent to the investment. This new dimension to the business world generates a new feeling of social awareness among the business community. This is contrary to the orthodox business side which is centred purely on making profit. Its feasible to do both conventional business and social business. Social business makes a huge sacrifice of financial reward from the business.

In the book by Yunus, the seven (7) principles of Social Business (Yunus, 2010) are given as follows:

1. The business objective is to overcome poverty, or one or more problems (such as education, health, technology access, and environment that threaten people and Society - not to maximize profit.
2. The company will attain financial and economic sustainability.
3. Investors get back only their investment amount. No dividend is given beyond the return of the original investment.
4. When the investment amount is paid back, profit stays with the company for expansion and improvement.
5. The company will be environmentally conscious.
6. The workforce gets market wage with better-than-standard working conditions.
7. Do it with joy.

The philanthropy side of social business makes sense and logically very convincing. Not everything in philanthropy should be given away, as the desired end goal is to achieve the social goals more efficiently and sustainably.

Poverty is the scarcity or the lack of a certain amount of material possessions or money. Poverty known to be a multifaceted with elements that may include social, economic, and political elements. In absolute poverty or extreme poverty, the severity of the problem is deeper and is characterised by the complete lack of the means necessary to meet basic personal needs such as food, clothing and shelter. Capitalism has created poverty by focusing exclusively on profit and built a fairy-tale of prosperity for all. "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" (Yunus, 2010). Free markets can't solve social problems and it's also burdensome for Governments to solve them, hence the need for a social business to bridge the gap. Charity is rooted in basic human concern for other humans. Corporate Social Responsibility (CSR) is another response to the global social problems that some businesses have identified themselves with. However, profit-making remains their primary goal. A social enterprise is a commercial organization that has specific social objectives that serve its primary purpose, and such an organization seeks to maximize profits while maximizing benefits to society and the environment. The profits are principally used to fund social programs.

The Millennium Development Goals (MDGs), now replaced by the Sustainable Development Goals (SDGs), were stated as follows (Kabanda, 2011)

1. To eradicate absolute poverty and hunger
2. To provide primary education for all
3. To promote gender equality and women empowerment.
4. To reduce infant mortality
5. To provide quality maternal health service
6. To combat AIDS, Malaria and other diseases.
7. To conserve and make the environment sustainable.
8. To promote solidarity among the international community for development.

Goal 1 (eradicate extreme poverty and hunger) directly affected Goals 2 to 7, and required Goal 8 (develop a global partnership for development). The global trends on fighting poverty shows that Sub-Saharan Africa is the world leader in poverty with 44% of the population living below \$1 per day (extreme poverty) and notably Zimbabwe with a rate of 68% (The Millennium Development Goals Report, 2006, <http://unstats.un.org/unsd/mdg/Resources/Static/Products/Progress2006/MDGReport2006.pdf>).

The Ministry of Finance and Economic Planning of Zimbabwe developed the Interim Poverty Reduction Strategy Paper for Zimbabwe (IPRSP): 2016-2018, which is yet another approach to mitigate poverty, and which is consistent with Zim-Asset (<http://www.zimtreasury.gov.zw/index.php/interim-poverty-reduction-strategy-paper>). These poverty reduction strategies were clustered together under the seven Pillars that anchor the IPRSP and are as follows:

- PILLAR I: Agriculture Productivity, Growth and Rural Food Security
- PILLAR II: Social Sectors
- PILLAR III: Private Sector
- PILLAR IV: Infrastructure
- PILLAR V: Environment and Climate Change
- PILLAR VI: Gender, Women and Youth Empowerment
- PILLAR VII: Strengthening Governance and Institutional Capacity

The world-wide Global Sustainable Development Goals provide a guidance to the nations of the world on how to come up with national poverty reduction strategies based on the Sustainable Development Goals (SDGs), shown on Table 1 below.

**Table 1:** The 17 Sustainable Development Goals (SDGs)  
(<http://www.un.org/sustainabledevelopment/sustainable-development-goals/>)

Goal 1	End poverty in all its forms everywhere
Goal 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3	Ensure healthy lives and promote well-being for all at all ages
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Goal 5	Achieve gender equality and empower all women and girls
Goal 6	Ensure availability and sustainable management of water and sanitation for all
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9	<i>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</i>
Goal 10	Reduce inequality within and among countries
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12	Ensure sustainable consumption and production patterns
Goal 13	Take urgent action to combat climate change and its impacts*
Goal 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development

There are three important warnings to be taken note of (Yunus, 2010)-

- Just because a bank is providing microcredit does not make it a social business.
- Some banks are offering microcredit but then charging extraordinarily high interest rates. These banks defend themselves by claiming that lending to the poor is expensive because it “costs more to manage small loans to poor people than conventional loans” (Yunus, 2010)
- Though this is true, Yunus argues that the charges “violate the spirit in which microcredit was originally created- the spirit of serving the poor (Yunus, 2010).

There are four dimensions of social business and these are the societal, personal, relational and economic effects. A modern social business has a technological, societal (in

this case organizational/economical), management and human dimension (<https://www.iscoop.eu/social-business/>). These are explained below-

**1. THE SOCIAL TECHNOLOGY DIMENSION:**

This consists of social networks and platforms, a multitude of tools and consumer and business applications, next-generation Web technologies, cloud computing, new protocols, new Web languages, data, etc.

**2. THE SOCIAL/BEHAVIORAL PERSPECTIVE:**

This is about the dynamics and underlying principles of phenomena driven by the social and mobile reality and most of all its impact on how people behave, interact, inform themselves, form communities, co-create, etc.

**3. THE PROCESS AND MANAGEMENT VIEW:**

A third segment of definitions looks at management styles and processes, the creation of different approaches to processes within the enterprise and its ecosystem, new business models, changing ways of working, constructing agile teams and forming decisions beyond traditional and slow management structures. In essence this equals making existing business functions more efficient, fluent and free from traditional silo models. Information and content play a key role in these processes and in a mutual exchange of value between people and customers, whereby customers are also internal customers.

**4. THE 'SOCIAL' AND HUMAN DIMENSION IN SOCIAL BUSINESS:**

Finally, there is a group of people emphasizing more human principles in the way we do business and behave as businesses in the world around us. People-centricity is key with an increased focus on 'human values', social good and even social responsibility, which is really where the definition of social business corresponds most with what it originally meant.

The benefits of social business as given by Yunus (Yunus, 2010) are as follows:

1. Government, who are often swayed by special interests are not expected to solve the problem of poverty on their own.
2. Business competition is enhanced, with more diversity in goods and services
3. Social business are less vulnerable to market fluctuations
4. In addition, they present new opportunities for people to express their creativity and entrepreneurial spirit.
5. As a result, the existing economy can become revitalized.

The key lessons learnt from the experience by Yunus with regards to social business are that (Yunus, 2010):

1. Be flexible, yet never lose sight of your central goal
2. Immerse yourself in the culture of the people you intend to serve.
3. Use help from allies wherever you may find them.
4. Take advantage of different opportunities in different markets.
5. Question your own assumptions.

Starting successful social business requires the following personal attributes (Yunus, 2010):

1. Creativity
2. Entrepreneurial spirit
3. The desire to make the world a better place
4. The ability to put your ideas into action
5. A strong work ethic
6. An openness to new ways of doing things
7. Identify the problem you want to fix.
8. Keep it small.

9. Clarify your objectives.
10. Expect initial failures until you find the right formula, but don't give up.
11. Create a business plan.
12. Start now.

To make it easier at start up of a social business, one may consider a partnership. One is advised by Yunus (Yunus, 2010) consider the following possible partners:

1. An existing social business
2. An NGO or charity
3. An investor
4. A technology partner
5. A production partner
6. A distribution partner
7. An assessment partner

The success of any business depends largely on the decisions made. A simple business plan is a document that can convince the reader that the business can produce enough revenue to make a satisfactory profit and therefore attractive as an investment opportunity. A business plan allocates resources and measures the results of those actions, helping one to set realistic goals and make logical decisions. However, a business plan that is thorough, fact-based, well-written, and attractive to investors is typically a "good" business plan. A business plan offers many benefits, including the following:

1. A business plan gives you a path to follow.
2. A plan with goals and action steps allows you to guide your business through turbulent, often unforeseen economic conditions.
3. A plan gives your banker insight into the condition and direction of your business so your business can be more favorably considered for a loan.
4. A plan can tell your sales personnel, suppliers and others about your operations and goals.
5. A plan can help you develop as a manager. It can give you practice in thinking and figuring out problems about competitive conditions, promotional opportunities and situations that are good or bad for your business. Such practice over a period of time can help increase an owner-manager's ability to make judgments.
6. A sound plan tells you what to do and how to do it to achieve the goals you have set for your business.

The business plan specifics in establishing the social business, as given by Yunus (Yunus, 2010), include the following considerations:

1. What product or service will I offer and how will I produce it?
2. Who are my customers? What price are they able to pay?
3. Who is my competition?
4. How will I promote, distribute, and sell it?
5. What are my initial expenses going to be?
6. What will my monthly expenses be?
7. What is my expected revenue and when can I expect to repay my initial capital?

From the author's experience, the key sections of a business plan may include the following components:

1. Executive Summary
2. The Opportunity and the Company and its Services/Products
3. Market Research/Analysis
4. Economics of the Business
5. Marketing Plan
6. Design and Development Plan
7. Manufacturing and Operations Plan

8. Management Team
9. Schedule
10. Critical Risks, Problems and Assumptions
11. The Financial Plan
12. Appendices

Yunus provides a guide on how to attract initial investors with the following useful steps (Yunus, 2010):

1. Structure a campaign for raising seed capital.
2. Be creative and make use of social media (websites, blogs, Twitter, Facebook, social networking sites, etc.).
3. Create an experienced management team that will help bring your dream to life. Its good to ask for investment with a management team already in place. That way you can use their combined experience as a selling point when speaking to potential investors.
4. Don't be afraid to ask family and friends for support and help.

### **INTEGRATIVE CONCLUSION**

Professor Muhammad Yunus defined a social business as “A non-dividend company that is created to address and solve a social problem” (Yunus, 2010). He established the Grameen Bank where he introduced rules by which his clients would pay him back in weekly increments without interest (Yunus, M., 2010, p. xix). Its feasible to do both conventional business and social business. In a social business, the investors desire no personal gain and so establish the investment purely to achieve one or more social objectives. The investors and owners of a social business gradually recoup the money invested and do not take any dividend. Upon attaining the return on investment, the profit acquired is directed towards the expansion of its outreach programs and increase in the social impact. This approach encourages entrepreneurship. A social business is the foundation of a sharing economy which addresses societal issues and is also known to include social media as part of its business plan where foods and services are made available through crowd-based technologies. Grameen Bank has since grown as a nationwide bank which serves over 8 million borrowers in Bangladesh, most of whom are women.

One should be creative and make use of social media (websites, blogs, Twitter, Facebook, social networking sites, etc.). A business plan that is thorough, fact-based, well-written, and attractive to investors is typically a “good” business plan, and should guide the planning and establishment of a social business. Social business makes a huge sacrifice of financial reward from the business. However, people are multi-dimensional beings, of which self-interest exist and cannot explain one's entire makeup (Yunus, 2010). Obviously the free market has failed much of the world” (Yunus, 2010). Yunus argues that social businesses are more beneficial than mere charity organizations because charity encourages dependence among those being served, whilst social businesses put those being served in the position of being an active participant in the economy (Yunus, 2010). Professor Yunus indicated seven principles to define and categorize a business as Social Business (<https://socialbusinessworld.org/pages/view/8964/what-is-social-business>)

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.

The two types of social businesses presented by Yunus are:

1. **A Type 1** social business focuses on providing a product and/or service with a specific social, ethical or environmental goal. An example is Grameen Danone.
2. **A Type 2** social business is a profit-oriented business that is owned by the poor or other underprivileged parts of the society, who can gain through receiving direct dividends or by indirect benefits. An example is Grameen Bank, which is being owned by the poor.

Poverty reduction is only one area of social business. Success in a profit-maximizing company is measured by the amount of profit made in a given year and developing the prospect of earning more in future years. In a social business company, you measure success by the success achieved in reaching the social goal in specific measurements (reducing the number of malnourished children, reducing the death of infants, number of people receiving safe drinking water, etc). Social enterprises have arisen in Europe and other parts of the world with a primary focus that combines societal goals with an entrepreneurial spirit. These organisations focus on achieving wider social, environmental or community objectives.

A social business combines commercial and social goals. The investment would lead to an equivalent increase in social impact. However, a social enterprise combines commercial and social goals, but with emphasis on the latter. Profits are reinvested in the community or company. The European social enterprises mainly operate in the following four fields ([http://ec.europa.eu/growth/sectors/social-economy/enterprises\\_en](http://ec.europa.eu/growth/sectors/social-economy/enterprises_en))-

1. **Work Integration**- training and integration of people with disabilities and unemployed people
2. **Personal Social Services** - health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people
3. **Local Development of Disadvantaged Areas**- social enterprises in remote rural areas, neighbourhood development/rehabilitation schemes in urban areas, development aid and development cooperation with third countries
4. **Other**- including recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports.

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