

# HOW SOCIAL BUSINESS CAN CREATE A WORLD WITHOUT POVERTY

**We need 'social business' to couple the human heart to the capitalist system.**

**By Muhammad Yunus**

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<http://www.csmonitor.com/2008/0215/p09s01-coop.html?page=2> which includes a live interview with Dr. Yunus

Monitor Opinion editor Josh Burek speaks with Nobel Prize winner Muhammad Yunus about social businesses.

*DHAKA, BANGLADESH* - Bill Gates caused a stir in Davos last month with his call for "creative capitalism." He pointed out that while capitalism is "responsible for the great innovations that have improved the lives of billions ... to harness this power so it benefits everyone, we need to refine the system."

I see traditional capitalism as a half-developed structure. It ignores the humanity within all of us.

Moneymaking is an important part of humanity, but it is not the only part. Caring, concern, sharing, empathy – all of these aspects also must be considered when developing an economic framework that takes the whole person into account. Enter the missing piece of the global development puzzle: social business.

## **SOCIAL BUSINESS – NOT A CHARITY**

A social business is not a charity. It is a nonloss, nondividend company with a social objective. It aims to maximize the positive impact on society while earning enough to cover its costs, and, if possible, generate a surplus to help the business grow. The owner never intends to take any profit for himself.

As evidenced every day by religious ministers and practitioners, social activists, and philanthropists, making money is not always the only driving force. They may be a special group of people who makes it visible, but the desire to help others exists in various degrees in every human being.

## **CAPITALISM'S LIMITS**

Traditional capitalism doesn't tap into that universal desire. Capitalism delivers limited results because it takes too narrow a view of human nature, assuming people are one-dimensional, concerned only with maximizing profits.

Capitalism has long been a source of prosperity, spurring industrial, technological, and social progress in North America and Western Europe. But even as standards of living rise, large numbers of people are still left behind.

While free markets have ushered in many benefits, these gains have bypassed too many of the world's people, especially the poor.

And yet, in recent decades, powerful tools have been developed that leverage capitalism's strengths to enrich the lives of those who get left behind.

Take microcredit. It has been a powerful tool in combating poverty, enabling the poorest of the poor to change their lives and provide for their families. Through these small, collateral-free loans with a nearly 100 percent return rate, borrowers – mostly women – have been able to harness entrepreneurial abilities inherent in them.

Microcredit is just one example of how a business approach can help alleviate poverty when we move beyond the idea that business by definition has to mean making financial profit for the owner.

We need social businesses to couple the human heart to the capitalist system. This is a sure way of meeting needs that either remain unmet or are met extremely inadequately through the efforts of philanthropy, charity, or welfare.

Traditional philanthropy and nonprofits generate a social gain, but they do not design their programs as self-sustaining business models. A charitable dollar can be used only once. A dollar invested in a self-sustaining social business is recycled endlessly.

A social business is designed to be both self-sustaining and to maximize social returns like patients treated, houses built, or health insurance extended to people who never had this coverage. An investor in a social business retains an ownership interest to hold management accountable and to get the investment back over time, but no dividends are expected, and any profits should be reinvested in the business or used to start new similar businesses.

Social businesses could be viewed akin to investment accounts, where the money is returned over time but the interest is paid in social dividends, rather than in economic profit.

### **BOTTOM LINE: AFFECT ON SOCIETY**

While both personal entrepreneurship and social businesses need to be profitable, the bottom line for a social business is how much impact it makes on society, not how much money it returns to the investors. This represents an opportunity for the extension of capitalism to meet the social needs that are not currently met.

As an investor in a social business, I expect my investment money to come back to me, but the real reason for my investment is to see that it benefits society, as opposed to my pocketbook.

A profit-maximizing business owned by the poor can be considered a social business. The Grameen Bank is an example of a social business that is both owned by its poor borrowers and that seeks to maximize the benefits for those borrowers.

Another well-known example of social business is Grameen Danone Foods (known as Dannon in the US). It was inaugurated in 2006 as a partnership between Grameen Bank and Groupe Danone of France.

Groupe Danone produces and distributes Danone yogurt and Evian bottled water throughout the world. The mission of Grameen Danone Foods is to manufacture nutrient-rich, fortified yogurt in small local plants that minimize the need for expensive refrigeration and to sell it at a low price to improve the diets of rural children in Bangladesh.

By investing in this joint venture with Grameen Group, Groupe Danone can help to eradicate malnutrition in Bangladesh, one of the least developed countries in the world, by doing business, not by simply donating the money.

The experiment is a win-win situation and the first of many multinational social businesses that Grameen would like to partner.

The current capitalist framework does not allow us to fully mobilize mankind's will to do good.

### **TAP INTO THE URGE TO DO GOOD**

Because we are creatures who are motivated to solve the problems of the world, we need to add a new component. Capitalism has the capacity to do good in the world, provided we recognize that the motivation for the entrepreneur need not be exclusively economic and personal.

The urge to do good exists in all of us – right along with self-interest. We can harness that urge to do good in addition to human ingenuity to help the world's poor become self-sustaining with dignity and self-respect.

Thirty-one years ago, when I launched the Grameen microcredit program, no one in the banking world thought low-cost loans for poor people would be viable on a large scale. I was not sure myself how large it could grow.

Just as microcredit has proved to be a success, so, too, can social business. Working together, we can expand the predominant view of capitalism and enterprise to include social business.

This new perspective will move us one step closer to bringing all people into prosperity, and one step closer to a world without poverty.

- Muhammad Yunus is the founder and managing director of Grameen Bank and the author of "Creating a World Without Poverty: Social Business and the Future of Capitalism." He won the Nobel Peace Prize in 2006 for his work on microcredit.