Microcredit and Social Business Movement as Catalyst for Poverty Eradication: The Grameen Experience

¹Abdullahil MAMUN, ²Harun BAL, ³Tolga KABAŞ

¹Department of Economics, Cukurova University, Adana Research Fellow, TUBITAK, Turkey

^{2,3} Department of Economics, Cukurova University, Adana, Turkey

Abstract: Being a country of developing world, Bangladesh has a long-standing history of fighting poverty by means of microcredit. Thanks to the development of group lending approach of Grameen Bank established by Nobel laureate Professor Mohammad Yunus, which has later been widely accepted as an alternative to the traditional collateral based lending in extending credit facilities to the door of hard core poor at affordable terms, Bangladesh has been able to register tremendous success in alleviating poverty. Apart from Bangladesh, Grameen type microcredit programmes are now being replicated in more than 100 countries both in the developing and developed world. At the same time, Grameen has constantly been devising new entrepreneurial solutions to the problems of the poor in the name of social business- a social cause driven, non-loss, non-dividend, self-reliant business dedicated to serve the most pressing needs of the disadvantaged. Muhammad Yunus has been successful to create a global infrastructure for social business which is working as a catalyst for encouraging social business experimentations around the world. The paper will critically examine the Grameen solidarity lending mechanism and social business framework and their efficiency in approaching poverty with their cross border experiences.

Keywords: Microcredit, Social Business, Solidarity Lending Approach, Poverty

1. Introduction

Bangladesh was born with the curse of poverty. But this curse later makes the country pioneer in micro credit and social business around the world- both are serving the most pressing needs of humanity. Along with the devastation of civil war, floods and droughts and then the famine of 1974 create a terrible situation for millions of people. Consequently, the poverty rate was 74% in 1973-74 (World Bank). Since then, Bangladesh has virtually become a laboratory for design and experimentation of different rural development models to approach poverty. Different agencies of Government of Bangladesh (GOB), international donors and the Non- government Organizations (NGOs) have experimented with different models and approaches of institution building for rural and local level development (Holtsberg, 1990). Despite the variations of goals and strategies of the approaches, all they aim to alleviate poverty in Bangladesh. Some of the approaches were successful in reaching the poor, but their scale was too small to address the problem of poverty. Furthermore, most of the approaches were backed by donations, a cut or drop of which was the prime impediment for the institutions to sustain and operate. As a result, despite the efforts from government and non-government organizations, Bangladesh got very few institutions in early 1970s to intervene so as to reduce inequality and poverty. Owing to the human compassion facing the facets of poverty, when many of the experts and professionals were trying to take up a role to reach to the terrible poverty situation followed by war and natural disaster, Professor Mohammad Yunus stepped into with his illustrious concept 'Microcredit', institutionalized through Grameen Bank¹, which has now been well recognized all over the world for its role of reducing poverty. Starting with a tiny step in a small village of Bangladesh, gradually it has been able to draw the interest of governments, donors and development agencies even of the developed world. In recent years, millions of poor people worldwide have benefited from microfinance activities, such as microcredit, micro-saving and micro-insurance, making these financial services a key tool for development of many developing countries (Frank and Enkawa, 2008; Sica and Testa, 2008).

Along with the microfinance program in Bangladesh, Grameen Bank has constantly been devising new entrepreneurial solutions to the problems of the poor. Poor access to credit is not the only problem of the poor, they need many other things to work their way out of poverty: Health and education, safe water, nutrition and access to electricity – to name just a few. Various kinds of social businesses are dedicated to address these issues. By the way the Grameen Bank also happened to be a social business. Mohammad Yunus, the advocate of social business, has been extending his effort to spread social business model around the world utilizing the image of Grameen Social Business experiences and accordingly connecting global intellectual community through the establishment of Yunus Centre, Grameen Creative Lab (GCL), University Centers and Yunus Social Business (YSB), he has been able to create a social business movement worldwide. The paper mainly aims to examine the Grameen solidarity lending mechanism and social business framework and their efficiency in approaching poverty with their cross border experiences.

2. Poverty and its Causes

Poverty is the state of living where a person or household cannot effort their fundamental needs. Poverty is a multifaceted concept that includes economic, social and political elements (Sabates, 2008). As World Bank reports, poverty encompasses not only low income and consumption but also low achievement in education, health, nutrition, and other areas of human development such as social relations, low self-confidence and powerlessness (World Bank, 2001). Poverty is not created by poor people. It has been created and sustained by the economic and social system that we have designed for ourselves; the institutions and concepts that make up that system; the policies that we pursue (Yunus, 2013).

Therefore, poverty is not due to inability to work of the poor, rather the poor cannot make use of their latent talent as they do not have easy access to capital. The capital constrained is emerged both from formal and informal sources. The formal sector financial institutions have collateral requirement, credit rationing, preference for high income clients, bureaucratic and lengthy procedure of loan sanctioning. But the poor as well as the lower income group are facing the major problems in accessing credit. Their lack of assets for collateral, lack of financial records and limited credit history has made almost impossible for them to obtain credit from the formal financial sector. On the other hand, interest rate on loans from informal sector is very high, but still worse was the special condition imposed on the loan which transforms the borrower into a virtual slave (Yunus, 2010). Thus, informal sector financial sources are exploitative in nature (Flotz 2004, Pertick 2005).

But the real wealth of a nation is its people (UNDP, HDR, 2010) and a country's economic development may fail to realize the objectives if its disadvantaged population are not developed equitably that results extreme inequalities among its citizens which will ultimately lead to greater social conflict. Therefore, creating an enabling environment for the poor, which can help them to lead an improved life backed up by their interests and choices is the precondition for achieving sustainable development (Mamun, 2013).

3. Emergence of Micro-credit: Bangladesh Perspective

Owing to high level of poverty, Bangladesh has a rich history of experimentation in poverty alleviation model building. Just before its independence, being an agrarian economy the Comilla Model (rural development programme launched in 1959) received international fame that had important implications for rural community development particularly cooperative microfinance and microcredit (Raper, 1970). But in the post independent Bangladesh, with the changed socio-economic and political reality, the Comilla model virtually became redundant. Since then a wide range of poverty alleviation programs were developed by the Government and non-government organizations most of which were financed by international donor agencies. But the results from these initiatives were limited because of two major reasons: the programs were goal driven, once the specific goals were achieved, the programs were not continued, and secondly, because of improper resource distribution, only a small portion of the allocated funds reaches the poor themselves. Furthermore, relying on charitable donations is not a sustainable way of running an organization (Yunus, 2010). Accordingly, most of the programs were not continued due to the cut and drop of government finance and foreign donations. Furthermore, the programs were not sufficient compared to the intense of poverty and there was a penetrating need for alternative but sustainable way to approach poverty.

Poor can support themselves to come out from poverty if they are facilitated by credit opportunities that they lack due to not having collateral to put up against loans. Once they are given access to credit, they will be able to generate enough earns for their lives and thus productivity itself can be a driving force for rehabilitation of ultra-poor. But someone needs

to come forward to confirm participation of poor in productive activity. With such a research findings from a small project in a village named Jobra in Bangladesh, Mohammad Yunus, the pioneer of Microcredit, come forward with organization Grameen Bank, an organization with a vision of self-support for the very poorest people by means of loans on easy terms.

3.1 Microcredit: A Means beyond Poverty Eradication

Microcredit refers to small loans offered to the poor or underprivileged who lack collateral. The main objective of such loans is to confirm the participation of no income or low income household in the mainstream economy through generating self-employment and thereby contribute to the economy as a whole. Such programs compensate the inadequacy of formal sector credit for the poor. Furthermore, credit from informal sectors with high lending rates and tacit conditions by the lenders push poor people off from the market and thereby their contributions to economy are left ignored. Curving those people through institutional safety measure named microcredit will enable them to participate in the market mechanism with dignity in making their choice.

Microcredit programs mainly aim to ensure an alternative source of credit for the poor, which can be treated as a compensation of inadequacies of loans from formal sector characterized by

flexible repayment procedures and reasonable interest rates. Credit is a human right (Yunus, 2001). Poverty creates a social condition which negates all human rights. A small amount of money in terms of microcredit can contribute significantly to make free the poor from the clutches of poverty offering the opportunities of controlling their own fate rather than dependence through creating self-employment. Thus, far beyond poverty alleviation, microcredit sets poor free in making their income and expenditure decision and thereby enhance the market economy realizing the contribution of the poor who were unemployed.

The micro-enterprises contribute to the reduction of poverty and vulnerability of poor through enabling them to break the vicious cycle of poverty and also enabling them to enhance self-empowerment, respect and social dignity (Chowdhury, 2009). Disadvantaged people are able to take part in the productive activity, earn income, and enter into the mainstream economy with the help of microcredit. Thanks to entrepreneurial effort at individual levels owing to microcredit, the benefits are exerted to others in the society creating employment opportunities and enhancing social relations and networks. The impact of microcredit at macro level through innovation, job creation and economic growth has been supported by numerous studies (Imai et al. (2012), Rooyen et al. (2012), Al-mamun et al. (2014), Samer et al., (2015), Ghaliba, Malki, and Imai (2014)).

3.2 Institutionalization of Microcredit: The Development of Grameen Bank

The first example of an organized microcredit institution is generally accepted as being Grameen Bank in Bangladesh. It was established in the hand of Dr. Mohammad Yunus for providing financial assistance to the hard core poor lacking collateral for getting loans from conventional sources. The famine of 1974 in Bangladesh that caused death of thousands of people from starvation and poverty took Mohammad Yunus from economics class room to the people living in dearth. He was badly shocked when he saw that a 5 taka loan which is equivalent to US\$0.07 given to a bamboo weaver women at a very high 10 percent weekly interest rate, but still worse the special condition attached to the loan like she would have to sell all her products to the moneylender at a price he specified transformed her into a virtual slave (Yunus, 2010). It drove Mohammad Yunus to reach into his own pocket to give a total of 856 taka, approximately US\$27 at the then exchange rate, to 42 borrowers to repay the loan to free them from the clutches of moneylenders. Success of this tiny effort, particularly the excitement of the poor villagers gave him faith for a microcredit program to be successful, which worked as the root for the establishment of Grameen Bank.

In 1976, from the desire to design a credit delivery system to provide banking services targeting the rural poor, Professor Muhammad Yunus, launched an action research project named 'Grameen Bank Project' in the village of Jobra, next to Chittagong University. He found that the poor as well as the lower income group are facing major problem related to accessibility to credit. Their lack of assets for collateral, lack of financial records and limited credit history has made it almost impossible for them to obtain credit from the formal financial institutions, which tied them to lower productivity. Initially he offered himself as a guarantor for loans to the poor to the bank located in the university campus in serving the financial needs of the poor. With the sponsorship of the central bank of the country and support of the nationalized commercial banks, the project was extended to Tangail district (a district north of Dhaka, the capital city of Bangladesh)

in 1979 and later was extended to several other districts in the country. With the success of the project in setting the poor free from the clutches of poverty; he came out with the decision of creating a separate bank for poor. In 1983, the Grameen Bank Project was transformed into an independent bank by government legislation named as Grameen Bank, a bank dedicated to serve the poor.

Grameen Bank is owned by the poor borrowers of the bank who are mostly women and it works exclusively for them. Grameen Bank is owned by the rural poor whom it serves. Borrowers of the Bank own 90% of its shares, while the remaining 10% is owned by the government. As of April, 2016, it has 8.845 million borrowers with 97% women. With 2,568 branches, Grameen Bank provides services in 81,392 villages, covering more than 97% villages in Bangladesh with an outstanding recovery rate of 98.48 percent (Monthly Report, GB, April 2016).

3.3 Grameen Model of Loan Distribution

The model that Grameen bank follows in distributing loan is unique. Without requiring any collateral but dealing with groups (group guarantees), the lending practices adopted by Grameen Bank has been successful in ensuring that its borrowers make productive use of their loans and are able to pay back their debts. A person has to belong to a small group of loan applicants from the same village which he can voluntarily form to qualify for a loan. Each of the groups contains five members. Only two members are allowed to take a loan at first time. If the performances of the borrowers reach a satisfactory level then next two borrowers can apply for loans. Finally, fifth member can be selected for loan. . Figure-01 illustrates the loan distribution system of Grameen Bank among the borrowers step by step.

Figure-01: Loan distribution system of Grameen Bank

While each person in a group receives a separate loan, the whole group is jointly liable in case of default by any of its members. That is, borrowers whose projects are successful may have to pay additional amounts, over and above their own dues, if any member of their group is unable to repay his loan. Thus, even though there is no collateral, default imposes a penalty, although this is exacted from the rest of the group rather than from the individual responsible (Yunus & Jolis, 2001). After approving loan Grameen Bank arranges a training program. Training program comes after the loan because Grameen Bank assumes that if it starts first most of the borrowers will be scared with the system and they will lose their interest to get loans. Consequently, it will not work. After getting loans people are engaged different types of business such as pottery, weaving, paddy husking, garment sewing, storage and marketing for self-development.

Overall credit management procedure from group formation to recovery is established on a strong chain as illustrated in figure 02 which has now been followed all over the world to manage microfinance institutions. Eight groups constitute a centre where each group is consisting with five members. Branch office is controlling fifty centres where five centres consisting of 2000 members. Area office is looking after five branch offices and zonal office is handling five area offices and finally general office is going to look after all these matters related to the loan giving and repayment process.

3.4 What Makes Grameen Solidarity Lending Approach Successful in Fighting Poverty

In the Grameen approach of group lending, there is no use of any legal instrument between bank and borrowers but trust. To supplement the lending, Grameen Bank requires the borrowing members to save very small amounts regularly in a number of funds, designated for emergency. These savings help serve as an insurance against contingencies.

Besides the compulsory savings, the bank encourages all borrowers to become savers in deposit products, so that their local capital can be converted into new loans to others. Since 1995, Grameen has funded 90 percent of its loans with interest income and deposits collected, aligning the interests of its new borrowers and depositor-shareholders. Grameen converts deposits made in villages into loans for the more needy in the villages. Grameen approach targets the poorest of the poor, with a particular emphasis on women. Women in Bangladesh are neglected by society and have an inequitable share of power in household decision making. In addition, studies have shown that the overall output of development is greater when loans are given to women instead of men, as women are more likely to use their earnings to improve their living situations and to educate their children. Women play a key role in supporting their household and communities in achieving food and nutrition security, generating income and improving rural livelihoods and overall well-being. They contribute to agriculture and rural enterprises and fuel local and global economics (Fact Sheet, UN Women Watch, 2015). While a World Bank study has concluded that women's access to micro loans empowers them through greater access to resources and control over making decision (Feiner & Barker, 2006). Through the opportunity of self-employment and the access to money, Grameen Bank helps to empower those women. They receive 97% of the Grameen bank's loans. They had less access to financial alternatives of incomes and ordinary credit lines. Lending to women generates considerable secondary effects, including empowerment of a marginalized segment of society (Yunus and Jolis 2001). They share betterment of income with their children, unlike many men. They are seen as having the biggest influence in attempting to reduce poverty and are more reliable in making repayments which is crucial to be self-sustaining.

Group guarantee approach does not only reduce the barrier of accessing loans by the non- creditworthy poor from the conventional bank, but also ensures greater efficiency in the banking operations in a variety of ways. Lending to individuals is costly as it takes huge time, labor and money in monitoring loans and enforcing repayments. In contrast, group lending reduces cost and stimulates repayment spreading liabilities among the group members.

3.5 National and International Replication of Grameen Model

During the late 1970s, when the 'Jobra' experiment was underway under Professor M. Yunus, several other pilot schemes were initiated by a handful of the NGOs which were active then. At that time, it was difficult to conceive that these initiatives would lead to a major microcredit movement, which would make Bangladesh known to the rest of the world. Prior to the establishment of Grameen Bank, there were some renowned NGOs named BRAC (Bangladesh Rural Advancement Committee, established in 1972), ASA (Association of Social Advancement, established in 1978) and Proshika (established in 1976) and all they at the beginning focussed on consciousness raising activities among the poor. They had limited microcredit programs but backed by collateral. It was Grameen Bank that first came forward with collateral free microcredit programs following 'group guarantee' approach and accomplished tremendous success in 1980s. Soon after the success of Grameen Bank, there was a massive expansion of microfinance activities by NGOs in Bangladesh during 1990s and all they accepted 'group guarantee' approach as a better alternative to secured loan approach in serving the financial needs of the poor. Realizing the need to promote and foster sustainable development of microfinance sector through creating an enabling environment for NGO-MFIs in Bangladesh the Microcredit Regulatory Authority (MRA) has been established by the Government of the People's Republic of Bangladesh in 2006.

Table 1: Development of microfinance in Bangladesh Source: MRA-MIS Database-2014

Particulars	2010	2011	2012	2013	2014
No. of Licensed NGO-MFIs	516	576	590	649	676
No of Branches	17252	18066	17977	14674	16991
No. of Employees	109597	111828	108654	110734	114644
No. of Clients (Million)	25.28	26.08	24.64	24.6	25.17
No. of borrowers (Million)	19.21	20.65	19.31	19.27	19.98

Source: Microcredit Regulatory Authority (MRA) , Bangladesh

Table 1 summarizes the development of microfinance in Bangladesh in recent years. As of May 01 2016, there are 681 NGOs approved by MRA in Bangladesh performing microcredit programs replicating the approach followed by Grameen

Bank in any way after necessary reconciliation and registering success in approaching poverty establishing themselves as a viable business.

The overall growth of microfinance programmes among different sources is shown in table 02. Clearly, microfinance institutions are playing the leading role in the microfinance sector of Bangladesh, and the steady growth of microfinance programmes has important impact towards enhancement of macroeconomic growth. But the table displays a partial picture of true contribution of microfinance in economic growth as it includes only the microfinance programmes of top 10 MFIS. Persistent increase in microfinance programs of ministries, banks and NGOs proves its importance for poverty alleviation.

Table 2: Micro-Credit Programmes in Bangladesh (in USD Million) *Up to December 2014

Source		2010	2011	2012	2013	2014*
Ministries	Disbursement	138.47	157.91	148.49	159.46	157.19
	Recovery	113.58	121.16	136.42	139.8	138.16
	% Recovery	90.16	97.58	93.94	97.12	105.1
Scheduled Banks	Disbursement	254.91	194.21	303.37	295.15	323.03
	Recovery	201.31	187.88	300.38	294.36	316.76
	% Recovery	78.97	96.74	99.01	99.73	98.06
Grameen Bank	Disbursement	1107.53	1302.56	1464.65	1528.47	1637.25
	Recovery	971.08	1173.62	1361.53	1476.63	1589.30
	% Recovery	97.2	96.89	96.89	97.23	97.53
Main NGOs	Disbursement	13967.41	2707.75	3068.98	3655.41	4240.69
	Recovery	12763.95	2414.17	2906.736	3286.74	3816.64
	% Recovery	91.38	89.15	94.71	89.91	90
Total	Disbursement	15468.33	4362.43	4985.48	5638.5	6358.15
	Recovery	14049.91	3896.83	4705.07	5197.52	5860.86
	% Recovery	90.83	89.32	94.37	92.17	92.17

Source: Bangladesh Economic Review, Various Issues

Apart from the national replications, Grameen-type credit programmes are being replicated in more than 100 countries by well more than 175 financial institutions both in the developing and developed world (Alam & Getubig, 2010). In Africa, there are replications in twenty-two countries: Burkina Faso, the Central African Republic, Chad, Egypt, Ethiopia, Ghana, Kenya, Lesotho, Mali, Malawi, Mauritania, Morocco, Nigeria, Sierra Leone, Somalia, South Africa, Sudan, Tanzania, Togo, Uganda, Zanzibar, Zimbabwe. In Asia, in sixteen countries: Afghanistan, Bangladesh, Bhutan, Cambodia, China, Fiji, India, Indonesia, Kyrgyzstan, Nepal, Pakistan, the Philippines, Lebanon, Malaysia, Sri Lanka, Vietnam. In Australasia: Papua New Guinea. In the Americas, fifteen countries have replications: Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Jamaica, Mexico, Peru, the US. In Europe, there are replications in five countries: Albania, France, The Netherlands, Norway and Poland (Yunus & Jolis, 2001).

Microcredit programs aiming to reducing poverty in Turkey dated back to 1940s, when one of the largest bank of the republic, Halk Bank started providing credits to artisan-craftsmen and small business owners for enabling them to start and run a business, but this low interest soft loan gained limited outreach for its collateral requirements. Another public bank, Ziraat provided such soft credits to agricultural sector before a century ago in 1916, but failed to continue the program due to financial difficulties arisen from low repayment rate. Currently there are two non-government organizations, namely- Maya Enterprise and Turkish Grameen Microcredit Program (TGMP), that are offering collateral free micro loans to poor. Maya is the first microfinance institution In Turkey which was established in June 2002 as an economic enterprise of Foundation for the Support of Women's Work (KEDV) to offer microcredit to low income women. Maya is based in Istanbul, with branches in Kocaeli, Duzce, Sakarya, Kartal (a district in Istanbul) and Eskisehir. To date, MAYA has granted over 12,000 loans , which was 8497 in 2012 and its loan value is over USD 4 million, registering over 70 percent growth as compared to USD 2.35 million of 2012. The Turkish Grameen Microcredit Project (TGMP) was founded in June 2003 from a joint venture between Turkish Foundation for Waste Reduction (TISVA) and the Grameen Trust, an organization that helps other countries to emulate the Grameen Bank of Bangladesh. It has taken the lead in providing financial services to women living in poverty throughout Turkey. It currently operates in 68 provinces and 110 branches across Turkey and has provided small business loans to over 60,000 female borrowers (a 10% increase since last year). Both TGMP and Maya are following the Grameen solidarity lending approach since their inception and became partner of Grameen-Jameel, a joint venture to enhance the microfinance sector's ability to extend its outreach replicating or reconciling Grameen model, in March 2010 so as to get grant to support portfolio growth, and technical assistance such as business planning, operating model and lending methodology to improve its processes and build its capacity.

4. Social Business

Another acclamation in the area of community development that makes Bangladesh known to the rest of the world is Social Business that comes through the hand of Professor Dr. Mohammad Yunus. A social business is a non-loss, non-dividend Company with a social objective (Yunus, 2013). Profitability is still a goal, but it is not the only goal, and profits are re-invested in the mission rather than being distributed to shareholders (Boschee and McClurg, 2003). Both the selfish and selfless motive of human being play role when one initiates a social business. The selfish role, that is, the pursuit of self-interest ignoring the others in the society is much addressed in capitalism, while the selfless dimension has no or little role in economics. The selfish role drives one to set up a business for making profit with no or little consideration for others, while the selfless motive pushes one to start up a business for the benefit of others accepting pleasure of serving humanity in return alone without any financial benefits. The later form of business is addressed as social business by Mohammad Yunus. Therefore, social business is cause-driven rather than profit-driven, with the potential to act as a change agent for the world. While the traditional entrepreneurs are profit-driven, social entrepreneurs are driven by a doublebottom line, a virtual blend of financial and social returns. They either employ people who are developmentally disabled, chronically mentally ill, physically challenged, poverty stricken or otherwise disadvantaged; or they sell mission-driven products and services that have a direct impact on a specific social problem (Boschee and McClurg, 2003). These cause driven social business ventures have immense value in approaching poverty from different directions.

4.1 The Uniqueness of Social Business

There are some other terms like social entrepreneurship, social enterprise, foundation, NGO, etc., they are addressing the problem of poverty, but are not same as social business as they are either profit driven or operating in the traditional way that the non-profit organizations follow. Social entrepreneurship can be a non-business or business initiative with or without profit. But being non-loss, non-dividend company, social business do not aim to profit but to achieve specific social objectives. Social entrepreneurs will set up social businesses not to achieve limited personal gain but to pursue specific social goals (Yunnus,2010a).

Figure 03: Social business vs. Profit maximizing business and not-for-profit organizations (Yunuset al, 2010)

Non-profit organizations, like foundations and NGOs, are charitable and therefore not self-sustaining, non-income generating and no one owns them, completely opposing the characteristics of social business. However, foundations and NGOs could also own a social business investing money in non-loss, non-dividend fashion with an objective to create social benefits while generating income to sustain themselves. By the same token, the term Corporate Social Responsibility (CSR) is often amalgamated with social business, while it is a charity fund set aside by a profit making organization to address some local social inequality

Figure-04: Principles of Social Business (Yunus and Reitz, 2010)

issues. The organization itself is not a social business organization, it only uses a minimum percent (5 percent or less as reported by Yunus (2010)) of its resources for the betterment of the society, while social business and its resources are completely devoted to work as a change agent of the society.

The seven principles developed by Professor Muhammad Yunus and Hans Reitz, the director of Grameen Creative Lab in Wiesbaden, Germany as illustrated in figure-04 can better describe the uniqueness of social business. Social benefit maximization is the core objective of social business rather than paying attention to making personal gain and being social cause driven, social business entrepreneurs attempt to approach social problems particularly the disadvantaged people are suffering from. Social enterprises can be categorized into four: no cost recovery, some cost recovery, full cost recovery, more than full cost recovery. Without recovering cost, no enterprise can achieve financial and economic sustainability and thus unable to put a continuous effort to the objective it wants to achieve. Therefore it is vital for a social business enterprise to attain self-sustainability generating enough income. For more than full cost recovering social business enterprises, investors get back only their investment amount and are entitled to no dividend. Once the investment amount is paid back, profit stays with the company is reinvested for the expansion and improvement of business. Furthermore, social business treats its beneficiaries with greater personal dignity and autonomy.

4.2 Cores for Building Successful Social Business: Grameen Experiences

Some most recent successful Grameen social business experiments are Grameen Phone, Grameen Veolia, Grameen Danone. Social business are broadly classified into two major types. Social business that follows the above mentioned seven principles are brought into the type-I category. Grameen Danone- an international business with a social mission is considered to be the world's first consciously-designed multinational social business of this type. It is a collaboration with Danone (one of the world's leading healthy food companies) that offers an affordable and easily available dairy product developed to fulfil the nutritional needs of Bangladeshi children.

Veolia is the world's leading provider of water services. Veolia Water created a joint venture with the Grameen Bank – Grameen Veolia – with the aim of providing affordable access to drinking water for rural populations in Bangladesh, many of whom had previously been obliged either to buy bottled water, or to drink polluted surface water or even water tainted with arsenic. Studies propose five lessons learned from these Grameen experiences to provide a framework for creating successful social business (Yunus et al, 2010). The lessons are summarized in table-03, three are similar to those involved in conventional business model innovation and two are specific to social business models. These lessons have good command over the entrepreneurs driven by social value creation principle for successful social business ventures.

Table-03: Five Lessons in Building Social Business

Similar to conventional model innovation

1. Challenging conventional wisdom and basic assumptions
2. Finding complementary partners
3. Undertaking a continuous experimentation process

Specific to social business models

4. Favoring social profit-oriented shareholders
 5. Clearly specifying the social profit objective
-

Source: Yunus et al, 2010

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

4.3 Global Movement of Social Business

With an aim to create a global infrastructure for social business Professor Muhammad Yunus founded Yunus Centre in Dhaka, Bangladesh in 2007, Grameen Creative Lab (GCL) in Wolfsburg, Germany in 2009, Univercity Centers in different countries for exploring and nurturing social business and Yunus Social Business (YSB) in Frankfurt, Germany in 2011. Yunus Centre and GCL are engaged in developing awareness and connecting investors with social businesses that solve social issues in a self-sustainable way. Additionally they connect investors with social business funds. Thanks to the GCL, there are numerous live examples of social business initiatives in Asia, Africa and Europe (please visit www.grameencreativelab.com) serving the most pressing needs of the society. YSB is a social accelerator, focusing on incubating and financing social businesses globally. Soon after its inauguration, YSB has been able to create a worldwide movement of social business opening its chapters in different countries. YSB Albania was founded in 2012. Since then it has become the most renowned accelerator and early stage investor in the country supporting more than 200 entrepreneurs in just three years. In Haiti, YSB team manages a portfolio of 9 social businesses since its inception in 2010 with the support of founding partner SAP. YSB Costa Rica launched the first corporate social business joint venture with a Costa Rican leading food company, Florida Ice and Farm Company, in 2014, to produce food to combat malnutrition in children. YSB Colombia was created in 2011 originally as Grameen Caldas and officially became YSB Colombia in 2013. It currently manages a portfolio of 3 social businesses to date, including a joint venture with potato giant McCain. YSB Brazil was launched in 2013 to spread the social business concept throughout Brazil; Rio was officially declared a 'Social Business City.' Yunus Negocios Sociais Brasil, as it is locally known, ran three cycles of accelerator programs in Sao Paulo and Rio in 2014 (YSB Annual Report, 2014).

In partnership with the African Development Bank, Tunisia was the first in a series of African countries to replicate the social business concept. In 2014, it launched its first accelerator program, locally known as iBDA. YSB Albania began operations in April 2012 with the support of the Albanian National Government, and in 2014, it expanded its outreach to Kosovo. YSB Albania has financed 5 social businesses to date, and ran its first intense accelerator program in 2014. In partnership with the African Development Bank, YSB Uganda was started in November 2013, and the first social businesses were supported in 2014. YSB India was launched in 2011 in Mumbai, and 7 social businesses have received financing to date (YSB Annual Report, 2014).

Conclusion

Mainstream businesses serve the people who have the purchasing capacity and thereby able to satisfy their demand through direct participation in the market mechanism. While the working poor and disadvantaged do not have access into the market and their desire remains unrealized. There is scope to create social values attending the poor through microcredit and social business ventures.

Undoubtedly, traditional business plays the main role in economic development generating significant value for the participants. It is not that social business is competitive to traditional business. Social business in no way tries to replace the traditional business, rather it aims to bridge the gap creating necessary values sufficient for disadvantaged who are beyond the reach of traditional business. Social business internalizes the need of underprivileged people empowering and

thereby enabling them to participate in the market mechanism. Thus, it is a conducive force of market mechanism that adopts the poor whom the market does not serve and thereby adds additional value in the process of economic development.

Grant or charity given to the vulnerable groups may make them able to meet their immediate needs, but must not provide them a long term solution to come out from poverty. Though they might have immense value for disabled people- young or old, but have little value in addressing the social problems, particularly unemployment. Rather it may contribute to social problems making the able bodied persons dependent, and thus take away the productive capacity of an economy, economy operates far below its potential. Therefore, if we think over fighting poverty through social value creation, the worldwide sprung up microcredit and social business have immense value in bringing the poorest of poor to their own development process and thereby spur benefits to millions of people around the world.

References

- Alam, M. N., & Getubig, M. (2010). Guidelines for establishing and operating Grameen-style microcredit programs. Based on the practices of Grameen Bank and the experiences of Grameen Trust and Grameen Foundation Partners. Technical report, Grameen Foundation.
- Al-mamun, Abdullah, Mohammad, Nurul, Huda, Mazumder, & Malarvizhi, C. A. (2014). Measuring the effect of amanah ikhtiar Malaysia's microcredit programme on economic vulnerability among hardcore poor households. *Progress in Development Studies*, 1, 49-59. [Crossref](#)
- Boschee, J. and McClurg, J., (2003). 'Towards a Better Understanding of Social Entrepreneurship Some Important Distinctions', Retrieved from www.caledonia.org.uk on 10 October 2013.
- Chowdhury, J. (2009). Microcredit, microenterprises, and self-employment of women: experience from the Grameen Bank in Bangladesh. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.539.4369&rep=rep1&type=pdf> on 03 March 2016
- Feiner, S., & Barker, D. (2006). Microcredit and women's poverty. *Dollar & Sense. Real World Economics*.
- Flotz, J., (2004), Credit Market Access and Profitability in Tunisia Agriculture, *Agricultural Economics*, 30, pp. 229-40. [Crossref](#)
- Frank, B. and Enkawa, T. (2008) 'Does aggregate income influence satisfaction with the standard of living?' *Int. J. Society Systems Science*, Vol. 1, No. 2, pp.113-131. [Crossref](#)
- Ghalib, A. K., Malki, I., & Imai, K. S. (2015). Microfinance and household poverty reduction: empirical evidence from rural Pakistan. *Oxford Development Studies*, 43(1), 84-104. [Crossref](#)
- Grameen Bank: Banking for the Poor, Official Website- <http://www.grameen-info.org>
- Growing Businesses That Matter, Yunus Social Business - Global Initiatives Annual Report 2014, accessible at <http://www.yunussb.com>
- Holtsberg, Christer(1990), Development of Selected Rural Development Policies and Programmes, Dhaka :BIDS
- Imai, Katsushi S., Raghav, Gaiha, Ganesh, Thapa, & Samuel, Kobina Annim. (2012). Microfinance and poverty-a macro perspective. *World Development*, 40(8), 1675-89. [Crossref](#)
- Mamun, A., (2013), Social Business Enterprises: A Prime Lives Improving Apparatus of Ultra Poor. *Thoughts on Economics*, Vol. 23, No. 04, pp. 79-88
- Monthly Reports 4-2016, Grameen Bank, Retrieved on 22 May 2016 from <http://www.grameen-info.org/>
- Petrick, M., (2005), Empirical Measurement of Credit Rationing in Agriculture: A Methodological Survey, *Agricultural Economics*, 33(2), pp. 191-203. [Crossref](#)
- Raper, A. F. (1970). Rural development in action. The comprehensive experiment at Comilla, East Pakistan. Rural development in action. The comprehensive experiment at Comilla, East Pakistan.
- Rooyen, C., R. Stewart, & T. de Wet. (2012). The impact of microfinance in Sub-Saharan Africa: A systematic review of the evidence. *World Development*, 40, 2249-62. [Crossref](#)
- Rural Women and the Millennium Development Goals, fact sheet, UN Women Watch, Retrieved on 13 March 2016 from <http://www.un.org/womenwatch/feature/ruralwomen/facts-figures.html>
- Sabates, Ricardo (2008). "The Impact of Lifelong Learning on Poverty Reduction" (PDF). IFL Public Value Paper 1 (Latimer Trend,Plymouth,UK): 5-6. ISBN 978 1 86201 3797.
- Samer, S., Majid, I., Rizal, S., Muhamad, M. R., & Rashid, N. (2015). The Impact of Microfinance on Poverty Reduction: Empirical Evidence from Malaysian Perspective. *Procedia-Social and Behavioral Sciences*, 195, 721-728. [Crossref](#)
- Sica, E. and Testa, G. (2008) 'Microfinancial system and sustainable development: Are they compatible?' WASD Conference Proceedings, pp.283-291.
- TGMP (Türkiye Grameen Mikrofinans Programı), (2016). Retrived on 13 Mar. 2016 from <http://tgmp.net/tr/>
- World Bank (2001) World Development Report 2002/01: Attacking Poverty: Approach and Outline. New York, Washington, DC: Oxford University Press. Available at: www.worldbank.org, July 2001.
- Yunus, M. & Jolis, A. (2001). Banker to the poor: micro-lending and the battle against world poverty. The University Press Limited.

- Yunus, M. (2003). Banker to the poor: the story of the Grameen Bank. Aurum Press Limited.
- Yunus, M. (2013). Building Social Business: The New Kind of Capitalism that Serves Humanity's Most Pressing Needs, The University Press Limited, Dhaka, Bangladesh.
- Yunus, M. (2010). Creating a world without poverty: Social business and the future of capitalism. Public Affairs, United States.
- Yunus, M., Moingeon, B., & Lehmann-Ortega, L. (2010). Building social business models: lessons from the Grameen experience. Long range planning, 43(2), 308-325. [Crossref](#)