



SOCIAL BUSINESS: PROGRESS AND EXPERIENCES

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The idea of Social Business is born out due to Muhammed Yunus to put an end to poverty and to tackle the financial and economic needs of the society. Yunus, having witnessed the continuous growth of poverty in Bangladesh, firstly developed the concept of Microcredit by founding the Grameen Bank, which provides loans to the poor members of the society at a very low interest rate and at the same time made them members of the Bank. Later, he developed the near concept of Social Business that has the following objectives:

- address a specific social problem,
- overcome poverty,
- attain financial and economic sustainability,
- return back the initial capital investment to investors and retain profit in the business for expansion,
- improve environmental consciousness and market wage,
- improve the standard of living and working conditions of the employees.

Social Business is divided into two types:

1. A Social Business that does not allow the investors to be given any money out of the profits made, except for the money invested
2. A Social Business that has the poor as investors, here the poor are made owners and are entitled to a certain percentage of the profits from their investments.

The thesis compared social business with non-profit making organizations and some other social entrepreneurial businesses carried out for solving social problems.

KEY POINTS

The fundamental principles of Social Business

Social Business: how is it different from social entrepreneurship and social enterprise?

Social Business: differences with development cooperation and cooperatives

Social Business as an emerging corporate role

Social Business: challenges and future perspectives

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Social Business, is a specific form of social entrepreneurship, having social entrepreneurship as a broad name for all businesses that have social objectives as its primary aim, the main difference is in the profit redistribution and the performance measurement, (social entrepreneurship is more profit oriented). The concept of Social Business was also compared with the concept of social enterprise, which on its own combines both charity and business in order to achieve its social objective.

The thesis gave an extensive comparison of Social Business and Corporate Social Responsibility (CSR) which are charitable projects and initiatives carried out (especially) by multinationals to give back to the society and/or the environment, mainly to counterbalance the negative impact created by their own existence. Social Business is not a charitable organization and does not run its services or give its products freely to the members of the society as companies that engage in CSR, however some organizations are starting to incorporate Social Business as a corporate role, because it creates a greater lasting social impact than traditional donation-based corporate social responsibility programs, moreover Social Business is self-sustaining and it does not depend on grants, donations or charities. Hence, it sells its products and services to sustain itself. Notwithstanding that Social Business makes profits, its primary aim is not the maximization of profit but to solve the needs of the society and create solutions to societal problems: it is very important to underline that it empowers the local communities by creating the financial/social infrastructure to make local businesses prosper. In this way, the people in need, can use their innate entrepreneurial skills (for Yunus we are all entrepreneurs) and feel like a valuable member of the society, contrary to charity, which creates the “outstretched hand syndrome”, by keeping the beneficiaries, dependent from aid.

Social business was also compared to cooperatives which engage in one business or the other for the main purpose of solving the social needs of their members (e.g., farmers, tailors, teachers), not to

solve social needs of *all* the members of the society. Also, profits in Social Business are not distributed to the members as done in cooperatives.

Social business is also compared to Development Cooperation. While Development Cooperation concerns organizations involved in charities and are sponsored by government or developed countries, Social Business involves having products and/or services that must be sold to the society at a lower price, using profits to sustain the business and to ensure continuous growth and expansion, by creating a greater positive social impact without returning any profit or dividend to its investors or owners, except for the amount invested into the business.

The thesis further gave detailed explanations of various Social Businesses, and the many challenges that Social Business Entrepreneurs must overcome by employing creativity and innovativeness. Challenges such as: poor funding, high risk, local culture, market instability, social issues identification, social impact measurement.

Social Business is growing rapidly because the enthusiasm around impact investing continues to grow globally. The hope is that social impact analysis will become more sophisticated and the corporate needle will be shifted towards positive social impact worldwide, creating a new, impact-oriented, capitalism.

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