Social Business: Turning Aside From Theoretical Concept?

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Abstract: Social business is a cause-driven business to solve a social problem. It challenges the traditional profit-maximizing business by contributing to the society as well as making the profit with an objective function to serve disadvantaged people. Some large companies of the mainstream economy, philanthropist, and non-profit organization really want to invest their capital in doing betterment for the society. However, it is hard for them to expose innovative project where to fund. In this state, does social business design lab revealing innovative projects to magnetize investor? In this paper, the researcher tries to evaluate the efficacy of some projects that have been approved by social business design lab and also look over the digression of social business from the fundamental theoretical concept. Whether the investment in the social business has been made in unproductive sectors or is being used a new way to evade tax by the business person. This paper will help future researcher, academician and investors to get real state of affairs of social business as well as to construct proper criterion in approval to improve the impact of social business in mass scale

Keywords: Social Business Enterprise; Social Business Design Lab; Unproductive Sectors; Investment; Core Theories.

1. Introduction:
All business enterprise of this corporate world is profit-maximizing entities. So that, social problems remain unaddressed though sometimes government takes some initiative to solve these social problems. In the 21st century, the world economy depends on the private sector, where the company sells product and service to make money. Social business is a new type of enterprise by contributing to the society to solve a social problem. Particularly, social business is a new kind of business where investors will invest money to solve a social problem and can recoup the money without taking dividends. By extension, Social Business is a cause-driven business which, equally, combines social and economic goals, where the company covers all costs to make the profit, to compete with other competitors, to achieve a social objective, at the same time. The Founding Father of Social Business, Prof Mohammad Yunus, defines this notion as - a business created and designed to address a social problem, a non-loss, non-dividend company, i.e. It is financially self-sustainable, profits realized by the business are reinvested, with the aim of increasing social impact, for example, to expand company’s reach, improve products or service or in other ways to subsidize the social mission.

Today, Capitalism rules with supremacy, keeping no room for overlooked people. It's solely on the selfishness motives to maximize profits. On the contrary, Social Business has selfless motives, creating the opportunity for everyone to participate in business, from beggars to millionaire, creating an opportunity to compete in the same marketplace. The problems created by capitalism might be addressed by charity, but it is not a proper response. "You give a beggar a dollar today to eat, but what he would eat the next day"- As per, Yunus the charity dollar has only one life: a social business dollar can be reinvested over again and again. As traditional business hardly solves all global problems, social business can be curative to all global challenges. Through social business, we can merge two things giving an organization to operate same as the private and non-private organization. In most countries, social welfare is run by the government, and the profit-making sector led by the non-government organization. This concept gives an indication to reconstruct the global market, giving a marketplace for sustainable business. Prof. Yunus said that “Almost

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all social and economic problems of the world can be addressed through social business” in Nobel prize presentation, confidently.

Financial and economic sustainability, Gender sensitive, and Environment consciousness was given the most importance on seven principals initiated by Mohammad Yunus and Hans Reitz, the Founder and Co-Founder of Grameen Creative Lab. Consequently, the foremost purpose of social business is to create sustainable employment, to conduct a business addressing serious environmental issues and to empower women. On Social Business design lab 624 projects have been approved in Agriculture and Farming, 6 have been approved in environment, 247 have been approved in power and infrastructure, 490 have been approved in Fashion and Fabrics, 68 have been approved in handicraft, 89 have been approved in Healthcare and Nutrition, 243 have been approved for information and technology, 855 have been approved by others, 1467 have been approved in Shops (Retailer/Wholesaler) and several are ongoing.

In this paper researchers’ tries to understand the objective of social business as well as the possible deviation of social business fundamental theories by “Grameen Social Creative Lab” while approving social business projects. This study also tries to comprehend the functionality of social business design lab where different social business projects on above categories got approval. Still, no research has been found to appraise social business and inclined approval of certain kind of projects to the particular group of people. The findings will be implicit more structural reforms on the approval criterion of the social business creative lab and will help them stop investing in unproductive sectors.

2. Objectives of the study:
The specified objective of this study is:-

- Evaluating the effectiveness of social business in perspective of Bangladesh.
- To scrutinize whether Social Business Creative Lab has deviated from fundamental theoretical concepts in approving social business projects.
- To determine if social business projects have been approved in any unproductive sectors.
- Analyzing the scale of social business project’s approvals and
- Intended adoption of projects to certain groups of people

3. Justification of Studies and Methodology:
The study of social business is a new field of research. The outcome of the study is to point out different managerial de-functionalities of social business. On the various aspects of social business investigated, the approval of Social Business projects has been analyzed in details, in perspective of Bangladesh, by focusing particularly on some projects to find out the exact point that needs considerable attention. This study, will also, creates interest to the new entrepreneur, willing to start with Social Business as well as others. Still, this concept is unknown to many others as it lacks enough maturity, but relatively it has boomed much in its respective of time and maturity. This study explains some loopholes that obviously need attention which will, in future, will help to form a spotless structure of the social business. Findings of the study tend to portray what actually happening in the social business funded project. Researchers selected three projects funded by Social Business Design Lab from 41st, 61st and 81st randomly and made field investigation to unearth the actual state of those projects. Secondary data regarding this study were collected from Grameen Creative Lab, Social Business Pedia, and international scholarly journals. We believe impeccable attire of Social Business will attract the proper amount of business person which will be boomed it by the very short amount of time. This paper analysis the impact of social business on the field as well, recommended marginalizing proper benchmark of social business in future.

4. Findings & Analysis:
4.1 Case Study 1 M/S Hashem Store: M/S HASHEM STORE was approved in the 41st Social Business Lab. The entrepreneur, Abul Hashem Bhuiyan, has ten years of running a business and six-month hand training in candle factory needs BDT 3, 35,000, where his self-investment of BDT 1,85,000 and investor investment of BDT 1,50,000. His business will provide the community with manufacturing candlestick & incense stick, wholesaler of mosquito coil, Mehdi, and scourer.

http://www.ljmsbr.com
4.1.1 Findings:

This existing business fails to contribute to any social-economic and environmental problems except financial solvency of owner. While approving this project the investor ignored its future growth and sustainability. Though Bangladesh had been known for heavy load-shedding, the situation alleviated due to the substantial investment of USD 5.2 billion in soft and hard infrastructure and USD 8.5 billion in several projects by the government. Electricity production rose from 4942MW to 8525MW within 2009-2015[12]. Nuclear, Hydro, and Cycle power plant implementation are ongoing. It is hoped that with new generation addition 17000MW power demand would be solved by 2016. So, it is easily understandable that major loopholes had been overlooked on this project approval.

In the present market, every candlestick is sold for BDT 5, Incense stick for BDT 1, a mosquito coil for BDT 5/per piece or less, Mehami sales for BDT 30-50/tube and. However, analyzing the financial projectile, it can easily notice that the sales and profit are very explicitly given. To achieve estimated sales candlestick had to sell 672 pieces and incense sticks 2160 pieces daily; which are very unlikely to gain due to cheapness and availability of these goods. It can also be noted that the profit would be less as his business is on wholesale. This business also failed to create employment other than the entrepreneur himself. So, it can easily conclude that the entrepreneur will fail to repay the loan in due time and might be engrossed on loans as his business faces a tremendous challenge due to a strong upsurge of the power sector.

4.2 Case Study 2 Rabbi Telecom[13]: The entrepreneur, Md Sumon Hussain, has six years’ experience of running a business and one year of hand training. He has an investment of BDT 1, 25,000 and a loan of BDT 1, 00,000. His business will provide society with educational materials, Bkash, and Flexiload business. It is highly sought the loan would be recovered within the 3rd year of operations.

4.2.1 Findings:

Analyzing the present Bangladeshi market condition, a stationary library seller could profit maximum BDT 5 to 10 (taka) on Khata, Diary, Pen, Pencil, Eraser, Books, Hardboard, Glue, Sharpner, etc. However, the financial projectile entrepreneur shows daily profit BDT. 350 which is rarely possible as if this business located in Asulia (specialized industrial area); and has no attachment to any educational institutions nearby. It could also be noted that the present government delivers academic books free to all classes across the country for eight years which was not taken into account. On field investigation researcher uncovered that agent gets commission .43% and 2.74 % on their sale of Bkash and Flexiload respectively. In order to get net profit BDT 200 from Bkash and BDT 297 from Flexiload, this entrepreneur had to sell nearly BDT 46511 & BDT 10839 correspondingly; that is entirely unreality due to stiff competitions put on by same kind existing local business.

Furthermore, staff salary is shown BDT 3000 on monthly is questionable where a minimum wage of a garments worker is above BDT 8000 in this area. This business, however, creates employment opportunity for two but at the same time, it’s questionable if it is not able to ensure better wage in better working condition. Necessary profit could be hard to gain to run this business for local competitors and political unrest. Lastly, it can easily conclude that payback period would be lengthy, and it would be hard to extend this existing business, and the profit shown in the financial projectile is explicitly made.

4.3 Case Study 3 Jononi Shorno Bitan[14]: The entrepreneur, Mati Deb, had 10 years of experience of running a business. She had an investment of BDT 500000.00 and needed BDT 300000.00 as equity. Her business will provide society with the luxurious item, gold.

4.3.1 Findings:

Due to global financial crisis effect in the Bangladeshi market and for security concerns among the mass population, the demand for luxurious items in Bangladesh is still downsized. Nowadays, imitation
jewelry is very popular for its cheapness and its stylishness compared to gold jewelry. Though for its popular demand, a seller profit on this item is very marginal. Analyzing daily and monthly sales of BDT 12000.00 and BDT 360000.00 respectively, it is understandable that profit and sales are unambiguously portrayed.

Moreover, it is clear that this enterprise not only has a clear motive for profit maximization but also fails to contribute to any social-economic or environmental problems. This business is not expandable in future due to less demand for its product’s sold. It can conclude that the approved loan invested in name social business was undoubtedly given to certain people in a very unproductive sector regardless failing to notice the generous loan on luxurious item provided by traditional commercial banks. This business, furthermore, eludes all social business principles which made researchers doubt if the money is being used in business rather than usuries on local market which are commonly practiced by jewelry proprietor.

5. Concluding Remarks:

Social business has brought a new dimension on the conceptualization of the economic theory by creating the innovative idea. However, the core question is here; does a poor or disadvantaged person have the ability to create business idea? Another major concern is that- there is no guarantee that all social business projects will be succeeded. If a project failed to gain financial success what should be the recovery? In practice, the poor are increasingly being forced to attempt to survive by informally producing an array of simple goods and services that are mainly sold to their equally poor neighbors in the same community. Ahmad and Hossein (1984) argued that local markets in Bangladesh were already pretty over-crowded with struggling informal microenterprises, so it was wrong to assume that sufficient domestic demand existed to support many more new microenterprises or the expansion plans of existing microenterprises.\[^{15}\]

Moreover, emphasis should be given to select right projects and to evaluate the projects by financial experts. Researcher' noticed that projects’ are being assessed by the participant of the social business design labs. Where, most of the participants do not have any financial and economic knowledge to critic a commercial project. The researchers, also, found that no approval of projects has been done other than Grameen Bank borrower’s son/daughter. There are also several projects which failed to solve any social or economic or environmental problems other than one or two employment of loan borrowers and the real face crumbling nature due to stiff competitions with their local small micro-enterprise. Several projects have been approved by social business design lab which will not be able to repay the loan in given time because it is completely unreal to make daily profits each day provided on each financial projectile by the entrepreneur themselves. It can easily be concluded that social business principal and several critical factors which can affect business have been overlooked or did not take into the matter.

One potential source of funding for the social business projects may come from different philanthropist, nonprofit organizations, welfare trust and the large group of industries who wants to carry out some corporate social responsibility. As if most of the time they donated huge money aimed at good causes for society. In that case, they would like to invest in economically viable projects, and social business think-tank must ensure sustainability alongside with solving a social problem. An innovative and newfangled project can attract many international companies to invest in social business projects. Before that, social business design labs have to elucidate few things. Firstly, how they have selected the projects. Secondly, what should be the procedure of wipe out early losses? Moreover, be thinking about what will happen then. Thirdly, what would be the way to recover invested capital if a social business project failed entirely.

In developing country, there is enormous scope doing social business. However, most of the time there might have a conflict of interest with the government of the country. Usually, governments have some projects for the poor people. If such social problem is being addressed and solved by social business, then states projects will be the failure which ultimately degrades popularity of the government. That is why countries must have strong institutions that invest in them, and those decisions can be negotiated. Now that the era of globalization is that it will make all the facilities that can be found from a variety of sources, and how the integration of the country's people can use.

References:

http://www.ijmsbr.com


Appendix:

Financial Projectile – 1
## Financial Projection (BDT)

<table>
<thead>
<tr>
<th>Particular</th>
<th>Daily</th>
<th>Monthly</th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
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<td><strong>Revenue (sales)</strong></td>
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<td>Candle light</td>
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<td><strong>Net Profit (E) [C-D]</strong></td>
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Source: 41st Social Business Lab approved; Social Business Creative Lab.

### Financial Projectile – 2

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Financial Projectile – 3

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<td>Mobile Bill (SMS &amp; Reporting inclusive)</td>
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<tr>
<td>Depreciation Expenses</td>
<td>833</td>
<td>9996</td>
<td>833</td>
</tr>
<tr>
<td>Total Operating Cost (D)</td>
<td>20643</td>
<td>247716</td>
<td>21683</td>
</tr>
<tr>
<td>(Net Profit C-D)</td>
<td>15357</td>
<td>184284</td>
<td>17317</td>
</tr>
<tr>
<td>Pay back with Transfer fee</td>
<td>12000</td>
<td></td>
<td>12000</td>
</tr>
<tr>
<td>Retained Income:</td>
<td>64284</td>
<td>87804</td>
<td>123804</td>
</tr>
</tbody>
</table>

Source: 81st Social Business Lab approved; Social Business Creative Lab.