

Bab 5

SOCIAL BUSINESS: A MODEL TO ALLEVIATE POVERTY IN ISLAMIC COUNTRIES

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1.0 Background of the Study

During the golden era of Caliph ‘Umar ibn ‘Abdul Aziz, who is also known as the second ‘Umar, Muslims achieved the highest level of civilization, wealth and prosperity. Everybody was considered affluent, where it was impossible to find poor people, to the extent that nobody was entitled to receive *zakat* (*alms*). The situation was largely contributed by his leadership that uphold to the principle of Islam in every aspect of life from the state administration, education to business activities. On the contrary, it was entirely dark age for Western civilization. Sadly speaking, a thousand years later, many Muslims are considered amongst the poorest people in the world. Islam has the second largest number of followers, with the Muslims population of about a quarter of 7 billion inhabitants of the world, alas more than half of poor people live in Muslim countries. Of course, there are some rich Muslim countries where their income surpasses the US and Japan such as Qatar, UAE, Brunei, Kuwait, Bahrain, Saudi Arabia and Oman, but many poor and poorest countries are Islamic countries. Even for the said rich Islamic countries, their wealth overwhelmingly contributed from the income of oil, taken away the so-called black gold, they will be at par with other Islamic countries. As for non-Muslims, some would argue poverty is a product of Islam. According to them, in order to free from the yoke of poverty, Muslim countries must embrace modernization and development *carte blanche* as long as possible and any principles of Islam that is contrary with capitalism must be challenged and suppressed because they will hinder progress. As a result, not a few Muslim countries have bowed to this pressure that is knocking every door of Muslims. Many aspects of Islamic teaching are attuned to westernization and capitalism, anyone who raises an objection and challenge this view is

opposed and considered as backward and anti-development. Over the last four decades, due to rise of Islam after its slumber, this misleading view has been challenged because many have found Western modernisation not panacea. The answer why Islamic countries and Muslims are poor is because they do not adhere to Islamic teaching which governs each and every aspect of life from spiritual and material or worldly matters. It is not the Muslims that had made Islam great, it was Islam that had made Muslim great. Islam comes in a complete package in which it could not be well functioning if any of its principles is not taken into account and action. Apart from this, when asked a question why Muslim countries are poor, of course there are many answers and some of them are interrelated and intertwined with one another. Amongst others are corruption, illiteracy due to lack of education, past history of colonialization, civil war and war imposed by powerful nations, natural disasters like prolong draught and desertification, lack of human rights, dictatorship as well as globalization, unjust and exploitative trade between rich and poor countries, unfair currency exchange and unfair economic system which is overwhelmingly dominated by rich countries –G8. Looking at the current scenario, it is a long way to go for Muslim countries to address endemic poverty amongst their countries. However it takes, any efforts to address poverty should be supported, because it is considered as a duly import duty of each and every Muslim. After all, poverty will lead Muslims to abandon their religion and easily sway from the right path because poor people are easily tempted by worldly temptation.

In the late 1970s, a petite and eyeglass man with a PhD in economy from the US, returned to his homeland which just gained independence but heavily damaged due to the war. He worked in a university and taught economy. He shared with his students fantastic economic theories underpinning with supply and demand in a lecture hall, but surrounding his university, many poor people lived in deplorable condition and not a few died because of famine. He found his economic theories that looked so wonderful and great that explained business and trade barely touched poor people on the ground. He started to question why and due to his inquisitive mind he investigated

underlying causes of poverty in a village near to his university and later found poor people deprived not because of their incapability that they were born with, but due to unjust system that was imposed on them by others. Once, from his random investigation, he found that poor people borrowed money from the loan sharks and they paid exorbitant interest. As a result, the largest portion of their incomes went to the payment of their loans. He used his money worth US\$27 to free people in the whole village from the loan sharks. The innovative idea to introduce micro finance to address this problem and to alleviate poverty and the establishment of the bank as the first institution that runs micro-loan come from this real story. The man mentioned in the story is a Muslim by the name of Professor Muhammad Yunus, the bank is Grameen Bank and the country is Bangladesh (Yunus, 1997) .

Now, after more than four decades since the inception of the Grameen Bank in 1983 and its successful story, more and more social businesses have been developed to address social problems. Professor Muhammad Yunus and Grameen Bank had effectively showed the way. Social business concepts and practices have been embraced by many in both developing and developed countries. Against with this background the main aim of this article is to highlight how Muslim countries can embrace social business to address and arrest poverty. In addition, it also discusses the definition of social business, social business activities in Bangladesh and other countries. The conclusion of this paper is instructive and enlightens better prospect for Muslim countries. Any deed whatever small it is including social business will be rewarded by Allah because it has good intention to eradicate poverty for the betterment of mankind.

2.0 What is Social Business?

According to Professor Muhammad Yunus, social business can be defined as a non-dividend company that is created to address and solve a social problem (<http://www.muhammadyunus.org/index.php/social-business/social-business>, accessed on 7 September 2015).

The conventional businesses focus on how to make personal profit, the more profit one makes, the more successful their businesses are. That is what the business is all about and the whole world knows about business. The adage, the business of a business is business hitherto run true. In all human endeavours, none as profitable as business, as the Prophet Muhammad s.a.w. said nine out of ten of wealth comes from business. If business can be harnessed accordingly, it can be a lot of use to address many issues including social issues. Using the same business methodology, Professor Muhammad Yunus convincingly argues social business can be developed to solve the problems of the poor people. Social business is not the usual business: it is about others, it is about doing good for others. Instead of financial bottom line, however, the underlying aim of social business is to address social problems.

By and large, poverty alleviation activities are done by charity. As for businesses it is part of their means of corporate social responsibility through donation. It could not be denied that over the years money that have been donated bring abundance of benefit to society through education, health, housing and nutrition. In the case of social business, the aim is still the same, but the means is different. In social business, giving money as charity is not practiced because money goes out and does the good work but money does not come back. As a result ones need fresh money all the time. In so doing, those who donated money will need to do so continuously and the same with those who received the donation. Directly or indirectly receivers of the donation continuously rely on donors. However, proponents of social business do not oppose donation, rather it offers alternative.

In a social business concept, the investors/owners/social business angels can recoup the money invested, but cannot take any dividend beyond that point. The purpose of the investment is purely to achieve one or more social objectives through the operation of the company. No personal gain is desired by the investors. The company must cover all costs and be financially sustainable, while achieving the social objective in sectors such as healthcare, education, poverty, environment, housing,

climate urgency etc. Once the original investment has been recouped by the investors, profit stays within the company to expand its outreach and increase the social impact.

Perhaps, one will ask, by doing so, how can investors earn their living? The answer is through conventional business. But they do not mix their business up with social business. Intermingling both businesses will be counterproductive, one-will be exposed by criticisms. The investors or owners would not easily differentiate the thin line between social business and business as usual.

Seven Principles of Social Business developed by Professor Muhammad Yunus and Hans Reitz, the co-founder of Grameen Creative Lab are as follows:

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. Gender sensitive and environmentally conscious.
6. Workforce gets market wage with better working conditions.
7. Do it with joy.

(Source:https://en.wikipedia.org/wiki/Social_business, accessed on 9 September 2015)

3.0 Social Business Projects: Walking the Talk

Professor Muhammad Yunus experimented his innovative idea of social business in the late 1970s to address poverty in Bangladesh and then through the establishment of Grameen Bank, a bank dedicated to providing the poorest of Bangladesh with micro-loans in 1983. Through Grameen Bank not a few

poor people in Bangladesh who are assisted by minuscule loan without collateral and guarantors have been able to free themselves from abject poverty. With micro loan borrowers involve in various entrepreneurship activities. As of October , 2011, in total Grameen Bank had 8.349 million borrowers, 97% of whom are women. With 2,565 branches, Grameen Bank provides services in 81,379 villages, covering more than 97% of the total villages in Bangladesh (<http://www.grameen-info.org/about-us/>, assessed on 8 September 2015).

Prof. Muhammad Yunus has never looked back. He has looked forward and his innovative ideas pertaining to social business as a mean to solving social problems have been given attention worldwide. For example, in a joint venture of Grameen with Nike and Glasgow Caledonian University, Scotland, an institution was established by the name of Grameen Caledonian College of Nursing (GCCN) in 2010, temporarily located at Grameen Bank Complex, Mirpur, Dhaka. The girls from poor families with some education are brought to the college and they are given loans from the Grameen Bank to pay tuition, housing as well as money for foods and drinks, so they do not have to bring any money from their families. Once they have their degrees, they can apply jobs and with their qualification in nursing they get jobs. Then they can spare some amount of their salaries to repay their loans, so in three years the money comes back. With the small interest rate - 5 percent a year, they afford to fulfill their obligations. Then, money will be used again to finance other girls who need financial help to unshackle themselves and their families from the vicious cycle of poverty. GCCN has been admitting students since March 2010, and up until now received 4 cohorts of students with the first cohort graduated in March, 2013 (<http://www.muhammadyunus.org/index.php/gccn/1017-first-nursing-college>, assessed on 8 September 2015).

Another social business project involves a co-operation between Grameen and a big corporation of French food company – Danone was launched in 2006 to address malnutrition problem of poor Bangladesh children. One particular disease identified was night blindness, where malnourished children can not see at

night. This is due to deficiency of vitamin A in their foods. Working together, Grameen-Danone introduced yoghurt that has been enriched with vitamins to deal with this disease and malnutrition amongst children at an affordable price of 6BDT = 0.06EURO. Of course such yoghurts have enriched nutrients amongst children, at the same time it creates thousands of job opportunities. In total, Grameen Danone Foods is responsible for the creation of about 1,600 jobs within 30 km radius around the plant. (<http://www.grameencreativelab.com/live-examples/grameen-danone-foods-ltd.html>). A further social business project of Grameen is also a cooperation with big cooperation – Veolia. The project was launched in 2008 to address water transmitted diseases and arsenic related diseases. In the beginning, the project aimed on providing safe water supply for children in rural area because they are vulnerable, are the first to be affected by arsenic and could possibly develop neurological diseases. Working together with local people, in 2010 water treatment plant was able to produce more than enough drinking in two rural areas in Southern Dhaka – Goalmari and Padna. Profits from this social business can be invested in rural infrastructure such as extending networks and adding new tap points (<http://www.grameenveoliawaterltd.com/>, accessed on 9 September 2015).

Of course, three cases of social business that are highlighted just tips of an iceberg. They are many other projects have involved Grameen but not being highlighted here in Bangladesh. As for details ones can go to its website; www.grameen-info.org.

Perhaps, some will argue that social business is only suitable in the environment of Bangladesh which is characterized by heavy population, low income people, high illiteracy and economy revolves around commodities, but the social business model that has been practiced in Bangladesh with some modifications to adjust local conditions have been proven in other countries. In Malaysia, the establishment of Amanah Ikhtiar Malaysia (AIM) based on the model of Grameen Bank with some modifications to attune local environment. Social Business has

not been limited to developing countries, it has operates in several high-income countries including USA. Up until October 2014, Grameen Bank has nearly 25,000 borrowers in New York, all women and average loan US\$1,500 and repayment rate was 99.4%. (<http://www.smh.com.au/national/access-to-credit--a-human-right-says-the-father-of-microfinance-20141009-113j3x.html>, accessed on 11 September 2015).

4.0 How to encourage Muslim countries to actively embark of Social Business?

Success of Social Business relies on many parties. It is not something that can be done in silo. It requires wholehearted commitment by many. In this article, discussion will be on three important parties namely individual Muslims, business institutions and higher education. Although they are discussed separately, they can cooperate together. Other parties which are not less important such as government, religious authority as well NGOs are not highlighted here due to limited space.

Individual Muslims

If an individual like Muhamad Yunus who is enterprising and relentlessly pursues social business to address social issues has made significant impact to the world, the results will be massive if we can emulate him and motivate many other Muslims to do so. After all, it is an inherent duty of a Muslim to help other Muslims because we are like part of the whole body. If one part in pain the whole parts will not spared. Although we have many poor Muslims throughout the world, not a few Islamic countries and Muslims are rich and financially capable. Strong pillars of Islam that deeply embedded in their hearts and minds will automatically motivate them to contribute. After all, they have nothing to be worried, their efforts will be rewarded if not in this world, will be in the hereafter. As for those financially capable, they can act as social business angels who invest their money in social business activities. As conventional business that the bottom line is financial profits, as for social business the bottom line far superior - how many people benefitted from our venture. However, success does not come easily it requires

constant and continuous supports. Usually researchers as well as entrepreneurs measure success of business activities after three years operation.

Since not all are financially capable, some have knowledge, time and energy to embark on social business, so they can contribute accordingly. For example those who have business knowledge and experiences can give valuable recommendations on how to run social business. Under their tutelage social business will be able to succeed. In the meanwhile, some who have time can contribute their time and energy. Volunteerism is strongly encouraged. In the early venture, due to lack of capital it is almost impossible to hire adequate staff. Students of higher learning institutions can be trained to work as volunteers. As for those who work they can contribute during weekends and or after office hours. Nowadays many individuals work for free because of their passion and interest for the right causes, money is not their motivation.

Business Institutions

Business institutions could participate in social business through their corporate social responsibility (CSR) activities. In those days, shareholders looked for financial bottom line (profit) per se, it was the only indicator for the health of the business, but at present, other two Ps, people and planet are taken into due consideration. Professor Muhammad Yunus in the New Cities Summit in Jakarta on June 10, 2015 delivered a keynote speech “Redesign Economics to Redesign the World.” According to him, CSR money can be used to encourage businesses to take part and to start social business. Businesses can take care of unemployed young people, creating entrepreneurship by investing in their businesses so they become business people, making them job creators instead of job seekers. CSR money can become a seed money for social business and this fund invests in a business of a poor person, a young person as well an unemployed person. He or she who has a business idea can set up a little shop. Later, he or she who borrowed money pays the loan and he or she doesn't have to pay for interest or profit because it's a social business. Once

businesses get back their investments, they can repeat the cycle, investing it in somebody else businesses. Over the years, they will produce more entrepreneurs. By so doing, they can inspire entrepreneurship activities and increase number of entrepreneurs where their number still far behind in Islamic countries.

Higher Education

At present, not a few business schools including in Muslim countries introduce social entrepreneurship as one of the courses at the undergraduate level. The aim of introducing such a course is to inculcate altruism and unselfishness amongst students who are tomorrow leaders and managers. Introducing this course is timely and paramount important because it broaden business students mindset who have been occupied with only a myopic view of business – institution that creates money to quench insatiable appetite of shareholders expectation. However, if we are serious enough, we need to introduce social entrepreneurship as its own programme, especially at postgraduate level. Curriculum will blend together theories and practices of social entrepreneurship. As far as the former is concerned students can access a variety of elective courses pertaining to social entrepreneurship. Furthermore, core values of the study are strongly grounding on creativity and innovation to address social issues that haunt Islamic countries. As far as the latter is concerned, students should engage in in-depth practical experiences in social entrepreneurship and substantial self-directed experiences outside the classroom.

Furthermore, the establishment of Centre of Excellence (CoE) of social business to lead global entity for the advancement of social business through research and development as well as collaboration is laudable. This centre should be able to address social problems amongst Muslim countries. In order to attract brilliant students who will be nurtured as social entrepreneurs, scholarships should be offered to selective students worldwide. Full or partial scholarship that covers students' fees as well as living allowance according to financial capability of students should be provided. Selection of scholars must be based on

strong personal qualities in concordance with social leadership capabilities. For example, Skoll Centre of Social Entrepreneurship at Said Business School in Oxford, UK provides financial support for five selected students to undertake University of Oxford MBA programme every year.

Many rich Muslims have their own excess money. They have to pay zakat (alms). They can utilize the zakat to offer scholarship as a mean of charity. They can make a commitment with the youth; when they get a job, they in turn would create a fund for a scholarship for another person. So that becomes a sustainable system.

The centre of excellence of social business must be managed and run by top notch academicians. Their track records in social entrepreneurship speak for themselves. Their full involvement in research in the social entrepreneurship as well as relevant projects with students and industries locally and internationally give a lot of advantages of the centre. Especially, this could be considered a pulling factors to attract promising students from Islamic and non Islamic countries. Students with multivarious topics of study in the domain of social entrepreneurship including social business contribute to the sustainability of the centre. In other words, centre of excellence prospers mainly due to commitment of students who are considered as a cog in the wheel.

One of the main advantages of a centre of excellence relies on its multidisciplinary approach as long as it can relate with social entrepreneurship. The centre engages in various fields of study alongside social entrepreneurship continuum. For example, engineering students can study ways to introduce affordable water filters run by solar energy to address issues of water problems amongst community. In another example, accounting students can engage in personal finance to help poor communities to manage and plan their income.

5.0 Conclusion

Social Business is a business as unusual model to do good for other parties which usually are considered as secondary. It does not again business but to turn it around to look at the totality of business which has two dimensions. One about stakeholders and one about others. The interest of Social Business is about the latter. Underpinning this philosophy, Professor Muhammad Yunus has proven Social Business is workable to address social issues through a plethora of business activities in and outside Bangladesh. Indeed, Social Business touches the kernel of a very important problem of social issues. The conclusion of this paper is instructive and enlightens better prospect for Muslim countries. Any deed, however small it is including social business will be rewarded by Allah because it has good intention to eradicate poverty for the betterment of mankind.

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