

## Social biz is the new fusion buzz

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Can Alcoholics Anonymous (AA) be turned into a profitable business venture? Or, can Mumbai-based Party Hard Drivers (PHD), the first company in the country to specialise in providing drivers by night so that people do not drink and drive, be called “social business”?

As cathedrals of capitalism tottered on the brink of fiscal chaos following the Lehman collapse, high priests of socialism began pushing their ideology. Now, with the economy reviving, there are once again talks of fusion of the two “isms”. There is a section of ideators that thinks several philanthropic efforts, if treated as “social business”, can become profitable and have high welfare impact.

“Social business” is a term used by Nobel laureate and maestro of microfinance Muhammad Yunus to describe a commercial activity where businesses whose primary goal is to help the targeted group plough their entire profits back into their work rather than give dividends to shareholders. According to Yunus, a social business enterprise is created not to maximise profits, but with a declared mission to maximise benefits to the people served, without incurring losses.

It has become fashionable for some corporates to pontificate on corporate social responsibility (CSR), which social entrepreneurs call more of a PR exercise than a genuine effort to help the poor. As companies increase allocations for CSR activities and begin targeting the bottom of the pyramid, social business is gaining currency.

While addressing industry leaders in Mumbai recently, Yunus, who pioneered microfinancing, said: “We, as humankind, have multidimensions: We have selfless parts and we have a self-centred part. Most of the businesses today are focused on the self-centred part. It is all about me, it is all about my. The social business is all about you. The objective of social business is not to maximise profit, but to get maximum social benefits.”

The founder of Bangladesh’s Grameen Bank also proposed setting up a separate stock exchange for the listing of social enterprises as one of the funding sources for such firms. “The social business is not charity as it can be run through raising funds from the stock market. In the Indian context, social business can be possible in a number of areas such as water, health, urban poverty, education and environment,” Yunus said.

There are some takers for Yunus’s proposal. Says Nishith Desai, founder of Nishith Desai Associates, a Mumbai-based international law firm, “If Alcoholics Anonymous (AA), for example, becomes part of the social business venture, raising funds and scaling up operations will not be a problem for it and it will turn into a profitable enterprise.” Desai said AA, if structured as a social business enterprise, could offer services under three slabs: some free of cost, some at lower rates and others at significantly higher rates.

The “customers” of AA—the relatives of the persons using the services of AA—could invest in AA even as their kin gets rid of alcoholism, thereby making it financially viable. Likewise, Party Hard Drivers, too, can scale up operations, as part of the social business model.

India Inc is warming up to the idea of social business. Yunus recently told TOI that some Indian companies have agreed to team up with Grameen Bank for the social business venture on the lines of JVs with French foods major Groupe Danone and German sports apparel group Adidas. Grameen joined hands with MNCs to create social businesses. One of the first such JVs was with Danone in 2006. “In Bangladesh, nutrition is a big challenge. Here’s where skill and technology come in. Danone has great expertise on how to make delicious yogurt. We figured out that to solve this problem of malnutrition, we need to put micro-nutrients into yogurt and try to make it as cheap as possible for the real target group that needs it,” Yunus said. The Grameen-Danone effort has reduced malnutrition among the children of Bangladesh, he said. The metric of the success of this company is not the amount of profit generated but the number of children escaping malnutrition, Yunus said.

The Grameen Group, which is mainly into rural credit, has also tied up with Adidas for low-cost shoes for the poor as part of the social

business venture. Adidas has produced shoes that costs under \$2 a pair and will be shipping 10,000 pairs as samples to Bangladesh for testing before initiating regular production.

Earlier, Grameen had entered into JVs with French major Veolia for clean water and Germany's BASF to produce chemically-treated mosquito nets. Grameen has also tied up with Germany's top chain store Otto to set up a garment factory.

According to Venkat Krishnan of GiveIndia, a donation platform, the social business model will have mixed motives. "The challenge will be to strike the right balance between social good and maximising profit. Prof Yunus has been able to achieve that in the case of Grameen Bank." Krishnan agrees that if India Inc is able to create a structured social enterprise, raising funds for philanthropic work will become easier. "The problem will arise when greed capitalism begins to overtake benevolent capitalism," he adds.

Reema Nanavati, director, Self Employed Women's Association (SEWA), the largest labour union of informal sector workers in India, said they have been practising the social business model for the past eight years. "From textiles to rural infrastructure, SEWA runs businesses where marginalised communities are the shareholders as well the managers. Fifty per cent of the profit is ploughed back into the business and the remaining 50% is passed on to the shareholders," she said.

SEWA has tie-ups with Hero Honda, ITC and Bajaj Electrical among others.

Over the years, though CSR initiatives have become an integral part of a corporate strategy, critics say not enough is being done. Says Desai: "Once the social business idea takes off, NGOs will not have to go around with a begging bowl for funds. Today, charity is a one-time transaction. You write a cheque and feel your responsibility is over. In social business, sustainability is the key, which leads to self-reliance. The involvement of the donor is a long-term effort."

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