

# CAN BUSINESS AND SOCIAL CHANGE BE COMPATIBLE?

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*"Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionised the fishing industry."*

— Bill Drayton, founder of Ashoka Changemakers

In August 2016, the Supreme Court upheld government orders directing BRAC, the world's largest non-government organisation, to pay Tk 404.20 crore in unpaid income tax between the years 1993 and 2012. This verdict overturned a previous High Court order which exempted BRAC from paying tax as it was deemed a nonprofit organisation.

Though this perception has stuck, BRAC is more accurately a social enterprise. The organisation primarily finances its activities in health and education for example, through revenue generated from its 16 social enterprises and microfinance programme. These enterprises are run as businesses but are driven by the need to create employment and promote social goods.

Social enterprises are distinguished from businesses by their primary goal – while profit is the bottom line for business, social and/or environmental impact is paramount for the former. A British Council study on 149 social enterprises in Bangladesh in 2016 found 44 percent hold their primary purpose to be social or environmental impact (and not profit). Many social enterprises, especially social businesses, do generate profits but the majority is reinvested to sustain their programmes and scale up operations.

Take Aarong, a BRAC social enterprise. Starting out as a handicrafts venture to support rural artisans, it now employs 65,000 artisans and is the predominant lifestyle retail chain in the country. The profits it generates have allowed Aarong to be a viable business in the long term.

BRAC embodies a hybrid nonprofit, a model which uses its product sales to fund its social mission and to scale up operations. Actively transitioning away from donor funding, BRAC is setting up multiple revenue streams to finance its programmes. Currently, it is 70 percent self-funded.

Perhaps the most famous model of social enterprise in Bangladesh is social

business, a concept defined and mainstreamed by Muhammad Yunus through the Grameen group. Grameen services reach around half of Bangladesh's people across a number of sectors. These include of course, microfinance, which started it all, but also everything from solar energy to high nutrition yoghurt. A social business is a particular model of social entrepreneurship in which a business is created to address a social problem.

Despite different models, all social enterprises start with an innovative idea. Social entrepreneurs identify a need and then come up with a strategy to solve the problem. Jeeon, an award-winning social enterprise in Dhaka, identified rural patients' lack of access to quality healthcare. It then set about bridging this gap by training and equipping local intermediaries to facilitate consultations

organisations," says Ahmed Abu Bakr, Head of Product and Experience at Jeeon.

The study on social enterprise activity found a general lack of awareness and understanding of such organisations to be a barrier to raising funds from investors and to their larger viability. This poses significant challenges for social enterprises in growing and scaling up operations in Bangladesh. 48 percent of the social enterprises surveyed did not receive any funding. Only a small proportion has received loans or equity, capital traditionally accessed by businesses.

Social enterprises also have no specific legal status in the country. There are no policies defining social enterprises or directly governing their activities in the country. "I think that it is a good time to push for a legal framework for social

provide a quality service on a large scale using a model proven over time to be sustainable," says Runa Khan, founder and executive director of the NGO Friendship. A well-known social entrepreneur, she is adamant that the beneficiary is top priority.

Friendship's three hospital ships provide an award-winning three-tier healthcare system to people in remote *char* communities and riverbanks in the north and in the coastal belt in the south. Curative services including cleft lip and palate surgeries and cataract operations are performed for free.

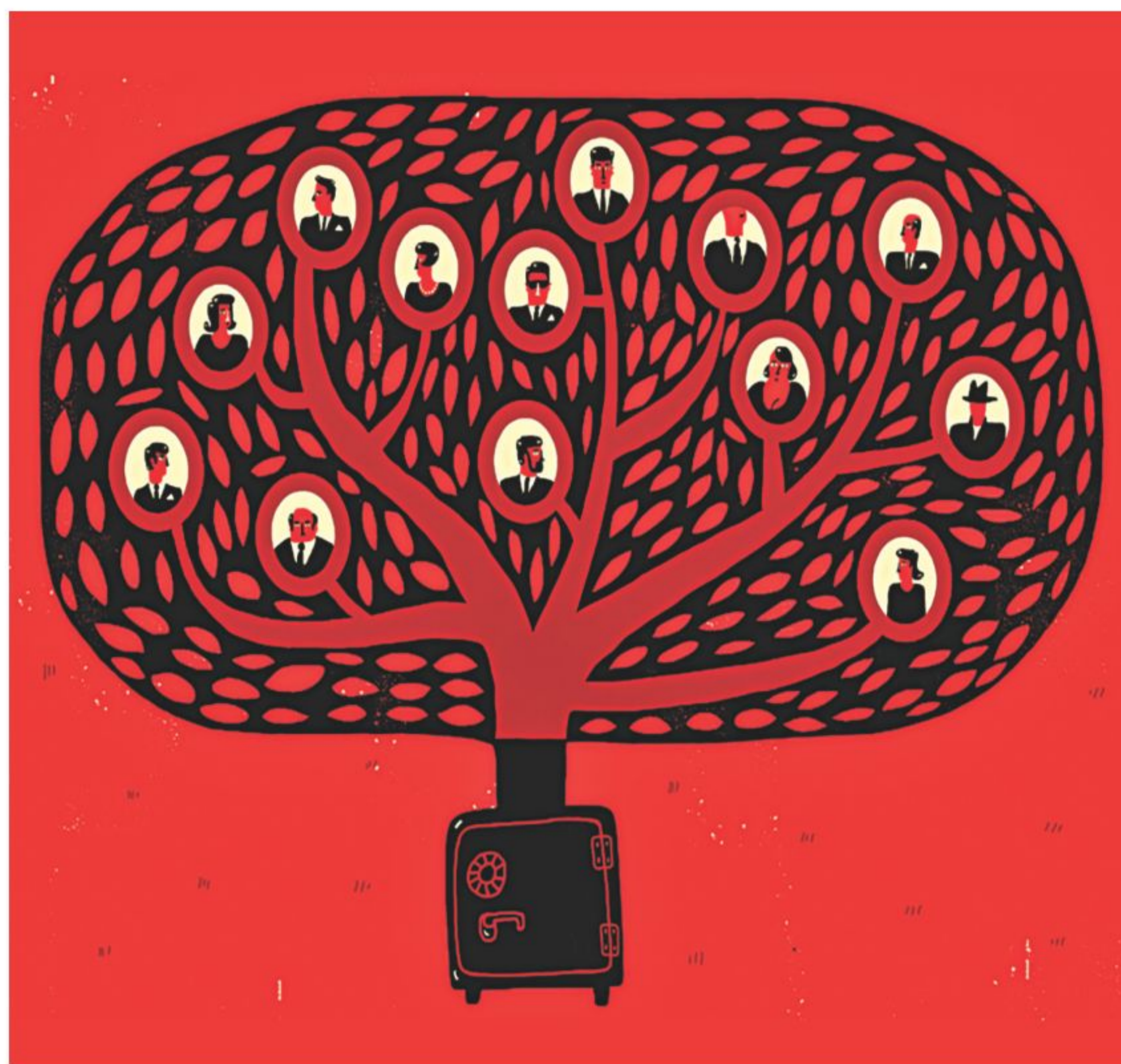
"Friendship wants to be exemplary in making quality healthcare accessible," says Khan. Since the ultra-poor cannot pay for these services, these programmes are subsidised by donor funding. With a non-profit model, Friendship has sustained donor-funded operations and crucially, managed to scale up operations over the past 15 years. Over time, beneficiaries' trust in the services provided is the biggest validation for Khan and proof of the social impact of the organisation.

Bangladesh is home to a vibrant social enterprise sector. Social enterprises in Bangladesh were found to be relatively young, with an average of six years in operation. As many as 69 percent of their leaders are under 35 years of age. A fifth of the social enterprises are run by women, compared to five percent in mainstream business.

"Young people in particular are eager to make a positive social and environmental impact with their ideas," says Minhaz Anwar, founder of Better Stories, the first incubator in Bangladesh. "However, they are not completely aware of the financial health of their enterprises. We help them reconfigure their business models," says Anwar.

Another reason for organisations to turn to more businesslike models, according to Anwar, is less funding from bilateral and multilateral donors. "Nonprofits are gearing towards profit-bearing organisations or more self-sustainable business models. Through ecosystem exercises, immersion journeys and financial modules, social entrepreneurs can learn how to operate businesses and pitch for funding to investors and banks.

Social entrepreneurs are creating jobs and solving urgent social and environmental problems in Bangladesh. A great idea for social change can, if nurtured and executed well, grow into a sustainable social enterprise having lasting social and environmental impact.



with qualified doctors through the *Projotno* service. New patients pay Tk 250 for a consultation and Tk 50 for a follow-up visit.

Jeeon was incubated within mPower, another ICT-based social enterprise in Dhaka, through which it was able to access the right investors. "We have received support from the government since we were announced as one of the top 10 startups in Bangladesh. However, the majority of our support, financial and otherwise, is from foreign

enterprises. My concern is that social entrepreneurship in Bangladesh is a term that is often under the shadow of social business, which is a very particular way of doing things. I would like to see a legal framework more like the B-corp (Benefit corporation), which is now an internationally recognized legal status across most developed nations," says Abu Bakr.

Alongside innovation, execution is crucial for the sustainability of social enterprises. "You have to be able to