

Abstract

Since Nobel Peace Laureate Muhammad Yunus first began launching joint ventures with multinational corporations such as Group Danone and Veolia Water in Bangladesh, his social business concept has received international attention.

What is a social business and how can it contribute to poverty reduction? While Grameen Danone Foods Ltd. aims to fight child malnutrition by selling fortified yoghurt, Grameen Veolia Water Ltd. provides rural communities with treated river water in arsenic-affected areas. Using the example of Bangladesh, this study systematically explores Yunus' theoretical propositions and originates a social business taxonomy. Geared to literal replication logic, two case studies investigate Grameen Danone's and Grameen Veolia's challenges in their business operations, mitigation strategies, and livelihood outcomes for the poor.

Though challenging to implement, both companies contribute effectively to poverty reduction in terms of the sustainable livelihoods approach. They provide low-income consumers with access to products for their basic needs, while creating new income opportunities. As they are exempt from the pressure of generating shareholder profit, Grameen Danone and Grameen Veolia can offer their products at a lower price than profit-oriented base-of-the-pyramid (BOP) ventures could.

In brief, Yunus' market-based bottom-up approach certainly amplifies the portfolio of direct poverty reduction strategies, but considering the multidimensional character of poverty, the findings are not suggestive of a panacea. Given the fact that the conscious abdication of personal financial gain (in terms of dividends) by those who invest in a social business company is the defining attribute in Yunus' concept, his idea is primarily a strong plea for social entrepreneurship and the efficient use of philanthropic resources in contrast with the conventional charity approach.