

SOCIAL BUSINESS AND IT'S SUSTAINABILITY: A CASE STUDY ON "APONJON" PROJECT OF D.NET, BANGLADESH

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Abstract

Social Business is one of the fastest growing concepts in modern business world. People around the world is emphasizing on the social business to conquer social problems. Implementation of social business in different parts of the world has already proved successful. But in recent time, sustainability of Social Business is an important issue in global arena. In this paper our main concern is about the sustainability of the social business. Whether the social business would be sustainable or not? To find out the answer of this question First of all, we have used theoretical background of social business. Secondly, we have used information from various social business companies operating in Bangladesh. Finally we have included the lesson learned from Apanjon Project under DNET, which is one kind of social businesses in Bangladesh and which is still in operation and its performing and sustainability of the business.

Keywords: Social Business, Sustainability, Financial Benefits and Impacts, Social Benefits and Impacts, Success of Social Business, Social Return on Investment

INTRODUCTION

The concept of charity or broadly philanthropy has been widely credited for centuries in the context of solving a range of social problems in many countries. Though the concept of classical philanthropy, also known as ancient Greek view of philanthropy, was a subject of philosophical thoughts relating to “love of what it is to be human”, the relatively concrete conception of philanthropy can be traced back to early 17th century—in the age of enlightenment. Since then, the concept of philanthropy gradually formalized where charity could be perceived as a way to achieve happiness for humanity in the society. With the passes of time, having such perception, in order to handle various problems in the society, many voluntary associations or charitable organizations started to flourish around the globe. These organizations were mostly depended on donations or charity from the rich benefactors. Later, in the verge of modern philanthropy, the form and nature of overarching concept of philanthropy has been transformed into many dimensions, specifically, classified in terms of its objectives and mode of conduction. Charity, being one of the most common forms of philanthropic activities, is cherished widely due to its simplistic model—channeling fund from rich to poor keeping in mind a social cause. However, the major criticism of charity as a way of solving social problem is that it can ease the pain of the problem but cannot solve it in a sustainable manner as its operations are mainly depended on donations. Consequently, in search for more plausible solutions for tackling social issues, a number of modern philanthropic efforts can be identified; namely, not-for-profits, nongovernmental organizations (NGOs), benevolent societies, philanthropic foundations, social enterprises etc. though their “model” of conduction, in many cases, is still contested from the viewpoint of sustainability (Yunus and Weber, 2007a). Finally, though many could stress that the State or Government can easily solve social problems as it is big and have large capacity to do so; but, in reality, the result is not satisfactory and calls for alternative solutions (Yunus and Weber, 2007a; Krlev, 2012). Thus, it is widely argued that the challenges of finding competent and sustainable solutions to many social problems are still substantial and needs plausible solution (Alvord et al. 2004).

Hence, in quest for a synergy between charity and sustainability, Professor Yunus (Yunus and Weber, 2007a) proposed a model, Social Business, based on an intriguing perspective to conventional rationality of modern capitalism. Highlighting to the fact that the growing inequalities between rich and poor in the modern capitalistic society cannot be ignored. Yunus and Weber (2007a) accused the absence of a philanthropic essence in the free market ideology is the cause for such undesired outcome. To be specific, he criticizes the concept of modern capitalism as “half-developed structure” as it takes a “...*narrow view of human nature, assuming that people are one-dimensional beings concerned only with the pursuit of maximum*”

profit” (Yunus and Weber, 2007a:18). On a similar vein, he criticizes the mainstream free market theory as it postulates that the best way to serve the society is to maximize one’s interest and, thus, lacks the essence to be human (Yunus and Weber, 2007a).

In order to incorporate human dimension to mainstream capitalism, Yunus argues that in reality human being are multidimensional and selfless beings too. Both selfish and selfless interest coexists in human beings, simultaneously. He further argues that if human beings were only selfish then there would be no charities, foundations and non-profit organizations in the society and, subsequently, condemns the fundamental free market model as selfless part of human is lacking in the theology of modern capitalism. Hence, he proposes a rather “complete” conception of capitalism with the help of a new business model—The Social Business—where human’s multi-dimensional personalities (selfish and selfless) are considered (Yunus and Weber, 2007a, 2013).

However, the concept of Social Business is fairly new and, from operational perspective, it is still in its infancy. In Bangladesh, Social businesses have started to flourish, but the model is yet to be tested empirically. Thus, it seems imperative that a critical analysis is conducted in order to measure—

TO WHAT EXTENT THE SOCIAL BUSINESS IS SUSTAINABLE?

Social Business: What it is & How Does it Work?

The concept of social business is originally developed in the context of poor countries. It has three key characteristics--it looks to solve social problems including all forms of poverty; it should not incur losses and it has to be sustainable; and any surplus or profit generated by the social business are to be reinvested into the business. Investors or shareholders will not get any share of the profit; however, they will get back their initial investment (Yunus and Weber, 2007a, Yunus and Jolis, 2007b, Hoque, 2011).

There are two types of social business: Type I and Type II. Type-I (Yunus et al., 2015) social business is non-loss and non-dividend and focuses only on business dealing with social objectives. Product may be produced for the benefit of the poor to solve social problem; i.e Grameen Danon has produced “Shakti Doi” (Yogurt) which is fortified with vitamins and other nutrients for the poor children (in Bangladesh) who suffer from malnutrition. Type-I business is owned by investors and they will reinvest all its profit to expand and to improve the business and, as mentioned earlier, investors will get back their initial invested amount (Yunus and Weber, 2007a, Yunus and Jolis, 2007b, Hoque, 2011). Type-II (Yunus et al., 2015) social business is profit making company, which is owned by the poor and disadvantaged either directly or through trust. They can gain through receiving direct dividends or through any other

indirect benefits; such as, the product can be produced by the poor people but exported to an international market while net profits would go towards workers' benefits. An example of type II business is Grameen Bank, which is owned by the poor people and they are the depositors as well as customers.

Yunus argues that (Yunus and Weber, 2007a; Yunuset. Al., 2015) social business is self-sustaining and self-expanding. Social business will operate in open market that is investors would be able to issue shares, buy and sell shares, and their share could be inherited like any profit making company. It will take place in the capital market along with regular profit-maximizing businesses as well as with other social businesses, if any. Social business, following the principles of mainstream capitalism, will compete with other social businesses and with other profit maximizing business in order to get market share(Yunus et al., 2015).

Distinguishing Features of Social Business

Often there are arguments regarding disguising features of social business with concepts like social entrepreneurship, social enterprise, NGOs, charity or non-for-profit organizations. Yunus (Yunus and Weber, 2007a) took keen effort to illustrate the distinguishing features of social business on this regard. He stresses that most of those initiatives do not focus on recovering their investment and they heavily dependent on “...*donations, foundation grants, or government support to implement their programs*” and unfortunately they have to spend a great deal of time and energy just to raise fund for their operation (Yunus and Weber, 2007a:22). Whereas, the social business would have a typical profit making motive and it will sustain its operations with that. However, it is worth mentioning here that the objective of social business is to make profit but not to maximize profit rather to maximize benefit of a social cause. It would serve the target (poor) group at a lower than profit maximization price. It will make certain profit in order to expand its business; its owners are not entitled to profits, particularly, the shareholders will not get any dividend.

IMPACT FACTORS OF SOCIAL BUSINESS

Although social business focuses on to provide reasonable solution to social issues; however it has equal impact on both social and business (Yunus et al., 2013):

Social Benefits

Social business provides sustainable solution to the social problem which lasts well beyond the initial investment. Interestingly, concept of social business has shifted the beneficiary from aid recipients into consumers. Moreover, performance and acceptability of social business can be

judge through using volume of sales, which is not possible in terms of others (NGO's and charity). Finally, system of social business has developed to provide social benefits for the poor people by solving social problem therefore in order to make sure the social benefits, social business leverage its business mindset.

Business Benefits

Social business makes impact on business benefits in several ways. New innovation, idea and opportunities create through social business. Lots of foreign multinational works through social business in Bangladesh and that create opportunity for them to learn about the Bangladeshi markets and consumers. Social business generates longer lasting impact than that of the traditional profit making business through corporate social responsibility (CSR). Social business helps employees to enrich their lives as well as provide them opportunities to develop them personally and professionally. Most importantly, social business creates impacts on the company's reputation and brand. It also helps to enhance network with stakeholders.

METHODOLOGY

Objective

The main objective of the study is to answer our central question: To what extent the social business is sustainable (in the Bangladeshi context)?

Research Approach

A case study approach was followed for the study. To be specific, "Aponjon" (mHealth service), a social business project of D.Net, Bangladesh is considered in this research.

Measurement Issue

To measure sustainability, Social Return on Investment (SROI) formula is used (Rotheroe and Richards, 2007):

$$SROI = \frac{\text{Net Present Value of Benefits}}{\text{Net Present Value of Investment}}$$

Rationality of the Model

Measuring social business impact is sought by funders, nonprofit organizers and social entrepreneurs to justify the use of funds by sacrificing alternative investments (Ebrahim and Rangan, 2010). However, the approach is not as straight forward as for-profit companies, where financial measure such as profitability ratios are commonly used along with non-financial

measures such as key performance indicators (KPIs) or balanced scorecards (Kaplan, 2001). Concerted approach by combining financial and social measurement tools are needed to capture their near to total impact.

Over the past decade various tools emerged as approaches to measuring social impact or value creation, such as social return on investment (SROI), best available charitable option (BACO) method, Robin Hood Foundation's benefit-cost ratios are commonly used measures (Kramer, 2005; Tuan, 2008). Among them SROI developed by the Roberts Enterprise Development Fund (Roberts Enterprise Development Fund (REDF), 2000) are widely used for evaluating the performances and measuring the value of social ventures (Millar and Hall 2012).

Data Time period

A time period of 2013-2014 is considered for the study.

DNET- APONJON CASE STUDY

About Aponjon

"Aponjon" ("the close/dear one" in Bangla) is a brand of mHealth service through mobile phones for expecting and new mothers in Bangladesh under the auspices of Mobile Alliance for Maternal Action (MAMA). The brand's services are operated under the program agreement between the governments of USA and Bangladesh and it is targeted towards expectant mothers, new mothers up to one year of baby's age and their family members. They are basically the primary subscribers but husbands, mothers, mothers-in-law and any other relative can also be part of the service. They are the secondary subscribers. Currently, Aponjon services are available in text and voice form through many renowned mobile network companies where registration through SMS is free.

Service Overview

'Aponjon' is a Voice and SMS based mobile Health Service which provides important weekly health messages to pregnant women, mothers with new born babies and their family members. The benefit of the service is to help the mother and her family member to receive personalized, reliable and accurate messages keeping in alignment with her week of pregnancy or the age of the baby (<http://aponjon.com.bd/Content.php?MId=35&SubMId=17>).

Aponjon counseling line is 24/7 service only for Aponjon subscribers to deal with pregnancy and neonatal/ infant child health care advice. Aponjon delivers more than 350 messages for expecting and new mothers and her family members, which include her husband, mother and mother-in-law, the key people who influence the thoughts and actions of the mother.

The messages cover a whole range of areas that the expecting and new mother should ideally be informed of, like pregnancy discomforts, pregnancy diet, pre-natal checkups, hygiene, lifestyle during pregnancy, pregnancy danger signs, safe delivery preparation, exclusive breastfeeding for baby, child's vaccination, danger signs for newborn, child's development milestones, newborn diseases cure and prevention, baby's physical, mental and social growth and so much more. Aponjon is the largest mHealth service in the world through public-private partnership and USAID catalytic funding is moving to its second phase of growth and sustainability (<http://aponjon.com.bd/Content.php?MId=35&SubMId=17>).

Outreach Approach

Their outreach strategy is to reach approximately 3 million pregnant women, new mothers and their families within 3 years with voice (IVR) and text (SMS) messages and achieve sustained improvements in health knowledge, behaviors, and outcomes. In this endeavor, they would reach potential subscribers at their doorsteps to assist them to register to the 'Aponjon' service.

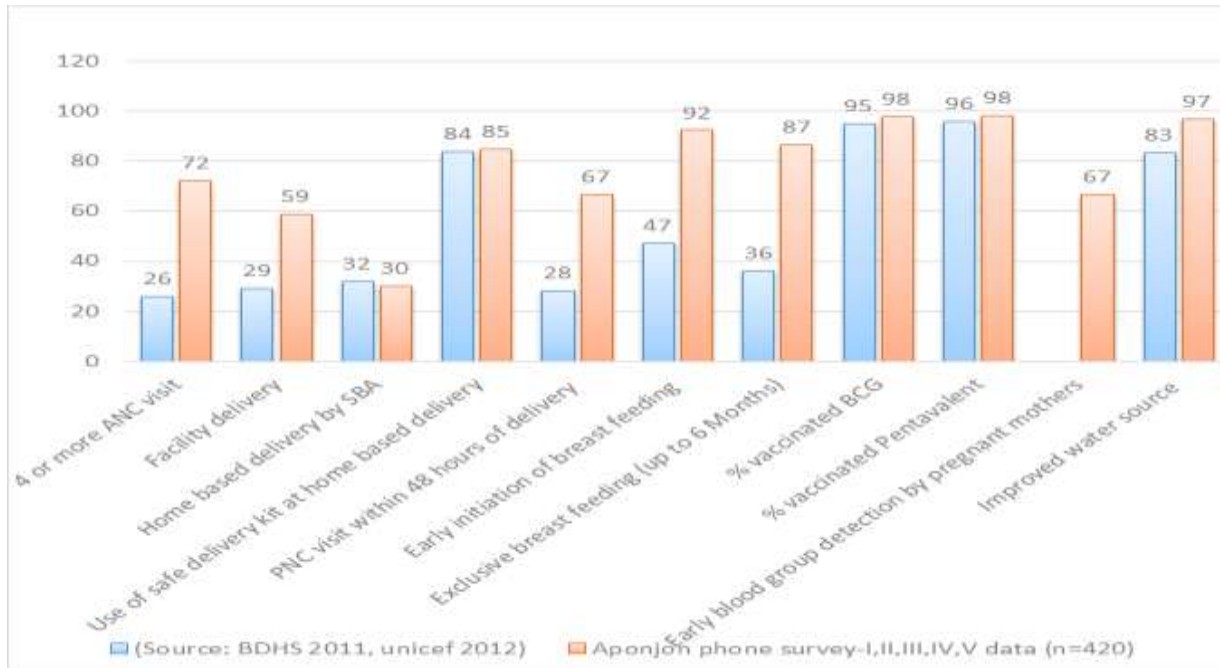
Outreach approach focuses on how to enroll clients through local community agents ('health worker') spread across all 64 districts (<http://aponjon.com.bd/Content.php?page=2&MId=37&SubMId=33>)

Impact Factor of APONJON-A look at the Social Benefit

mHealth, the facilitation of improved healthcare services, health outcomes and provision of information via mobile and wireless technologies, has created a unique opportunity to transform the way in which global health challenges can be tackled. At the end of 2013, there were more than 6.8 billion mobile subscriptions worldwide, with 89% of them in developing countries. Most people living on no more than USD 1 per day have access to these ubiquitous mobile phones, which have leapfrogged the pace of conventional landline infrastructure development. (Ahsan and Raihan 2013) Among the persistent health system challenges to improving these key maternal and newborn indicators are the lack of timely and actionable disease surveillance, a shortage of professional health workers, delays throughout the health delivery system, poor supply chain management and use of counterfeit drugs. (Ahsan and Raihan 2013) The mobile platform presents the unique capability to strengthen the role of community health workers (CHWs) to deliver higher quality healthcare services wherever people are—not just in healthcare facilities. (Ahsan and Raihan 2013)

From the last five Impact evaluation surveys conducted it shows that Aponjon made fascinating improvement from national level data in few indicators

Figure 1: Impact Factor of Aponjon Based on Phone Survey Conducted in 2013-2014



Source: (Ahsan and Raihan 2013)

Ratio Analysis

In this study a modest attempt has been made to evaluate the sustainability and performance of Aponjon by applying both financial ratios and SROI. The purpose of this evaluation is to assess the sustainability status and identify potential challenges to be faced by the Aponjon. In addition, SROI is used to quantify the social value created.

First, various sustainability financial ratios (Poznanski et. al 2013) were applied in order assess the sustainability of Aponjon. Table 1 summarizes the ratios and their description.

Table 1. Sustainability Ratios

Ratios	Formula	Explanation
1. Sales Revenue Growth	$(\text{Current Year Service Revenue} - \text{Previous Year Service Revenue}) / \text{Previous Year Service Revenue}$	Measures the growth in revenue compared to the immediate past year.
2. Operating Self Sufficiency	$\text{Service Revenue} / \text{Total Expenses}$	Measures the ability to cover expenses by core business revenue without relying on grants or other income.
3. Reliance on Revenue Sources	$\text{Service Revenue} / \text{Total Income}$	This ratio analyzes the composition of revenue sources and indicates the ability to survive without grants with core business.

Source: Rearranged for Aponjon by adapting from: Poznanski, J., Sadownik, B. and Gannitsos, I. (2013) A guide to useful ratios for understanding your social enterprise's financial performance, Online at www.demonstratingvalue.org.

Ratio Analysis Findings

The graphs below show the ratio analysis findings for Aponjon based on the above mentioned ratios for the year 2013-2014.

Figure 2: Service Revenue Growth

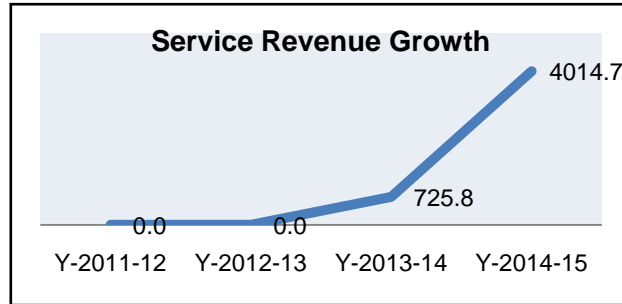


Figure 3: Operating Self Sufficiency

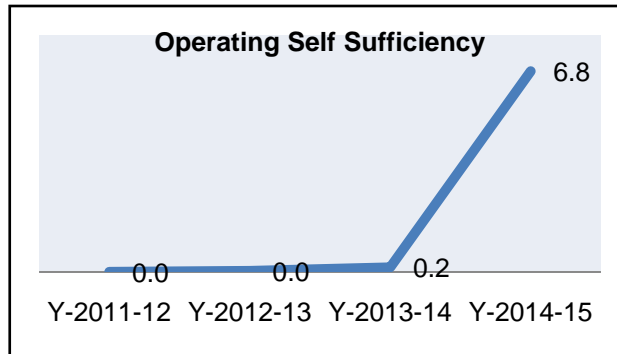
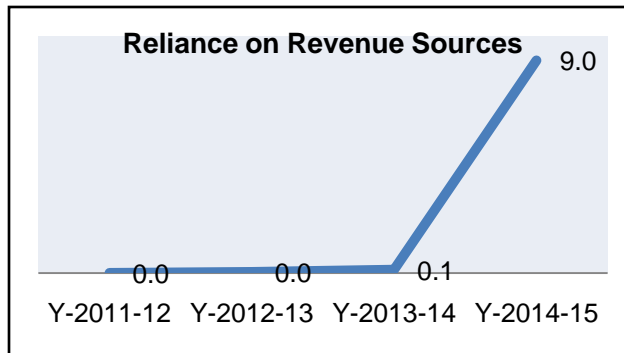


Figure 4: Reliance on Revenue Sources



From Figure 2, 3 and 4 we can clearly see that Aponjon is proving to be a self sustainable business slowly and steadily with growth rate increasing to 4014.7 from 725.8 between the years 2013-2014 to 2014-2015 which clearly supports the self sufficiency capability increase from 0.2 to 6.8 from 2013-2014 to 2014-2015. The results from figure 2 also justifies the reliance of Aponjon on revenue sources and its growth of 0.1 to 9.0 from 2013-2014 to 2014-2015.

Social Return on Investment (SROI) of Aponjon

In order to determine the success and impact factor of Aponjon Project a phone survey was carried out in 2013 and 2014. The aim of the phone survey was to understand whether any mhealth can make any significant contribution to public health or not. The survey results of 2014 show that about 78.82% of Aponjon primary clients who have completed the Aponjon service cycle from the time of registration up to the delivery of a child attended at least four antenatal care (ANC) visits compared to the national level outreach of 55.82%. This represents a 42% increase over a 2013-2014 national baseline of 31% attending four ANC visits. It is also important to note that 61% of the Aponjon subscribers went to a facility for delivery and 35% chose safe delivery at home. The survey results were also encouraging for subscribers in the 'new mother' category. 77% of new mothers did a postnatal care visit, 95% of new mothers fed colostrum after delivery, and 88% of new mothers practiced exclusive breast feeding. The immunization rate of BCG was 97%, and immunization rate of Pentavalet was 95%. The phone survey revealed that overall 93% of subscribers were satisfied with the service (Atik and Ananya, 2014). This result revealed that on an average Aponjon's service benefit was 23% more than that achieved at the national level which if monetized would result in 10,396.87 million takas. (Please refer to Appendix 1 for detailed calculations).

Now, if we try to calculate the Social Return on Investment (SROI) we can see that the SROI of Aponjon Project can be as high as 16.82% (Considering the discount factor to be 5%). This demonstrates that Social Businesses like Aponjon, if managed properly can prove to be very sustainable giving high returns on investment. The detailed calculations shown below further emphasize this strongly.

Table 2: Total Benefit and Investment of Aponjon 2013-2014 based on national data and Aponjon financial statements

Details of Aponjon's Revenue and Investment during 2013-2014	2013-2014
	Taka
Service Income	192383.00
Service Benefit	2,476,161,829.00
Total Benefit	2476354212.00
Grant	125,194,282.65
CSR	15,053,611.35
Total Investment	140,247,894.00

Table 3: Present Value of total Benefits using various Discount rates

Present Value of Benefits using various discount rates	2013-2014
	Taka
PV of Benefits with discount factor 5 %	2,358,432,582.86
PV of Benefits with discount factor 7%	2,314,349,730.84
PV of Benefits with discount factor 10 %	2,251,231,101.82
PV of Benefits with discount factor 15 %	2,153,351,488.70

Table 4: SROI of Aponjon Project for the 2013-2014

Social Return on Investment (SROI) of Aponjon using various discount factor	2013-2014
	Taka
SROI with discount factor 5%	16.82
SROI with discount factor 7%	16.50
SROI with discount factor 10%	16.05
SROI with discount factor 15%	15.35

DISCUSSION AND WAY FORWARD

Although the philosophy of social enterprise addresses many imperatives of sustainable development, it remains necessary to operationalize performance management systems in order to prove the value they create. The SROI analysis, based upon conventional accounting practices, provides both a quantified ratio of social return on investment and qualitative evidence providing a framework for increased transparency and accountability.

As discussed, the concept of sustainability is dynamic. The SROI analysis is not the definitive answer to management of sustainable development, nor does it claim to be. However, it does advance progress in the debate on how best to operationalize sustainability performance management.

A look at the above ratio analysis and figures indicate that social business does possess enough potential for growth and sustainability on its own revenues if managed properly and does possess promise for future prospects. The SROI also depicts that the benefits gained from operating is social business is relatively high and feasible and it can be the new trend setter in the business world to foster and cater to societal needs. From the analysis carried out in Appendix 1, we can further add that if government funds are also injected into social business and its causes it can create a greater value in terms of social benefits as seen in this study where we found from various calculations that in many situations of addressing social causes, business like Aponjon outperforms the national level.

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