
Piyadasa Ratnayake*
Saliya De Silva**

I. Introduction

The world development institutions as well as scholars and policy makers have extensively noted that developing countries of the world have sharply reduced their absolute poverty rate\(^1\) during the last few decades. According to the World Bank (2011: 66), absolute poverty in developing countries declined from 52 percent in 1981 to 25 percent in 2005. There is no doubt that rapid economic growth driven by the capitalist doctrine based on free play of market forces in countries such as India and China has been one of the major contributors to this remarkable achievement. This achievement has contributed in numerous ways to reduce malnutrition, risk of early death of children, while increasing access to drinking water, proper sanitation and improved health facilities.

However, it should be noted that the absolute number of poverty stricken people surged at an unexpected level along with the rapid increase of the world population, especially in developing countries. As

\* Professor of Economics, Faculty of Economics, Saga University, Japan
\** Senior Lecturer, Faculty of Agriculture, University of Peradeniya, Sri Lanka
\(^1\) Extreme poverty rate is defined commonly as people living on $1.25 a day or less (World Bank, 2010: 26).
noted by Rangan et al. (2007: 1), we are still far from achieving the United Nation's top Millennium Development Goal (MDG) of halving the number of people living in extreme poverty by 2015. They further stressed that widespread hunger and malnutrition are among the many grim consequences and more than 800 million people routinely do not have enough to eat. According to the UN estimation, world population has reached 7 billion by 31st October 2011. At the same time, the number of hungry people passed the billion mark this year for the first time (World Bank, 2010: 1). The utmost problem of this expeditious increase of population is that 84 percent of them are concentrated in low and middle income countries. The other crucial problem of these countries is that they produce only about one-quarter of the world Gross National Income (GNI). This means more than 80 percent of the world population have to survive on less than one-fourth of the world income, while three-fourth of the world's wealth is utilized by 16 percent of the people in high income countries. It would also be important to note that population and wealth distribution has not changed at any significant level despite rapid economic growth in developing countries during the last half a century (Table 1). As a result, although the ratio of poverty in developing countries has declined sharply, the number of poverty stricken people has increased numerically at an unexpected level, widening the gap between the rich and the poor not only between the developed and developing world but also in each country itself. The data in Table 1 reveal how world wealth and population distribution has worsened or stagnated in

| Table 1: Selected Socioeconomic Indicators of Developed and Developing Countries |
|---------------------------------|---|---|---|---|---|---|
| Share of Population (%)         |      |      |      |      |      |      |
| Developing Countries             | 69.7 | 72.7 | 74.1 | 77.4 | 80.1 | 84.0 |
| Developed Countries              | 30.3 | 27.3 | 25.9 | 22.6 | 19.9 | 16.0 |
| Share of GDP (%)                 |      |      |      |      |      |      |
Japan's Grass-roots Technical Cooperation in Social Business Development

<table>
<thead>
<tr>
<th>Developing Countries</th>
<th>25.5</th>
<th>25.1</th>
<th>17.7</th>
<th>19.2</th>
<th>28.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Countries</td>
<td>74.5</td>
<td>74.9</td>
<td>82.3</td>
<td>80.8</td>
<td>71.3</td>
</tr>
</tbody>
</table>

Per Capita Income (US $)

<table>
<thead>
<tr>
<th>Developing Countries</th>
<th>153(1961)</th>
<th>650</th>
<th>2,260</th>
<th>2,347</th>
<th>2,226</th>
<th>2,789</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Countries</td>
<td>1,439(1961)</td>
<td>2,312</td>
<td>9,545</td>
<td>18,781</td>
<td>23,897</td>
<td>39,345</td>
</tr>
</tbody>
</table>

Gap between Rich and Poor(b)

<table>
<thead>
<tr>
<th>Poverty Rate in Developing Countries(b) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Countries</td>
</tr>
<tr>
<td>Developed Countries</td>
</tr>
</tbody>
</table>

Share of Merchandise Exports (%)

<table>
<thead>
<tr>
<th>Developing Countries</th>
<th>24.7</th>
<th>19.2</th>
<th>29.4</th>
<th>24.1</th>
<th>32</th>
<th>31.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Countries</td>
<td>64.7</td>
<td>70.7</td>
<td>62.6</td>
<td>70.8</td>
<td>63.8</td>
<td>68.6</td>
</tr>
</tbody>
</table>

Note: (a) Ratio of income shares richest to poorest; (b) Share of people living on less than $1.5 a day; (c) Low & middle income countries;


the last five decades despite enormous efforts taken towards development based on free play of market forces in developing countries.

This uneven distribution of wealth and development performance in the world brings to light that the profit-oriented conventional capitalist theory based on ‘good policies’ and ‘good institutions’ has failed to accomplish development promises. It is not necessary to emphasize the society, system, development approaches and policies are also responsible for generating poverty in addition to capitalist theory. As found by McNamara (1973), the basic problem of poverty and growth in developing countries, has been that growth does not reach the poor equitably, and that the poor do not significantly contribute to growth. He further noted that the highest 20 percent of the population of 40

---

2 Most neoclassical development economists believe that the success of these orthodox policies depends overwhelmingly on the level of good policies (Washington consensus macroeconomic policy, liberalization of international trade and investment, privatization, deregulation etc.) and good institutions (democracy, good bureaucracy, an independent judiciary, property rights, independent financial institutions etc.) or so-called economic liberalization (See Chang, 2002 for a comprehensive analysis on this subject).
developing countries received 55 percent of the national income, while the lowest 20 percent obtained only five percent. This situation continues to remain even today\(^3\). The main reason for this situation is that the development process based on the above noted good policies and good institutions did not provide any productive opportunity to use poor people's capability as a role in the mainstream development process of the national economy.\(^4\) According to Yunus (2010) the traditional economic concepts are empty in the face of crushing hunger and poverty. He further stressed that the society or system of the country never gave poor people a proper base to overcome poverty. Poverty in any society can be removed because it is an artificial, external imposition on a person. However, poverty can be seen everywhere in spite of endless opportunities that prevail to its reduction (Stoner and Wankel, 2007).

During the last six decades, Multi-National Corporations (MNC), Non-Governmental Organizations (NGO), Non-Profit Organizations (NPO), charitable organizations, religious societies, policy makers, world development institutions, and more recently, unified approach by member countries of the United Nations (UN) under Millennium Development Goals (MDG) have increasingly struggled to provide a potential solution to reduce world poverty by applying multi-faceted solutions. Unfortunately even today, all these efforts have not found an effective or satisfactory solution to overcome this acute human suffering in the world, specifically in developing countries. Many scholars blamed that these numerous poverty alleviation approaches have cast many negative impacts on the society and economy rather than relieving poverty in developing countries. The most serious negative impact of these scores

\(^3\) See World Bank (2011: 68–70) for present situation of income distribution in the world.

\(^4\) See Yunus (2010) for detail analysis on the subject under discussion here.
of approaches is that people in developing countries have gradually fostered dependence or so-called ‘dependency syndrome’ rather than providing productive opportunities to contribute to the national economy. Today, most of the people in developing countries believe that it is a government responsibility to provide basic needs free of charge for the needy people in the country. As noted by Yunus (2010): ‘Poor people who become dependent on charity do not feel encouraged to stand on their own feet’. By contrast, if people can get a fair price for their goods and services, it pushes them to become self-reliant people. This is the way to provide an opportunity for people to participate actively in the ongoing market economy. This also contributes to empowerment and genuine, long-term solutions to poverty, inequality and oppression of the people. Moreover, Peredo and Chrisman (2006, quoted from Easterly and Miesing, 2007: 4) stressed that many poverty reduction programs operate as charities that foster dependence rather than rebuilding communities. This kind of unacceptable social norms are created by the above noted institutions because their poverty alleviation strategies provide temporary solutions to satisfy the society and donors in the short run rather than using their capabilities and resources towards raising the income of the poor in the long run. Many of these strategies have not been changed according to changes in the world economy, its policy and society.

It is a popularly known phenomenon that development policies, technologies and institutions have changed at an unexpected rate since 1950s, influencing to create a single global community and economy based on mutual interdependence. As noted by Heslam (2007), the rapid globalization and expeditious diffusion of information technology (IT) have caused unexpected changes in the global business culture and unprecedented business opportunities have emerged in developing
countries. This newly emerged business culture demonstrates an ability to alleviate poverty through profit-based enterprises. This means that any poverty reduction program must aim to increase profit while increasing job opportunities, training and business opportunities for people in the poor strata of the society (Easterly and Miesing, 2007: 3). Although this is the appropriate way to overcome and find a lasting solution to poverty in developing countries, most of the people’s organizations like the co-operative movement⁵ established to empower the poor to stimulate self-reliance and to uplift the people’s living conditions have not changed their strategies to encounter the change in the global economy and society. For example, the change from inward to outward looking policy (free play of market forces) of 1977 had immediate and far-reaching repercussions on the co-operative movement in Sri Lanka. In particular, most of the co-operatives were marginalized because they did not possess the necessary experience required to cope with the challenges of a competitive market. Moreover, existing rules and regulations of this movement also hampered confronting the open market⁶. All these reveal that most of the conventional programs towards poverty alleviation have failed due to reluctance to change their strategies to meet changes in the world development policies as well as changes in the pattern of economic difficulties faced by the people in the poor strata of the society.

The failure of the traditional approaches in poverty reduction programs led scholars, social workers, policy makers as well as

---

⁵ The co-operative movement was created by Robert Owen in the early 19th century to meet the following social objectives aiming to find an effective solution to reduce poverty in the country: to empower the poor, to encourage self-sufficiency, and to promote development (Yunus, 2010: 8).

⁶ See Tsutagawa and Ratnayake (2000: 69–86) for a comprehensive analysis on rise and decline of co-operative movement along with the policy change of Sri Lanka.
international donor countries to look for an appropriate and effective strategy that can contribute to resolving global poverty. There are some alternative approaches that have emerged in the world during the last two decades in both developed and developing countries. Most of them have emphasized that it is necessary to reconsider the traditional capitalist approach; adding new capitalist strategy while keeping the conventional approach without any change. In other words, these new strategies seek to construct a ‘people-oriented capitalism’ in addition to conventional ‘profit-oriented capitalism’. This new strategy also anticipates maximizing profits, but use those profits towards socioeconomic development of the community while expanding its activities to neighbouring regions of the country. This approach emerged in various titles such as Social Business (SB), Social Enterprise (SE), Social Ventures (SV), Social Entrepreneurship (SE), People’s Company (PC), and Farmers’ Company (FC) based on varieties of profit maximization. Although each approach carries some distinctive differences compared to other approaches, the authors assume that all these approaches work towards reducing poverty through business commitment rather than provision of charitable assistance. Therefore, the term ‘Social Business’ is used as a key word to refer to all above approaches for convenience of analysis. Keeping all these contributions as a base, the present study aims to explore the applicability of theoretical approach of social business and its capacity to search out a lasting solution to reduce poverty in the world. In this respect, it will also attempt to examine how Japanese grass-roots technical assistance, that supports capacity building in the disadvantaged communities, generates social business that operates with a social purpose.
II. Social Business and Poverty Alleviation: Conceptual Relationship

The term social business (hereafter SB) prevails as a pledged topic among the academicians, policy makers and even in donor countries. But it is a term which is not clearly defined, sometimes widely misunderstood, and even controversial. Professor Yunus, the winner of the 2006 Nobel Peace Prize, the founder of the Grameen Bank and the prominent writer and founder of this concept has extensively expressed that SB is a visionary new dimension for capitalism and not the same as other enterprises. He has defined the concept in the following way;

Social business is a new form of capitalism and a new kind of enterprise based on the selflessness of people. It is a kind of business dedicated to solving social, economic, and environmental problems that have long plagued humankind—hunger, homelessness, disease, pollution, and ignorance. This new concept will bring a fundamental change in the architecture of our capitalist economy by bringing it closer to a complete and satisfactory framework, freeing it from the basic flaws which lead to poverty and other social and environmental ills. This is the concept of social business (Yunus, 2010: vii-xiv).

He further noted that this new form of capitalist approach is perfectly different compared to conventional capitalist theory which uses the world to maximize profit of the investment. In this respect, people or the so-called labor force is used as a major production input to pursue this target. It is quite true that the development approaches in the modern

---

7 See Nicholls (2006) for detailed information on this subject, particularly social entrepreneurship.
world that are based on traditional capitalism trust ‘selfish motivation’ as one of the most important factors that contributes to maximization of profit. This means, the world believes that profit-oriented commercial activities are the principal source of human creativity and the only way to address people’s problems. However, the development experience of the world has proved that this approach does not bring a satisfactory solution to sufferings of the majority of people in the globe. In this sense, Yunus (2010: xvi) argued that ‘we must replace the one-dimensional person in economic theory with a multi-dimensional person; a person who has both selfish and selfless interests at the same time’. He further stressed that we need two types of businesses: one for personal gains (traditional money making business), and another dedicated to helping the poor strata of the society (social business). This means, the concept of SB is based on capitalist theory and also aims to attain financial sustainability or the so-called achievement of profit. But, its profits are channeled to alleviate poverty and answer other social problems like education, health, environment etc.\(^8\) According to Yunus Center (2011), there can be two types of social businesses. Type I focuses on businesses providing a product and/or service with a specific social, ethical or environmental goal only. Type II can take up any profitable business so long as it is owned by the poor and the disadvantaged parts of the society, who can gain through receiving direct dividends or some indirect benefits.

\(^8\) Yunus (2010; 3) indicated the following seven principles that are necessary to consider when implementing a SB: First, aim of the business is to overcome poverty or any other social problem like education, health etc. and not to maximize profit; the company will attain financial and economic sustainability; second, investors can get back only their original investment and not more than that; third, taking original investment, profit remains at the firms that will be used for further improvement of the firm; fourth, the company will be environmentally conscious; sixth, the workers get a market wage which is better than standard working conditions; and seven, workers perform it with Satisfaction.
Although Yunus declined to accept similar types of innovative approaches that have emerged under various names (social enterprise, social ventures, social entrepreneurship, people’s company, farmers’ company etc.) as social business, it is hard to decline that all these possess the homogeneous nature and aim of reducing global poverty, employing a similar type of capitalist doctrine based on increase of profit that could be used for the social development of poor people of the society. For example, Easterly and Miesing (2007: 3) noted that Social Ventures (SV) is also an innovative business that operates with a social purposes to provide services to disadvantaged individuals or the community that the market neglects. Such businesses have contributed in various ways to reduce the level of poverty and explore numerous innovative business strategies to improve their business performance. Smith and Barr (2007: 27) have also stressed that “Social Entrepreneurship (SE) involves the creation of innovative, sustainable solutions to immediate social problems with an emphasis on those who are marginalized or poor. SE is also a for-profit business that delivers both economic and social value.” Thus, all these ventures operate under different titles but have a range of innovative approaches towards poverty alleviation based on business activities quite similar to social business.

As discussed in the foregoing analysis, the main reason behind mushrooming of social business is the inability of development performances driven by conventional capitalism to fulfil future aspirations of people and reduce human misery by providing equal opportunities to a majority of people enabling them to contribute to the mainstream national development process. Many scholars such as Yunus (2010: xii) have extensively emphasized that poverty is not created by people themselves. It is created by the system we have built, the institutions we have designed, and the concepts we have found. This has
undoubtedly suggested that poverty can be removed from the society if we can change the system or institutions which are able to provide opportunities for the poor in the national development process.

**The Concept and Objectives:** In this study, social business has been conceptualized as a trading house of producers at grass-roots level to introduce market-oriented products (agricultural or non-agricultural cottage industry products or industrial products) into the domestic market as well as the international market. In this sense, the study assumes that any social business firm, which is aiming to solve the miseries of hunger and poverty of the society must aim to achieve the following prerequisites: first, maximization of profit based on the capitalist approach and market economy; second, the profit must be used for further development of the business as well as living condition of the stakeholders of the business firm; third, creation of regular employment opportunities and guarantee a regular source of income by encouraging people to produce their own products using their own resources in the
region as much as possible (improve people's capabilities and entitlement\textsuperscript{9}); fourth, creation of a stable market; fifth, enhancement of the human, social\textsuperscript{10}, physical, natural and financial capital\textsuperscript{11}; sixth, to ensure that people's development depends on their own efforts and not on the government effort or foreign aid, and seventh, all these commercial activities must be part of the mainstream national economy. Figure 1 demonstrates the overall path of this interaction approach. This reveals that if social business can contribute to poverty alleviation, it eventually contributes to national economic development. On the other hand, national development also eventually contributes to advancement of both

\footnotesize
9 Entitlement refers to the set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he or she has. In a market economy, if a person can earn $200 by selling his labour power and other saleable objects he has or can produce, then his entitlements refer to the set of all commodity bundles costing no more than $200. He can buy any such bundle, but no more than that, and the limit it sets by his ownership (endowment) and his exchange possibilities (exchange entitlement), the two together determining his overall entitlement. On the basis of this entitlement, a person can acquire some capabilities, i.e. the ability to do this or that (e.g. be well nourished), and fail to acquire some other capabilities. The process of economic development can be seen as a process of expanding the capabilities of people (Sen, 1983: 754–755).

10 The term social capital must be properly understood by anyone wanting to investigate the role of the capitalist economy in resolving global poverty (Heslam, 2007: 135).

11 Human capital includes resources such as skills, knowledge, abilities of the people and their good health. Social capital is determined by relationships and networks, ethics, community solidarity, understanding, attitudes, trust, norms, politeness, teamwork, leadership, which exist within families, among communities, and in groups and institutions. The quality and quantity of natural resources available to people and the level of access to and control over those natural resources comprise the natural capital. Financial capital refers to the financial resources available to people, which provide them with different livelihood options. Physical capital is the basic infrastructure such as transport, shelter, sanitation, water, energy and communications as well as the production equipment that enable people to pursue their livelihoods (Kleih et al., 2003).
social business and poverty alleviation.

**Analytical Framework:** The analytical framework of the concept of this study’s SB focuses closely on economic independence or the so-called self-reliance of the poor strata as a final goal. However, we have defined this concept not in its classical sense, but to mean a process which harnesses the active participation of the poor in national economic growth and transferring the fruit of growth more fairly towards the poor without affecting their conventional socioeconomic conditions. These goals were to be achieved through the application of the concept of social business as the main policy instrument. The general considerations and arguments of the concept are summarized in Figure 2.

According to Figure 2, the living conditions of the rural community (poverty alleviation), which is the final depending variable of this process of development depend on nine major dimensions which stand under two major categories: (A) External Institutions and (B) Internal Institutions. External institutions comprises of six sub-dimensions: government sector, private sector, non-governmental/non-profit organizations (NGO/NPO), foreign assistance (here JICA’s grass-roots level technical cooperation) market and MNCs. This sector is directly or indirectly involved in supporting the improvement of living conditions of people in the poor strata of the society. The internal sector encompasses the existing resource base of the community which has an influence directly and indirectly on the improvement of people’s living conditions. This sector comprises of five sub-dimensions: (a); People in the poor strata of the society (b) resource endowment of the community; (c) role of social businesses; (d) marketing activity of the SB; and (e) income level of the people. The last dimension (poverty alleviation) is assumed as the final dependent variable on the other five variables. The proposed SB’s
commercial activities are considered a highly influential policy instrument which contributes to the improvement of all variables, particularly living conditions of the rural people. This process anticipates achieving a self-reliant economy for the people while including them as main actors of the national development process. This variable represents the most influential factors which were extracted from both the internal and external sectors, specifically power bases of the two sectors.

The Modus Operandi of a Social Business: The process of activities involved in the formation of a SB firm is shown in Figure 2. This shows a combination of the village economy with modern economy to facilitate the transfer of growth benefits from the latter to the rural sector. In this context, there are three types of SBs that can be established according to available resource endowments: first, initiation of a joint venture in collaboration with MNCs; second, setup a joint-venture commercial firm between village producers and a private company of the country; and third, formation of a business enterprise of people in collaboration with the government or NGO. All these three types of business ventures must be based on the available human and material resources in the region. This means, firms can use these resources as main production inputs to produce their commercial goods. In this respect, MNCs, private trading firms and relevant government institutions play the main roles of mediators to establish a business venture. The necessary assistance, knowledge and material on human, physical, natural, and financial capital will be furnished by JICA under its grass-roots technical cooperation. JICA’s assistance offers an opportunity for the impoverished people to test their capability to meet their future dreams using their unused capabilities and other resources towards commercial activities in their own firm called social business. Thus, JICA’s cooperation expects to
Figure 2: The Process of Activities Involved in the Formation of a Social Business Firm
provide a foundation for the initiation of these commercial enterprises.

The other most important requirement of this approach is the formation of a ‘stable regular market’ for the products produced by these three-types of SBs. A discriminative price system may have to be applied in the domestic market: a low price for low-income consumers and a slightly higher price for high-income people of the country and international market. Although this is not an applicable rule in the market economy, this will bring an effective and efficient path to lift people out of poverty. This discriminative price policy can be abolished after the improvement of the people’s level of income in the long-run. The price in the international market can be maintained at a higher level under the newly emerged Fair Trade\textsuperscript{12} movement. In this way SBs can contribute to a systematic change of traditional trade practices in the world market by influencing consumer behaviour to meet trade justice.

The other most significant characteristic of the institutional organization and management structure of these social business firms is that it embraces the influential factors or responsible people in the government sector, private sector, international aid agencies and village itself, with a view to provide stability and transfer management skills from the organized sector to the village community. For example, the Board of Directors of these trading firms constitute of representatives from well-established enterprises in the private sector and MNCs, high

\begin{footnote}{\textsuperscript{12} “Fair trade is an organized social movement and market-based approach that aims to help producers in developing countries make better trading conditions and promote sustainability. The movement advocates the payment of a higher price to producers as well as higher social and environmental standards. It focuses in particular on exports from developing countries to developed countries, most notably handicrafts, coffee, cocoa, sugar, tea, bananas, honey, cotton, wine,\textsuperscript{[1]} fresh fruit, chocolate, flowers and gold” (http://en.wikipedia.org/wiki/Fair_trade: 3. 11. 2011)\end{footnote}
Japan’s Grass-roots Technical Cooperation in Social Business Development

-ranking government officials, village leaders and producers. The leadership of these ventures is responsible for directing, guiding and managing the company to be a knowledgeable and commonly accepted institution of the community. The internal and external combination of the management structure of this approach will result in efficient management and utilization of village resources (human and material) for profitable production activities. All these approaches will help in getting the producers’ or people’s active participation in various activities, such as production, management and marketing, because all above strategies contribute to ensure people that this venture is their own.

III. Japan’s Grass-roots Technical Cooperation and Social Business

As discussed in the foregoing conceptual analysis (Figure 2), Japan’s grass-roots technical assistance not only exists as an effective instrument but also as a foundation factor which pledges to the augmentation of all human, social, physical, natural, and financial capital related to people’s living conditions. It is a commonly known fact that most of the people in the rural sector in Sri Lanka have adequate human and material resources, but they are not commercially organized towards income generation based on a capitalistic business approach. Although Japan’s grass-roots technical assistance launched various types of programmes in a variety of fields, the outcomes of these endeavors have not contributed in an organized manner to furnish a lasting solution to people’s economic sufferings. If someone/institution can organize a commercial venture using people’s available resource endowments based on the technical knowhow transferred under JICA assistance, there is no doubt that it will contribute to help the lowest strata of the society to lift themselves out of poverty and to become participating citizens in the mainstream national
development. However JICA alone may not be able to fulfill the entire process except transfer of technological knowhow. This means, a third party intervention is urgently required to organize people as a business-oriented venture using technologies acquired from JICA’s technical cooperation programmes. As noted by Cucyota and Volkland (2007: 43), it needs not only training those living in poverty to earn a living wage, but also a sustainable linkage between government, NGO, NPO and MNC to work in concert to develop skills and work ethics among the poor people of the society. Keeping all these necessities as a base, the present study argues that it is possible to formulate three types of Social Businesses (Figure 3) according to available support and experiences of such profit
Japan’s Grass-roots Technical Cooperation in Social Business Development

Table 2: The Types of Social Business Firms Exist in Asia

<table>
<thead>
<tr>
<th>Type of SB</th>
<th>Business Facilitator</th>
<th>Business Development Partner/Beneficiary Group</th>
<th>Social Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>People’s Company/SB</td>
<td>MNC (e.g. Danone)</td>
<td>Subsidiary/Business Merger (e.g. Grameen-Danone SB)</td>
</tr>
<tr>
<td></td>
<td>(e.g. Grameen Bank)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Government</td>
<td>Village Producers</td>
<td>People’s Company (e.g. Dambadeniya Export Product Development Company Ltd.)</td>
</tr>
<tr>
<td>B1</td>
<td>(e.g. Export Development Board)</td>
<td>Village Producers</td>
<td>Producer Group* (e.g. Rice Processing Village)</td>
</tr>
<tr>
<td></td>
<td>(e.g. Institute of Postharvest Development)</td>
<td>(e.g. Small scale paddy farmers and millers)</td>
<td></td>
</tr>
<tr>
<td>B2</td>
<td>Foreign Non-Government or Non-Profit Organization (e.g. Japan Fair Trade Commission)</td>
<td>Government (e.g. Department of Export Agriculture)</td>
<td>Producer group* (e.g. Sri Lanka-Nippon Friendship Organic Coffee Village)</td>
</tr>
<tr>
<td>C1</td>
<td>Local Private Company (e.g. Bio Foods (Pvt.) Ltd)</td>
<td>Government (e.g. Department of Export Agriculture)</td>
<td>Farmer Association* (e.g. Small Organic Farmers Association – SOFA)</td>
</tr>
<tr>
<td>C2</td>
<td>Government</td>
<td>International Donor Agency (e.g. JICA, JOCV)</td>
<td>Producer groups (e.g. Api and Lakliya)</td>
</tr>
<tr>
<td>C3</td>
<td>(e.g. Samurdhi Authority)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *These are not registered as business companies (Registration of Companies Act) yet, but as Micro and Small Business (Sole proprietorships and partnerships): Divisional Secretary; Farmer Associations; Agrairan Development Service Act; NGO/NPO/Community Based Organization; Ministry of Social Development/District Secretary; or Producer groups/Societies; in the respective departments.

-based commercial ventures under different names: the first, Type A, Foreign Company Sponsored SB; the second, Type B, Government & Local Company Sponsored SB; and the third, Type C, Community or NGO/NPO Sponsored SB.

**Type A: Foreign Company Sponsored SB:** Muhammad Yunus is the founder of this type of SB in collaboration with Danone MNC in Bangladesh in 1987. Danone established a joint-venture yogurt factory with Grameen Bank named ‘Grameen Danone’. This joint venture aimed not only to reduce malnutrition among poor people by supplying nutritious yogurt at an affordable price for low-income people, but also to provide a regular income through creating direct and indirect employment opportunities for the people in the region. The firm expects
to offer social benefits rather than generate profits. According to Yunus (2010: 36), this factory has become an important part of the local community and economy. It could draw its supply of raw materials, especially milk from local suppliers, and local consumers would be its chief customers. Thus, the company created a formal stable market where more than 90 percent of the rural dairy farmers produced their daily milk products for informal markets such as neighbors and village shops before the formation of Grameen Danone\textsuperscript{13}. Thus, this type of SB is devoted to solving social problems, and is owned by investors who reinvest all profits in expanding and improving the business. At present there are a number of this type of SBs functioning in Bangladesh; namely ‘Grameen Veolia’, ‘Grameen Adidas’ and ‘UNIQLO Social Business Bangladesh, Ltd’.

**Type B: Government & Local Company Sponsored SB:** This type of SB can be established under cooperative help of both relevant government institutions and existing domestic firms of the country. Government can organize people as a producer organisation, providing necessary training and other material support, becoming a partner of the firm. The local firm can establish a business firm by collaborating with the government institution and producer organisation. The necessary capital is supplied by these three groups while the local firm provides necessary market linkages and other facilities to develop the organization as a profit-oriented people’s company. The Export Production Village (EPV) established in 1981 in Sri Lanka can be extracted as this type of SB. The EPV has been conceptualized as ‘a trading house of producers at grass-roots level to introduce rural export-oriented products (agricultural and agro-based cottage industry products) into the highly

---

\textsuperscript{13} See Yunus (2010) for comprehensive analysis on this project and its past experience as a first SB in Bangladesh.
competitive international market’. The first such producers’ trading house was established in 1981 at a cluster of villages in Kurunegala district and was called the ‘Dambadeniya Export Product Development Company Ltd’. It was incorporated under the ‘Company Act’ and registered at the Registrar of Companies as a Janatha Samagama (People’s Company) in 1981. The function of this company was to meet the export demand for selected products that could be supplied by the shareholders of the company: its operational methodology was to supply the products to an export firm named Stassen International (PVT) Ltd.

This project aimed to achieve the following multiple objectives in particular: to preserve the traditional socioeconomic base at village level by generating additional economic sources by producing some specific products for their own company utilizing their own resources; to improve people’s capabilities and entitlements as much as possible; to generate employment opportunities by using village resources; to provide a regular income which eventually contributes to improve their living conditions; to create a strong marketing organization based on people’s aspirations to face the competitive open market; and to ensure that their own development depends on their own efforts and not on government intervention or foreign aid.

The 30-year-long experience of this people’s company reveals how it contributed to achieve its main goals, particularly the improvement of exchange entitlement of the villagers through increase of employment opportunities and production capacities. The accumulated volume and value of tea packs produced during the period 1981–2004 is amounted to 16 million packs and Rs. 293.5 million respectively. Supplies increased by 205 percent while expanding its money income by 43 times during this period. At the same time, the company has generated employment
opportunities for 2815 (including both permanent and self-employment) people in the same region. It is important to note that such a huge amount of money income and employment opportunities were made possible through creating a production linkage between rural producers and the modern sector\textsuperscript{14}.

**Type C: Community Sponsored SB:** The village community can organize by themselves as a commercial venture to address their problems and utilize the opportunities under cooperate social responsibility. There are a number of such businesses/organizations that have emerged under different names in the developing world during the last few decades. Most of them were organized by international NGOs, foreign aid agencies, private firms and government institutions asking people in the poor strata of the society to look for a business solution or so-called capitalistic approach to resolve their multi-faceted socioeconomic problems by themselves. The profit making companies owned by a group or individual, such as Micro Enterprises, Micro Franchising, Farmers’ Companies, Producer’s Business Firms, Fair Trade Movements, etc. can be recognized as community sponsored SBs. In this sense, the role of Japan Overseas Cooperation Volunteers (JOCVs) in community development activities and grass-roots technical assistance under Japanese grant aid, and organization of fair trade movements by Japanese NGOs have provided foundations to the initiation of some of these SBs based on profit-making business approach. For example, producers’ organizations in Kandy, Sri Lanka named Api and LakLiya, and ‘Kotmale Coffee Fair Trade Project\textsuperscript{15}’ are some of the initial

\textsuperscript{14} See Ratnayake (2007) for detailed information on performance of this project since 1981.

\textsuperscript{15} The detail information can be learned from the following homepage: \url{http://www.fairtrade-japan.org/shokai_1.html} (December 22, 2012).
Japan’s Grass-roots Technical Cooperation in Social Business Development

attempts of such SBs sponsored by JICA and Sri Lankan authority\textsuperscript{16}. The Api is a rural organization setup by JOCVs to train rural people, mainly women to produce a number of handmade products, such as hand bags, small souvenirs for both domestic tourist market as well as for international consumers. The Coffee Fair Trade project in Kotmale was established by a Japanese NGO under the assistance of JICA. The farmers have acquired the necessary technology, materials and other financial assistance to produce high quality coffee to the Japanese market on a fair price. Although these projects were not organized as profit-making companies, there is a possibility to develop this initial work towards community sponsored SBs in the long-run. However a third party intervention is necessary to achieve such an ambition.

IV. Concluding Remarks: Opportunities and Challenges

The world development institutions as well as development economists and policy makers have optimistically believed that the conventional capitalist doctrine based on the good policies and good institutions is the only way to achieve economic prosperity for all the people living in this plant. Under this approach, the development process, specifically production, marketing and services are overwhelmingly concentrated towards economically well-off or middle-income consumers of the country. In recent past, the same capitalist strategy has realized that there are countless opportunities for business, development and sustainability available at the lowest socioeconomic levels that can be employed in connecting these underserved consumers to the economic mainstream, with tremendous socioeconomic benefits to the poor themselves [(Prahald, 2005) (quoted from Cycyota and Volkland, 2007:

\textsuperscript{16} See the following homepage for detailed information on this project: http://lakliya.com/ (December 22, 2012).
Prahalad (ibid.) defined this as the ‘Bottom of the Pyramid’ (BOP). BOP aims to alleviate poverty by initiating profit-oriented activities for people. This can be achieved by adopting products and plants appropriate for low-income people, i.e. producing low-cost, low-technology, and low-price goods. The following statement, given by Rangan et al. (2007: 2) provides an explicit stance on the way of connecting men and women who dwell at the base of the pyramid (BOP) with the national development process;

We believe, however, the BOP represents less of a ‘fortune’ than a solid market opportunity that can be cultivated only through the hard work of market development bolstered by cross-sector collaboration. Indeed, successful BOP initiatives offer a refreshing take on the age-old population of poverty alleviation precisely because their approach re-envision how governments, non-profit organizations, and private enterprise might collaborate to redefine good business practice. Such initiatives draw to the fore latent business opportunities in what has long been an overlooked, undervalued market.

There is no argument that business opportunities for the poor segment of the society or the so-called BOP remains at a remarkable level because nearly two-thirds of the world population are considered as poor. Figure 6 reveals the market size of the world according to annual per capita income and population size of the world described by Rangan et al (2010: 4).

According to the above findings, four billion people of the world are classified as people who are living on less than $5 a day. These people represent a vast market that could be recognized as submerged and
poverty markets. The most important business value of this vast market can be evaluated under two major areas relating to any kind of profit-oriented capitalist venture: first, poor as consumers; and second, poor as producers. Although poor people’s purchasing capacity remains at a very low level compared to the exchange market, the number of consumers and their accumulated demand for products may stand at significant level. If there is a product which can be produced at an affordable price for the consumers in the submerged and poverty markets, the demand for the product will be at an outstanding level. At the same time, this huge number of people can make good use of an organized or individual business venture or so-called Social Business (See Figure 3) to enhance the productive capacity of the poor. This will eventually contribute to improve their purchasing capacity and expand the exchange market while reducing the submerged and poverty markets.

Figure 4: The Global Income Pyramid

Source: World Bank (2000a); Prahalad (2002); Extracted from Rangan et al. (2010: 4)
Although there is a possibility to find a business solution to reduce global poverty in this way, there is a vital need to critically examine the scores of challenges and limitations to achieve this precious aspiration. Among these, the following remain crucial: which approach is the effective way for the people to enhance their social values (discipline, ethics, commitment, responsibility, cooperation, unity, attitude, leadership, teamwork etc.) and economic values (respect to business rules, including managerial, operational and all other production and marketing norms); how can people overcome cultural, familial, religious and caste obstacles that emerge along with modern business practices; what kind of role is required from the government to elevate social business; and how to find successful enterprises, a stable market and leaders to formulate SBs suitable for low income people to lift themselves out of socioeconomic difficulties and to become participating citizens in the mainstream national development process. Finally, as noted by Rangan et al (2007: 2), is business alone a sufficient force to help the poor climb the economic ladder?

References

1. Alex Nicholls (Ed) (2006)  
   Social Entrepreneurship: New Models of Sustainable Social Change, Oxford University Press
   Historical Dictionary of Aid and Development Organizations, The Scarecrow Press Inc.
   “Sustainable Workforce Models: Lessons from India on Training and Development of Unskilled Labour”, in Innovative Approaches to Reducing Global
Japan’s Grass-roots Technical Cooperation in Social Business Development

*Poverty*, Ed. By James A.F. Stoner and Charles Wankel, Information Age Publishing Inc. USA, PP.43–66


12. MOFA (various issues) *Japan’s Official Development Assistance White Paper* (previous Title: Japan’s ODA Annual Report), Economic Former Cooperation Bureau, Ministry of Foreign Affairs, Japan

   *Building Social Business*, Public Affairs, USA


16. Ratnayake Piyadasa (March 2007)  

— 183 —


19. UNDP (Various Issues)


20. Word Bank (Various Issues)

   *World Development Indicators; World Development Report*, Washington D.C. New York