Rural Development through Social Entrepreneurship

1. Introduction

Rural development is a set of activities, practices and actions of several brokers including individuals, organisations and groups, all together lead to improvement and advancement of the rural environment.

Recent theoretical discussions and empirical evidence have shown that entrepreneurship has a significant potential for promoting sustainable rural development.

The emergence of entrepreneurial development capacities and capabilities has led developers in various sectors, including in the field of sustainable rural development, to intervene to facilitate entrepreneurship development.

In terms of its design and development, various forms of entrepreneurship have been presented so far, including individual, corporate, organisational, group, collective, teamwork and social entrepreneurship. Each form has its own characteristics, requirements and achievements. Meanwhile, social entrepreneurship is a social approach to entrepreneurship. The term ‘social entrepreneurship’ first appeared in the context of the social change discussion of the 1960s and 1970s.

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A review of literature on social entrepreneurship has highlighted its features from many sectors such as commerce, charities and social movements, to provide innovative solutions to social problems and as well as new and sustainable social values. Throughout history, one should undoubtedly mention an amazing example of such drivers of social change as Florence Nightingale and Susan Anthony exerting significant impact on the development of concepts related to social entrepreneurs. What is different today, however, is the scale and achievements of new social impacts as well as the striking variety of approaches used in them.

Social entrepreneurship means performing an innovative and social value-creating activity, which can be done in both non-profit and for-profit organisations.

Today, social entrepreneurship is recognised as an effective and lasting measure supporting the economic and social development of countries and attracting the attention of wider sections of society every day. The measures taken in the field of rural development have been largely successful. One of such experiences is the establishment and evolution of the Grameen Bank in Bangladesh. Thanks to its efforts aimed at providing and managing credit flows, especially for low income and deprived groups, it offers now one of the most successful models of local development worldwide. The experience of the Grameen Bank is an example of the use of credits to help and empower the poor in society and advance social entrepreneurship.

This paper constitutes an attempt to introduce the concept of social entrepreneurship as a strategy for rural development. It also offers a description of some empirical initiatives based on this approach and the experience of the Grameen Bank.

Finally, it concludes with a review of these experiences by suggesting strategies for a policy for and promotion of rural development by means of an entrepreneurial and social approach. In fact, the main purpose of this paper is to describe the concept of social entrepreneurship in rural development based on rethinking empirical concepts and evidence.

2. Social Entrepreneurship as a Development Strategy

The concept of social entrepreneurship: the term ‘social entrepreneurship’ prevails in developing organisations whose purpose is to meet the

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basic needs of humans while they cannot be met through business organisations and the private sector. Hence, any definition of social entrepreneurship should replace the purely commercial approach pursued by business entrepreneurs\(^9\).

The concept of entrepreneurship has a long history of business start-ups, development and management. Social entrepreneurship is in the process partly compatible with other forms of creativity. The development of a new or an old idea, the study of ideas and the preparation of a business plan or a marketing plan and the examination of possibilities of the process of social entrepreneurship are all related to the business development approach\(^10\). Also, the key to social entrepreneurship is the introduction of an understanding of and an insight into the needs and opportunities, the reconciliation of ideas and ideas with opportunities, the acquisition of the required resources and, ultimately, the implementation of the goals\(^11\).

For some, social entrepreneurship is unique to non-profit organizations that perform profitable and productive activities to advance their goals, some use this concept for all those who opt to set up non-profit organisations while others consider it solely as activities of for-profit organisations which have public-purpose goals\(^12\).

3. Achievements and Consequences of Social Entrepreneurship

In recent years, social entrepreneurship has been identified as a major source of social, economic, cultural and environmental wealth. Research and policies are carried out following the idea that social entrepreneurs are important for economic and social development. In fact, social entrepreneurship is helpful in solving existing social problems within the institutional framework and many of those that remain unresolved despite traditional efforts\(^13\). Social mechanisms and entrepreneurial activities affect the growth of societies and economies, reduce poverty and improve economic development on a large scale\(^14\).

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\(^9\) J. Dees, J. Emerson, P. Economy, *Enterprising...*


One currently discussed aspect of social institutions is to emphasise the fulfilment of social needs and the emergence of social values through social innovations leading to social change\textsuperscript{15}.

Social entrepreneurs are the ones who identify social issues and use the principles of entrepreneurship to organise and manage activities that bring social change. While entrepreneurs evaluate their performance with profit and return indicators of capital, social entrepreneurs measure their success with impact indicators and their extent in society. As a result, social issues are explained through the principles of entrepreneurship\textsuperscript{16}. Therefore, according to the authors, the success of social entrepreneurship is measured by the following formula:

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\text{Human benefits} + \text{Innovation} + \text{Leader} + \text{Change factor} + \text{Social impact} = \text{Social entrepreneurship success}\textsuperscript{17}.
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In terms of performance and effects, the difference between economic entrepreneurship and social entrepreneurship can be attributed to four main variables:

1) Market deficiencies: market deficits are different for entrepreneurial entrepreneurs and other entrepreneurs. They bring economic growth. In a crisis, a problem for an economic entrepreneur may be an opportunity to be a social entrepreneur.

2) Mission: The main objective of the social entrepreneur is the creation of a social value while the goal of the business entrepreneur the production of economic profit. The mission shows fundamental distinctions between business entrepreneurship and social entrepreneurship, which is visible in different management areas and in particular individual motivation.

3) Resource mobilisation: due to the inseparable nature of the surplus generated by the social business and the social goal of the mission of that business, the social entrepreneur faces restrictions in terms of market capital. In the social business, it is difficult to offer the same rewards to the employees as is paid by for-profit business. Employees of social entrepreneurship organisations are valuable and many draw non-financial gains from working there. Hence, business entrepreneurship and social entrepreneurship have different managerial approaches to mobilising financial resources and human resources.

4) While measuring productivity in social entrepreneurship, the social value should also be in addition to business profit. Due to such measurable aspects as financial indicators, market share and customer sat-


\textsuperscript{16} J. Dees, J. Emerson, P. Economy, \textit{Enterprising...}

\textsuperscript{17} J. Austin, H. Stevenson, J. Wei-Skillern, \textit{Social and Commercial Entrepreneurship...}, p. 1–22.
isfaction, it is easy to evaluate the productivity of a business is easy. The social goal of the social entrepreneur makes it difficult to measure productivity. In addition, various financial and non-financial stakeholders that rely on the social entrepreneurship organisation are increasingly diverse, and the challenge of ‘social change’ ultimately leads to the complexity of managing these relationships. As a consequence, a fundamental distinction lies in the measurement of the effectiveness of social impacts.18

4. Evidence and Lessons of Social Entrepreneurship in Rural Development and Poverty Reduction

‘Entrepreneurship’ has led many social entrepreneurs to carry out a number of humanitarian activities throughout the centuries to create transformations in societies, and many institutions have been established by them.19 The assignment of a new term to this old concept is important because this practical field has found scientific identity and, although ambiguous, its boundaries are defined. Currently, people like Muhammad Yunus (founder of the Grameen Bank), Pierre Omidyar (founder of a virtual store), José Veronica (inventor of the homecare and nursing system), Robert Redford (founder of an independent filmmakers’ foundation) are named as the most successful social entrepreneurs of the world.20

As entrepreneurs create changes in business conditions, social entrepreneurs also act as social transformers, they take advantage of the opportunities missed by others to develop a new approach to society and create solutions to improve it. The founder of the Ashoka Foundation Bill Drayton believes that social entrepreneurs are not satisfied with just giving fish to the hungry person and they are not even convinced by training of fishermen. What they seek is an evolution towards changing the entire fishing industry.21

In various parts of the world, there have been cases of social entrepreneurship in which people in entrepreneurial roles make changes in the interests of their societies. Below the Grameen Bank’s experience is briefly presented as an example of social entrepreneurship serving the impoverished.22

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18 J. Dees, J. Emerson, P. Economy, Enterprising...
19 B. Rogaly, Micro-Finance Evangelism..., p. 100–112.
5. Emergence of the Grameen Bank

The origin of the Grameen Bank dates back to years ago when Dr Muhammad Yunus, professor and chairman of a rural economy programme at Chittagong University, conducted a feasibility study on the design and implementation of a conceptual banking framework for providing banking services to villagers. The research project, which he called the Grameen Bank Project, pursued the following objectives:

- Providing bank facilities to poor women and men;
- Eliminating the exploitative relationship between lenders and poor borrowers;
- Creating self-employment opportunities for human resource development, revenue generation and entrepreneurship;
- Giving priority to the poor people in a structure that allows them to understand their own conditions, recognise their obligations and seek to cope; and reverse the chronic cycle of low incomes, low capital, and low credibility to achieve sustainable incomes;
- Credit and capital in the form of deprived rural groups.

The founder of the Grameen Bank, Muhammad Yunus, believes that if funds are available to the poor, they can surprise the world by developing millions of small businesses. This founder’s belief is rooted in the failure of the traditional banking structure to cover the needs of the poor. The founder of the Grameen Bank considers credit as a powerful weapon and access to the necessary credits as a human right. With the credentials and resources that a person acquires, he or she can become powerful and influence their personal, family and social destiny. They can create credible access to resources and provide a basis for the economic freedom and social empowerment of the poor, especially women in the impoverished areas.

The Grameen Bank has changed the traditional banking trend by eliminating the need for bail bonds and created a system based on mutual trust, strong monitoring, accountability, partnership and creativity. The traditionally obligatory provision of collaterals defies the right to equal access to credit by the poor and excludes them from the cycle of economics and investment and its benefits. In the Grameen Bank, credibility is considered as a pivot for development and credit as an empowerment factor in the development of better socio-economic conditions or the poor living outside the reach of conventional banking services.

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6. Confronting Crises

When developing their business, social entrepreneurs are faced with such challenges as increasing competition, increasing government intervention, organisational pressure of the public, business and market bias (related to the supply chain), attracting partners, large incoming orders, internal pressure related to resources, management challenges and long-term forecasts27.

To develop the Grameen Bank was very challenging, problematic and complex. Yet the rough patch was not limited to its emergence only. Over the course of its existence, the Grameen Bank has undergone various crises yet despite all challenges the measures taken sustainability and institutional development has been ensured all the time since its establishment28.

One of these challenges was the boycott movement, which reflects the Grameen Bank’s challenges in empowering women. In 1995, the Grameen Bank experienced its first major business crisis. Men from local communities opposed contributing to giving women the opportunity to work, produce, be kept busy and become owners. They were generally against women’s social-economic participation at the local community level due to the dominant patriarchal culture that led to women’s isolation in the first place29. This resulted in the emergence of gender, cultural, economic, and social conflicts between the value system and the traditional norms governing the local community on the one hand and the holistic, poverty-focused, participatory approach based on gender and social justice30. They specifically did not accept the Grameen Bank’s focus on and priority given to women and they were determined to force them not to repay loans31. The boycott presented the Grameen Bank with the challenge of removing some of the borrowers who wanted to leave the group. However, at the time of the emergence of this movement, the Grameen Bank was a significant financial institution with strong political power and the ability to reach a consensus with a degree of institutional maturity and sustainability32. The Grameen Bank has always tried to avoid following political platforms and confronting banks and ruling systems, opting for pursuing a cooperative, bargaining, and consensual approach instead of conflict33.

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27 J. Dees, J. Emerson, P. Economy, Enterprising…
28 A.U. Dowla, Micro Leasing…
31 A.U. Dowla, Micro Leasing…
33 E. Mainsah, S.R. Heuer, Q. Zhang, R. Kalra, Grameen Bank…
7. The Grameen Bank’s Social Security Measures

The Grameen Bank is social investment rather than a financial institution and has achieved remarkable success in the area of social development, beyond the financial and credit strategies it pursues. The social benefits of the Grameen Bank can be judged from the microeconomic point of view and using some criteria. Expensive for users, its costs include the cost of money or direct payments and transaction costs, or non-cost costs, including opportunity costs, missed non-monetary costs such as the time of weekly visits and indirect monetary costs for transport and communications, the cost of supply and costs for society. Despite the costs, one of such criteria is net profit for users.

8. Conclusions and Suggestions

In the light of group-focused approaches, most successful rural development programmes are based on organising, providing coverage and targeted support for local communities and contact groups. This attribute applies to the Grameen Bank and other initiatives. The pursuit of these approaches leads to the development of group entrepreneurship in order to fulfil the entrepreneurial function. This approach or function can be used to perform other functions, such as social entrepreneurship, considered by the Grameen Bank and other rural development initiatives, as well as other functions and objectives.

From the perspective of regional development, the notion of social entrepreneurship to promote sustainable rural development can be found at two levels:
1) Planning and implementing a social entrepreneurship strategy for the advancement and development of an area (social entrepreneurship as a rural development strategy).
2) Planning and implementing a sustainable regional development strategy including social entrepreneurship (social entrepreneurship as an approach or part of a sustainable rural development strategy).

In the pursuit of his idea, Muhammad Yunus, a social entrepreneur and founder of the Grameen Bank who won the Nobel Peace Prize in 2006, believed that capital was a friend of the poor person, and the accumulation and use of capital by the poor person was the best way to escape from the cycle of poverty and prosperity. Paying loans to poor groups and helping them use credit in a productive investment process is the basis of Yunus’ plan. His view was based on a kind of bankruptcy and payment of credits that did not require the collateral. This helped resolve one of the main bar-

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riers faced by the poor in terms of access to credit and, as a result, investment necessary to satisfy their own needs. In his plan, all aspects of rural life were considered to pay the loans in order to provide opportunities for the poor in investing in their local areas. This prevented the imposition of investment on the basis of standard models and consequently, the likelihood of a failure of the relevant investment projects, while providing opportunities for using local productive capacities and local capacity building and empowerment.

In the face of such uncertainties, some have potential for income generation, some have the opportunity to access resources and provide inputs, some have the opportunity to sell products in the market, and others have pointed to the efficiency of financial flows.

In any case, regardless of the amount of certainty or doubt behind the assessments made by the Grameen Bank, one can definitely say that given the unfavourable economic context, over the period of its advancement it managed to undermine the disadvantageous norms governing women’s social and economic activity as well as bridge some gaps in terms of economic and value inequalities, all this despite various problems faced on the way caused by corruption, or the government’s corruption.

As to the discussion, special support of the state authorities, the welfare system, banks and funds provided by lenders and other rural development agencies should focus on identifying and aiding social entrepreneurs in rural areas in order to empower local people. Other important considerations include the identification and introduction of entrepreneurial opportunities based on local capacities in underdeveloped areas, institutional support such as the formulation of supportive policies, tax exemptions and facilitation of administrative affairs and payment. What matters most is entrepreneurial schemes with flexible repayment conditions, training of human resources and extension services with a generic and entrepreneurial job-creation approach. Supporting teamwork initiatives and collective entrepreneurship based on assistance in deprived areas in the form of collective organisations such as funds, cooperatives and other activities can be considered as a long term strategy.

Bibliography


Many of rural community issues are of social nature and, therefore, solving them requires innovative social solutions. From this perspective, social entrepreneurship can help solve rural community issues, especially poverty and inequality. Social entrepreneurship in rural areas is an indication of pursuing social objectives through the design of innovative strategies to mobilise the ideas, capacities, resources and social institutions needed for a balanced social passage. Social entrepreneurs can help develop an entrepreneurial ecosystem and a sustainable business development model in rural areas based on tapping into their specific opportunities to meet the real needs of rural communities. The world has witnessed many successful social entrepreneurship experiences over the years. Many of these social businesses have been remarkably successful in empowering poor local communities. Awareness of these experiences can inspire policymakers in developing empowering policies that are appropriate for the poor, as well as entrepreneurs and investors in the development of social businesses in deprived areas. This article, which is a result of a review study, introduces the concept of social entrepreneurship in order to promote the development of rural communities and briefly describes the experience of the Grameen Bank, one of the most successful examples of social entrepreneurship in the world.

**Keywords:** social entrepreneurship, rural development, innovative strategies, empowering policies, Grameen Bank

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Wiele problemów występujących w społecznościach wiejskich ma charakter socjalny, a rozwiązywanie ich wymaga nowatorskich rozwiązań. Przedsiębiorczość społeczna może pomóc w rozwiązywaniu problemów obszarów wiejskich, zwłaszcza dotyczących ubóstwa i nierówności. Stanowi ona wyznacznik realizacji celów społecznych poprzez wdrażanie nowatorskich strategii gromadzenia pomysłów, zasobów oraz mobilizowania instytucji, których rolą jest zapewnienie zrównoważonego życia społecznego. Przedsiębiorczość społeczna może wpływać na rozwój przedsiębiorczości oraz wspierać zrównoważony model rozwijania biznesu na obszarach wiejskich w oparciu o wykorzystanie ich potencjału w celu zaspokojenia potrzeb wspólnot wiejskich. Na świecie od zarania dzisiejszych prowadzono udane doświadczenia w zakresie przedsiębiorczości społecznej. Wiele z tych przedsiębiorstw odniosło znaczący sukces w zakresie upodmiotowienia ubogich w sposób lokalnych. Poznanie tych doświadczeń może stanowić inspirację dla decydentów przy tworzeniu polityk upodmiotowienia zarówno ubogich, jak i przedsiębiorców czy inwestorów w zakresie rozwijania przedsiębiorstw społecznych na obszarach defaworyzowanych. Artykuł, będący owocem badania przeglądowego, wprowadza pojęcie przedsiębiorczości społecznej w celu promowania rozwoju wspólnot wiejskich oraz zawiera zwięzły opis doświadczeń Grameen Bank jako jednego z najbardziej udanych przykładów przedsiębiorczości społecznej w skali światowej.

**Słowa kluczowe:** przedsiębiorczość społeczna, rozwój obszarów wiejskich, nowatorskie strategie, polityki upodmiotowienia, Grameen Bank

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**Rozwój obszarów wiejskich dzięki przedsiębiorczości społecznej**

Streszczenie