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# Understanding Consumer Behavior toward Social Enterprise Products

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Additional information is available at the end of the chapter

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## Abstract

Social enterprise is an emerging global trend to solve society's major problems through the means of business. After microfinance, Yunus Social Business (Bangladesh) is now getting worldwide attention for its distinctive principles and application. This study attempted to investigate the impact of consumer knowledge and understanding about the social enterprises on their buying behavior. Moreover, consumers' perceived ethical and environmental awareness or rational considerations have also been investigated. Descriptive statistics shows that 26% respondents have clear understanding about social enterprise and 80% respondents believe that social enterprises can contribute to achieve sustainable development goals (SDGs). Findings of regression analysis show that consumers' purchase decisions are not influenced by their prior knowledge about social enterprise, ethical perception, and attitude, rather their decision is highly influenced by the information available on the product ( $P$  value.001,  $\beta$ .602) and rational behavior that are stimulated through the rational pricing and availability of the product ( $P$  value.000,  $\beta$ .258). Thus, the study draws conclusion that to get increased consumer response, social enterprises should provide adequate information about their social and environmental mission and must maintain highest quality and ethical standards to create a trusted brand for all ethical, ecological, and rational consumers.

**Keywords:** social enterprise, consumer behavior, ethical consumer, ecological consumer, rational consumer, sustainable development goals

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## 1. Introduction

In the age of rapid globalization, profit-seeking motive of private enterprises has given birth to several issues, that is, rising inequality among people, increasing vulnerability toward human and animal health, degradation of environmental conditions through violating environmental laws, excessive carbon emissions, etc. In such circumstances, growth of social enterprises has become a rising global phenomena to address several social and environmental problems.

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Social enterprise is a new form of business entity, which not only operates a business but also pays attention to reducing society's major problems such as unemployment, malnutrition, poverty, education, environmental pollution, etc. through the means of business. Although the concept is being familiarized by two prominent social entrepreneurs, Nobel Laureate Professor Muhammad Yunus (founder of Grameen Bank) and Sir Fazle Hasan Abed (Founder of BRAC), mass people, from the viewpoints of consumer, are still not familiar with the term, especially when they buy products that are provided by such social enterprises.

Bangladesh is a very small country with huge population. However, Bangladesh has a strong worldwide reputation for social enterprise [1]. A recent study conducted by British Council demonstrated that 150,000 social enterprises currently operating in Bangladesh have already reached ~207,397 beneficiaries. The survey found that 90% of social enterprises are working with individuals from socially and economically disadvantaged communities, creating employment opportunities especially for disadvantaged groups. Bangladeshi social enterprises are generating annual turnover of Tk 2.1 million on an average, and nearly three-quarters of the enterprises expect a substantial increase in turnover in the next financial year. To increase the social impact of such enterprises, supporting consumer behavior is expected. But studies on consumer behavior usually focus on traditional enterprise's goods. Very few studies are available in academic world, which addresses the responses toward the goods produced and marketed by the social enterprises. Therefore, this study will try to address the following research questions: (i) What does the consumer know about social enterprises? (ii) What does the consumer perceive about social enterprise products? (iii) Does consumers' perception lead to purchase intention? (iv) How does consumers' purchase intention influence their actual purchase? Thus, to explore consumer responses to the social enterprise products, the study, in particular, will be carried out

1. To examine consumers' prior knowledge about social enterprise products;
2. To investigate their perception and attitude toward social enterprise products;
3. To examine behavioral intention to buy social enterprise products; and
4. To assess their actual buying behavior toward social enterprise products.

## **2. Conceptualization of social entrepreneurship, social enterprise and social business**

The study conducted by Panayiotis H. Ketikidis [2] showed that social entrepreneurs are conceptualized as:

- Individuals who spot problematic aspects of the society, trying to resolve them, creating better social conditions [3];
- Individuals who enter the business world with the social impact as their primary motive [4, 5];
- A mean in order for an investment to be transformed into social good [6];

- Young and altruistic individuals urge to fight injustice [5]; and
- Innovative directors, socially responsible administrators of nonprofit organizations and philanthropists [4].

The study, however, argued that social enterprises are ventures that are created by social entrepreneurs [7]. Nobel Laureate Professor Yunus identified social enterprises as ventures that are not only created by social entrepreneurs but also are following clear guidelines of “social business.” According to him [8], it is a business designed to meet a social goal (for example, Gramee Danone, whose goal is to improve the nutrition of poor families in the villages of Bangladesh). A social business is a business that pays no dividends. It sells products at prices that make it self-sustaining. The owners of the company can get back the amount they have invested in the company over a period of time, but no profit is paid to investors in the form of dividends. Instead, any profit made stays in the business to finance expansion, to create new products or services and to do more good for the world.

### 3. State of social enterprise in Bangladesh

There are numerous definitions of social enterprise and the related concepts of social business and social entrepreneurship. The debate is particularly live in Bangladesh [1]: for Professor Mohammed Yunus, a key element of social business is that investors receive only their original investment back, without additional dividend or capital return; Professor Rehman Sobhan focuses on ownership of enterprises, arguing that a significant portion of equity in a social business should be owned by poor people, in particular employees; BRAC, founded by Sir Fazle Hasan Abed, operates a hybrid model, which combines conventional development, health, and education program with social enterprises and more commercial activities such as BRAC Bank. A social enterprise is fundamentally defined as a business venture trading for a social purpose. Its main aim is to mitigate a social problem, a market failure, or an inequality in distribution [9, 10]. They create jobs for disadvantaged groups, empowering women, and addressing social exclusion throughout the country. British Council [11] in their research report stated that social enterprises are businesses, which trade for a social purpose, reinvest surpluses into their social objective and make themselves accountable for their actions, rather than simply maximizing profits for owners and shareholders. Their survey included 149 social enterprises from Bangladesh based on three criteria: organizations that placed social/environmental mission above or alongside profit-making, organizations using profit/surplus to further organization’s mission, and organizations with less than 75% of income from grants.

Boston Consulting Group (BCG) and Yunus Center’s combined [12] report clearly articulated the position of social business, which is given by Nobel Laureate Professor Muhammad Yunus. Since mass people in Bangladesh as a consumer are not widely familiar with Yunus Social Business, this study relates a term ethical/fair trade market to disseminate it from economic (traditional) market and thereby gets more response from consumers. Thus, this study explains that social enterprises are those who have applied business models (**Figure 1**) with the prime objectives of reducing social problems through inclusive market mechanism

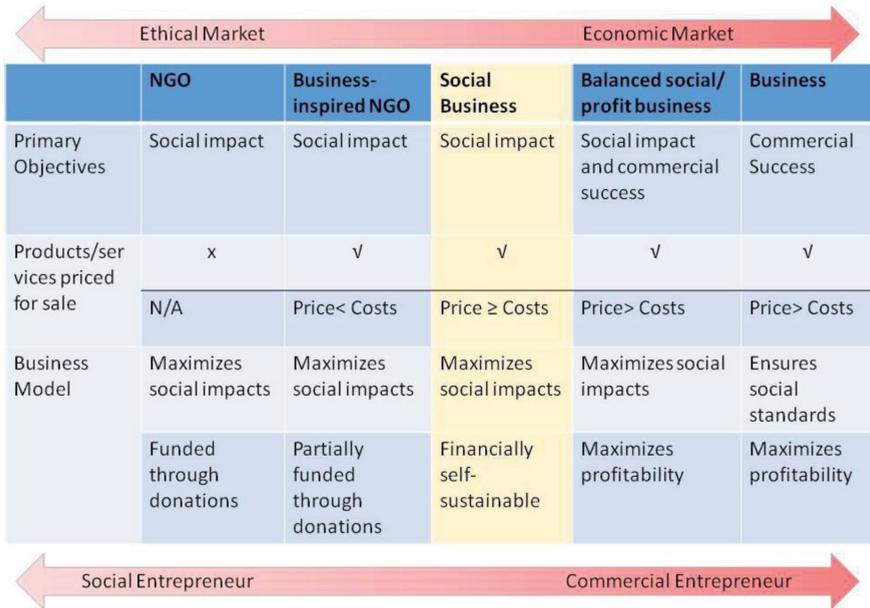


Figure 1. Social enterprise business model and market positioning (modified from Ref. [12]).

(that is, unemployment, market access of poor consumers, and investment opportunity for poor entrepreneurs), environmental solutions (through organic and ecological products) and ethical market mechanism (fair trade) without putting main emphasis on profit maximization rather focusing on reinvestment of profit.

This study applies all the available terms related with social enterprises from the perspective of ethical market consideration of being responsive to society, environment, and economy as well as for sustainable development and does not usually depend on donation or charity fund. A summary of leading social enterprises in Bangladesh is given in **Table 1**.

	Name of the enterprise	Problem addressed	Solution offered
1	Grameen Danone Foods (2007)	Child malnutrition Poverty reduction	Affordable yogurt fortified with micronutrients
2	Grameen Viola Water (2008)	Arsenic contaminated water in rural areas	Clean water through village tap points
3	BASF Grameen (2009)	Risk of malaria in parts of the country	Affordable and long-lasting mosquito nets
4	Grameen Intel (2009)	Inefficient use of fertilizers Lack of adequate maternal health care	Poverty and the under employment

	<b>Name of the enterprise</b>	<b>Problem addressed</b>	<b>Solution offered</b>
5	Grameen Yukiguni Maitake (2010)	Poverty and the underemployment	Employment for the poor through mung bean cultivation
6	Grameen GC Eyecare Hospital (2007)	Limited access to specialty eye treatment for the poor	Affordable eye care examinations and surgeries for the rural poor
7	Grameen Caledonian College of Nursing (2010)	Shortage of nurses and lack of access to medical care among poor and rural communities	Nursing educations for underprivileged girls
8	Grameen Shakti (1996)	Lack of electricity Unhealthy living environment	Clean energy with: <ul style="list-style-type: none"> <li>• Solar home system</li> <li>• Cooking stoves</li> <li>• Biogas plants</li> </ul>
9	Grameen Distribution (2011)	Lack of access to basic products in rural areas	Social and consumer products are distributed door-to-door in rural areas
10	Grameen Fabrics and Fashion (2012)	Poverty and underemployment	Employment for the poor through local production of such item as mosquito nets
11	Grameen Poshra	Lack of market access to urban people	The marketplace for promoting the products made through the social business initiative
12	Grameen Telecom Trust (2010)	Unemployment of Grameen Bank borrowers' children	Provide technical and financial assistance to facilitate business promotion through social business
13	Grameen Shakti Shamajik Byabosha (2011)	Unemployment of Grameen Bank borrowers' children	Similar to Grameen Telecom Trust
14	Grameen Trust (1989)	Unemployment of Grameen Bank borrowers' children	Similar to Grameen Telecom Trust
15	Grameen Kallyan (1996)	Unemployment of Grameen Bank borrowers' children	Similar to Grameen Telecom Trust
16	BIJOY (Bangladesh Institute of Job Opportunities for the Youth)	Lack of skilled worker	Provide vocational training for occupational skills development among youth and support them in finding and retaining jobs in foreign labor markets
17	CLICK Shastho	Lack of health-care facilities in rural people	Alleviate health-related sufferings and reduce mortality in underserved communities of Bangladesh through an innovative entrepreneurial health worker model
18	Rural Sales Program (Joint Initiative of Bata and CARE Bangladesh) (2004)	Women empowerment	In this program, a rural sales force comprising of destitute women is created; these women are called Aparajitas, a Bengali word that stands for "women who never accept defeat." Under this initiative the selected women act as sales representatives in selling a diversity of products such as footwear, consumer goods, food products, spices, etc. to rural buyers

	Name of the enterprise	Problem addressed	Solution offered
19	Waste Concern (1995)	Waste pollution and poverty	Contribute to waste recycling, energy, poverty reduction through job creation and sustainable development
20	Phulki (1993)	Childcare problem for working women	Create a harmonious work environment for women and implement child care programs
21	Hathay Bunano	Rural/destitute women empowerment	Rural Center Model creating flexible employment opportunities for the poor
22	Bengal Meat (2005)	Unsafe meat production	Poverty alleviation of poor livestock producers by providing access to local and international markets
23	BRAC (1972)	Lack of education, health-care facilities, rural unemployment and lack of access to finance among the poor	Providing access to education among poor children, providing community health-care facilities, creating employment among rural women and providing microfinance
24	Better Stories	Lack of start-up ecosystem	Create leaders through green ethical and responsible businesses by addressing three verticals: better strategies, better entrepreneurs and better schools
25	SPARK Bangladesh	Lack entrepreneurial capacity building and training	Aims to improve the lives of people living in poverty by accelerating start-up social enterprises and supporting them as they grow their businesses and make greater changes in their communities
26	BRAC Aarong Dairy	Rural dairy producer lack access to market	Creation of market for dairy producers in remote villages

Source: Refs. [1, 11–13].

**Table 1.** Social enterprise initiative in Bangladesh.

## 4. Review of literature and theoretical framework

This study assumes that social enterprise market is closely related with ethical market. Nicholls [14] defined ethical markets as aggregated consumer-provider (demand-supply) exchange transactions of goods or services that have—as one of their defining product characteristics—a normalized notion of social and/or environmental benefit. To put it more plainly, ethical markets are economic spaces where consumers buy products that have added social or environmental value above other goods or services.

Nicholls [14], assuming the social enterprise market belongs to the ethical market trajectories, established a forward-looking model of social enterprise within the ethical markets. He also provided a social enterprise value chain, which integrates both ethical approach (fair trade) and green approach of consumer behavior (**Figure 2**).

This study is based on the assumption that social enterprise consumers differ from traditional consumers and put more emphasis on ethical/social and environmental performance of the product.

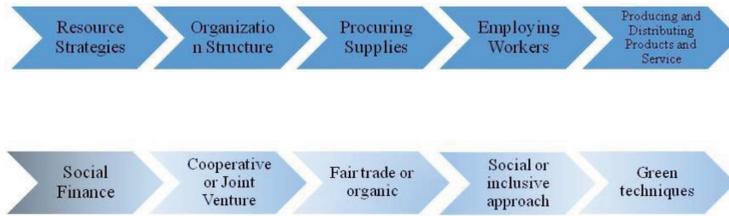


Figure 2. Social enterprise value chain (modified from Nicholls [14]).

Figure 3 shows that some unethical behavior of present commercial enterprises, especially those in developing countries, where most of the policies and regulations are loosely enacted, leads to a shift in public perception toward ethical market development. At the same time, rising inequality resulted in two groups of consumers; one, wealthy and educated-conscious consumers who expect their desired brand will not only make profits but also will create social as well as environmental brand reputation and another group, poor marginalized consumers who are excluded from many goods and service markets due to their limited means. These circumstances influences some investors to respond toward socially responsible investment which has added social and / or environmental return. But small portion of profit that are invested in the name of corporate social responsibility (CSR) are inadequate to address the core problem of the society and are often created debate over its real purpose; i.e., investment in publicity or replacement of advertising expenditure. Moreover, government and non-governmental organizations (NGOs) also expect increased social and/or environmental return from their welfare activities but their efforts are often subject to donor-aided projects

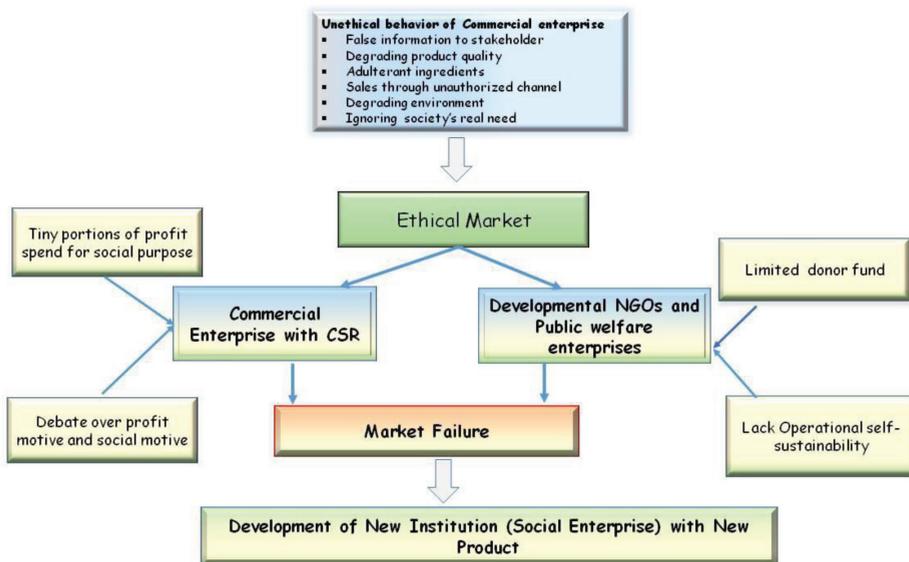


Figure 3. Market potentials for social enterprise.

availability which suffers from lack of operational sustainability. This kind of donor-driven funds, now-a-days, are also reducing worldwide. Therefore, ethical market development initiative failed to develop a sustainable market yet which further encourages some social entrepreneurs to bring about a new forms of enterprising initiatives that is selfless, social problem oriented and capable to maintain operational sustainability which is widely getting popular as social enterprises.

This study classifies consumers into the following three segments: ethical, ecological, and rational (**Figure 4**). Ethical consumers make purchase decision based on ethical judgments. For example, products made or distributed fairly and/or by autistic, poor, minority or ethnic group, and disadvantaged women would influence ethical consumer to purchase product.

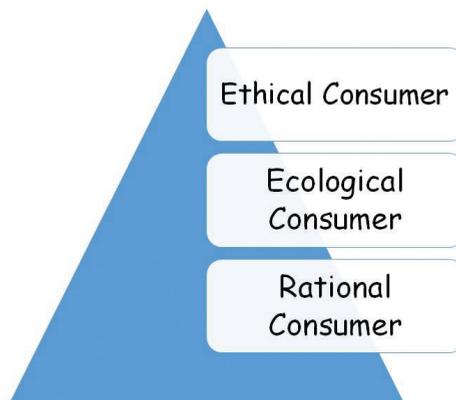
**Ecological consumers** make purchase decision based on environmental performances of the product, such as organic food, recyclable product, renewable energy-related product, etc. that are less harmful for the environment as well as for human beings.

**Rational consumers** make purchase decision based on exchange value/utility. Most of the traditional buying decisions are based on utility (product quality, performance, perceived benefit, etc.).

However, there is no single “ethical consumer” or “ethical market,” but rather a whole range of different ethical consumption demographic groups operating within and across product markets and sectors. Researchers have noted the “30:3 phenomenon,” where more than 30% of consumers declare themselves ethical in surveys, but ethical markets are typically 3% (or less) of total trade by product or sector [14].

Another study [15] identified three categories of ethical consumers as follows:

- Distancers: these consumers adopt a negative screening approach and avoid or boycott products they perceive to be unethical.
- Integrators: these consumers attempt to integrate ethical purchase behavior fully into their lifestyle and have a holistic view of their own ethical actions.



**Figure 4.** Classification of consumer.

- Rationalizers: these consumers limit their ethical purchases to extreme cases and distinct parts of their life and, while showing concern for issues, rarely sacrifice quality, choice, or pleasure.

Therefore, this study expects that social enterprise consumers will belong to the intersections of ethical, ecological, and rational consumers' segmentation (**Figure 5**) and will not only respond to fair trade products but also expect their products would not harm the environment. In addition, stimulation in terms of price, perceived benefit and convenience will also transform some rational consumers to be social enterprise consumers. Based on the above theoretical conception, this study builds following hypothesis:

*H1: Consumers' perceived ethical awareness will lead to (a) intention of buying and (b) actual buying of social enterprise product.*

*H2: Consumers' perceived environmental awareness will lead to (a) intention of buying and (b) actual buying of social enterprise product.*

*H3: Stimulating consumers toward social enterprise product will lead to (a) intention of buying and (b) actual buying of social enterprise product.*

Growth of social enterprises has a quest for solving social problems; therefore, consumer of social enterprise's products hold positive behavior when they evaluate their purchase decisions. Although consumer helping behavior is relatively neglected by marketing researchers [16], but the intangible rewards of helping disadvantaged people are somehow likely to play at least some role in motivating consumers to buy [17]. Based on the literature, following hypothesis has been constructed:

*H4: Consumers positive attitude toward social enterprise product will lead to (a) intention of buying and (b) actual buying of social enterprise product.*

There are many ways on how consumers seek for knowledge and evidence, which suggest that consumers are seeking knowledge by reading the product label [18, 19]. If the consumer has knowledge and clear understanding about the social enterprises, then their awareness level would increase and thus would, potentially, promote favorable attitudes toward social enterprise products. This study applies similar context in designing knowledge of the consumer.



**Figure 5.** Potential consumer for social enterprise products.

Two dimensions have been used as follows: (1) information regarding social enterprises available through social and developmental works, communication through social media, government service rule, newspapers, magazines and other personal observation and (2) consumer self-knowledge about social enterprise products information available either on the product itself or through previous purchasing experiences. Based on the available literature, following hypothesis has been developed:

*H5: Consumers those who have clear knowledge about social enterprise products will have more positive intention (a) to purchase social enterprise products and (b) will increase their actual buying.*

*H6: Labeling and certification-related information on the social enterprise product itself will (a) positively influence consumers' buying intention and (b) will increase consumers' actual buying.*

Based on hypothesis, this study develops following conceptual model (Figure 6):

Many researches in the field of consumer behavior have tried to make a link among consumers' prior knowledge regarding the objects, feeling about it, commitment that they are willing to make (verbal commitment or intention) and what commitment they do make (actual commitment) [20]. Researchers following this paradigm further assert that an individual's behavior is highly dependent upon his/her knowledge, affect and intention [21]. Tricomponent attitude model (ABC model) and theory of reasoned action (TORA) also support the paradigm.

In the language of ABC, behavior (B) is "an interactive product of attitudinal variables (A) and contextual factors (C)" where attitudinal variables might include a variety of specific personal beliefs, norms and values as well as general "predispositions" to act in certain ways. And contextual factors can potentially include a wide variety of influences such as monetary incentives and costs, physical capabilities and constraints, institutional and legal factors, public policy support, interpersonal influences (social norms, for example) [22]. This study also used

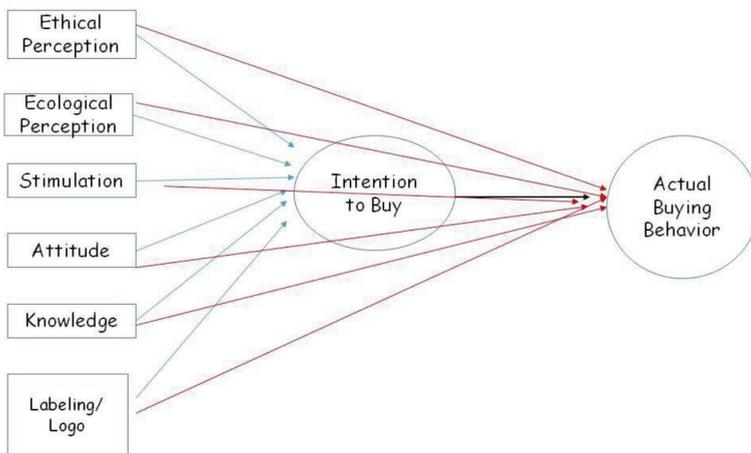


Figure 6. Conceptual research model.

consumers' behavioral intention as a function of consumers' ethical perception, ecological perception, knowledge and attitude toward social enterprise products as well as stimulation as contextual factors. The components of the TORA model are (a) behavior, (b) behavioral intentions, (c) attitude toward the act and (d) the subjective norms, that is, peer pressure. The model constructed for this study is in line with the above-mentioned literature as the model (Figure 6) also showed a link among social business consumers' actual buying behavior with buying intention and attitudes.

## 5. Research methodology

This study has used both qualitative and quantitative research techniques. Since available literatures provide inadequate information about social enterprise consumer behavior, in-depth interviews were conducted with key social enterprise practitioners in order to construct some concept and statement in the questionnaire. During the survey, the study has used a judgmental/purposive sampling technique to collect the data. Since mass people are not familiar with the term social business or social enterprise, the purposive sampling technique is most suitable where researcher applies his/her own judgment to select appropriate respondent [23]. A total of 600 structured questionnaires have been distributed among consumers who have access to at least internet; Yunus Center's social business design lab, social business organizations or universities where there is a separate center for social enterprise or social business are in vogue through several academic and extracurricular activities, and 429 completed questionnaires have been finally used for this study. Before data collection, questionnaires have been pre-tested, and final data collection started from December 25, 2016 and continued up to January 15, 2017. A 5-point Likert scale has been used to design perceptual statement; nominal or suitable categorical scale has also been used for other parts of the questionnaire and was pursued through a face-to-face interview as it ensures maximum response rate.

Although some NGOs and a handful of organization are self-declaring themselves as a social enterprise, only Professor Yunus has established the concept striking on "social business" with clear definition and explanation. Four flagship Grameen companies are investing rigorously with the purpose of social business. They have two kinds of social businesses: type 1 social business is the joint venture with other domestic or foreign companies those who are producing products for society's destitute people. This type of social enterprise does not operate for profit purpose. Type 2 social business is equity investment by the Grameen companies for supporting emerging youth entrepreneurs whose family was the member/borrower of Grameen Bank. The product of those microentrepreneurs is sold in the market for profit purpose. Grameen Poshra is the marketplace for promoting the products made through the social business initiative. Since the initiative is yet in infant stage, complete consumer response is very difficult.

Therefore, this study, considering ethical issues (that is, products produced and promoted with highest integrity and fairness, supporting sustainable and equitable social entrepreneurship development), includes all the products that are traded fairly, made for the destitute people and by the poor microentrepreneurs, as the social enterprise products. The study also included

products made by the handicapped people although promoted by the commercial enterprise. However, the study tried to investigate whether consumers' perceived interest in ethical and ecological market might have a link with the intention to buy social enterprise product. Therefore, the questionnaire has been designed to address consumers' demographic information along with their level of knowledge and understanding about social enterprises. It also has assessed consumers' perceived ethical, environmental, and societal aspects, and attitude toward social enterprise market. The final part of the questionnaire has examined whether their intention to buy social enterprise products and repurchase intentions are strongly influenced by any stimuli or not.

Five in-depth interviews have also been conducted as follows: two among the CEOs of social enterprise who are actively investing and promoting social enterprise goods, one with the distribution channel member of Grameen Poshra and two interviews were conducted with social business project managers/team leaders. The interviews were semistructured and open-ended and rest for 45–60 min.

Descriptive statistics, correlation and regression analysis have been conducted to analyze the data. Data analyses have been conducted based on SAS 9.1.3 version.

Regression model

$$Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon \quad (1)$$

$$Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \epsilon \quad (2)$$

where  $Y_1$  is consumers' purchase intention;  $Y_2$  is consumers' actual buying behavior;  $X_1$  is the perceived ethical value of consumers;  $X_2$  is the perceived environmental value of the consumer;  $X_3$  is the stimulus that influence consumers;  $X_4$  is the attitude of the consumers;  $X_5$  is the knowledge about social enterprise products;  $X_6$  is the product labeling information;  $X_7$  is consumers' intention to buy social enterprise products;  $\beta_0$  is constant terms;

$\beta_1 - \beta_7$  are beta coefficients; and  $\epsilon$  indicates error terms.

Consumers' purchase intention includes four statements, which were primarily taken through 5-point Likert scale. Then to construct the variable, total values of four statements have been taken. Similar measurement approach has been applied to all variables having more than one statement. Consumers' actual purchase behavior was measured through using five statements. Ethical perception includes four statements, attitude three statements, stimulation four statements, environmental/ecological perception two statements and labeling has a single statement. Finally, knowledge was measured through five different statements indicating levels of social enterprise-related knowledge.

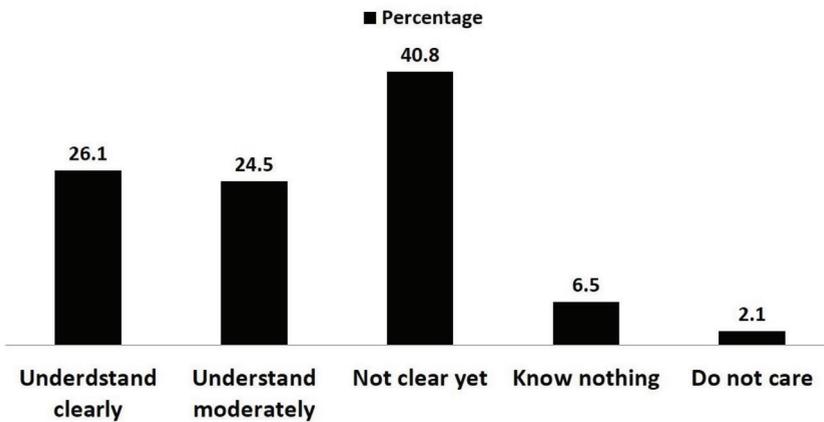
## 6. Findings and analysis

Among 429 respondents, 70% of respondents belong to male and rest 30% belong to female category. About 95% of the respondents' age is below 46. Nearly 50% of the respondents come from middle- and 30% from upper middle-income families. Half of the respondents belong

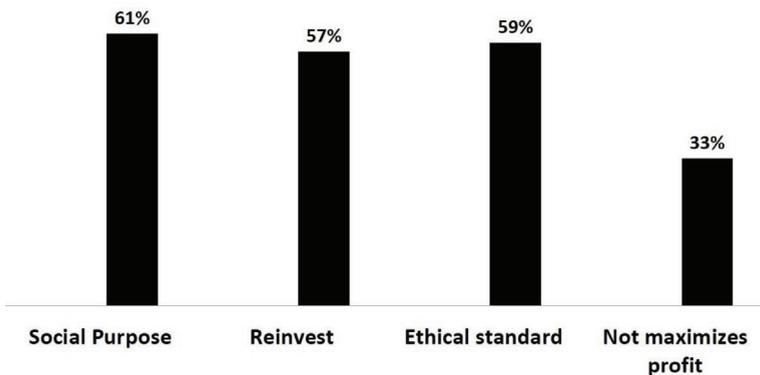
to students' categories and rest of the respondents from various occupational backgrounds. Nearly 67% respondents reported themselves as single and rest 33% as married.

To analyze prior knowledge about social enterprises, respondents were asked whether they have heard about social enterprises or not, what is their perception toward common definition of social enterprise and what should be the reasons for social enterprise development and growth. Their responses are given in **Figure 7**.

More than 26% of the respondents have clear understanding about social enterprises-related terms. More than 24% respondents have moderate understanding about the term or at least they can figure out the term in their own way. Nearly 40% respondents need clarification about the term as they have heard about it but need more information and knowledge for better understanding yet. Only 6% respondents know nothing yet and 2% respondents even do not care about such enterprises (**Figure 8**).



**Figure 7.** Respondent knowledge about social enterprises.



**Figure 8.** Perception of respondent toward social enterprises.

Majority of respondents agree with the given characteristics of the social enterprises, which demonstrates that social enterprises are businesses which trade for a social purpose, reinvest money and maintain highest ethical standard, but not all respondents agrees with profit-earning criteria. In response to the question “why should we develop social enterprises,” majority of the respondents focus on helping disadvantaged entrepreneurs and then achieving SDGs (Figure 9). The survey also finds that nearly 80% respondents expect that social enterprises will contribute to sustainable development. However, 79% of the respondents believe that social enterprises can contribute to ethical market development. Although 67% respondents firmly believe that buying social enterprise products mean responding toward ethical market, but 46% respondents agreed on the fact that social enterprise products are traded with highest ethical standard. Less than 20% respondents have doubt over the ethical transaction of social enterprise products.

Findings of regression analysis (model 2) show that consumers’ purchase decisions are not influenced by their prior knowledge about social enterprise, ethical perception and attitude rather their decision is highly influenced by the information available (logo/certification) on the product ( $P$  value.001,  $\beta$ .602), rational behavior that are stimulated through the rational pricing, and ease and availability of the product ( $P$  value.000,  $\beta$ .258). These two variables are significantly related with consumers’ intention to purchase (model 1) and actual purchase behavior (model 2), although  $\beta$  coefficient moderately changed in both cases. Therefore, both hypotheses 3 and 5 are supported by this model. Although perceived environmental value and purchase intention were not significantly related (in model 1,  $P$  value  $>$ .05), during actual purchase, environmental awareness is being considered (in model 2,  $P$  value.009 and  $\beta$ .267). But ethical perception is not related with their purchase decision in either of the two models. Rather clear information, declaring the product has obvious social and environmental benefit, is highly associated with both consumer purchase intention (model 1) and actual purchase decision (model 2), and hypothesis 6 is accepted.

The findings of an experiment conducted in Korea also showed that displaying the social certification logo on product labels always affected participants’ purchase intentions for products

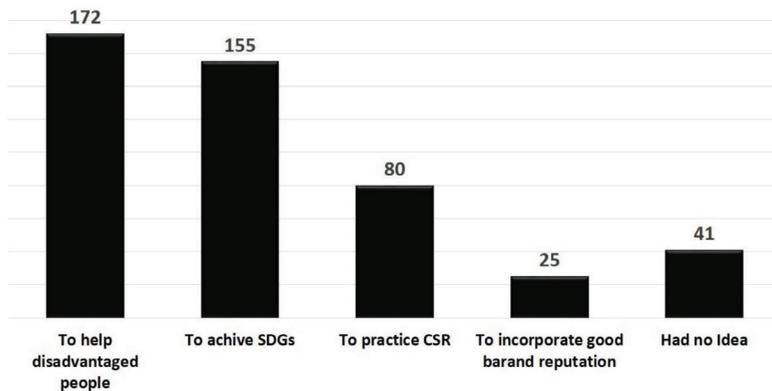


Figure 9. Reasons of social enterprise growth.

positively, even when the label also disclosed the information that the product might be produced by employees who belong to socially vulnerable groups toward whom the participants had negative general attitudes [24]. The present study demonstrates 47% increase in consumers' intention to purchase and 60% increase in actual buying behavior if social enterprise products are identified with clear information on the product label or on the container.

In-depth interview with the social business team leader from Grameen Telecom Trust and the managing director from Grameen Krishi Foundation also highlights on the necessity of appropriate packaging, container and labeling information.

One interviewee said "without providing attractive container for honey, consumer will not buy anymore."

Another interviewee gave an example, "while I was trying to buy notebooks for my son which was made by blind people, my son strongly protested and raised complain that the color and design was not attractive."

Thus, social enterprise products must gain competitive advantage over the traditional enterprise products to stay in the market. Moreover, rational consumers when make purchase decision usually consider affordability, convenience and availability along with quality, features, and design of the product, which is also supported by the interviewees for this study.

"We are planning to build a coordinated corporate office where along with social business corporate activities, all kinds of social business goods will be displayed to provide more access to consumers."

Thus, hypothesis 3 is accepted for significant  $P$  value (0.000) in both of the model. Thus, the statistical evidences demonstrate that for getting better market response, social enterprises must have to compete with similar other traditional products. Although consumers expect their product would be ethically/fairly traded and environmentally not harmful, while they buy, they make a rational choice. Interview of the distribution channel member promoting social enterprise products also emphasized on similar aspects.

She said "many participants in design lab visit our products with great sympathy and enthusiasms but finally very few consumers make purchase."

Therefore, social enterprise products have to compete with similar other traditional products in terms of quality, features, availability, prices, etc. and would be expected to launch promotional activities to some extent like traditional commercial enterprises. The managing director of Grameen Krishi Foundation, who has a long experience and expertise in managing social business ventures and provides consultancy to many social business initiatives by various other Grameen companies, also expressed the similar points of views.

Managing director of Grameen Telecom Trust, who not only initiated many joint venture projects to expand social businesses but also promoted the goods produced by the social business ventures through Grameen Poshra, mentioned that since the term "social enterprise" is yet to be familiarized, consumers' self-knowledge may not be translated into their product purchase decision.

Moreover, a handful of producers those who are selling products for the social purpose are not self-declaring about the purpose. During the survey, the respondents were also asked if they notice any social enterprise product, whether they would buy it or not when compared to other traditional products. Although a significant number of respondents (55%) were positive while expressing their opinion, 31.2% of the respondents remained undecided and 19% respondents remained negative. Regression analysis also did not find any significant relation in either two of the models, and hypothesis 5 were rejected (**Table 2**). Thus, prior knowledge about social enterprise initiative are not that much important as providing quality products, with adequate information through logo/certification along with other characteristics that could satisfy real needs of the consumers. Therefore, social enterprises must have to compete with traditional commercial enterprises in terms of product quality, features, design, container, packaging and various forms of promotional activities to increase sales of their products rather than simply thinking of it as an altruistic exchange. **Table 2** also demonstrates the value of  $R^2$ , which were not very high but their analysis of variances were highly significant in both of the models. The results of correlations were also in line with the theory, and VIF results found no multicollinearity problems (correlation results are not shown in the article). Reliability of the constructs was also tested and the results are above 0.7, which is widely accepted and suggested by Nunnally [25].

Model 1						Model 2				
Dependent variable: purchase intention						Dependent variable: actual purchase behavior				
	Unstandardized coefficients		Standardized coefficients	t	Sig.	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. error	Beta			B	Std. error	Beta		
(Constant)	3.061	0.96		3.188	0.002	4.65	1.045		4.449	0.000
Knowledge	0.119	0.121	0.041	0.987	0.324	-0.244	0.13	-0.072	-1.874	0.062
Ethical awareness	0.042	0.055	0.037	0.759	0.448	-0.028	0.06	-0.021	-0.465	0.642
Environmental awareness	-0.14	0.095	-0.07	-1.482	0.139	0.267	0.102	0.115	2.612	0.009
Attitude	0.396	0.067	0.288	5.926	0.000	0.119	0.075	0.075	1.593	0.112
Logo	0.471	0.165	0.141	2.848	0.005	0.602	0.18	0.156	3.352	0.001
Rational behavior	0.293	0.056	0.271	5.278	0.000	0.258	0.062	0.207	4.185	0.000
Purchase intention						0.378	0.052	0.328	7.221	0.000
ANOVA	F	Sig.	R <sup>2</sup>	Adjusted R <sup>2</sup>	ANOVA	F	Sig.	R <sup>2</sup>	Adjusted R <sup>2</sup>	
	31.532	.000 <sup>a</sup>	0.310	0.300		40.115	.000 <sup>b</sup>	0.400	0.390	

**Table 2.** Regression results.

## 7. Conclusion

Growth of social enterprise is an emerging trend worldwide. The socioeconomic scenario of Bangladesh is in a right position to capture the opportunity for creating social enterprise ventures. Climate change vulnerability, environmental degradation, poverty, malnutrition, unemployment, unethical business practices due to flexible and inequitable applications of laws and order situation along with reduction of global concessional or donor funds, etc. are now creating global attention for business with social or environmental solutions. Moreover, governments and commercial enterprises' failure to address such social and environmental challenges also attract worldwide attention for engaging social business. Many countries of the world already initiated several legal measures to accommodate social enterprise ventures either separately or integrated within the present forms of enterprises. But in Bangladesh, there are no provisions for recognizing social enterprises as separate forms of business. Therefore, separating social enterprise products with clear certification/logo is not possible due to legal barriers or limitation. However, several Grameen companies are relentlessly putting their efforts in creating numerous social business models within their self-created principles/definition. They created more than 10,000 joint ventures with local microentrepreneurs to help them grow up by increasing sales. They also created many social business ventures by their own initiative as well as with many foreign investors following the principles of social businesses.

From the above study, it can be seen that nearly 80% respondents expect that social enterprises will contribute to sustainable development. However, 79% of the respondents believe that social enterprises can contribute to ethical market development. Although 67% respondents firmly believe that buying social enterprise products mean responding toward ethical market, but 46% respondents agreed on the fact that social enterprise products are traded with the highest ethical standard. Moreover, as people are now more aware about the product quality, safety, and the growing capacity of dual career couple family to spend more on safe and quality products, social businesses can easily target those consumers who are ready to spend more for ethically and ecologically produced products.

One of the interviewee expressed "since Bangladeshi customers are suffering from mistrust on traditional vendors, social business vendors can easily position their market in to the ethical/fair trade market."

Managing director, Grameen Krishi Foundation, also told in his statement "in developed countries, product quality assurance is adequately maintained and monitored by appropriate authority, and businesses have a culture to follow that. But in Bangladesh which is sometimes very difficult as cultural habits are very difficult to change."

Based on the findings, it is argued that since consumers lack clear understanding about the social enterprise products, if environment-friendly, organic and safety product quality are ensured and declared through proper certification, social enterprise product could be the option for building such trust among consumers. Finally, a large number of consumers will response toward social enterprise products. The findings of this study are also similar with this expectation.

As the regression results showed that consumers' purchase decisions are not influenced by their prior knowledge about social enterprise, ethical perception and attitude rather their decision is highly influenced by the information available on the product ( $P$  value.001,  $\beta$ .602), rational behavior that are stimulated through the rational pricing and availability of the product ( $P$  value.000,  $\beta$ .258). Therefore, for developing market for social enterprise products, it is imperative to provide adequate legal framework for certification based on some predefined social business criteria. In Sri Lanka, which is very close to Bangladesh in terms of socio-economic and geographical perspectives, social enterprise vendors sale their products in a separate marketplace under the banner "Good Market" where both buyers and sellers meet twice a week. Similar footsteps might be recommended for Bangladesh as well. If all fair trade products, organic products and products made by the disadvantaged people are sold in a separate marketplace as a social enterprising initiative, clear and bold response from the consumers would be worth mentionable.

## 8. Future research

Although social enterprising initiatives in Bangladesh have started for several years, consumers' awareness is still in very elementary stage. Moreover, the absence of legal formation of social enterprises and difficulties to identify social enterprise product from traditional products have limited the scope of this study. Therefore, true response from the consumers in the absence of any labeling information was very difficult to be demonstrated. However, further studies might include more participation from the consumers, as the social enterprise movement will continue to get appropriate legal framework which will ensure availability of more informed consumers.

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