

Charles University in Prague

Faculty of Social Sciences
Institute of Economic Studies



MASTER THESIS

Social Business

Author: **Bc. Petra Konečná**

Supervisor: **prof. Ing. Lubomír Mičoch, CSc.**

Academic Year: **2013/2014**

Bibliographical record

KONEČNÁ, Petra. Social Business. Prague, 2014. 61 pages, Master Thesis (M.A.)
Charles University, Faculty of Social Sciences, Institute of Economic Studies

Thesis supervisor: prof. Ing. Lubomír Mlčoch, CSc.

Declaration of Authorship

The author hereby declares that she compiled this thesis independently using only the listed resources and literature, and the thesis has not been used to obtain a different or the same degree.

The author grants to Charles University permission to reproduce and to distribute copies of this thesis document in whole or in part.

Prague, January 6, 2013

Signature

Acknowledgments

The author is grateful especially to her supervisor, prof. Ing. Lubomír Mlčoch, CSc. for valuable sources of literature and recommendations throughout writing this thesis.

Contents

List of Tables	vii
List of Figures.....	viii
Acronyms.....	ix
Master Thesis Proposal	x
1 Introduction.....	1
2 Social business	4
2.1 Social business.....	4
2.1.1 Definition of social business	4
2.1.2 Successful examples of social business	7
2.1.3 Business and ethics environment	11
2.2 Development aid.....	14
2.2.1 Development aid	14
2.2.2 Brief history of development aid	16
2.2.3 Supporters and critics of development aid.....	18
3 Human rights and economics.....	19
3.1 Human rights	19
3.2 Economics and human rights.....	20
3.3 Human rights to development.....	23
3.4 Two school of thoughts towards development.....	24
4 Empirical Analysis.....	26
4.1 Literature review.....	26
4.2 Data and methodology.....	29
4.2.1 Dependent variable	31

4.2.2	Independent variables	31
4.2.3	Hypotheses	34
4.3	Results	35
4.4	Discussion.....	39
5	Conclusion	42
	Bibliography	44
	Appendix A: Content of Enclosed DVD.....	48

List of Tables

Table 1 Examples of companies in the Grameen Group, author's compilation data source: Yunus, Moingeon, Lehmann—Ortega 2010 and Yunus 2007	11
Table 2 Selected developing countries.....	30
Table 3 Donors of official development aid	32
Table 4 Fixed effects model estimation	35
Table 5 Fixed effects coefficients	36
Table 6 Random effects model estimation.....	37
Table 7 Random effects coefficients.....	38

List of Figures

Figure 1 Social business location (Yunus, Moingeon, Lehrmann—Ortega 2010); author's design	6
Figure 2 Percentage of population under the level of extreme poverty — source: gapminder.org	17

Acronyms

CAR Central African Republic

DAC Development Assistance Committee

DR Democratic Republic

GNP Gross National Product

FDI Foreign Direct Investment

HDI Human Development Index

Master Thesis Proposal

Author: Bc. Petra Konečná
Supervisor: Prof. Ing. Lubomír Mlčoch, CSc.
Defense Planned: June 2013

Proposed Topic:

Social Business

Topic Characteristics:

Most of the nowadays economic theories work with the rational economic agents whose main goal is maximization of their profits. However a human being is not so one—direction oriented. The happiness might come from the other sources than only earning high incomes. Their lives always deal with many circumstances concerning environment, social relations or political conditions. One that will be studied in my thesis is focused on selflessness nature of people, such as Zamagni already stated there are formulated concepts dealing with altruistic characteristics of human beings.

The social business might be considered as a type of institutional structure that aim at the stopping a social problem. The purpose of selfishly gaining money for herself/himself is limited in this structure.

Among typical examples of possible social business belongs involvement of countries in international co—operational bodies in order to provide help in development. There exist doubts if they assist just in their own will or if there is as well the perspective of international obligations derived from globalized incentives, fight about the country's prestige or creating a space for future reciprocal behaviour in case of natural or human caused disasters. Closely related is also the humanitarian aid, that represents immediate aid in presence of disasters, and that is incorporated in international law, in case of the Czech Republic mainly binding from the Treaty on Functioning of the European Union.

In my thesis I would like to give a partly multidisciplinary overview of social business highlighting its importance in economic theories. In the second part of my thesis I expect to use econometrical tools in order to support conclusions stated in the first part. The expected used data will be the datasets provided by the World Bank concerning worldwide indicators. The analysis of data is supposed to be the main contribution to the support of social business theories.

Hypotheses:

1. Effects of Social Business differ across countries
2. Social Business increases profitability
3. Social Business is closely related to economic performance

Methodology:

Throughout the whole thesis the main methodology lies in coherent comparative literature review.

In the first part of my thesis I will focus on theoretical background mainly specified by institutional economic concepts and overlaps into law institutes with effects on the economic performance. One chapter will also deal with microeconomic perspective

of studied topic.

The second part is expected to present empirical proof that will support theoretical conclusions. The central method will be usage of econometric tools – mostly panel data methods (fixed effect and random effects), showing correlations among social business and relevant regressors.

Outline:

Expected structure of the thesis:

1. Introduction
2. Theoretical Background
 - a. Basic definitions
 - b. Institutional background
 - c. Relation to law environment
 - d. Economic theories
3. Empirical Analysis
 - a. Overview of existing literature
 - b. Methodology
 - c. Data analysis
 - d. Results
4. Conclusion

Core Bibliography:

1. Fort, T. L. (2007): “Business, Integrity and Peace: beyond geopolitical and disciplinary boundaries.” Cambridge: Cambridge University Press
2. Marshall, E. (1993): “Business and Society.” London: Routledge
3. Yunus, M. (2010):” Building Social Business : The New Kind of Capitalism That Serves Humanity's Most Pressing Needs.” New York: PublicAffairs
4. Yunus, M. & Bertrand, M. (2010): “Building Social Business Models: Lessons from the Grameen Experience.” Long Range Planning 43(2): pp. 308 — 325
5. Social Business: (08/2011): “Social Business Review Section.” Westburn Publishers Ltd, Social Business 1(2): pp. 211 – 226(16)
6. Crowther, D. & Reis, C. (08/2011): “Social responsibility or Social Business.” Social Business 1(2): pp. 129 – 148
7. Baker, M. J. (04/2011): “Editorial: Why ‘Social Business’.” Social Business 1(1): pp. 1—15
8. Perez, J. C. (06/2012): “Social Business.” CIO 25(12), p.26
9. Zamagni S. & Bruni, L. (2007): „Civil Economy: Efficiency, Equity, Public Happiness.“ Peter Lang

Author

Supervisor

1 Introduction

„Poverty is not created by poor people. It was created by a system that we have designed, the institutions we made up and concepts we pursue”¹

Muhammad Yunus

The starting point of this master thesis is a comprehension of a notion social business. Since the second half of twentieth century economic agents have begun to behave as not only players limited by economic rationality and aiming at maximalization of individual utilities but also as multidimensional agents who feel responsibility not only for themselves but even for a society as whole. Topics regarding charities, foundations, volunteering as well as humanitarian aid and long-term development aid gain importance and move in the centre of scientific talks. Individuals, although they do not need to be affected personally by issues such as world poverty, tend to be increasingly interested in this subject and also scientists from the Czech Republic, as Michal Bauer mentioned in an interview for a magazine *Ekonom*, contribute extensively to the possible solutions of this world problems. An inspiration for this master thesis was author’s participation on International Humanitarian Congress in Prague in 2012 as well as five months of volunteering in developing countries in South East Asia namely Indonesia and Vietnam.

This master thesis as well as author’s bachelor thesis tries to synthesize traditional economics with political economy, new institutional economy, ethics and law dimensions. Especially in social business framework ethics and ethical responsibility play crucial roles. As already F. A Hayek formulated there is no matter what economics studies, it is not possible to deal with separated parts but in order to produce a successful research it is necessary to examine issues in a larger context. However, it is not feasible in the extent of one master thesis to scrutinize and comprehensively cover all forms of social businesses, therefore, this master thesis is mainly focused on social business in the developing world and its subcategory—development aid. Development aid comprises of several groups—concerning world

¹ A loose citation of Yunus from a book *Creating World Without Poverty* 2007

poverty, health issues of developing countries, education of the illiterate or the less literate or human rights behavior and others.

The objective of the thesis is to introduce social business as a recent concept to readers and elaborate on its implications through approximation to development aid. Subsequently to reveal a connection to human rights as the issues social businesses subcategorized by development aid try to promote and empirically to test how human rights are affected by a distribution of development aid into industrial sectors of developing countries. Methodology of this thesis might be divided into two big sections. Firstly, social business, consequently development aid and human rights are introduced in context of new institutional economy interconnected with elements of law, political economy and area of so called economics of social issues. Secondly, an application of econometric tools for quantitative verification of stated hypotheses about sectors influence on human rights in the field of panel data analysis. Main contribution in comparison to previous works lies in introducing a new concept of social business that is not generally know, elaborating on connection to human rights though approximation of development aid and finally in quantitative estimating of effects of sectoral distribution of official development aid on human rights on OECD countries level which represents a unique approach as sectoral analyses of development aid are not frequently conducted and not at all on multiple countries level and also a method of panel data analysis using fixed effects is not that common.

The thesis is structured as follows: Chapter 2 introduces a social business concept in the context of modern economy. It presents several successful examples of a realization of social businesses and their relation to ethics background. The chapter also subsequently covers development aid and its brief history, characteristics and represents two eminent experts with two different views on development aid—supportive and critical. Chapter 3 gives an overview of human rights and economics discussions. Firstly, human rights are defined, afterwards the human rights and economics conversations are elaborated as human rights and economics tend to be displayed as completely different and rarely communicating players on the field of science. The chapter shows the differences and tries to also point out complementarities. Beside the above mentioned a relationship to development and an actual right to development are described highlighting two main schools of thoughts. Chapter 4 brings an empirical evaluation. Effects on human rights are discussed regarding a distribution of official development aid into three industrial sectors trying

to support a criticism of development assistance as a harmful tool in developing countries existence in terms of human rights. Chapter 5 summarizes all the findings, elaborates on possible extensions of studied issues and concludes the thesis.

2 Social business

2.1 Social business

This chapter deals with common understanding of the term of social business. The present author mainly works on comprehension of the concept by the Nobel Peace Prize Laureate for Muhammad Yunus, the founder of Grameen Bank that represents a successful implementation of social business. In the following chapters differences from corporate social responsibility and other similar economic frameworks are explained and also the term is put into ethics environment context.

2.1.1 Definition of social business

Before working with the term of social business it is necessary to correctly define it. In economic literature this notion tends to suffer from an ambiguous description. First person who used the term of social business and also the person who dedicated his numerous works to it was professor Muhammad Yunus. Before him it cannot be said that social business as itself did not exist but rather that other authors used multiple labels. This ambiguity is given by characteristics the economics dealing with these issues. The terms frequently overlap each other, they do not have exactly marked borderlines (Mair & Martí 2004). The most often used terms for social business are social entrepreneurship or corporate social responsibility, which however does not make the situation easier as for instance Huybrechts and Nicholls (2012) state that number of definitions of social entrepreneurship counted by Dacin et al. in his work² reached 37.

Under the notion of social entrepreneurship it is possible to understand three main areas of definitions on principle. Firstly, it is a comprehension as non profit incentives in order to seek for alternative forms of financing and management in a creation of social value (Mair & Martí 2004). Secondly, the term means corporate social responsibility (Mair & Martí 2004). Thirdly, social business is explained as a

² Dacin, P.A., Dacin, M.T. and Matear, M. (2010), "Social Entrepreneurship: Why We Don't Need a New Theory and How We Move Forward From Here", *Academy of Management Perspectives*, year 24, number 3, pp. 37—57.

tool to lower number and seriousness of social issues and acceleration of social changes (Mair & Martí 2004).

All the definitions share three common characteristics—a social context, innovations and a pro–market orientation (Huybrechts & Nicholls 2012). The main aim of businesses established on social responsibility paradigms or those who follow its standards is a provision of solutions to social problems – social, economic, political and environmental affecting people’s lives in a long term such as poverty, diseases, pollution, homeless issues etc. (Yunus 2010). The innovation lies in an application of new organizational standards, rules, models and processes either through new products or approaches (Huybrechts & Nicholls 2012). And the pro–market orientation brings these concepts closer to the regular businesses.

Another above mentioned term was corporate social responsibility. In this case it is encountered a similar situation as previously mentioned. There is not one unique definition. However, it can be said that nowadays this feature is more and more common in businesses and it penetrates in all business activities and its importance is rising (Crowther & Davila Gomez referred in Crowther & Reis 2011).

Social business shares the characteristics with above mentioned terms nevertheless it also slightly differs. Yunus (2010) defines social business as a concept coming from a new form of capitalism where enterprises is based on unselfishness of individuals and aims to solve social problems. The focus is on issues related to corporate social responsibility, globalization, environmental and climate changes, foreign aid and investments, sustainability, ethics, social marketing, microcredits and microfinances (Baker 2011).

The main difference of social business and corporate social responsibility is comprehension of corporate social responsibility as a subset of social business and also a concept that can exist without social business, since this responsibility covers the impacts of business activity on society. The social responsibility thus does not need to be a main reason of company foundation but rather a value it represents, but in social business it is one of the conditions.

Social business is a type of activity which is self sustainable, profitable, covering its expenses and concurrently allowing investments in innovations and creation of reserves in order to ensure a continuous activity even in case of unexpected accidents (Yunus 2010). Another social business’ difference lies in profit management which should be patterned on keeping the profit in the business, i.e. not

redistributing (Huybrechts & Nicholls 2012). Social business, as it might seem, does not limit itself to non profit industry but it covers profit organizations as well. The crucial is a ratio of social profit and financial profit as it is shown on Figure 1 (Mair & Martí 2004).

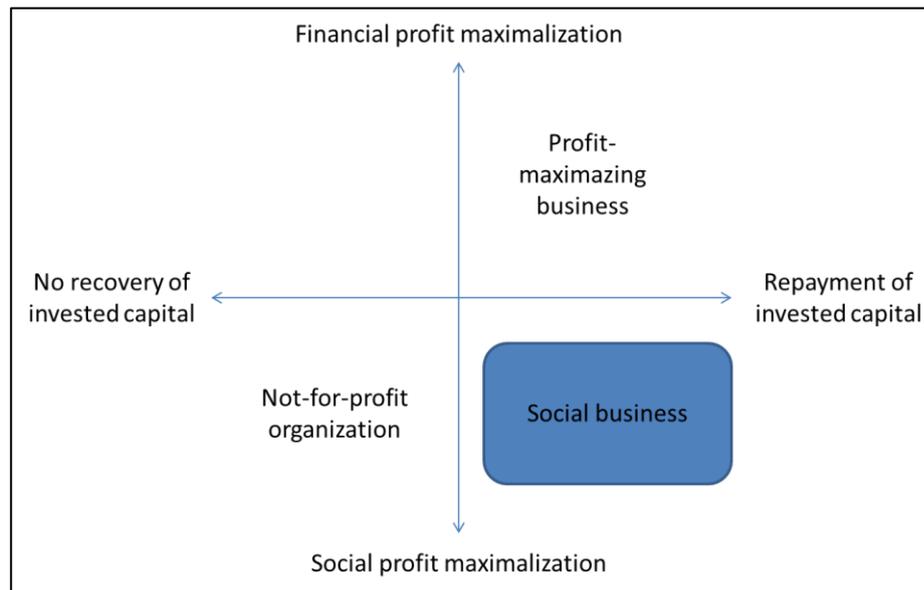


Figure 1 Social business location (Yunus, Moingeon, Lehrmann—Ortega 2010); author's design

The whole social business concept is characterized by understanding of economic agents as multidimensional persons driven not only by profit but whose behavior has also attributes of altruism and other behavioral theories. These agents might have influenced preferences and decision-making which classical economic theory simplifies or omits from the models.

One of the possible instances is an illustration of public goods existence. The objection of some of these is a support of society and an improvement of its life. Typical examples are public art galleries, public parks, churches, charities, foundations and other types of nonprofit organizations (Stiglitz 2000). If economic agents owning a rare piece of art acted driven only by profit maximalization, they would not provide it to the gallery unless the financial compensation outweighed the utility of having it in the living room (Stiglitz 2000). Therefore public goods would not exist if people followed only their selfish interest regardless the utility of other entities (Stiglitz 2000).

2.1.2 Successful examples of social business

Professor Muhammad Yunus was awarded by Nobel Peace Prize in 2006 for his contribution to society regarding especially foundation of Grameen Bank³ that is a world example of application economic theory on developing country's situation.

Yunus in his autobiography describes the evolution of the bank concept. The first step was his experience in village called Jobra where he met a woman called Sufiya whose work was a production of bamboo chairs. Her income represented the biggest issue. Regardless the amount of hours worked she was not able to leave the income level of the poor. Yunus after numerous talks found out that the reason is hidden in a dependency on a local loan provider who offered an initial investment, however, under the condition of stating the selling price of Sufiya's products. Afterwards Yunus made a research around the village who else is a debtor to the loan provider and how much is the total amount owed. The result came fast as \$27. Yunus paid it and bailed out all debtors.

This story gave him a base for a new idea for a creation of bank – The Grameen Bank that works on system of microloans which were omitted by standard bank industry at that time. The project started in 1976 and an independent bank called The Grameen Bank was established in 1983 by special law attributing her as a bank for poor (Yunus 2007).

Nowadays the Grameen Bank is a national bank in Bangladesh providing loans to more than 8 millions poor people (Yunus 2010).

The bank has numerous unique features in comparison to standard banks⁴:

- It lends to beggars
- It is owned by debtors
- Loan maturity is around 98% (which is generally not expected according to classical economic theories)
- 97% debtors are women
- It supports founding of new businesses as well as rising school attendance

³ Grameen in Bengali means a village, i.e. the literal translation is “The Bank of village“ (Yunus 2010)

⁴ Source Yunus (2010)

- It is a financially independent bank, all its funds are covered by deposits

The importance of social business does not reside only in satisfaction feeling, i.e. if we have better life we should help the ones who were not that lucky. But it cannot be left out that some aspects of the project implemented in developing countries enrich also the concepts applied in developed countries. For instance, the Grameen Bank has also its subsidies in US where it tends to offer financial help to those who are generally refused or undersupported by bank sector (Yunus 2010).

However, the bank was meant only as a beginning. In 1983 the Grameen Group was founded whose goal is a minimalization of poverty and its consequences using social business strategies (Yunus, Moingeon, Lehmann—Ortega 2010). In following table several examples from more than thirty companies that are members of the group:

Name of the company	Field of activity	Specifications	Year of establishment
Grameen Trust	Promotion of microloans around the world	Provision of financial fundings, trainings, technical assistance and other support in implementation mainly through so called Build—Operate—Transfer program, which sends a team to a new location in order to create a strategic plan and to train local employees who consequently take the complete control over the project.	1989
Grameen Fisheries and Livestock	Aim at programs of reproduction and breeding of freshwater fisheries and livestock	Firstly, gathering local inhabitants who take care of the ponds and enhance diversity of breded fish. The employees gain a share on gross profit. Secondly, the program for livestock breeding covering activities such as vaccination, veterinary care and trainings to educate local women in order to become successful farmers and to raise dairy production Currently they provide the milk sources to the Grameen Danone.	1994

Grameen Fund	Provision of financial funds to business starts—up	Provision of credit funding, bridge and mezzanine funding, purchase of promising business parts of companies in financial troubles and guarantee for growing promising companies. The most common type of funding is by equity capital, in which the Fund overtakes 51% of equity capital in order to gain the control.	1994
Grameen Uddong and Grameen Shamogree	Export of Check hand—loom products and sale of Check hand—loom fabrics, handicrafts and products	Both companies promote traditional Bangladeshandian hand—loom products and help them to assert in markets either domestic (case of Shamogree) or international (case of Uddong).	1994 and 1996
Grameen Telecom and Grameen Phone	Provision of telecommunication services for poor (Grameen Phone) with support of company Grameen Telecom which governs shares in the company.	So called “phoning ladies”, who lend mobile phones for limited amount of minutes in villages. The action aims to reduce costs of inhabitants of purchasing mobile phones. The company cooperates with Norwegian telecommunication company Telenor.	1995 and 1996
Grameen Shakti	Promotion of renewable energy	A focus on solar energy, installation of solar panels reaching up to one million. Panels are available to all villagers. They are paid in monthly instalments in two or three year time.	1996
Grameen Kalya	Provision of health services for poor.	Provision of financially available health care, which is in other cases out of reach of poor. Clients of the Grameen Group receives care of value \$2 for a family per year, non—clients pay \$2,5 and beggars’ care are free of charge. The existence of more than 33 clinics with educated and trained employees able to provide basic test and treatments and according to the previously created schedule also visiting doctors able to help in more serious cases. Besides others the company focuses on an attraction of new doctors and lowering number of deaths after birth.	1996

Grameen Shikkha	Provision of assistance in education for students from poor families	<p>The company continues projects aiming at overcoming illiteracy. Grameen employees taught illiterate women how to hold a pen and how to sign.</p> <p>Consequently this company was established and it formulated its focus on providing assistance in basic education to children of bank clients until a scholarship program was designed to help poor families to overcome financial difficulties and obstacles preventing children from attending schools.</p> <p>The principle of procedure is that a sponsor loads an application of child's preference that he/she wants to support (an orphan, a girl, a boy, or specific name etc.) and enters a contribution that pays interest and a child gets 6% a year to prevent parents to take him/her out of school to work.</p>	1997
Grameen Byabosa Bikash	Provision of small business loans guarantees	<p>Provision of loan guarantees for loan business financing for companies that are generally omitted from an offer of the Grameen Bank because of its size — \$10 000 and more.</p> <p>In the same time also a provision of technical assistance and trainings.</p>	2001
Grameen Health Care Services	Aim at establishment eye clinics	<p>This company was established as a perfect social business.</p> <p>The first and current project is construction of eye clinics/hospitals providing care to poor and also to richer ones. Prices of services are determined according to the Robin Hood's rule – regular clients pay market price and poor pay a symbolic fee.</p>	2006
Grameen Danone	Provision of financial affordable and nutritious food	<p>Company offers milk products for affordable prices that ensure basic nutrition of children.</p> <p>Products are locally produced and distributed from door to door by so-called Grameen ladies.</p> <p>Company cooperates with international producer of healthy food Danone.</p>	2006

Grameen Veolia	Aim at accessible water resources to population	Usage of a simplified modification of surface water and its accessibility to population for affordable prices in form of water fountains or can delivery. Company cooperates with international provider of water services Veolia Water.	2008
-----------------------	---	---	------

Table 1 Examples of companies in the Grameen Group, author's compilation data source: Yunus, Moingeon, Lehmann—Ortega 2010 and Yunus 2007

Not all the companies above are perfect social businesses. It is possible to observe the development and a progressive change or creation of being a social business. They were established on profit or non—profit profile. However, only the last three examples of social business can be considered as social businesses exactly according to the Yunus' definition.

All companies of the Grameen Group try to contribute to decrease consequences of social issues not only by conducting projects from an external perspective but also by incorporating a local community in the project. Firstly, Yunus' approach to solve the problems were based on usage of standard known tools at that time however, later more experienced proceeded to establishment of social business entities. These entities create job vacancies and after a successful implementation they hand the control to the local level, they are self—sustainable, i.e. they generate profits to cover at least their operation and allows further development, and they are focused on poor in Bangladesh (Yunus 2010). The extent of types of projects is wide, they are not limited only in a narrow borders but tend to cover series of activities.

2.1.3 Business and ethics environment

Ethics environment, more precisely ethics itself plays an important role in an operation of businesses. Activities of companies are influenced by their reputation, which might have an impact on number trading partners, profits, media face to public and etc. Without any doubts companies realize these aspects in these days and focus their activities to be in compliance with environmental protection, support of social disadvantaged or other social issues.

Ethics is basically understood as rules or standards that have a positive moral value (Gerloch 2009) and if it is applied to business, it makes a business operating on

these principles. It might be distinguished at least three basic types of ethics built according to the comprehension of what is good and what is wrong behavior – social ethics, transcendental ethics and tactical ethics (Marshall 1993).

Social ethics is an area where moral standards and principles are determined by society which also evaluates what is allowed and what is not. Its roots has predominantly in Ancient Greece, where the society was built according to the Aristoteles thoughts of individuals who work only as a whole as a society, beside it we might find characteristics of social ethics also in other centuries such as in seventeenth and eighteen century when Montesquieu lived and described an application of social ethics in a despotic reign where it is constituted by fear and threats (Marshall 1993). Another historical example is Karel Marx who determined social ethics according to the boundaries of social classes (Marshall 1993). In general it might be said that social ethics tends to be specific for specific societies and it is not that easy to transfer it as its values are incorporated by individuals during socialization and therefore different societies share different values.

The second type is transcendental ethics. It might be defined almost as a countrepole of social ethics. Its values are common to all existing human creatures no matter the societies (Marshall 1993). It resembles to natural law that is comprehended as originated from the God or naturally given (Gerloch 2009). Typical examples are human rights. Those are assumed to be more or less the same in all society although one might argue that western values of human rights might differ to those in developing world. Nevertheless, human rights are considered to be the most important and their protection is claimed as a priority.

The third type of ethics is tactic ethics. This type approached to economic reasoning the most. It is based on game theories where players do not judge if the rules are fair and optimal but where players follow the rules as they know they would not benefit from a breach or even they might get sancionated which bears much higher costs than benefits from a breach—a typical example is well known Prisoners' dilemma (Marshall 1993)

All three types of ethics exist in the same time and often they influence each other or interconnect as a case for instance of social and transcendental ethics where some principles might not differ. Also in case of tactic ethics it is possible find examples – sometimes players act according to social ethics but in reality it is simply tactics(Marshall 1993).

Ethics environment as it was already mentioned above is an important aspect in operation of society. Ethical behavior, ethical responsibility, following business ethics and rules all of these affect outcomes of businesses. The basic binding is represented by social and transcendental ethics that was incorporated in legal documents and formally might require obedience of society. Social businesses or social responsible corporations are influenced not only by legally binding cogent legal norms but also by other soft laws such as those implemented by the European Union – so called Green Papers – from a year 2001 Promoting a European framework for Corporate Social Responsibility or from a year 2002 Corporate Social Responsibility: A business contribution to Sustainable Development. These documents stand for legal sources that work as recommendations. Businesses are advised for ethically more responsible behavior but all on voluntary basis, the pressure for an obedience comes from the social ethics or in other words from society expectations that has a power to sidelined businesses that do not follow principles and standards. Possible examples are numerous – products of companies who do not respect human rights, might get boycotted (products typically produced by child labour, products detriming situation in production country etc.), or might be limited by a distribution net on vertical level or by competitors on horizontal level (Motta 2004). Therefore, if there do not exist binding legal norms the rules serve as a selfregulative function.

The interconnection of ethics environment and social business is even tighter due to the nature of social business. The reason for a creation of social business is to face some social issues, therefore, ethical dimension cannot be omitted and if it is correctly follow present author dares to disagree with critics of social businesses such as Milton Friedman who published an essay in New York Times in 1970 where he criticizes efforts of businesses in providing solutions to social problems. He contends that businesses were created in order to maximalize profits and incorporation of social issues goes against capitalism and supports socialism. According to him a company itself cannot be ethical responsible, the only ones responsible might be managers and if they decide to contribute to solving social issues they only spend money of others – specifically employees as they lower their wages; customers as they raise prices; shareholders as they lower their profits (Friedman 2007). Friedman emphasizes that social responsibility is often abused by trade unions as a justification for increase of wages and also generalizes that perception what is good and what is

wrong depends on parties – as what is good for one might be wrong for another (2007). The main idea of his essay might be expressed in a loose citation:

„Business would do the best for society if they focus on values of shareholders rather than on efforts to engage in solving social problems.“

Naturally a situation is not black and white and present author do not justify social businesses blindly as the best concepts in the world, but introduces them as a possible alternative which if it is not abused does not need to show negative elements that Milton Friedman advocates. Because beside other things, Milton Friedman criticizes social responsibility that is a subset of social business – as it was already declared in a definition part a characteristic attribute of social business is an ability to be self sustainable and solve social problems, not only financially contribute and other antipated or limited participation activities.

2.2 Development aid

The chapter about development aid captures primarily an explanation of a notion development aid and a difference from similar concept that might be confused and introduce its relation to social business as a subcategory. And it also presents two outstanding personalities in development aid discussions-a supporter Jeffrey Sachs and a critic Dambisa Moyo.

2.2.1 Development aid

„The problem of poverty is not like that... so first, it's mostly invisible, second it's huge and third, we don't know whether we are doing the right thing. There's no silver bullet. You cannot helicopter people out of poverty.“⁵

Esther Duflo

Development aid has a long history, already many decades people from more developed countries realize an inequality of development and therefore try to support those disadvantaged from developing countries. As the above mentioned citation of

⁵ TED talk of Esther Duflo in 2010.

Esther Duflo shows there is not a single simple method how to overcome threshold of the most serious poverty. However, efforts might be traced from time immemorial. Primarily the strategies were based on financial aid nevertheless, nowadays' approach slowly abandons this way as the results tend to be ambiguous when the financial support stops. Victor Paggio described his negative experience during the speech at the International Humanitarian Congress in Prague in 2012. He pointed out an example of a new pump of underground water in Somalia which allowed locals to reach higher amount of water that is crucial for a survival in this part of Africa. A non—governmental organization invested in construction, but unfortunately now it is forced to invest also into maintenance since a community living close to the pump does not feel any duties to the equipment or is not enough trained for fixing. Thus they use the pump but when it breaks they wait until investors come to repair it. This is a fruitful example of non—effective development aid when local community is not sufficiently incorporated into construction nor maintenance. In comparison to this negative experience let us give a positive experience. Esther Duflo presented three experiments in her TEDtalk in 2010. One of them was about a provision of nets against mosquitos in selected village in Kenya. In cooperation with her team she created a situation when inhabitants were randomly divided into different groups and were assigned vouchers—some of people received nets for free, some of them with 20% discount, others with 50% discount etc. The result was not that surprising—the lower the discount was the smaller number of people bought nets. However, it was not the case of usage. People did not care if a net was for free or if they bought, the usage was the same. In the following year nets were offered to inhabitants again nevertheless this time all were expected to pay. According to the results of the experiment people who received a net for free were more likely to buy a new one. The experiment tries to show that skepticism of western world towards development aid does not need to be that high. As Esther Duflo said people do not get used to alms but to nets so „*the society should give them a bit of credit*”.

The aim of development aid is an improvement of life conditions of the poorest on the Earth in general, either through simply or interconnected projects (Keeley 2011), and also by an establishment of social businesses such as the companies belonging to the Grameen Group. All these concepts share a common element and that is sustainability – i.e. sustainable development which is build on basis of monitoring indicators of life quality and therefore it covers creating and

maintaining opportunities for prosperous social and economic development (Robinson 2012). Projects are put in practice with an idea that they will be supported externally at the beginning however, in the future they are assumed to be passed directly to local communities that overtake the whole outcome and will continue in further development of it by themselves.

Sometimes humanitarian aid is confused with development aid. These two notions are however significantly different. Humanitarian aims are at instant help in a reaction to a disaster. The involved types of disasters are either of natural origin such as tsunami, wildfires, earthquakes, or of human origin such as wars or other types of conflicts (political or armed). Humanitarian aid is supposed to react as fast as possible and provide help to those affected. Humanitarian do not carry long—term projects from its characteristics. It is hard to plan that in 2015 there will be a devastating tsunami and therefore we mobilized to immediately come on the spot and help. Certainly it build its readiness in order to serve effectively and rapidly, but the help lies in provision of basic human needs that are endangered by a situation not in a provision of long—term help that might have an actual impact on improvement of life quality indicators in a stable environment.

2.2.2 Brief history of development aid

Development aid has its official origins in the beginning of the twentieth century. More precisely it is understood as beginning of involvement of individual states in issues regarding less developed countries. Harry S. Truman was the first official who pointed out an uneven development of the world after the second world war and used an euphony of creation of a new order in world and an establishment of international organizations to highlight a necessity to provide an aid and at that time it was not only meant to the least developed countries but also to ones who were affected by war such as for those the Marshall plan was created (Keeley 2011).

Interest in developing countries raised in sixties when colonization was overshadowed and more than 30 countries of Asia and Africa became independent, this period represented an era of flourishing of development aid and countries competed who will participate more extensively (Keeley 2011).

In the seventies a slowing down came. As Keeley condenses in first years the largest investments flew into infrastructures that were considered as crucial for

further development, however the projects did not show expected results and questioning of effectiveness of external interventions in independent states came to talks (2011)

The eighties are described by Keeley as a time of a disappointment of developed countries so called mismanagement and a suggestion that poverty is a fault of poor countries and that the only way to change it is to adjust institutions according to the Western example—implementing free market and pro-market oriented economy (2011).

The nineties did not bring optimism rather deepened scepticism through an increasing number of project ineffectivenesses and fatigue of donors (Keeley 2011). However this allowed to only rising from the bottom and in the next decade to motivate donors by successful projects such as social business which uses local inhabitants and their interest in improving their living conditions.

Beside general official aid also private sphere has begun to be more active. Keeley showed it in his statistics where private investment determined for developing countries reached higher level and also income of people working abroad and more frequent trades with developing countries improved the financial situation (2011). The examples of trading increase are countries such as China and India, the economies who managed to success on international markets.

On the following picture we might observe an example of development of extreme poverty showing despite skeptical time of development aid helping make sense and has an impact. The figure illustrates a percentage of population (marked by circles) under the level of extreme poverty lowered in comparison to year 1980. The largest progress is demonstrated by Asian countries followed by South and Central American states.

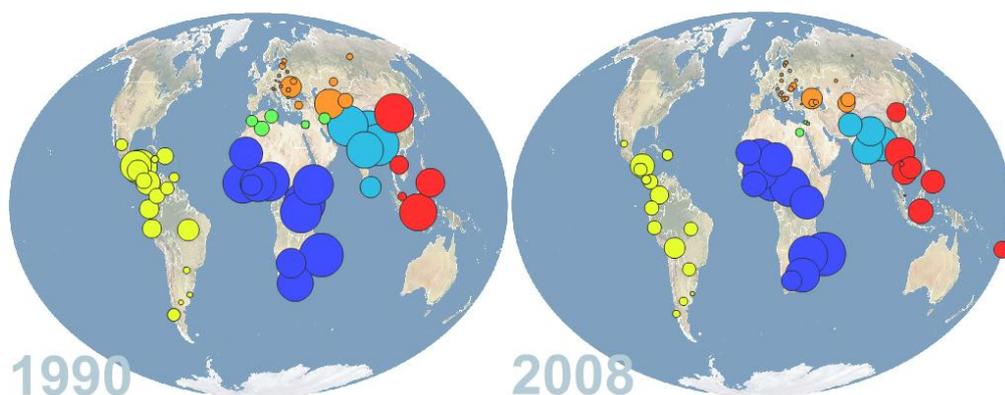


Figure 2 Percentage of population under the level of extreme poverty — source: gapminder.org

2.2.3 Supporters and critics of development aid

As development aid evolution shows its results might be ambiguous. Especially projects implemented in era of mismanagement or the ones who expected developing countries copying an institutional division and organization without a deeper effort in understanding the facts might make an impression of uselessness of development aid. On the contrary in previous chapter also achievements in terms of development aid were shown thus assessment whether development aid makes good or rather harm developing countries is not straightforward. In this chapter I would like to present two personalities related to development aid— one as a supporter of development assistance, the other one as a critic of actions towards developing countries.

Jeffrey Sachs is an economist who belongs to the supporters of development aid. In his famous book pertinent to this topic called *End of Poverty* he shows his impressive attitude towards fighting poverty. He refutes myths about development aid and addresses issues such as disappointment of non-effectiveness of development aid by proclaiming that Africa needs much more than we have given so far (Sachs 2006). Another interesting opinion is expressed by him and that corruption and similar issues do not play that significant role in Africa economic growth as if we focus on Asian countries they prosper despite the governance. His works contribute in keeping logical arguments why the aid did not work and what is necessary to do to succeed.

Dambisa Moyo is a scientist who shows a high annoyance towards development inputs and outcomes. One of her studies relevant to this chapter is a book called *Dead Aid*. She expresses how development failed in struggle with social issues such as poverty as well as in enhancing economic growth. But besides that she also blames development aid as the problem as the originator of economic crises developing countries in Africa face. She declares: “*millions in Africa today are poorer because of aid*”(Moyo 2009, p. xi). The aid is a disaster according to her especially under the concept of dependency theory that is discussed in more details in Section 3. She is a perfect illustration of person who considers the aid as an expression of good by developed world but arriving twisted as bad for developing countries.

3 Human rights and economics

This chapter discusses a relationship of human rights and economics mainly from the new institutional economics, political economy and law perspective. Firstly, it is defined what is understood under a notion of human rights and a general division and a relation to the social business are given. Secondly, human rights are brought in the context of economics and finally in the context of development.

3.1 Human rights

Human rights origins may be traced to the ancient times, but their actual development was eased by an abolishment of debt slavery and has begun in 18th and 19th century in the period of The Enlightenment and its rulers. Firstly they concerned the basic and material rights such as right to live or property rights that became a fundamental element in economic rationale and fitted into welfare economics concepts (Seymour&Pincus 2008). Later on political rights appeared but a significant importance in human rights' development is represented by world wars. The first one brought an attention to the rights of minorities as a consequence of this war conflict and the second one stands for a milestone in an international acceptance of human rights. The winning world powers realized a necessity to prevent the countries from a repetition of the devastating impacts caused by the war and ignorance of human rights. The United Nations organization plays a crucial role in definition of human rights' characteristics. In 1948 Universal Declaration of Human Rights was published and on its basis two more documents were created—International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights (Gerloch 2009).

Human rights and consequently freedoms are superpositive rights. According to the ethical branch of human right theories a person is awarded by human rights just for a reason of being a human person because we are born free and equal in dignity and in rights (Seymour&Pincus 2008). That means that these rights cannot be abolished by a national entity as they command natural characteristics in the sense they are guaranteed and protected by a state either through their provision giving a

label to them as positive rights or non-intervention or trespassing giving a label as negative rights (Voight&Blume 2007) and a person cannot surrender them and their claim is imprescriptible (Gerloch 2009). Legal positivists tend to reject these natural statements by claiming human rights as rights only if an adequate legal source names them however, a common agreement among law theorists supports natural origin of human rights.

The basic divisions of human rights are dependent on their generation, characteristics, entity, purpose or their place in the legal documents (generally Charters of Fundamental Rights etc.). Nevertheless whatever division is employed, person needs to keep in mind that there does not exist anything such as a ranking of human rights. The rights are all equal and protected with the same importance and any type of relativism (Seymour&Pincus 2008) of preference some rights over others denies human rights theory.

For the purposes of this thesis a division according to the generations may be the most suitable, where we distinguish four types of human rights. Firstly, the first generation covering individual rights typically recognized already in 18th century such as right to live, right to liberty and property rights. Secondly, the second generation of human rights from the 19th century deals mainly with political rights. Thirdly, the third generation of rights concerns social, cultural and economics areas. Lastly, the fourth generation of the most modern rights addressing right for a healthy environment, right of protection of personal integrity or protection against abuse of information. The present author chiefly focuses on the third generation as those rights (plus property rights from the first generation) are the closest to the economics, and also since they will be more elaborated in the empirical section.

3.2 Economics and human rights

Economics and human rights relationship symbolizes an ambiguous topic among scientists. It is generally believed that mainstream economists and human rights advocates do not tend to communicate and share their knowledges in order to enrich the findings of each other. Although, the better dialogue could improve a perception of how the world should be organized and how to reach an ideal settlement (Reddy 2011). A fitting comment regarding this issue made Jeremy

Betham who called human rights as “nonsense on slits“ (cited in Voight&Blume 2007) and expressed the rejection of human rights concepts by utilitarian economists.

We already stated what we comprehend under a term of human rights but it is also useful to describe who the mainstream economists are as we refer to a designation that might be confusing. We follow a definition of Branco who characterized mainstream economists as persons “*individualistic (pursuit of personal interest by isolated individuals thus the social welfare is a sum of individuals’ ones), utilitarian, equilibrium driven and obsessed with mathematical formalization*”(2009). The mainstream economists in comparison to for instance new institutional economists who study effects of institutions on economics and therefore human rights on economic activities (Voight&Blume 2007) tend to underrate or completely ignore a role of human rights.

The main differences might originate in nature of sciences of mainstream economists and human rights advocates:

- Difference 1 Human rights advocates are labeled as proceduralists or deontologists which means they evaluate consequences according to an adherence to rules and norms (the process) rather than results in comparison to mainstream economists who are believed to be consequentialists who follow a positive science evaluation and judge alternatives just according to the outcome and consequences they produce (Seymour&Pincus 2008). For instance, the contrast might be seen in an approach to an evaluation of importance of economic growth and poverty reduction (Reddy 2011). Or Seymour and Pincus demonstrate on an example of a rape as a weapon which accelerates an end of war and thus lowers human suffering that from mainstream economists is defended despite ethical controversies (2008).
- Difference 2 Terminology disputes between human rights advocates and mainstream economists are a common sign of illogical state of these two together. Branco shows an example of wants and rights, words that might seem to amateurs as similar—while mainstream economists work with wants, human rights advocates work with rights (2009b). The economic characteristics allows an unequally distributed resources or incomes and an exclusion of some economic agents is possible if they suffer from tight budget constraints (Branco 2009a). In

contrary human rights advocates must follow a natural distribution which says that all human beings are equal and thus an allocation of rights must be egalitarian (Branco 2009b).

- Difference 3 Also an attitude to an assessment of value differentiates these two groups of experts. While human rights advocates demonstrate predominantly a pluralistic perception, mainstream economists prefer a monistic posture meaning to reach a stated goal might encounter obstacles that require trade—offs (Reddy 2011).
- Difference 4 Concerning economic problems and human rights violations we encounter another difference. Economic problems such as a deprivation might happen in mainstream economists' judgements as the reasons come either from nature's random behavior or human incompetence (Branco 2009a). Unlikely human rights advocates who do not accept a deprivation as an unbeatable situation and thus, do not tolerate it (Branco 2009a). Branco uses one example of provision or supply of goods—if a person is not provided by goods to which he/she is entitled it might search for a legal help at court or other government entity, in contrary if market does not supply there is no solution as there is no one responsible (2009b).
- Difference 5 Cost and benefit analysis is another controversial point. Mainstream economists might evaluate situations and choices according to the cost and benefit analysis whereas human right theoretists cannot easily monetize human rights values (Branco 2009b).
- Concluding difference The misunderstanding between human rights and economics might express an idea that some of the results marked as the best ones according to economic theories might be the worst one in terms of human rights as it might lower respects for them or more seriously violate them.

Beside a strict non understanding of human rights and economics we might find journal articles suggesting that these two areas are not as incompatible as believed (Seymour&Pincus 2008) and also findings that they are actually dependent on each other such as in case of for instance: „*there is no real individual freedom without freedom from want and there is no real economic choice without freedom of*

expression“(Branco 2009a, p.12). This might be supported for example by economic assumptions. One of them is that individuals are limited only by their economic constraints and not by any inequalities in social or political life. This is disproved by Seymour and Pincus who described an example of women’s access to wage employment (2008). They showed that from economic theories’ view it might seem that women trade off between leisure and income however, this attitude does not consider proven practices of men’s control over women by domestic violence, thus afterwards policy recommendations in order to lower poverty or so might become perverse and distant from reality (Seymour&Pincus 2008). Another economic rationale is an interpretation of human rights as an insurance. This is suggested by Voight and Blume who argue that an insurance is against “*adverse effects on one’s own utility, given that one finds oneself to be with the minority*“(2007, p.514) and therefore one rather votes for human rights regardless the costs. Or on the other hand people prefer being treated with respects and they prefer to surrender benefits and cover raised costs (Voight&Blume 2007).

To conclude Branco suggests in general two main approaches of economists towards human rights — firstly, understanding human rights as a constraint that affects the preferences and secondly, understanding human rights as a part of economics and a feature of decision making (2009b)

3.3 Human rights to development

Human right to development represents an example of newer human rights guaranteed to human beings which belongs to the third generation of human rights. It was officially proven by Declaration on the Right to Development by United Nations in 1986. The articles of the declaration covers an affirmation that all humans are entitled to human right to development, states are obliged to ensure suitable conditions to its realization as well as they should intervene in case of violations and promote respectful treatment and popular participation.

The constitution of legal documents dealing with human rights and development shows tendencies in the world to secure further development without breach of human rights. United Nations also incorporated human rights—based approach to development strategies that assures fulfillment of social, political, cultural and civil rights such as rights to food, shelter, education etc. during the

process of development as previously development was mainly related to economic growth and human rights were thought as a next step in improving situation in developing countries (Seymour&Pincus 2008; Marks 2004). Nevertheless it is important to state that human rights—based does not exactly match with right to development as any kind of process might be run in compliance with human rights and thus following human rights—based approach (Sengupta 2004).

Seymour and Pincus in their work present two main extreme conceptual approaches regarding development and human rights (2008). Firstly, human rights are assessed as inputs therefore their protection should have a positive economic impact, secondly, human rights are treated as outcomes, therefore human rights are considered a luxury good that one might enjoy with increased income or in the other word previous growth, development or detrimention of developing issues such as a poverty is necessary to be solved before the human rights are realized (Seymour&Pincus 2008).

The importance of relation of development and human rights also relies on responsibility ground. Development should always considered *that,, ... responsibility towards growth does not release one from responsibility towards human rights*“(Seymour&Pincus 2008, p.394)

A development area also serves as a meeting point for human rights theorists and economists. Their cooperation as it was discussed in previous chapter might be enriching and showing missing aspects of each of the approaches. Seymour and Pincus demonstrate this necessity in communication on exploitatve child labour as it might be growth—promoting people still do not rate it with applaus despite the possible positive economic outcomes (2008).

3.4 Two school of thoughts towards development

More and more powerful globalization influences the developed world as well as the developing world. Financial sources flow more freely outside of the borders of countries and it brings its impacts. One of the impacts of globalization is a financial interference of developed countries to developing world.

Economic theorists who have in the centre of the attention development issues discuss two main school of thoughts dealing with the effect of development and

consequently human rights. The distinguished schools are neoliberal school of economics and advocates of dependency theory.

Neoliberal school of economics suggests a positive perception of foreign financial interventions in the developing countries as they support economic growth and broaden options for policy makers on a domestic field resulting in improvement of human rights (Moses 2007). Richards et al. states that the main cause is because of the extension and growth of richer middle class that through opening the market gains stimulation of further growth which is accompanied by stable political environment respectful to the human rights (2001). Economic agents have opportunities on labour market and market with goods and services improves. The developing countries as entities attract increasingly other investments and through the economic growth people long for democratization and sound human rights treatment (Girling cited in Richards et al 2001).

On the other hand, advocates of dependency theory claim that a wider financial connection of developing and developed countries encourages adjustments of policy options according to the foreign demands that might harm citizens as it might be biased in favour of domestic elite and foreign powers (Richards et al 2001). One of the assumptions of this school of thoughts is that globalization tendencies work on the principle of exploitation less industrialized by the highly industrialized and this exploitation leads to an uneven development when foreign entities grow their profits regardless the social impacts (Richards et al 2001).

Therefore these two schools may determine an evaluation of effectiveness of development aid and consequences for human rights based on which side the authors stand.

4 Empirical Analysis

This chapter concerns an empirical evaluation of an effect of official development aid (ODA) on human rights. We suggest that human rights violations in developing countries rise with higher involvement of developed countries through official development aid. This hypothesis is supported by dependency theories of development aid (Richards et al 2001).

4.1 Literature review

Human rights have earned their spot in empirical analyses for more than thirty years. The systematic and cross national researches started in eighties (McCormick&Mitchell 1997). Originally the main attention was paid to effects of human rights on development aid allocation. The results are to a considerable extent consistent as they claim that human rights have a significant impact on distribution of development aid, however, not united in the opinion of what impact.

The most relevant studies in this manner include Cingranelli and Pasquarello (1985), Poe et al. (1994), Blanton (1994) and Meernik et al. (1998) who all came to the same conclusion, after examining US data, that human rights strategies influence the aid allocation and that human rights violations not unlikely lower an amount of aid received. First three works studied Latin America environment. Cingranelli and Pasquarello examined a relationship of human rights practices and determination of foreign aid on case of economic and military assistance to Latin America in period of 8 years using two stage decision making method of assessment and Poe et al. afterwards improved their model by their suggested solutions to shortcomings and finally Blanton focused on estimation of the relationship in two different time periods (1985; 1994; 1994). The last mentioned work was by Meernik et al. who investigated 127 countries over 17 years of Cold War using method of two stages as previous authors (1998).

Studies mentioned above focused on US bilateral foreign aid. As one of the researchers who contrastly concerned about total bilateral aid is Neumayer who tried to estimated development aid in the total figures and found out in the compliance

with other papers that human rights behavior matters in aid allocation and that correct practices are favoured (2003).

In general it might be said that older studies and newer ones differ in several aspects. Firstly, sources of data were primarily supported by US capacities while the newer papers try to capture findings in other countries for instance works as Neumayer's study. Secondly, nowadays, the scientific papers turned their focus more to relationship of human rights and other variables in the terms what an effect on human right is than previous tendencies symbolized by beliefs nicely expressed by Regan who claimed that aid programs have had no substantial effect on changes of human rights behavior in countries receiving the aid support (1995). Thirdly, the models estimating the relationships have changed. These days authors use panel data analysis and mainly probit or logit methods. Fourthly, in general the earlier studies investigate physical integrity rights and later on other rights were added as for instance Callaway (2001) who examines beside subsistence rights also security rights and an effect of foreign aid, trade and investment on them.

For the purposes of this thesis we should not omit to mention also authors who dealt with official development aid such Zanger who explored the effect of human rights on aid determination in a different geographic location than US as previous studies, however, she reached mainly insignificant results (2000). Another author investigating a relationship of human rights and official development aid besides other variables is Apodaca (2001), but development assistance remained statistically insignificant again. One more study is relevant to the first investigation of effects of official development aid and that is a work by Richards et al. produced one of the most pertinent source in matter of foreign assistance scrutinizing foreign economic penetration and human rights which is understood as a combination of foreign direct investment, portfolio investment, foreign aid and long—term debt. In other words they examined foreign economic capital and the level of respect for two human rights (Richards et al. 2001). The high contribution of this work is differentiation of the foreign capital and the focus on human rights as two categories—physical integrity rights and political rights and civil liberties. However, the results follow the previous characteristics of not showing any significance of official development aid in terms of effect on human rights and even more emphasize doubts whether foreign economic interventions in developing countries make sense (Richards et al. 2001)

Another point of perception of existing scientific literature is shaped by studies incorporating human rights. Carden and Lawson (2010) tested human rights data and economic freedom of the world reports in order to show whether human rights slower or accelerate an economic liberation concluding with the second alternative.

The most recent works dealing with human rights in more detail and the works who influenced present author in formulation of equations estimated are chiefly Dreher et al.(2010) who studied panel data of 111 countries in period of twenty years showing effects of terrorism on human rights more precisely physical integrity and empowerment rights using ordered probit estimation and resulting in a conclusion that terrorism significantly decreases government's human rights compliance. Also a following scientific paper of the same authors which concerns globalization, economic freedom and human rights is inspiring. Authors examine an effect of globalization and economic freedom on respect for human rights specifically physical integrity and empowerment rights as in the previous study using panel data of 106 countries in period of thirteen years and applying an extreme bounds analysis (Dreher et al 2012). The results might tend to show as well a reason for preference of examination of physical integrity rights revealed by majority of authors as the outcome of the estimation gives significant rise for physical integrity index with globalization and economic freedom but judgement of empowerment rights remains ambiguous.

Other two recent works add an interesting perception to the literature review regarding human rights. Firtsly, a study by Kim and Trumbore who assessed an impact of specific type of foreign direct investment on human rights in detailed physical integrity and empowerment ones (2010). They used 195 countries data with observations for 15 years and modelled them by the ordered probit technique with robust standard errors correction. The study stated that transnational mergers and acquisitions as a specific type of foreign direct investment have a positive impact on tested human rights. Secondly, a paper by Soysa and Vadlammanati who examined panel of 117 countries for period of 15 years in order to show whether pro—market economic reforms drive human rights violations through the GMM estimation method (2013). Their results prove that pro—market reforms ease more free markets and higher respect for human rights which one might find suprising as it is generally believed that reforms might bring political repression (Soysa&Vadlammanati 2013).

Last but not least, this thesis in the following chapter will aim at diversification according to the sectors. Up to now, only few works regarding this issue have been published. The main reason might be insufficient data collection on the international level. Some national agencies keep a track of sectoral division of development aid such as New Zealand, but the complex data for long time periods on the international level are still missing. Therefore a work of Blanton and Blanton concerning a sectoral analysis of human rights namely physical integrity rights and foreign direct investment (FDI) is pretty unique (2009). Although that this study again changes inputs and outputs as it looks how different sectors attract foreign direct investment rather than vice versa. The result of examination US data over fourteen years brings the statement that human rights matter in a sectoral attraction of foreign direct investment.

4.2 Data and methodology

This thesis uses a pooled cross—sectional time—series data set covering information of 30 developing countries observed for seven years — the period of 2005 to 2011 and as we have observations for all the years for almost all the countries we can state that our dataset is strongly balanced. The developing countries were chosen according to the Human Development Index (HDI) provided by United Nations Development Programme. The countries are from three main regions – Asia, Africa and Americas. For each of them ten countries with the lowest Human Development Index were taken. The selected developing countries are stated in following table:

Africa	America	Asia
Democratic republic (DR) of Congo	Haiti	Afghanistan
Niger	Guatemala	Yemen
Mozambique	Nicaragua	Nepal
Chad	Honduras	Papua New Guinea
Burkina Faso	Guyana	Myanmar
Mali	Paraguay	Pakistan
Eritrea	Bolivia	Solomon Islands
Central African	El Salvador	Bhutan
	Suriname	Laos
	Belize	Cambodia

Republic (CAR)		
Guinea		
Burundi		

Table 2 Selected developing countries

For an empirical estimation we use two methods for panel data – fixed and random effects regression models. Concerning the size of our dataset we expect the fixed effects estimators to produce the most relevant results. Concerning the used econometric software we employ Stata.

Our estimated linear model is defined as follows:

$$EMPOW_{it} = \alpha_1 + \beta_1 PRODSEC_{it} + \beta_2 SOCIALINF_{it} + \beta_3 ECONINF_{it} + \beta_4 GNP_{it} + \beta_5 EMPLOY_{it} + \beta_6 EMPOW_{it-1} + u_{it}$$

Introducing the variables:

COUNTRY	first index variable, covering 30 countries (N=30)
YEAR	second index variable, covering period from 2005 to 2011 (T=7)
EMPOW	New Empowerment Index
PRODSEC	Official development aid determined to productions sectors
SOCIALINF	Official development aid determined to social infrastructure and services
ECONINF	Official development aid determined to economic infrastructure and services
GNP	Gross National Product per capita
EMPLOY	Employment rate
EMPOW _{t-1}	Lagged New Empowerment Index

4.2.1 Dependent variable

As our explained variable we have chosen an index of human rights called new empowerment index. This index is constructed from several indicators such as the Foreign Movement, Domestic Movement, Freedom of Speech, Freedom of Assembly and Association, Workers' Rights, Electoral Self—Determination and Freedom of Religion (CIRI 2013). Values vary between 0 and 14 with a description zero as no government respect to the stated rights and 14 as full respect to the stated rights (CIRI 2013).

This index of human rights tended to be avoided in empirical studies of human rights. As it is already mentioned in review section so far most of the studies focused on Physical Integrity Rights Index which covers indicators concerning Torture, Extrajudicial Killing, Political Imprisonment and Disappearance and Empowerment Index was overshadowed.

4.2.2 Independent variables

In our dataset we employed several independent variables to explain our dependent variable as we believe they have an impact on the resulting empowerment index. Let us describe them one by one.

Firstly, we approximated development aid by official development aid. Before the description of used variables from ODA it is necessary to define what official development aid covers. The official development aid is defined as “*government aid to developing countries designed to promote the economic development and welfare of recipient countries*” (OECD 2009 p.230). This aid is counted as an official development aid only if it is provided to developing countries according to the list of OECD (OECD 2009).

We decided to use ODA and the area of bilateral commitments and donors because it is the only available database that tries to cover a distribution of development aid into industrial sectors on global level. Some national statistical agencies provide data according to a division to the sectors but then the study would get change into the case of a specific country or small group of countries, which was not preferred. The global characteristics is however, a bit limited as the captured donors are not all from the whole world but the ones who belong to the Development Assistance Committee (DAC). Namely in the following table:

Australia	France	Korea	Slovak Republic
Austria	Germany	Luxembourg	Slovenia
Belgium	Greece	The Netherlands	Spain
Canada	Iceland	New Zealand	Sweden
Czech Republic	Ireland	Norway	Switzerland
Denmark	Italy	Poland	United Kingdom
European Commission	Japan	Portugal	United States
Finland			

Table 3 Donors of official development aid

All the donors obliged themselves to follow strategies, policies, guidelines and frameworks in order to support commonly agreed goals in the development co—operation programme.

The OECD database of ODA itself covers several indicators such as Bilateral ODA Commitment by Purpose, Social infrastructure and services, Education, Water supply and sanitation, Economic infrastructure and services, Transport and Communications, Energy, Production sectors, Agriculture, forestry and fishing, Industry, mining and construction, Trade and tourism, Multisector, Programme Assistance, Food Aid, Humanitarian Aid and Unspecified. All of them expressed in US dollars in millions. In this thesis we work only with three sectors, mainly since the characteristics of the data division. Some of the sectors do not follow social business conditions such as Humanitarian Aid. Also Multisector sector brings uncertainty about the interpretation of results. Others are subcategories of the others etc. The chosen sectors are Social infrastructure and services, Economic infrastructure and services and Production sectors.

Social infrastructure and services can be understood as a label for a construction and afterwards a delivery for hospitals, prisons, schools, transportation facilities or cultural facilities (Gilmour et al. 2010). We can generalize it as covering health, justice, education, transport and civic sectors aiming at accommodation and provision of social services. In the OECD database it is also expressed by education,

water supply and sanitation statistics. We expect the higher investment in social infrastructure and services the higher government's respect for the human rights because of its characteristics. As education and better cultural and health conditions give rise to a generation of people caring about their rights and thus able to create a pressure to governmental bodies to protect human rights.

Economic infrastructure and services can be defined as assets and services to ease economic activity and still partly include social goals (Wai et al. 2012). The main areas described as the economic infrastructure are telecommunications, railways, cars, ports and energy (Economic Infrastructure 1995). This variable is believed to have a negative effect on the respect for human rights especially from the geographic evaluation. As the economic infrastructure eases travelling it extends a set of possible employees or people interested in working, therefore an employer might choose from a larger sample and therefore through the competition even the respect to human rights might lower as an exploited person might be substituted by a competitor on a labour market.

Production sectors can be described as the areas of the economic activity that stands at the beginning of the whole development. It covers usage of natural resources – not only meant the raw materials such as metals etc. but also the natural advantages of countries such as fertile soil, density of forestation and fauna sources. Thus also in OECD statistics it includes indicators such as agriculture, forestry and fishing, industry, mining and construction. We believe that this variable lowers governmental respect for human rights because as investments aim at first production sector characterized by the lowest education and mainly unskilled jobs, there is no big support in realization of rights as well as from an example of western countries these sectors in further development tend to be unpreferred, thus development interconnected to human rights rather flourish in other sectors.

Secondly, we employed Gross National Product per capita as an indicator of development of the country and quality of life. It was retrieved from the database of the World Bank as Gross National Income indicator formerly known as Gross National Product. It is calculated in US dollars and covers the sum of value added by all resident producers plus any product taxes not included in the valuation of output plus net receipts of primary income from abroad (The World Bank 2013). It is expected that with higher GNP violations of human rights will be rarer. Some might argue at this point that for more precise evaluation of quality of life would be better

to use Human Development Index as it covers also so called soft areas such as life expectancy or education, but we already took it into the account though selection of studied countries which are always ten countries with the lowest HDI in the given region.

Thirdly, we used Employment rate as a variable affecting human rights violations. The data were taken from database of The World Bank as an indicator of employment to population ratio for people 15 + and expressed in percents. This variable brings interpretation challenges. As one might suggests with interrelation to unemployment which might be considered as an indicator of lowering human rights. An argumentation is built again on competition conditions. The larger sample of possible employees as high number is unemployed and there for willingness to work might rise. If employment is taken as a complement it would make one to think that higher employment rate higher protection of human rights. However, it is not that simple, therefore expectations might be in favour of improving the respect as well as lowering the respect for human rights.

Fourthly, we employed lagged dependent variable, namely lagged New Empowerment Index. The reason for its usage lies in slow changes in human rights behavior. This step is supported by numerous authors of relevant literature (Carden&Lawson 2010; Dreher et al. 2010; Dreher et al. 2012; Soysa&Vadlammanati 2013). The expectations are straightforward the higher is the previous empowerment index, i.e. the index in previous year, the higher is expected a new empowerment index and therefore better protection of human rights in the country.

4.2.3 Hypotheses

Several hypotheses drive this study and when interpreting the data we will focus on their answering.

H_0 : human rights violations *tend to be higher with higher investments*
in production sectors

H_1 : human rights violations *tend to be lower with higher investment*
in social infrastructure and services

H_2 : human rights violations tend to be lower with higher GNI

H_3 : human rights violations tend to be lower with higher empowerment index from previous year

4.3 Results

As we stated in chapter of data and methodology we decided to study a sample of thirty countries over a period of seven years. This panel data was analysed by employing a panel data model approach of fixed effects and random effects regression. First, we scrutinize the model of fixed effects.

While an application of model of fixed effects we encountered several difficulties in term of assumptions. The model was tested for violations caused by heteroscedasticity and autocorrelation. Employed methodology showed that both effects are present. Woolridge's test rejected a null hypothesis of no serial correlation because of probability lower than 0,05. As well Wald's test in fixed effects regression model rejected a null hypothesis of homoscedasticity. To prevent these effects from distortion of our model and consequently results we used robust standard errors as remedies.

The results after an application of robust standard errors are seen in following tables:

Model: Fixed—effects, using 203 observations			
Included 29 cross—sectional units			
Time—series length = 7			
Dependent variable: newempinx			
Robust (HAC) standard errors			
R—sq: within = 0.1481	corr(u_i, Xb) = 0.6525		
between = 0.7895	F(6,28) = 10.00		
overall = 0.7095	Prob > F = 0.0000		

Table 4 Fixed effects model estimation

Table 4 shows that our model is adequate. F— test confirmed with values under 0,05 that all coefficients in the model are different from zero. Also R—squared does not reach low values. It expresses that our model is able to explain 70,95%.

Next we look on separate coefficient values in table 5:

	coefficient	std. error	t—ratio	p—value	significance
CONST	5.78549	4.17573	1.386	0.1677	
SOCIALINF	8.02210e—05	0.000417692	0.1921	0.8479	
ECONINF	—0.00448828	0.000718541	—6.246	3.33e—09	***
PRODSEC	—0.000126112	0.00196712	—0.06411	0.9490	
GNP	0.000253356	0.000143296	1.768	0.0789	*
EMPLOY	—0.00536817	0.0544802	—0.09853	0.9216	
EMPOW_{t-1}	0.291639	0.121214	2.406	0.0172	**

Table 5 Fixed effects coefficients

Table 5 shows as how much our dependent variable new empowerment index changes with one unit increase of individual independent variable. With increase of official development aid into social infrastructure and services respect for human rights increases as well. With increase of official development aid into economic infrastructure and services violations of human rights are probable. The same is in case of increase of official development aid into production sectors that also share negative sign. With increase of GNP it is expected the new empowerment index will rise as well. Employment rate variable on the other hand shows with one unit rise a lowering governmental respect for human rights. And last but not least, empowerment index of previous year with an increase by one unit new empowerment index in following year increases.

In terms of significance according to the p—values of individual independent variable, the fixed effects regression model expressed that the most significant on level 0,01 is official development aid into economic infrastructure and sectors. Medium significance on 0,05 reveals empowerment index from previous period and low significance on level of 0,1 is given by GNP.

Considering t—values it is possible to state that highest value and therefore the highest relevance to our dependant variable have new empowerment index from previous period with a value of 2,406 and GNP with a value of 1,768 in a respective order.

Second model we tested was a random effects regression. In this case the situation was better than in fixed effects model as violations were not confirmed and therefore we did not applied standard robust errors. Besides this we also tested if random effects model is preferred to pooled OLS and according to Breusch and Pagan Lagrangian multiplier test it is not.

Table 6 shows basic characteristics of our random effects model:

Model: Random—effects, using 203 observations		
Included 29 cross—sectional units		
Time—series length = 7		
Dependent variable: newempinx		
R—sq: within = 0.1027	corr(u_i, X) =	0
between = 0.9891	Wald chi2 (6) =	10.00
overall = 0.8616	Prob > chi =	0.0000

Table 6 Random effects model estimation

Table 6 demonstrates that our model is also adequate. F— test confirmed with values under 0,05 that all coefficients in the model are different from zero. And R—squared is in this time even higher suggesting that our model is able to explain 86,16% of data.

The table with coefficient values is next:

	coefficient	std. error	t—ratio	p—value	significance
CONST	—0.132412	0.776157	—0.1706	0.8647	
SOCIALINF	0.000444551	0.000557607	0.7972	0.4263	
ECONINF	—0.00248881	0.00115418	—2.156	0.0323	**
PRODSEC	0.00238137	0.00247718	0.9613	0.3376	

GNP	0.000243537	9.27600e—05	2.625	0.0093	***
EMPLOY_{t-1}	0.874742	0.0322632	27.11	3.06e—068	***

Table 7 Random effects coefficients

Table 7 illustrates, as in the case of Table 5, how much our dependent variable new empowerment index changes with one unit increase of individual independent variable. With increase of official development aid into social infrastructure and services a protection of human rights increases. With increase of official development aid into economic infrastructure and services respect for of human rights lowers. This time, however, there is a difference in case of increase of official development aid into production sectors that demonstrates rise in protection of human rights. An increase of GNP by one unit respect for human rights grows. And the same is shared by empowerment index of previous year with an increase by one unit new empowerment index in following year increases. One might noticed that variable of employment rate is missing, the reason for collinearity, therefore it was omitted from the model.

Focusing on significance according to the p—values of individual independent variable, the random effects regression model expressed that the most significant on level 0,01 are empowerment index from previous year and GNP respectively. And also official development aid into economic infrastructure and sectors showed a significant impact on 0,05 level.

Concerning t—values it is possible to state that highest value and therefore the highest relevance to our dependant variable have new empowerment index from previous period with a value of 27,11 and GNP with a value of 2,625 respectively.

To decide whether fixed effects regression model or random effects regression model is more suitable to be used in description of our data we used Hausman's specification test. That suggested with probability below 0,05 and thus a rejection of a null hypothesis of no systematic difference in coefficients therefore, fixed effects regression model is preferred over random effects regression model.

4.4 Discussion

The results of our fixed effects regression model followed our expectations. We stated four hypotheses and all were confirmed by data. Now, we will explore reasons and consequences in bigger detail.

Our study focused on empowerment index as a representant of human rights. The index covers several spheres such as worker's rights, foreign and domestic movement, freedom of speech and assembly and association, electoral determination and freedom of religion.

Clearly we cannot simply state that according to our model all official development aid flowing to developing countries is ill and cause violations of human rights. Not only because human rights violations vary according to the kind of the right besides the extent it is violated to, they qualitatively differ (McCromick & Mitchell 1997).

In our analysis we found that investments in economic infrastructure and services through official development aid might bring difficulties in compliance with human rights doctrines. The possible interpretation and reasoning might involve arguments such as geographical consequences and competition laws (not meant in a legal sense but in economic terms). The geographical meaning suggests that an economic infrastructure's purpose is to ease an economic activity through tools as telecommunications, roads, railways or ports. This infrastructure was historically considered as the one most important as a precondition for any economic growth and development. Without functional infrastructure it is hard to develop other sectors and consequently to rise incomes. However, what our model suggests is that this type of infrastructure might be harmful to society considering its own human rights. From geographical point of view better infrastructure allowa larger amount of population to travel or better in sense of labour terms to delocate. Delocation is generally used in matter of moving factories and economic activities from developed countries to less developed but we will understand it in the way as movement of labour force or economic activity within the scope of developing country. With improved infrastructure more people can seek work far from original home locations. Thus, the supply of labour force is growing and now it reaches the ethical level. Employers are assumed to comply with human rights—based behavior nevertheless, if we illustrate on a case of a person who intentionally wants breach human rights with higher supply

on labour market it is easier. If workers complain about too many working hours, no holidays, terrible working conditions there is no simpler way than to made them redundant and employ new persons willing to work regardless worse conditions or conditions lowering human rights standards. Surely, it cannot be stated without any context, it might be useful to implement in interpretation also fluctuation costs, but in case of unskilled jobs it might work without any other assumptions even in this simplified form of Robinson Crusoe style.

Another significant variable was gross national product or nowadays called gross national income. The increase of this variable increased new empowerment index as well. As Seymour and Pincus claimed in their study sometimes human rights can be seen as an output or even “*unintended output*” that could be considered as a luxury good (2008). The sense of this statement comes from development theories that assert that for any development of human rights the previous economic development is necessary, therefore high protection of human rights is a possession of developed countries as a consequence of their well—being and stable political and social situation. There might be found counterarguments but following our found results this is a possible explanation.

The third aspect that has an impact on new empowerment index and was included in our independent variable was lagged dependent variable, namely new empowerment index from previous period. As already many research studies showed, an inclusion of lagged variable is important. Human rights itself, if we do not consider a case of a super turning over revolution where it might be possible extreme rise or fall in comparison to previous states, do not perform enormous variations. The evolution of human rights and their protection or violations follows a specific path. Their acknowledgement do not happened from day to day in general, but it needs proper timing and gradual small or bigger steps to reach the desired goal. Therefore the dependency of new empowerment index on new empowerment index from previous year does not seem that suprising and follows common knowledge. It is also possible to find critics of this approach saying that this determinance and fating attitude goes against other theories, but again the author uses a possible interpretation to confirm the results and do not state that in real life there are not two sides of each coin.

Besides the significant variables being relevant to the explanation of data our model demonstrated several non significant independent variables but we will not

occupy ourselves with them as statistically their influence on our studied new empowerment index was not proven.

An interesting aspect of a perception of human rights pertinent to this study might be a difference of human rights definition on national levels. Despite the efforts on international anchoring through Universal Declaration of Human Rights, International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights and other numerous legal documents promoting human rights protection the actual execution might differ culturally. The perception of human rights in Asian countries and in Western world might not share exactly the same details and thus not to bring the same evaluation regardless ratifications of international treaties or soft laws concerning human rights. Different cultures might understand under protection of human rights different issues. If we raise it to ad absurdum according to development of equality of men and women's rights and feminism an opening of a door for woman by man might be perceived as being detrimental to women's human rights because she was not allowed to open the door freely in some cultures and situations whereas, in other it is just an expression of gentleman's habits and actually it shows an appreciation to another human being by making her life easier as in this case she does not need to bother with opening.

The human rights discussed in this model were chosen as a limited set of rights. The author did not intend to find paradigms for all the human rights and their violations. The empowerment index was so far not so frequently incorporated in research studies or if so it did not show one direct conclusion. Also official development aid might be considered from one point of view not that suitable as in older studies do not prove to be that high statistically significant in economic penetrations. The decision to test the official development aid came from the interest of examining sectoral analysis. Sectoral data on international level are rare and an approach of choosing a few countries resulting in specific case study was refused by author. Official development aid as one of the few exceptions provides data on international level. Also the sectoral analysis approach was comparatively innovative. Only really small amount of papers dealt with this topic and primarily on data from US statistical entities and definitely from the years much preceding to those studied in this thesis as here data after the new millennium are employed.

5 Conclusion

This master thesis defined its goal in introducing social business concept to readers as all in all it is a relatively new concept not that spread among public and if so only involving some aspects such as micro credit loans practices and similar. The author presented several examples of successful social businesses and stressed the importance of ethics in business activities and therefore also in social business. However, as it might be typical for new concepts data are harder to obtain therefore the author limited social business to development aid in favour to further empirical evaluation. Development aid demonstrates a long history with periods of successful time filled with enthusiasm as well as periods of total disappointment and deprivation for illustration author added two scientists standing out of the crowd Jeffrey Sachs and Dambisa Moyo, the keen supporter and the strict critic respectively.

Social business states its purpose in solving social issues and as one of them human rights violations rise to the surface. The scope of the thesis could not cover all the human rights defined in the world not only regarding human right theorists who continuously develop concepts and broaden human rights generation division. The main focus was dedicated to third generation of human rights as social, cultural, economic rights including a right to development. The interest was purposeful as these rights are the most related to economics and also they were employed in the empirical section following these chapters.

Thesis might be divided into two main methodological parts. First one is represented by theoretical defining concepts as social business, consequently development aid and giving space also to human rights voice. The second part covers empirical testing that summarizes the theoretical implications of mentioned concepts. It yields a rare approach of sectoral analysis and its impact on human rights protection. The objective of econometric section was to show that there are elements that might undermine effectiveness and aim of development aid. As critics of development aid proclaim development assistance of developed countries to developing world might cause more harm than good. The author wanted to give these statements a more stable foundations confirmed by quantitative research. And the results of panel data analysis that was conducted in favour of fixed effects model to

random effects model supported the critics. Human rights in the case of this thesis new empowerment index that are understood as worker's rights, foreign and domestic movement, freedom of speech and assembly and association etc. are violated by investments of official development aid into economic infrastructure and services, the field of development that originally was understood as a crucial part before any actual economic growth and human rights development.

Possible extensions of this work cover numerous aspects. Firstly, in terms of empirical testing it would be more suitable to have a longer data set, i.e. longer time series to estimate the correlation more precisely. Secondly, the studied countries could be extended to all countries understood as developing ones including low and middle income ones and the choice of them could be based on other parameters than Human development Index ranking. Thirdly, it might be more a wish to have a data covering aid flowing into developing countries according to sectors in a larger sense—private flows, actual development assistance flows (because official development aid is represented just by agreements). However, this issue has been pulsing for longer time and hunger for more precise accounts will be in close future diminished. Fourthly, a possible extension involves sectors studied. The author chose three main according to her judgement but OECD provides other sectors such as multisector group or specific projects for development. Fifthly, also a choice of human rights might be extended. Many authors tested physical integrity rights therefore but not only author preferred new empowerment index covering social, economic and cultural rights. It might be also possible to adjust testing to just one right not to the whole index group.

Human rights violation started to be studied more than thirty years ago and still there remains a certain veil making dealing with them a complicated task but an important one (McCromick& Mitchell 1997). The more empirical testing appears on the stage of human rights and economic conversation the more informational from economic perspective the issue becomes. As one of the part of the thesis limited conversation of human rights advocates and economic theorists and practioners was discussed there should be increasing efforts to find common ground, to enrich each other and produce better studies. Both sides at the end share the same goal. Both of them want the world to be a better place to live.

Bibliography

Apodaca, C. 2001, "Global Economic Patterns and Personal Integrity Rights After the Cold War", *International Studies Quarterly*, vol. 45, no. 4, pp. 587—602.

Baker, M.J. 2011, "Editorial — Why 'Social Business'?", *Social Business*, vol. 1, no. 1, pp. 1—15.

Blanton, S.L. 1994, "Impact of human rights on U.S. foreign assistance to Latin America", *International Interactions*, vol. 19, no. 4, pp. 339—358.

Branco, M.C. 2009a, *Economics versus human rights*, Routledge, New York.

Branco, M.C. 2009b, "Economics Against Human Rights: The Conflicting Languages of Economics and Human Rights", *Capitalism Nature Socialism*, vol. 20, no. 1, pp. 88—102.

Callaway, R.L. 2001, *Is the road to hell paved with good intentions? The effect of United States foreign assistance and economic policy on human rights*, ProQuest, UMI Dissertations Publishing.

Carden, A. & Lawson, R.A. 2010, "Human rights and economic liberalization", *Business and politics*, vol. 12, no. 2, pp. 1—18.

Cingranelli, D.L. & Pasquarello, T.E. 1985, "Human Rights Practices and the Distribution of U.S. Foreign Aid to Latin American Countries", *American Journal of Political Science*, vol. 29, no. 3, pp. 539—563.

CIRI 2013, *CIRI Human Rights Data Project*, viewed on 14 December 2013, <<http://www.humanrightsdata.org/>>

Crowther, D. & Reis, C. 2011, "Social responsibility or social business?", *Social Business*, vol. 1, no. 2, pp. 129—148.

Dreher, A., Gassebner, M. & Siemers, L. 2010, "Does Terrorism Threaten Human Rights? Evidence from Panel Data", *The Journal of Law and Economics*, vol. 53, no. 1, pp. 65—93.

Dreher, A., Gassebner, M. & Siemers, L. 2012 "Globalization, Economic Freedom, and Human Rights", *Journal of Conflict Resolution*, vol. 56, no. 3, pp. 516—546.

"Economic infrastructure", 1995, *Country Profile*, pp. 25.

Friedman, M. 2007, *The Social Responsibility of Business Is to Increase Its Profits*, in Springer Berlin Heidelberg, Berlin, Heidelberg, pp. 173—178.

Gerloch, A. 2009, *Teorie práva*, Vydavatelství a nakladatelství Aleš Čeněk, Plzeň

Gilmour, T., Wiesel, I. Pinnegar, S. & Loosemore, M. 2010, "Social infrastructure partnerships: a firm rock in a storm?", *Journal of Financial Management of Property and Construction*, vol. 15, no. 3, pp. 247—259.

Huybrechts, B. & Nicholls, A. 2012, *Social entrepreneurship and social business: an introduction and discussion with case studies*, Gabler Verlag, Wiesbaden.

Keeley, B. & OECD 2011, *From aid to development: the global fight against poverty*, Organisation for Economic Co—operation and Development, Paris.

Kim, D. & Trumbore P.F. 2010, "Transnational mergers and acquisitions: The impact of FDI on human rights, 1981—2006", *Journal of Peace Research*, vol. 47, no. 6, pp. 723—734.

Mair, J. & Martí, I. 2006, "Social entrepreneurship research: A source of explanation, prediction, and delight", *Journal of World Business*, vol. 41, no. 1, pp. 36—44.

Marks, S. 2004, "The human right to development: between rhetoric and reality", *Harvard Human Rights Journal*, vol. 17, pp. 137.

Marshall, E. 1993, *Business and society*, Routledge, London.

Meernik, J., Krueger, E.L. & Poe, S.C. 1998, "Testing Models of U.S. Foreign Policy: Foreign Aid during and after the Cold War", *The Journal of Politics*, vol. 60, no. 1, pp. 63—85.

McCormick, J.M. & Mitchell, N.J. 1997, "Human Rights Violations, Umbrella Concepts, and Empirical Analysis", *World Politics*, vol. 49, no. 4, pp. 510—525.

Moses, M. 2007, *Who benefits? The effects of foreign aid and foreign direct investment on human rights*, ProQuest, UMI Dissertations Publishing

Motta, M. 2004, *Competition policy: theory and practice*, Cambridge University Press, Cambridge.

Moyo, D. 2009, *Dead aid: why aid is not working and how there is another way for Africa*, Allen Lane, New York.

Neumayer, E. 2003, "Is Respect for Human Rights Rewarded? An Analysis of Total Bilateral and Multilateral Aid Flows", *Human Rights Quarterly*, vol. 25, no. 2, pp. 510—527.

OECD 2009, "Official development assistance", pp. 230—233.

Poe, S., Pilatovsky, S., Miller, B. & Ogundele, A. 1994, "Human Rights and US Foreign Aid Revisited: The Latin American Region", *Human Rights Quarterly*, vol. 16, no. 3, pp. 539—558.

Regan, P.M. 1995, "U. S. Economic Aid and Political Repression: An Empirical Evaluation of U. S. Foreign Policy", *Political Research Quarterly*, vol. 48, no. 3, pp. 613—628.

Reddy, S.G. 2011, "Economics and Human Rights: A Non—conversation", *Journal of Human Development and Capabilities*, vol. 12, no. 1, pp. 63—72

Richards, D.L., Gelleny, R.D. & Sacko, D.H. 2001, "Money with a Mean Streak? Foreign Economic Penetration and Government Respect for Human Rights in Developing Countries", *International Studies Quarterly*, vol. 45, no. 2, pp. 219—239

Robinson, J. 2012, Week 4, Powerpoint slides, University of Queensland, Brisbane

Sachs, J.D. 2006, "How to help the poor: piecemeal progress or strategic plans?", *The Lancet*, vol. 367, no. 9519, pp. 1309—1310.

Sengupta, A. 2004, "The human right to development", *Oxford Development Studies*, vol. 32, no. 2, pp. 179—203.

Seymour, D. & Pincus, J. 2008, "Human Rights and Economics: The Conceptual Basis for their Complementarity", *Development Policy Review*, vol. 26, no. 4, pp. 387—405.

Soysa, I. & Vadlammanati, K.C. 2013, "Do pro—market economic reforms drive human rights violations?: An empirical assessment, 19812006", *Public choice*, vol. 155, no. 1/2, pp. 139—161.

Stiglitz, J.E. 2000, *Economics of the public sector*, W. W. Norton, New York.

The World Bank 2013, *Data*, viewed on 10 December 2013
<<http://data.worldbank.org>>

Voigt, S. & Blume, L. 2007, "The economic effects of human rights", *Kyklos*, vol. 60, no. 4, pp. 509—538.

Wai, S. H., Aminah, M. Y., Tey, K. H. & Syuhaida, I. 2012, "A Conceptual Review of Social Infrastructure Projects", *Communications of the IBIMA*, vol. 2012, no. 222039, pp. 1—9.

Yunus, M., Moingeon, B. & Lehmann—Ortega, L. 2010, "Building Social Business Models: Lessons from the Grameen Experience", *Long Range Planning*, [Online], vol. 43, no. 2, pp. 308—325.

Yunus, M. 2007, *Creating a world without poverty: social business and the future of capitalism*, PublicAffairs, New York.

Yunus, M. 2010 *Building social business: the new kind of capitalism that serves humanity's most pressing needs*, Public Affairs, New York

Zanger, S.C. 2000, "Good Governance and European Aid: The Impact of Political Conditionality", *European Union Politics*, vol. 1, no. 3, pp. 293—317.

Appendix A: Content of Enclosed DVD

There is a DVD enclosed to this thesis which contains empirical data and Stata source codes.

- Folder 1: Excel data file
- Folder 2: Stata codes and outcome