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## Who says poor not rich? earn \$5 trillion

The world's poor are emerging as the biggest entrepreneurs, offer a huge market and provide expansion opportunities for the large private sector companies. This is the finding of a United Nations Development Programme (UNDP) report. Entrepreneur The latest UNDP report--Business Strategies for Engaging the Poor--released recently has found that many businesses are including the poor, increasing their profits but market conditions in poor areas can often look bad. The good news is the poor cannot be overlooked.

Of the world's 6.4 billion people, 2.6 billion live on less than \$ 2 a day and at least 75 per cent of them on less than \$ 1 a day. And 4 billion people, living on less than \$ 8 a day, form small enterprises they operate. Together the report says their combined global income is \$ 5 trillion, equaling the gross national income of Japan , the world's second largest economy.

A successful business model, the report noted, shows that growth and innovation opportunities are emerging on both the demand and supply sides and that business can do much to capture and create these opportunities. Dr Maxine Olson, UNDP India representative asserted, "The private sector has a vital role to play in promoting, sustaining and enabling inclusive markets to bridge between the constraints of today and



the promise of tomorrow".

The private sector is central to the lives of the poor because all poor people are consumers and because most earn income in the private sector, whether working for a business or running one. The private sector is meeting the poor people's needs in many places, including areas the Governments do not reach. In rural India half of the children use private schools putting it at par with Sub-Saharan Africa. Even in the hi-tech city of Hyderabad, 65 per cent of slum children have access only to low-budget private schools.

The health care in most poor areas are left to the private sector be it in India, Ethiopia, Kenya , Nigeria and Uganda. The business with the poor can be profitable, the report noted, sometimes even more than business with the rich. The Narayana Hrudayalaya hospital group in Bangalore, a cardiac health care provider to the poor earned a 20 per cent profit in 2004, almost 4 per cent more than the country' largest private hospital. The profit was earned due to a combination of high volume and innovative payment and financing scheme.

The report also cited the instance of the well-known Sulabh International, a low-cost sanitation provider to the poor, which posted a \$ 5 million surplus in 2005.

The large base the poor provide for mobile telephony not only increases the business of giant phone companies, but it also improves the profits of the poor and the corporates. The report quoted a study in Kerala by Prof Robert Jensen of the University of Texas which found that mobile phones have helped Kerala fishermen get real time information on supply, demand and pricing. The phone has improved their profits by 8 per cent and reduced prices by 4 per cent, benefiting the poor consumers.

In Tamil Nadu, the Tirupur Local Government entered into a joint venture with the local export association, the Tirupur Exporters Association and a private sector financing organization, IL&FS, to create a water company --- New Tirupur Area Development Corporation --- to tackle the water and sewage problems of the town with a textile-based economy and about 80,000 slum-dwellers. The Corporation improved the water supply to the textile companies and the poor households. The number of connections too has increased to 68,000 from 43,000.

Inclusive business models can increase productivity of the poor through sales of production equipment, financial services and information and communication technology. In Mexico , a company sells small-scale lemon farmers water-efficient drip irrigation systems that offer higher absorption and allow continuous production for 8 to 10 months a year. The company is trying to increase production from 9 tons to 25 tons per hectare. The efforts are likely to triple the farmer incomes. In China , another firm has increased the income of 6000 household engaged in tree farming.

Similar activities have added to the income of poor and also generated business for corporates in Mali , Trinidad and Tobago , Brazil and the Philippines . The private sector generated 1.5 million jobs in Turkey , 16 million more than the public sector; and 12.5 million jobs in Mexico .

Besides, many poor people operate their own businesses. In India , the Khadi and Village Industries sector provides self-employment to about 6 million (60 lakh) rural poor people. In Peru , 69 per cent of urban households that live on less than \$ 2 a day operate a non-agricultural business. In Pakistan , 75 per cent of the rural households were self-employed in

agriculture, Indonesia 55 per cent and in Nicaragua around 50 per cent.

Despite such activities, the market conditions in poor areas can often look bad for business, the report noted. Market participants have skills, knowledge and access to financial products. But where poverty prevails, most of these factors are lacking thus excluding poor people from meaningful participation in the markets.

There are limitations. These include: businesses know little about poor people, the market of the poor lack regulatory mechanism, has inadequate infrastructure like water and electricity and consumers may not know the uses and benefits of particular products.

Another limiting factor is that the poor producers and consumers cannot finance investments or large purchases. Micro credit is lacking. Financing is expensive. As they lack insurance they cannot protect meagre assets and incomes they may have against shocks, such as illness, drought and theft. As banking services elude them, they face insecure and expensive financial management, often more than that of the largest corporates.

So the poor have to trudge more. The global disparity may not come to an end. But that does not diminish opportunities. The report cited hope quoting Malcolm P McNair, Professor of Marketing at the Harvard Business School, who co-chaired the UN report for Creating Value for All. "The poor have a largely untapped potential for consumption, production, innovation and entrepreneurial activity. The more business models integrate and include the poor, the more likely companies successfully pursuing revenues will help have a better living condition and increase global opportunities to

fulfill the objectives of Millennium Development Goal."

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