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'Charity begins at home', the right mantra for companies

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New Delhi, Jul 28 Companies don't need to dole out charities when they want to help the poor. Instead, they can look at creating opportunities that would not only contribute to society but would also help them tap new markets.

Taking forward CK Prahalad's concept of the 'bottom of the pyramid', the United Nations Development Programme (UNDP), in a new report, has advocated that companies can provide services to the nearly 4 billion people who survive on a dollar a day, and in the process, also create new business opportunities for themselves. The report titled 'Creating value for all: strategies for doing business with the poor' also offers strategies and tools for companies to expand beyond traditional business practices and bring in the world's poor as partners in growth and wealth creation.

Part of the UNDP's growing inclusive markets initiatives, it has based much of its findings and recommendations on 50 case studies conducted in developing and developed countries such as India, Tanzania, Mexico, Ghana and China. "The poor have a largely untapped potential for consumption, production, innovation, and entrepreneurial activity," V Kasturi Rangan, the Malcolm P Mc Nair professor of marketing and director of research at the Harvard Business School, stressed at the release of the report in India, on Monday. Significantly, it notes that the poor are also ready to pay for essential goods and services such as food, clean water, sanitation, electricity and healthcare. It also points out that apart from such basic products, opportunities exist even in break through industries like mobile telephony.

The report offers significant insights for countries like India where 25% of the population is below the poverty line and the government is trying hard to promote inclusive growth in order to bring them into the mainstream. In fact acknowledging the importance of the government in such a process Sahba Sobhani UNDP (New York) the lead author of the report said, "The government plays a huge role in encouraging companies to tap such opportunities." Rangan pointed out that the role of the Planning Commission and government policies are also very important in India. Many businesses have already started such inclusive models, the study notes. For instance in India, the New Tirupur Area Development Corporation Ltd, which supplies water to industries, households and slums and Sulabh Sanitation, which provides low cost, clean and innovative sanitation systems are two such successful initiatives.

It outlines five strategies that private businesses have successfully used to overcome obstacles while doing business with the poor. These include adapting products and services to the needs of the poor; investing in infrastructure or training to remove market constraints; leveraging the strengths of the poor; working with similarly minded businesses and non profit organisations; and engaging in policy dialogues. However the report notes that it often difficult for businesses to capture such opportunities, "due to widespread market constraints." Lack of information and awareness — both on the part of businesses and consumers— is one of the greatest challenges to this, the report said. While companies know very little about this market segment, the consumers may not know enough about the use and benefit of products that the former are selling. Businesses may also find it difficult to tap the market due to the lack of credit, insurance and transactional banking services.