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Poor make good entrepreneurs: UN

Economy Bureau

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New Delhi, Jul 1 Corporates who usually would refrain from putting their money in rural projects may think twice. According to a report released by the UN on Tuesday, the poor have a largely untapped potential for consumption, production, innovation, and entrepreneurial activity. The more business models integrate and include the poor, the higher are the chances for the companies to increase their revenues while fulfilling the millennium development goals (MDGs).

The report titled 'Value for all: Strategies for doing business with the poor', has however, pointed to the fact that the private sector alone cannot meet the needs of the poor. It states that it would require a concerted effort of businesses, governments, communities, non-governmental organisations (NGOs), donors and international organisations to achieve the greatest good.

"The power of poor people to benefit from market activity lies in their ability to participate in markets and take advantage of market opportunities. Business models that include the poor require broad support and offer gains for all," UNDP administrator Kemal Dervis said.

The report 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. The report draws on extensive case studies and demonstrates the effectiveness—both for human progress and for wealth creation—of more inclusive business models.

The report has highlighted some of the strategies that private businesses have successfully used to overcome the most common obstacles to doing business with the poor: adapt products and services; invest in infrastructure or training to remove constraints; leverage the strengths of the poor to increase labour and management pool and expand local knowledge; work with similarly-minded businesses, non-profit organisations or public service providers; engage in policy dialogue with governments.

The report talks of about 50 case studies by researchers in developing and developed countries which demonstrate the successful pursuit of both revenues and social impact by local and international small- and medium-sized companies, as well as multinational corporations.

Some of these studies include a Chinese company that offered affordable computers and training to rural farmers through a low-cost operating system and software that is easier for customers with limited education, thus expanding its market base. In the Democratic Republic of the Congo (DRC), where the banking sector was decimated by years of war, a mobile phone company responded by offering encrypted short message service technology to allow customers to wire money. The company now has two million customers in the DRC.

In India, a sanitation company developed low-cost toilets for use among the poor, freeing up 60,000 people from work as 'scavengers' in the field of human waste removal. Overall, 10 million people have benefited from the toilets in homes and public places.

Owner-operators of healthcare micro-franchises in Kenya have increased their monthly incomes while treating about 400,000 patients in rural areas and urban slums suffering from malaria and other diseases. A construction company in Mexico has helped more than 14,000 Mexican migrants in the United States build, buy or improve a house back home in Mexico. From 2002 to 2006, the company generated \$12.2 million from construction material sales, and since late 2005, 200 houses have been sold.

A local pharmaceutical company in Philippines generated US \$20 million in revenues over five years by selling generic drugs at prices 20-75% lower than brand-name drugs, making them more affordable for the poor.