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# Business with the poor

Countries such as India can take concrete steps to facilitate more inclusive business models -- from raising awareness about the opportunities of doing business with the poor to removing constraints in the market environment

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In the race to achieve the Millennium Development Goals, it is critical to examine all tools at our disposal to alleviate poverty. The greatest untapped resource is the enormous potential, in the form of investment and innovation, of the private sector. And the success of any private enterprise with the poor depends on a dialogue and often collaboration with governments.

United Nations Development Programme's new report *Creating Value for All: Strategies for Doing Business with the Poor* offers suggestions for governments and the private sector to better develop markets that engage the poor on the demand side as clients and customers, and on the supply side as producers, employees and business owners. Its heart lies in 50 commissioned case studies by researchers largely from developing countries, including three cases from India. These studies examine businesses that have often worked with governments to successfully include the poor.

Countries such as India can take concrete steps to facilitate more inclusive business models — from raising awareness about the opportunities of doing business with the poor to removing constraints in the market environment. Moreover, governments can strengthen their own capacity to collaborate with the private sector, and combine traditional aid and subsidies with private sector approaches so that the poorest of the poor can ultimately become integrated into the formal financial and other sectors.

For the destitute, market-based approaches alone will not help alleviate their poverty. South Asia has many good examples, such as BRAC's in Bangladesh, which is more than just microfinance. BRAC provides the poorest with food support and skills training for a fixed period. With an average subsidy of \$135 per woman, three-quarters of programme participants became regular clients of BRAC's microfinance programme, graduating into a situation where they can benefit from formal financial markets.

In India, Devi Shetty's Narayana Hrudayalaya (NH) —a cardiac hospital on the outskirts of Bangalore in 2001 with an innovative financial model — delivers state-of-the-art cardiac care and innovative health insurance to the poor. With support from state governments and the Indian Satellite Research Organisation, NH now has two hubs in Bangalore and Kolkata allowing cardiologists to use satellite technology and Internet to read patient reports, interact with patients and offer free consultations to the poor in remote areas. Key to NH's success is a

business model that attracts full-price paying patients who, along with the NH foundation, subsidize surgeries for the poor. No one is denied health care, even if they are unable to pay. Yet profits are 20% — higher than the leading comparable traditional hospital.

While such opportunities are abundant, so are the challenges. Entering into the markets of the poor is uncharted territory for many companies. It is one where tough obstacles remain, including limited market information, underdeveloped regulatory environments, inadequate physical infrastructure, missing knowledge and skills, and restricted access to financial products and services.

Meeting these challenges often involves engaging in a policy dialogue, adapting products and services to the needs of the poor and investing in infrastructure or training. It takes creativity, and often the pooling of skills and experience of private firms, donors, policymakers, and non-governmental organizations.

United Nations secretary-general Ban Ki-moon recently urged an international effort to make 2008 a turning point in the fight against poverty. Inclusive business models create more independence and interdependence, by recognizing the poor not only as consumers, but also as drivers of growth.

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