Doing business with the poor can be good for business. A United Nations Development Program report, co-funded by the Japanese government, released today in Japan offers compelling reasons and examples for doing so. After all, making a difference can also mean making a profit. New markets in developing countries can translate into new opportunities.

Examples of productive investments in which the poor and the market have benefited is a low-cost operating system and software that are easier to understand complex contexts, and find innovative solutions. The poor are not limited to initial investments for customers with limited education, physical infrastructure, missing knowledge and skills, and restricted access to financial products and services. These obstacles often translate into a “poverty penalty” for the poor. People in the slums of Jakarta, Manila and Nairobi can pay as much as five to 10 times more for water than people in Tokyo. And, while Londoners pay about the same for electricity supply.

In China, a company offered affordable computers and training to rural farmers via a low-cost operating system and software that are easier for customers with limited education, physical infrastructure, missing knowledge and skills, and restricted access to financial products and services. Success often requires adapting products and services to local conditions. Entrepreneurs and private companies are more likely to invest and take risks in local communities. Globalization makes marketplaces growing recognition of needs as well as a growing opportunity for corporate social responsibility. Sumitomo Chemical Co., for example, joined a global initiative to fight against Malaria in 1990s. The company provided their technology to a Tanzanian joint venture, A to Z Textile Mills, to produce Long Lasting Insecticidal Nets. The mosquito nets protect millions of people from malaria.

Beyond this important health benefit, this venture has contributed to poverty reduction in the country by creating jobs and providing incomes to local communities. Globalization makes marketplaces where Japanese companies can explore new opportunities. Japan’s private sector has succeeded in developed countries through partnerships and adapting business models to local conditions. Japanese companies adapt inclusive business models to conduct business with the poor in developing countries, they will be able to not only develop their interests there but also contribute to growth in these countries.

In Mexico, a construction company has helped more than 14,000 Mexican migrants in the United States build, buy or improve a house back home in Mexico. In four years, the company generated $2.2 million (about 1.23 billion yen) from construction material sales and 250 houses were sold. While such opportunities for inclusive growth 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. These obstacles often translate into a “poverty penalty” for the poor. People in the slums of Jakarta, Manila and Nairobi can pay as much as five to 10 times more for water than people in Tokyo. And, while Londoners pay about the same for electricity supply.

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