Dear Charulata Indore-Londhe,

The Session organisers of the Session “The century of management: From Taylor to Prahalad: The development of modern management from a historical, political, economic and global perspective, 1911-2011” of the XVIth World Economic History Congress are pleased to invite Charulata Indore-Londhe for the presentation of a full paper at the conference to be held July 9-13 in Stellenbosch, South Africa at the Universiteit Stellenbosch.

The World Economic History Conference offers a forum for the professional exchange of knowledge and skills related the functioning of economics, management and history. Over 1000 scholars and economic policymakers are expected to be in attendance from over 50 countries. They will have the opportunity to learn from each other via over 800 presentations in 100 sessions.

The contributions of international scholars such as Charulata Indore-Londhe are crucial for the success of our session. The work of Charulata Indore-Londhe will enhance the diversity of perspectives and content represented. WEHC members value the opportunity to learn from and with our international colleagues.

If you have any questions or concerns, or if I may be of assistance in any way, please do not hesitate to contact me.

Best regards,

Drs. S.J. Keulen

WEHC Session Chair
SERVING BOTTOM OF PYRAMID IN INDIA:
WILL IT MAKE THE BOTTOM WIDER?

KEYWORDS: Bottom of Pyramid, eradicating poverty through profits, Fish and Fishing Stick, BOP and India.

ABSTRACT
‘Bottom of Pyramid’ has become one of the popular concepts since beginning of the century. The concept initially introduced as a marketing strategy by Management Guru C K Prahalad and now has become a paradigm of management. BOP (Bottom of Pyramid) has not just remained a strategy of Product Positioning but a tool for Research and Innovation too. The concept of BOP works everywhere. Not just in Marketing. It is in Economics, Society too. Economic policy makers usually have two approaches. One is Top to Bottom and other is Bottom to Top approach. Similar approach in business has changed the face of marketing and management in the new century. Let us see the evolution of the concept in general and respective to India in specific. The paper is divided into 3 parts, the historical development of BOP, the proposition and the case study.

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Introduction

‗Bottom of Pyramid’ has become one of the popular concepts since beginning of the century. The concept initially introduced as a marketing strategy by Management Guru C K Prahalad and now has become a paradigm of management. BOP (Bottom of Pyramid) has not just remained a strategy of Product Positioning but a tool for Research and Innovation too. The concept of BOP works everywhere. Not just in Marketing. It is in Economics, Society too. Economic policy makers usually have two approaches. One is Top to Bottom and other is Bottom to Top approach. Similar approach in business has changed the face of marketing and management in the new century. Let us see the evolution of the concept in general and respective to India in specific.

Historical Development of the Concept ‘Bottom of Pyramid’

The forgotten man: The phrase “bottom of the pyramid” was used by U.S. president Franklin D. Roosevelt in his April 7, 1932 radio address, The Forgotten Man, in which he said “These unhappy times call for the building of plans that rest upon the forgotten, the unorganized but the indispensable units of economic power...that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid.”

And then the current reference of BOP related to the poor people of the world who live on less than $2 per day is defined by Mr C K Prahalad and S L Hart in 1998. The concept was later elaborated in the books ‘The Fortune at the Bottom of Pyramid: Eradication of Poverty through Profits’ by Prahalad in 2004 and ‘Capitalism at the Crossroads’ by Hart in 2005.
Gandhian Economics is a school of economic thought based on socio-economic principles of nonviolent humanistic socialism of M K Gandhi, the father of India. Gandhi has often quoted that if mankind was to progress and to realize the ideals of equality and brotherhood, it must act on the principle of paying the highest attention to the prime needs of the weakest sections of the population. Therefore any exercise on economic planning on a national scale would be futile without uplifting these most vulnerable sections of the society in a direct manner. This focus on ‘The Last Man’ was nothing but an awareness of BOP. Gandhi's championing of Swadeshi and non-cooperation was also centred on the principles of economic self-sufficiency and the interest of ‘The Last Man’. In the period when the economic motives were the basic principles of Imperialism and colonialism, the focus on ‘The Last Man’ was with motive of the last man’s welfare and not earning profit. Gandhian economics believe that ‘The Last Man’ is the purpose and motive of the business and not treating the last men as the consumers for selling the products.

Gandhiji’s movement of Swadeshi (home economy) was mainly economic concept along with political rule. The ideology of Swadeshi was not just to fight against British colonialism but to renew India’s rural economy, and maintaining the workers, labours and weavers of India employed, who were facing unemployment with exported clothes from British Companies.

The most unique feature of Gandhi's economic model was that he wanted to turn the entire flow of profits from the pockets of the big industrialists to the workers. Foreign clothes may be better and cheaper than the home-spun khadi, but the relentless use of the imported fabric would lead to unemployment of thousands of villagers who have traditionally earned a living by spinning and weaving home-made clothes. The same logic extends to agro-based products as well. Choosing such imported goods would lead to a degeneration of the entire village economy, which was the backbone of Indian economy, Gandhi believed.

Gandhi said, "The true India is to be found not in its few cities, but in its seven hundred thousand villages. If the villages perish, India will perish too." Swadeshi is a program for sustainability.
According to the principle of Swadeshi, whatever is made or produced in the village must be consumed first and foremost by the members of the village. Trading among villages and between villages and towns should be minimal, like icing on the cake. Goods and services that cannot be generated within the community can be bought from elsewhere.

Swadeshi avoids economic dependence on external market forces that could make the village community vulnerable. It also avoids unnecessary, unhealthy, wasteful, and therefore environmentally destructive transportation. The village must build a strong economic base to satisfy most of its needs, and all members of the village community should give priority to local goods and services. The base of the Swadeshi Model was co-operation and not competition.

Every village community of free India should have its own carpenters, shoemakers, potters, builders, mechanics, farmers, engineers, weavers, teachers, bankers, merchants, traders, musicians, artists, and priests. In other words, each village should be a microcosm of India - a web of loosely inter-connected communities. Gandhi considered these villages so important that he thought they should be given the status of "village republics".

‘Balutedari system’ of India

‘12 Balutedars’ were significant to ensure the supply of products and services to the bottom of pyramid of the rural people. Rural economy was centred on the farmer and farming was the main component of the village economy. What Gandhian Economy expected from the self reliant village in the 20th century was prevailing in Maharashtra since old times, which was the system of ‘12 Balutedars’ (and 18 Alutedars).

The Balutedari System was a socio-economic co-operative system in Maharashtra and at the time of the old Maratha rule there were twelve of them called ‘Bara (12) Balutedar’. The full fledged classical village organisation system of ‘Bara-Balutedar’ and similar (like Jajmani system in North India, Vatandari system in Central and East India) was existing in most of the rural areas of the states of India. Some of them have either disappeared or are in the process of disappearing from village economy, but others are still in existence with their usefulness reduced owing to modern conditions of life.
Names of Bara Balutedar in Marathi (regional language of Maharashtra) are 1) Chougula 2) Mahar (Watchman) 3) Sutar (Carpenter) 4) Lohar (Blacksmith) 5) Kumbhar ( Potter) 6) Chambhar (Shoe maker) 7) Nhawi (Barber) 8) Sonar (Goldsmith) 9) Joshi (village astrologer) 10) Parit (Washerman) 11) Gurav (Idol-Dresser) 12) Koli (Water Carrier)

This system had very strong socio-cultural aspects of the village life and they had to play very significant role in the village economy. The Main characteristics of the system were:

1. Balutedars were the hereditary service providers to the entire village population.
2. Before industrialisation, Balutedari system was the economic backbone which used to produce the required goods and services for the village economy.
3. The motive behind the Balutedari system was not to earn profit, but to render the required services. Their services were remunerated by the cultivators in the shape of an annual payment in sheaves of corn and a few seers of other grain grown in the field named as ‘Baluta’.
4. The Self Reliant Village economy has strong local entrepreneurship in form of these 12 Balutedars and 18 Alutedars who were giving all the proven advantages of entrepreneurship to the village economy and hence it played the role of growth engine of the village economy and a base of the Indian Rural Management System.
5. The self reliant economy was also significant as each village emerged as an independent single economic unit where the circulation of money used to happen within the same unit of the economy. It developed a well connected, inter dependent ecosystem of economic activities where roles of consumers and service providers changing with each others in variant economic activities.
6. It was a unit of economy where primary, secondary and tertiary sectors were prevailing successfully and the export were practiced only after fulfilling the local needs.

**Collapse of Balutedari and Labour Migration**

With time, waves of Modernization, Urbanisation and Industrialisation and abolition of the Balutedari system by Government of India by Act of 1958, the Balutedars were made free from
their family occupations. The Balutedars migrated to the nearby cities for better prospects. The Balutedars who left their traditional occupation had no other option other than either farming, work as farm labour or do heavy labour works in the cities. They had only the traditional skills, no modern education and their knowledge was in the regional language. There was no backup system for them to get absorbed in the modern economy or industrialisation. For example, the blacksmiths were not absorbed in the heavy engineering or the shoe makers could not entered in the shoe factories and same as Carpenters and Potters etc.

**Unserved BOP, Focus on Rural market**

The mass base farmers now became dependent on the nearby urban areas for their daily requirements and needs which was earlier fulfilled by the Balutedars. The independent and self reliant village economy collapsed and remained as an agricultural economy mostly dependent on the nearby urban areas for services and industry. This led to the rural-urban divide with economic disparities and inequalities of opportunities and employment.

Recent trends in marketing like rural marketing, agricultural marketing clearly indicate the diminishing self reliant village economies and rural BOP now waiting for services to be rendered by the urban big enterprises. Migration of population, migration of jobs and opportunities caused the migration of development, money and economy from villages to the cities.

However, well before the BOP concept was conceived, a Japanese company – Yakult Honsha Co Ltd – entered slum areas to “simultaneously realize corporate profits and social profits” in marketing its yoghurt-type drink to the poor. Another notable Japanese company whose business strategy is based on reaching out to the poor is Nippon Poly-Glu Co Ltd. Both reach out literally to their customers with locally-hired representatives (Review of Sugawara, H. (2010), Japanese business and poverty reduction). Shakti Ammas of HLL (Hindustan Lever Ltd.) in India are working on similar line of rural and urban household selling with the 36,000 Yakult ladies in 14 countries.
BOP and Emerging Economies

Evolution of the concept of BOP and Emerging Economies is on similar grounds - the need to target the business opportunities at the lower ends and not just to focus on the TOP (Top of the Pyramid) or the developed economies. Mostly the BOP consumers belong to the developing countries which are called as ‘Emerging Economies’. That is the reason why Prahalad says that ‘There is money at BOP.’ ‘If we take nine countries – China, India, Brazil, Mexico, Russia, Indonesia, Turkey, South Africa and Thailand – collectively they are home to 3 billion people (70% of the population of developing world). In PPP terms the group’s GDP s $12.5 trillion (90% of the developing world). Which is larger than the GDP of Japan, Germany, France, UK and Italy combined.’ (Prahalad, 2004) Prahalad in the interview ‘Across the Border’ with Vogi (2004) has explained further that, ‘My book is about a new world economic order in which there is an invisible market constituency of 5 billion people. It is invisible to us because of the way we've been socialized to think.’

The great Depression in USA in 1930’s has made the economy aware about the strength of the purchasing power of the BOP of the economy which was mainly constituted of the ‘forgotten men’ till now. This can be explained as the TOP spend large part of their expenses on luxury items which are completely avoided in the period of economic recessions and critical times. However, the BOP primarily spends on the basic needs and requirements which cannot be curbed even in bad economic times. The emerging economies like India and other countries showed this in the recession that struck post 2001, when many giant economies had shaken. The main reason of such inner strength is the purchasing power of the BOP who spends majorly on basic needs. A big part of BOP in India needs to earn to spend for their daily needs and they do not save or invest at all.

BOP and Prahalad

Almost a year after the demise of C K Prahalad we are looking at the new paradigm where he has established a direct relationship between poverty and profits. Prahalad has introduced the concept in the paper ‘Serving the World’s poor, Profitably’ published in Harvard Business
Review along with co-author Allen Hammond in September 2002. He clearly mentioned about the ‘untapped potential’ of ‘The World Pyramid’ and the need of reducing cost and innovations as the strategies to serve the bottom.

‘Strategies for the Bottom of the Economic Pyramid: India as a Source of Innovation’, a paper by C.K. Prahalad (2002) published in Reflections proposes the ideology of ‘the solution to the increasing divide between rich and poor throughout the world requires a significant shift in the mind-sets from poor as a problem and burden to poor as an opportunity, from poor as wards of the state to poor as an active market / consumers’ to create market by innovation.

The elements further elaborated in his book ‘The Fortune at the Bottom of the Pyramid’ in 2004 by saying ‘New and creative approaches are needed to convert poverty into an opportunity for all concerned. That is the challenge.’ He refers to those 4 billion people who live on less than $2 per day. With the dream that he mentioned in his Simple Proposition: ‘If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up’, Prahalad has few basic assumptions:

1. Poverty alleviation will become a business development task shared among the large private sector firms and local entrepreneurs.
2. The poor represent a ‘latent market’ for goods and services. Second, BOP as a market, provides a new growth opportunity for the private sector and a forum for innovations.
3. Third, BOP markets must become an integral part of the work of the private sector and they can not merely be relegated to the realm of corporate social responsibility (CSR) initiatives.
4. There is significant untapped opportunity for value creation (for BOP consumers, shareholders and employees) that is latent in the BOP market which was remained ‘invisible’ for too long.
5. From aid focused on large infrastructure projects and public spending on education and health, they are also moving toward a belief that private-sector involvement is a crucial ingredient to poverty alleviation.
The nature of the BOP market has also described in following ways by Prahalad:

1. There is money at BOP: This character of the BOP market opposes the dominant assumption that the poor have no purchasing power and therefore not represent a viable market. The aggregate purchasing power in developing countries where most of the BOP market exists as developing countries offer tremendous growth opportunities. The BOP market is huge: 4 to 5 billion underserved people and an economy of more than $13 trillion PPP.

2. Access to BOP Market. The dominant assumption is that distribution access to the BOP markets is very difficult and therefore represents a major impediment for the participation of large firms and MNCs. Urban areas are magnets for the poor.

3. BOP Markets are brand conscious. The dominant assumption is that poor are not brand-conscious. On the contrary they are very brand conscious and value conscious by necessity.

4. The BOP Market is connected. Now BOP consumers are getting connected and networked. They are rapidly exploiting the benefits of information networks.

5. BOP Consumers accept Advance Technology Readily. The spread of wireless devices, PC kiosks and personal digital assistants (PDAs) at the BOP has surprised managers and researchers.

With the above assumptions to tap the opportunity at BOP, Prahalad also suggested the way to grab the market by

1. Creating capacity to consume with ‘Single Serve’ revolution to sweep the BOP market by maintaining Affordability, Access and Availability.

2. Developing new goods and services suitable to the needs of BOP by product innovations and consumer education.

3. Accessing the remote areas by effective distributions

4. Decreasing the urban poor from paying a ‘poverty penalty’.
A set of 12 principles is identified as being at the core of a new philosophy of market development and entails fairly intuitive insights that involve form, functionality, scale, channels, and distribution costs like single serve packs ranging from price Rs 1 to 10 according to the products like shampoo, detergent, soaps, and biscuits for daily wage workers.

**BOP and critics after Prahalad**

The concept of BOP became a semi-theory. Though it became popular, it was criticised strongly by many economist and management researchers.

Aneel Karnani (April 2007) opposed the concept mainly on the ground that ‘the popular ‘bottom of the pyramid’ proposition argues that large companies can make a fortune by selling to poor people and simultaneously help eradicate poverty. At the same time, the private sector can play a key role in poverty alleviation by viewing the poor as producers, and emphasize buying from them, rather than selling to them.’ Karnani has categorised the BOP concept by Prahalad in 3 propositions.

1. There is much untapped purchasing power at the bottom of the pyramid. Private companies can make significant profits by selling to the poor.
2. By selling to the poor, private companies can bring prosperity to the poor, and thus can help eradicate poverty.
3. Large multinational companies (MNCs) should play the leading role in this process of selling to the poor.

‘Thus, Prahalad argues that selling to the poor can simultaneously be profitable and eradicate poverty. It is seductively appealing, but it is riddled with fallacies. There is little glory or fortune at the bottom of the pyramid – unfortunately, it is (almost) all a mirage. I will propose an alternative perspective on how the private sector can help alleviate poverty. Rather than viewing the poor primarily as consumers, an alternative approach is to focus on the poor as producers and to emphasize buying from the poor. The only way to alleviate poverty is to raise the real income of the poor.’ (Karnani, 2007)
Karnani also opposed the criterion of Prahalad as ‘earning $2 per day’ to define BOP and thus believes that ‘the BOP market is huge in terms of number of consumers, but small monetarily.’

While commenting, Karnani portrayed the concept as Harmless Illusion or Dangerous Delusion and elaborated that, ‘If a private company is motivated not by economic profits, but by social responsibility, then of course there are many opportunities for marketing to the poor.’ ‘The BOP proposition is based on a mirage. There is no fortune to be made by selling to the poor. Even if the BOP proposition is an illusion, we should perhaps try the solution given the high stakes involved. Or, is it true that the BOP proposition can hurt the very people it is trying to help? In that case the BOP proposition is actually a dangerous delusion. Which is it: a harmless illusion or a dangerous delusion?’ (Karnani, 2007, p.16)

**Real Needs and Surplus Needs**

Irrespective of all other discussions, poor need to spend more or less on the daily basic needs. The study on consumer behaviour on BOP by Subrahmanyan, S., Tomas Gomez-Arias, J. (2008) states the below statistics of the Categories of purchasing items and the percentage of total purchase:

- Food - 58 percent
- Energy - 9 percent
- Housing - 7 percent
- Transportation - 4 percent
- Health - 3 percent
- Information and Technology - 1 percent
- Water - 0.4 percent
- Other - 18 percent

They need to spend some optimum on the clothes, FMCG items and toiletries.

‘BOP consumers also seek items that may be considered luxury or non-essential. Some of these can be considered as occasional or festival purchases to satisfy traditional customs (e.g. silk sari for a wedding) and peer-pressure to save face. They may buy such products by reducing consumption of essential items, paying in installments or taking a loan.’ (Subrahmanyan and
Tomas Gomez-Arias, 2008) This generation and fulfilling of surplus needs also convert in need of ‘negative goods’ such as tobacco products and alcohol.

**Development of the BOP concept**

Abdul Kalam and S P Singh (2011) in the book ‘Target 3 Billion’ has proposed the model of PURA (Provision of Urban Amenities in Rural Areas) for Innovative Solutions towards Sustainable Development. Kalam targets these 3 billion people who live in villages ‘often in a condition of underutilization of talent and resources and of deprivation’ and thus believes that ‘India’s heart resides in its villages, and just like a doctor whose work begins with the diagnosis of the heartbeat, the planning and execution of any policy for the nation has to begin with the learning derived from its 600,000 villages.’ This focus from urban to rural is also another face of the BOP awareness of the economy (although not for profit but for sustainable development)

Along with Vision 2020 team Kalam see the dream of ‘transforming India into a developed nation implied that every citizen of the country live well above the poverty line; that education and health were of a high standard; national security was assured; and, above all, that there would be prosperity for all citizens.’ Development of skills and creation of employment are the means to pull them above the poverty line.

**Comparison of BOP and BPL**

The measurement of BOP by Prahalad was given as people living on $2 per day in 1990, which is equal to $3.10 in 2006 which will be equivalent to $3.5 in 2012. (which is equal to ₹ 175.96 if exchange rate of $ is taken as ₹ 50.277)

Poverty is widespread in India, with the nation estimated to have a third of the world's poor. According to a 2005 World Bank estimate, 41.6% of the total Indian population falls below the international poverty line of US$ 1.25 a day (PPP, in nominal terms ₹21.6 a day in urban areas and ₹14.3 in rural areas). According to 2010 data from the United Nations Development Programme, an estimated 37.2% of Indians live below the country's national poverty line. The Planning Commission of India has accepted the Tendulkar Committee report which says that 37% of people in India live below the poverty line (BPL). The Arjun Sengupta Report (from
National Commission for Enterprises in the Unorganised Sector), based on data between the period 1993-94 and 2004-05, states that 77% of Indians live on less than ₹20 a day (about $0.50 per day). As per recent estimates of poverty (although debate full till now) new estimates are calculated on the poverty line that averages Rs 672.8 per month (Rs 22.43 per day per person) in rural areas and Rs 859.6 per month (Rs 28.65 per day per person) in urban areas for 2009/10.

When we compare the international BOP line with the poverty line of Indian economy, we can see a big difference between them. Govt says 30% and free lance economists state 46% population is below poverty line in Indian economy, so we can safely take 35% people in India live below poverty line. It comes to around 50% to the total population of 1 billion as 500 million of Indians still lives on less than $1 per day as per Prahalad (2002).

Fig 1. Pyramid of The emerging market: India. Traditional and emerging focus

*Source: Strategies for the Bottom of the Economic Pyramid: India as a Source of Innovation C.K. Prahalad (2002)*
Challenges in serving BOP

In the country like India, with population of 1.21 billion as per 2011 census and area of 3,287,240 Km², 28 states and 6 union territories, about 5480 big and small cities / towns and 638,000 villages, serving BOP which constitute nearly 35% of the population, have many challenges to deal with.

When we look at the MNCs and big enterprises serving BOP it causes outflow of money out of BOP economy, to the aim of poverty alleviation has some challenges to deal with.

Economic challenges:

1. The traditional service rendering group migrated from their occupations.

2. The mass middle class consumers were left unserved for their needs and requirements as no local entrepreneurship developed as parallel to the village economy.

3. The local and small entrepreneur became weak as there are less economic opportunities left behind for them.

4. Surplus needs and wants created by the modern marketing system attracted the newly service class people which caused the outflow of money from BOP economy circle to the upper level of economy circles of the pyramid.

5. Consumers are happy to spend on the increased cost and standard of living rather than saving or investing for secured future.

6. If large firm want to serve the BOP with commitment of NGOs, they should be able to serve at minimum profits. But a big challenge in this mission for large firms is the cost of non value addition done by Advertising, Marketing channels and huge physical distribution network.

7. The products of large firms and MNCs are really of the basic need of the BOP? Are they addition value to their daily life, making them more compatible? Or just creating surplus needs and wants?
Geographical challenges:

1. The vast spread of the country like India is a challenge itself if a single company serves where the cost of transportation and physical distribution are the major constituents of the non value addition to the actual cost of the product. So at the end, the starting point producers are at minimum benefits and end customers too are paying maximum price.

2. Advertising becomes another non value addition due to the length and breadth of the country, e.g. which ultimately force the consumer to pay Rs 15 for a 300ml of soft drink bottle whose cost is less than a rupee.

3. When such non value additions exceed the cost of production, the strategy of serving BOP for poverty cannot be attained. Instead the local and small entrepreneurs if serve the local needs of BOP can put forward the best and optimum economic options and the generation of local job opportunities which will bring ‘WIN WIN’ within the circle of BOP economy.

What should serve BOP for poverty elimination thorough profits? (The Proposition)

The basic three elements proposed by Prahalad are:

1. Serving the Bottom of Pyramid
2. Eradication of Poverty
3. Earning profits

Majorly the critics questioned whether the aim of poverty alleviation (if not poverty eradication) possible if the BOP is served for products and services with profits? Hence the paper tries to figure out the conceptual characteristics of the economic activities where all three elements can be proved. The case study given at the end of paper puts some glimpse on the examples where all three elements of Prahalad’s dream are proved.

The proposition

Eradication of poverty is attainable only when profits are earned through selling the products and/or services -
‘To’ Bottom of Pyramid
‘For’ Bottom of Pyramid
‘By’ Bottom of Pyramid

Each element of the above hypothesis of the paper is elaborated for the conceptual clarity:

Eradication of poverty is attainable

Eradication of poverty means either raising the economic status of the consumer and which allows the consumers to add value to his life by consuming the product or the consumer is empowered so he can catch the economic opportunity or get better employment.

Only when profits are earned

We also assume the economic activities are conducted by the either no profit no loss (NPNL) or entrepreneurial profit intentions. So the paper includes only the economic transactions where the consumer pays for the products and services and the transactions which are based on donations, grants, aids either by government or private entities are not included in the paper.

Through Selling the products and/or services

We also assume that we are finding solution by selling process only. As the other economic transactions like buying, aids, sponsoring and supports by government are well identified vehicles for poverty elimination. But we are looking for the raising the economic status of the consumer by selling the products or services which will act as ‘tool’ for their economic empowerment or as a ‘fishing stick.’

‘To’ Bottom of Pyramid (WHO)

The consumer of bottom of pyramid is identified for its special needs which need to be fulfilled in affordable costs. This also requires a correct definition of the BOP.

‘For’ Bottom of Pyramid (WHAT) – Fish or Fishing Stick?

Profit is the main aim of any successful business entity. With the term success, is the social aim like ‘Poverty Elimination’ possible? Hence the identification of characteristics of products and
services which are ‘Real’ needs and requirements of the BOP are must. The real needs of BOP for poverty alleviation are not the products or services which can be purchased and just consumed. A relevant Indian story clearly shows the characteristics of the ‘Real’ needs of BOP. The story says, a benevolent king starts a ‘free meal home’ for the hungry, poor people in his kingdom but could see that neither the hunger nor the poverty is gone out from his kingdom. The King’s Guru advises him that the King should give the hands the work and not just food.

This relates the importance of the products and services of real need with the category of ‘fishing stick’ and characterised as below:

1. The products and services that can add value to life of the consumer and not just the cost of living.
2. The products and services that can empower the consumer economically to make them compatible to earn, financially sustainable and give them opportunity to work.
3. The products and services should be able to increase the skill and potential of the consumer either educationally, economically, health or socially so the consumer can convert opportunity of life to work, earn money, and become financially independent or progressive.

The Aravind Eye Care Hospital when performs cataract surgeries in year, it makes so many people competent to work by getting the healthy eyesight. Same as Jaiput Foot which makes the physically handicapped people movable so that they can work and earn. Effective use of microcredit in Bangladesh by Grameen Banks with initiatives of Mr Yusuf has proved that it makes the poor to rise from the poverty.

The marginal farmers in Kokan who have limited water resources when take help of banks for micro credits rather than taking loans from private money holder (at rate of interest of 120% per annum) and start some enterprising activities like poultry, micro entrepreneurial activities like flour mills, vehicle repairing station, juice centre they create earning opportunities for them without migrating to the nearby cities for low profile labour works at construction sites. The
school girl at Kokan if trained to ride bicycle can able to take education at nearby village. (Explained in the case study of Bhagirath)

The ‘Anaemia Reduction Program’ of Bhagirath is not directly selling anything to the BOP, but the program empowers the health of the rural woman so that her capability, physical ability and availability increases so that her illness or ill health does not become hurdle in her economic activities. So Bhagirath believes in serving the BOP for the basic ground health and not to sell any energy drink.

‘By’ Bottom of Pyramid (FROM WHOME)

The activity of selling such products and services should be done by the local, micro, small or large entrepreneurs. The consumers can prefer to buy from local entrepreneurs rather than large MNCs for many reasons:

1. Large MNCs who are involved in low end FMCG products, they eat the opportunities of local entrepreneurship
2. Local and national entrepreneurship are the engines of the development of national economy
3. Local entrepreneurship can also make the product / service available at lower cost and matching to the special local needs. Ex. Local products have low transport cost. A city with hard water needs a soap which can be used with hard water. A humid costal city may not need glycerine soap even in winter and the consumers may prefer different odours in soaps.
4. FMCG products like toiletries, body care, hygiene products, food products like spices, grain flours, biscuits and other good, beverage and agricultural products can be manufactured and sold by local entrepreneurs as they will understand the local need and can serve as per the specific orders.
5. Economic Independence to stop Future Wealth Drain: If the BOP is served by BOP there will be no outflow of money and this will maintain the money within the circles of BOP economy. Every single business starts; it gives birth to the ecosystem of economic activities, employment. It helps to develop the economy within which is the true face of
economic advancement. An air conditioned hyper market, full of branded MNC products and all BOP consumers buying them with no local / national (Swadeshi) option for products and services brings a threat of another wealth drain.

6. In modern economy, a unit of economy is not the city or village. So we anticipate the layers of the pyramid should be self sufficient economic units which can maintain the flow of money within the different levels of pyramid. ‘But if large firms and MNCs focus on BOP, as Karnani said (2007, p.) they will only focus the well payers from BOP or upper cream of BOP. Which will diminish the local entrepreneurship on one side and so there will be no other option in the market for the lower BOP with low purchasing power to either purchase or not.’

With decline of Balutedari the skilled people were migrated from the traditional occupation and the mass consumer remained unserved. Hence the big unserved BOP was easily targeted by MNCs by aggressive marketing, fascinating products. The marketing strategies adopted by MNCs for FMCG for BOP were of ‘single serve’ packs, like products from Rs 1 to 10. This suddenly generated the surplus needs of services and gave opportunity to increase the facet of the life standard to the consumers with big cost. When MNCs or large enterprises serve the BOP, the money starts flowing from BOP to TOP on one hand and on other hand it swallows the entrepreneurial opportunities at BOP level and left the BOP unemployed. This upward flow of money, opportunities, business from BOP to TOP is a key factor. The current marketing trends which show the growing interest in serving BOP and which are boosting with new strategies of Agricultural marketing and Rural marketing will geared the outflow of money from BOP economy making the pyramid wider and flatter.

We also assume that MNCs serving BOP with profits will not alleviate poverty but cause the exploitation, “holding the poor consumer’s nominal income constant, the only way he can purchase the newly available product is to divert expenditure from some other product.” (Karnani, 2007, p.17) Are we asking to divert the expenditure on food, health or education to Television, Electronic Appliances or cosmetic products? If they shall not, do they have spare money? If they have, shall they not increase the expenditure on education, health or to save or invest to secure the future? “A poor person is far more constrained by lack of income than by lack of variety of goods and services offered in the market” (Karnani, 2007, p.17). The more the
income is diverted to surplus needs from the basic productive needs of the BOP, the less will be their productive life span leading to poverty in long run.

When BOP starts serving BOP it creates the ecosystem of economical activities and such interdependent web of economy help to evolve an independent and self reliant local economy. The flour mill owner supplies the wheat flour to the garage man, the servicing centre owner washes and repairs the vehicle of the tailor; the tailor stitches clothes of the juice centre owner, the juice centre owner supplies to the poultry man, who supplies eggs to the mill owner and so on. The local needs are fulfilled locally and the money retains locally. The wealth is not drained out of the local circle of economy.

Prahalad (2004) proposed to look at the BOP as consumer in his model and Karnani (2007) proposed to look at the BOP as producers. Both propositions when balanced and reversed in the role within the BOP economy will have an impressive effect.

We can see this effect in the cases of Bhagirath initiatives on micro levels and in the case of AMUL (acronym for Anand Milk-producer’s Union Limited) which is the largest dairy co-operative in India. Asthana (2012) referred that ‘Amul is collectively owned by 3.03 million milk producers of 15712 village level cooperative societies of Gujarat.’ The above model of serving BOP by selling products and services to BOP, by BOP and for BOP (fishing sticks) has a proven efficient example in form of co-operatives. The birth of Amul at Anand provided the impetus to the Cooperative Dairy Movement in India and now Amul is not just an international brand but it is a ‘Movement’.

Case Study of Bhagirath Village Development Program

Bhagirath Gramvikas Pratishthan (means Bhagirath Village Development Project, abbreviated as BGP) is based at Zarap, Kudal Taluk, District Sindhudurga, Maharashtra. (Regi no F/2174/Sindhudurga)

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Mission

A one line mission of BGP is “Self Reliant Village by People’s Participation”. BGP states that “All of us are dreaming of India becoming a super power by 2020. The dazzling materialistic progress in the Metros and cities, the rapid strides out laboratories and IIT’s taking in science and technology are strengthening this dream. At the same time, we find a large section of rural youth with inadequate education, lacking vocational skills & apathy in taking over the traditional family vocation (farming, cattle breeding etc). Do they have a place in this grand scheme of ‘Super Power India’? The real question is whether these beaten up, weary bearers can carry India’s palanquin to its super-powerdom?

History

The founders of BGP are Dr Prasad Deodhar and Dr Mrs Harshada Deodhar. When the couple started the medical practice in their native place Zarap in 2000, they realized that the farmers of
Kokan are very poor. Poverty gives rise to many other social and economical issues. The need was not just to give medicine to the physical ill health but to support them to stand on their own so the social and economical ill health can be cured. The couple started to find out the problems and solutions of the area. One of which was appallingly negative attitude towards farming. It was hard to digest for one that being such a high potential agrarian economy and the farmers are swapping occupation for mere 3000/- job. They decided to deal the problem of farmer migration to cities that would help an individual to earn handsome money using the available resources. And since then (from 2002) the activity started with the foundation of "Bhagirath Gram Vikas Pratisthan".

BGP established a specific model of work (modus operandi) and started its contribution with Biogas Plants, later other projects like Poultry, Goat rearing, Solar lamps, women self help groups (SHG) and initiatives like ‘Ande ka Fanda’ (a fundamental of an egg), School campus development, bicycle training, micro financing & credit cards and watershed SHG. Let us see the details of the projects one by one.
Biogas: A dream of Fumeless village

Dr Prasad Deodhar believes that woman is and should be the point of focus if we expect a sustainable development in villages. She is the backbone of rural farmer family and rural agrarian economy. If this BOP is targeted and her life is made easy we can think for village development. “Biogas is a good medium to contact and communicate with rural women. Biogas has all other proven advantages but the most important benefit is that it can save hard work, efforts, time and resources of a rural woman.” Till March 2012, the organization has constructed around 1500 biogas plants. More than 80 masons are trained for biogas construction. For smooth maintenance and usage the organization has developed the instruction manual in local language for biogas users with practical tips in simple form and started helpline service for biogas users.

Biogas activity is an eco-chain activity and adds value to all chains of it. Below are the socio-economic benefits of the biogas:

1. It gives economic benefits to mason who constructs it (Rs 3500 per plant).
2. It has created the investment in villages worth Rs 1,50,00,000 (1500X10,000).
3. It gives the most valuable by product the fertile slurry, which is used for the preparation of compost fertilizer which is rich organic manure. Each plant produces around 1500 to 2000 Kg of organic manure each year. The organic manure is sold at Rs 3 per Kg as a
notional price on spot. This means in all 30,00,000 Kg (2000X1500) of organic manure is produced which costs Rs 90,00,000 per year.

4. It also saves the time of the woman in the family which was earlier wasted in collection of fire wood (1 hours), cooking time on single traditional fire stove (2 hours), the cleaning of the blacken vessels (1 hour), total 6 hours per day.

5. Biogas stove gives the blue flame which is fumeless and does not give ash on burning like the coal or wood. So it also takes care of the health of the lady who cooks.

6. The space at the backyard of the house which was preoccupied by fire wood is now vacant and can be used for poultry or goat farming.

7. The farmers get Bank Loan to construct Biogas, once they pay back the loan amount, they are included in the formal Financial System with a Financial Credibility of Rs 15,000 (out of Money Lender’s clutches). The Financial Inclusion helps them to raise money in the form of Bank Loans to start up allied business activity.

Mr Madhusudan Kande at Humras, Kudal Taluk has a successful working biogas plant and small scale poultry with 500 birds at home in the space which was previously occupied by fire wood. Now he sells the poultry feed to the nearby villages too. The biogas plant is successfully working on just the poultry waste as the input to the biogas plant.

**Poultry**

A Unique experiment was done by Bhagirath team, Normally Poultry farm requires a large space and a big set up. Team had tried, tested and came up with a solution. Setting up a poultry shade in the back yard of own house, rearing the local breed of hens which would require less investment and get easy market. Systematic training is provided to the individuals along with support and guidance which keeps them at par. A Proper design has been framed to maintain the hygiene in the surroundings. One unit can produce approximate Rs One hundred thousand per annum, till date more than 50 such units have been set up by the organization.

With the additional space at home and spare time due to biogas implementation, rural women are promoted to be involved in backyard poultry for additional income source. The organization has developed the training program for poultry activity. So far 600 farmers / villagers are trained and around 150 have started the backyard poultries ranging from 20 to 1000 birds. 75 farmers have
got credit cards on this economic activity. With an average of 500 birds a poultry does a turnover of Rs 1,00,000 and gets profit of Rs 30,000 per year. Last year (2011) the poultry owners sold more than 70,000 birds with total value of Rs 1,20,00,000 with an average weight of 1.5 Kg and average value of Rs 120 per Kg. The waste in backyard poultry is also used in biogas or acts as a rich manure and gives added benefit.

The eco chain of poultry also creates job opportunities for local carpenters, hardware, medical stores and poultry feed shops.

‘Ande ka Funda’

Health of the school going child is the key factor for the family and its future. When the question is asked, “What you had in the breakfast”? The usual answer from the villages the workers got was ‘Tea and Toast’ (roasted bread). And this is mainly based on the availability of the food and not the nutrient value of the food. This has made BGP to understand the severity of the problem of the health and nourishment of the rural child. BGP then worked with a NABARD sponsored project of village development and gave 2 hens per school child in the 5th standard of the school at Humras in Kudal Taluk. A hen can give 100 eggs per year so 2 hen giving 200 eggs in a year can be used for eating and selling as per plan. Consumption of an egg on alternate day gives the child the required calories and nourishment.

Such value addition on the asset of 2 hens is crucial and very important for the rural family. This micro poultry is managed by the school going child and can be maintained in the backyard of the house with no additional expenditure.

**Health - Balanced Diet for a Family:**

In order to ensure a balance diet for rural family, BGP facilitates the families for plantation of various plants of nutritional requirements such as Lime, Drumsticks and Turmeric in the backyard of any house to ensure a long run supply for the family at no cost.
Anaemia Hatao’ - Anaemia Reduction Program for Women and school going girls

Rural women are more prone to Anaemia. Regular Haemoglobin test is done for the women. Also, medical surveys are conducted on a regular interval for anaemic symptoms. Health profile is maintained and categorized accordingly, monitoring and timely medical intervention helps maintaining good health.

This program is conducted for last 8 years. The village is selected and camp activities are conducted for 6 months. Dr Harshada Deodhar says that “35 to 40 Kg of body weight and a thin body is a common feature of an adult Konkani woman. 80% of the women are anaemic. Other serious Gynaecological diseases are taken care by the hospitals and the families. But Anaemia is basic reason of many health issues. Life of a Konkani woman is tough and she needs to be fit for it. We believe in long term and sustainable work. The fight against anaemia cannot be won by delivering a lecture and supply of iron tablets for a month.”

The small villages nearby do not have pathological lab facility. They have to travel till Kudal which is a taluka place which involves transportation cost as well.

So the organization has developed a program for anaemia reduction. They have identified 10 symptoms of anaemia (hyper breathing, sweating, palpitation, cramps, numbness, oedema etc) in increasing order of severity. The women at camp are asked to mark the observed symptoms for them and this is how the anaemia severity is ranked for the woman. This is done without HB checking at pathology centre and done only with the awareness session at the camp. Dr Harshada is the chief of this program and she monitors this ranking closely and effectively. The knowledge and experience of medical practice has helped the organization to evolve such a measuring technique which does not deal with actual pathological procedure but still gives us tangible and quantitative results which are measured and ranked easily.

The woman with 3/10 score is mild and woman with 7/10 score is severe anemic. Once the anaemia is measured for the village, the organization conducts 6 lectures in 6 months. They talk about the balanced diet and the food which supplies iron in daily meals. Apple is still a luxury fruit for poor rural people. The team also makes the women aware about the easily available food
which can be served as best option like banana, sapota, curry leaves, ragi etc. Roti if baked on iron pan it also supplies enough iron. The organization also gifts 5 plants to each woman in the camp. 500 gm turmeric seeds, 500 gm Spinach seeds, Curry leaves, lemon, drum sticks, papaya and sapota.

The organization has conducted 8 camps in last 8 years in different villages and covered 350 women so far.

**Solar Lamps**

Solar lamps are sold, gifted and made available on concession to the villagers who don’t have the electricity at home. In all 650 school going children are using the solar lamps in the district. The students are happy as they can now study more which raise the success rate in the education.

**School Campus Development**

Gram Panchayat school at Humras in Taluk Kudal has 12 coconut trees in the school campus. The organization has worked on a small idea. They put a water tap at the base of each tree and each standard of the school has adopted a tree for watering. The only thing the students need to do was to use the water tap of the tree which was allotted to them. This served the watering need of the tree. And now the trees are grown and independently take the responsibility of the expenditure of the ‘Food scheme’ of the school children. A full grown coconut tree gives income of Rs 7000 per year.
Bicycle Training

The team has identified that there is no discrimination for girl education. The parents like to send their daughters to school at least till class 10 if the village has school. But many villages have school only till class 7. The geography of Konkan is difficult for easy transportation and so girls can’t travel far for schooling if public bus service is not there. The organization has found a solution on this problem and started a bicycle training program for girls. The ratio in school going boys who know cycling is 70% and girls is 30%. The organization has targeted 20 schools and 50 boys and girls from each school in last 3 years. Once the girl can drive bicycle the organization supports the parents to purchase the cycle on loan with the help of Saraswat Bank on easy instalments of Rs 100 per month.

Micro Credits

Kokan has specific farming pattern. Only rice is grown on the monsoon rain and the available water sources for the 6 months in a year. Traditionally the farmer works in big villages or cities in the period of unemployment. There are no local industries or other work opportunities. Looking at the economic pattern, Bhagirath encouraged the farmers for some economic activities and also supported the farmers to get micro credits from the local banks and to start economic activities. Such marginal financial help brings them the status of employment and gives them opportunity to work.
The farmers at Kokan are low educated and they have a phobia for Bank procedures, forms and loan formalities. They don’t prefer to go to banks for loans. And they are quite comfortable to approach the private money lenders even at the high rate of interest (which is 10% per month). They are happy to take loans from money lenders because they give them cash as and when needed, with no lengthy procedures. And once they are trapped they don’t have access to escape. Bhagirath with repetitive and continuous visits educated them and made them aware of safe banking procedures. The organization also helps the farmers to visit the banks and complete the banking procedures. There are many farmers in the district who now take loans from banks and raise their economic status successfully.

Mr Raghunath Shivaram Mestri (Padelkar) who lives in Akeri, Taluk Kudal, is educated only till Std 8 and is a farmer and carpenter by profession, took Rs 24000 loan on his Kisan Credit Card on 4 % interest and Bhagirath also supported him for lending Rs 20,000 so that he purchased a Lathe Machine and Electronic Wood working Machine (Randha). He says that now he can work 10 times faster with the machine and can employ 2 workers at his work. Few years ago he was alcoholic but he says, “Now I don’t drink. Now I m so busy that I don’t have time to drink. I have good amount of work that keeps us (me, my son and 2 workers) busy.” Padelkar has returned the loan from bank and Bhagirath in 4 years. His unit also provides service to other carpenters in the nearby villages.

Another landless farmer Babu Khan at Zarap, Taluk Kudal, who used to work at other’s garage for 10 years, now started his own motor garage from last 4 years. He took a loan of Rs 1.9 Lakh from District Industrial Center and got the subsidy of Rs 70,000 with which he started his own servicing center and spare parts center for 2 wheelers and auto rickshaws. He says, “This service center is the only center in the nearby 10 villages. Only Zarap has 300 families and 2800 population with around 100 two wheelers and 15 auto - rickshaws. Previously I used to earn only Rs 50 per day by repairing two wheelers and working on punctures. Now with added activities of servicing and spare parts business I can earn Rs 500 daily. Repayment of the loan is not a challenge now for me. Only Rs 70,000 is to be paid back and I can repay it in the period of 2/3 years.” This happiness and assurity of Babu Khan has come from the credit he has taken for his business expansion. He says Bhagirath reviews our work and gives written identity on the
letterhead of the Organisation which is used as ‘Letter of Assurance’ by the banks while approving any loan.

Bashir Khan who is an elder brother of Babu lives in Zarap, does the business of beetle leaves from last 16/17 years. He used to travel by public bus or auto rickshaw on rent to supply and sell at the nearby villages and the weekly bazaars. But he faced many problems and irregular availability of the rented vehicles. He took a loan of Rs 25000 against his credit card and purchased a second hand auto rickshaw. He could repay the loan in 6 months. Now he is also happy as he has his own assured transport vehicle for his business and can now supply beetle leaves to many distant villages too. He does his beetle leaves business in the morning and drives auto rickshaw in the noon. Underemployment taken care of, and now he generates additional income!

Mr Shashikant Shete from Zarap borrowed Rs 5000 from Bhagirath and started a sugarcane juice center on the highway. Zarap is the small village on the Mubai Goa Highway. As like other Konkani farmers he takes the rice crop for 6 months of the year and runs the juice center for the rest of the year. He can sell the cashew, mangoes, Kokam and other local fruits on the same counter. Now he does not need to go out of his village for work. He also grows the vegetables and oil seed in the field in the non farming period. He is happy with his juice center as he does business of half a ton of sugarcane per week.

Looking at the different projects of the Bhagirath, we can state that such activities are significant and they contributed in following ways:

1. It pushes the low educated farmer from private money lender to the local co-operative banks and nationalized banking network – Financial Inclusion of the BOP
2. Marginal financial support and micro credits help them to come out of status of unemployment / underemployment and to grab many micro or small economic activities by economic empowerment.
3. Programs like Biogas, poultry help the farmers to be economically independent.
4. Such program also increases the process of ‘Buying from the BOP’ and hence they are directly working towards poverty reduction of the BOP.
5. Anaemia Reduction Program, ‘Ande Ka Fanda’ are such programs which empower the children and women on health issues and assure them the healthy body to live the life and grab opportunities.

6. Programs like bicycle training and solar lamps give the opportunity of education to the under privileged children, helps to increase the schooling years and higher education opportunity. This helps them to increase the earning potential throughout the life which ultimately works toward the overall empowerment of the BOP.

7. All the programs keep the BOP available and fit and healthy to work, to remove the non value add activities in the form of time and efforts to increase their efficiency. And at one point of time this non value removing activity of BOP is conducted by other part of BOP and becomes a value adding activity of it. This also promotes the circulation of money within the BOP.

Attempts to serve BOP will come true only if ‘fishing sticks’ are given to them to create employment.

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