

## BOP theory in an emerging market economy: India under the microscope

Gouher Ahmed

Manoj Kumar

*Skyline University College, Sharjah, UAE*

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### Keywords

BOP Business, Corporate Social Responsibility, Poverty, Emerging Market Economy.

### Abstract

*Poverty is a universal phenomenon which does not go well with the progressive 21<sup>st</sup> century and hence the worldwide efforts to overcome the problem. At the beginning of the 21<sup>st</sup> century (2002), the late professor C.K. Prahalad had propounded a path breaking theory of poverty alleviation called the bottom of the pyramid business theory, which is not only making MNCs investments (FDI) in underdeveloped countries and promoting their growth and employment generation and increase in incomes and thereby consumption and expenditure but also producing goods and services needed by the poor households at the bottom of the economic and business pyramid. The paper is devoted to the consideration of the theory in the emerging market economy of India where poverty is a biggest problem and the situation is not found significant for the BOP business. Can there be a market solution to it?*

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### Introduction

Today a quarter of the developing world is held to live in extreme poverty, with the number of hungry people having passed above billion mark in the year (2010) for the first time in history. With so many still in poverty and hunger, growth and poverty alleviation is a rising issue for developing countries like India and others. Climate change only makes the challenge more complicated. First, the impacts of a changing climate are already being felt by many, with more droughts, more floods, more strong storms, and more heat waves-taxing individuals, firms, and governments, drawing resources away from development. Second, continuing climate change, at current rates, will pose increasingly severe challenges to development (World Bank, 2010).

According to the World Bank (World Bank, 2011), three pathways are important for inclusive growth and poverty reduction harnessing the potential of urban growth to stimulate rural-based poverty reduction, rural diversification away from agriculture, and tackling social exclusion. The urban growth, which has increasingly outpaced growth in rural areas, has helped to reduce poverty for urban residents directly. In addition, evidence appears of a much stronger link from urban economic growth to rural poverty reduction. Stronger links with rural poverty are due to a more integrated economy. Urban areas are a demand hub for rural producers, as well as a source of employment for the rural labor force. They are aiding the transformation of the rural economy out of agriculture. In urban areas, it is small and medium-size towns, rather than large cities, that appear to demonstrate the strongest urban-rural growth links. Urban growth also stimulates rural-urban migration. But although some increase in such migration has occurred over time, migration levels in India remain relatively low compared to other countries.

The past two and a half decade have witnessed unprecedented changes around the world, many of them for the better. Across the continents, many countries including India have embarked on a path of international integration, economic reform, technological modernization,

and democratic participation. As a result, economies that had been stagnant for decades are growing, people whose families had suffered deprivation for generations are escaping poverty, and hundreds of millions are enjoying the benefits of improved living standards and scientific and cultural sharing across nations (World Bank, 2013). The greatest gains in poverty reduction have been in East Asia and progress had been slow in Sub-Saharan Africa, Latin America and South Asia (The Global Poverty Report, 2000).

Poverty in India, is acknowledged to be number one problem (Ahmed, 2012a, b) & (Dubash, 2012). The nations populations is a formidable 1.2 billion of which nearly one-third are counted as poor which is a huge population number of upwards 300m India is number one in terms of the Number of poverty - stricken people in the world, containing about one-third of the poverty afflicted population in the world, in spite of 'P' defined in bare subsistence terms. India's poverty line is a poor about 0.5 USD a day, per capita. Meanwhile, India's growth slowed to 5 per cent in year 2012-13 which is going back to the slow growth era of the 20<sup>th</sup> century and this strain is appreciated to continue to all the clouds of the global financial crisis of 2008 (Ahmed: 2013a).

Apart from growth, there are poverty solving programs like Mahatma Gandhi National Rural Employment Guarantee Act, MGNREGA (2006). There are efforts at attracting more FDI into the country. Can Prof. Prahalad's BOP- Business Theory of poverty eradication be of help to India? This question addressed by this paper, with the following (Os) objectives & methodology (M) and Data (D).

#### **Os & M**

- i. to take a view of Prof. Prahalad's Bottom of the Pyramid (BOP) paradigm, overall or in general;
- ii. to examine Indian poverty, economic and business conditions;
- iii. to examine the application and the applicability of the theory in the context of the Indian Business conditions;
- iv. To draw meaningful policy conclusions and recommendations.

The method of analysis or the methodology of the study consists of drawing an economic portrait of the poor and see how best they can be provided with their requirements, then to see the business constituency and see whether it is made up of the poor people and how they are being catered to. Then it is to draw a business plan of action for the poor and see the viability of it and its applications if any for the purpose of the poor and its prospects in the short-to-long-run and the business and marketing strategies required for the purpose. The BOP theory is to be seen from the Indian background and MNCs motives.

The famous proclamation of Adam Smith, the founder of economic or business theory, is that the business people profits render their services (1776) and according to Prahalad BOP business meets the profit criterion.

India stands on a different footing from the other developing or underdeveloped countries in terms of population, political pulls and pressure sensitive's, etc., against which the BOP theory is proposed to be examined. For example, FDI and MNCs an important role in Prof. Prahalad's theory, but in India it appears to be quite a sensitive issue. And there is also a feeling which is often heard from the highest Government of India, GOI quarters like the Prime Minister, Finance Minister, Deputy Chairman, Planning Commission, etc., that in India economic reforms are not yet fully blown. BOP theory appears to take full globalization of an economy, wherein there are no bars and restrictions against Foreign Direct Investment (FDI) & Multinational Corporations (MNCs), which too address themselves to the serious problem of

poverty. The Data for the study are poverty-lines and numbers, FDI flows, MNCs and their poverty deals, if any, and other relevant data.

### **The BOP Theory/ Model**

Prof. Prahalad's Theory appears to cast big business in a different mold in the 21<sup>st</sup> century. By now, the BOP model is quite a well-known and familiar economic or business model, first stated in the pages of the famous *Harvard Business Review* (HBR) (Prahalad & Hammond: 2002), (Prahalad, 2005) at the beginning of a new century (21) and new millennium (3), when poverty was felt to be still an acute problems that remained to be extinguished, for which Prahalad-Hammond draw a plan and propound a theory, which has the prospect of greatly diminishing the problem of poverty in the coming 15 years or so. Prof. Prahalad's is poverty reduction through big business actions, especially of MNCs. Poverty eradication reduction is among the UNO-MDGs- United Nations Millennium Development Goals.

"Driven by private investment and widespread entrepreneurial activity, the economies of developing regions grow vigorously, creating jobs and wealth and bringing hundreds of millions of new consumers into the global marketplace every year. China, India, Brazil and gradually South Africa become new engine of growth, promoting prosperity around the world. The resulting decrease in poverty produce a range of social benefits, helping to stabilize many developing regions and reduce civil and cross-border conflicts. The threat of terrorism and war reduces. Multinational companies expand rapidly in an era of intense innovation and competition" (Prahalad & Hammond, 2002: P.48). There is a big market, a great scope for business and ample profits for MNCs at the bottom of the eco-pyramid, whose number is more than 1000m, 500m in India alone. There are good profits at in BOP.

It appears to be a market solution to the formidable problem of poverty, more formidable in India and for which state-solutions are applied, at an enormous cost to the exchequer, and it is too well known how the governments all over are crumbling under the weight of welfare and poverty eradication measures. Greece, for example, is facing a riotous situation. And, India, in the case is in a very unenviable position, with the expected food security measure for some two-third of the population is expected to hit Rs.1 lakh crore and more per annum. As against this, Prof. Prahalad's solution and self-dependent seems a democratic, discarding the for-ever 'dependence' syndrome of the poor. The under-privileged need to come into their own with dignity and self-respect, as envisaged by the Father of the Nation of India, Mahatma Gandhi. Prof. Prahalad's seems a very democratic, economical and business model of poverty eradication and a market solution to the over-riding problem of poverty. It is for the big business to take up the challenge and rise to the occasion and redeem itself, in the service of the poor hailed by Mahatma Gandhi. There needs to be a poverty eradication angle to MNCs in the developing countries. It is profits with service, a social service. Even otherwise, business must have social commitment, both for their own and social good. Prahalad's is a new business view, which takes business is near to the people. With rampant Poverty, no business can feel at home in any economic environment.

Prof. Prahalad draws a poverty eradication road-map for MNCs. "By stimulating commerce and development at the bottom of the economic pyramid, MNCs could radically improve the lives of billions of people and help bring into being a more stable, less dangerous world. Achieving this good does not require multinationals to spearhead global social development initiatives for charitable purposes. They need only act in their own self-interest. For there are enormous business benefits to be gained by entering developing markets. In fact, many innovative companies entrepreneurial outfits and large, established companies alike-are

already serving the world's poor in ways that generate strong revenues, lead to greater operating efficiencies and uncover new sources of innovation. For these companies-and those that follow their lead-building businesses aimed at the bottom of the pyramid promises to provide important competitive advantages as the twenty-first century unfolds" (Prahalad & Hammond, 2002: p.48).

There are two routes to the bottom of the pyramid business. One, investment, growth, employment, income, consumption and poverty reduction, at the aggregate, macro or national level through FDI and MNCs standing for enormous capital resources, technical power, entrepreneurial abilities and management capabilities. The second and the other route is providing of goods and services of common man's consumption, dispelling the notion that the poor people, say, live by bread alone. It is unfortunate that poverty in India is measured in terms of some minimum calories of food consumption of 2200 Calories, which is just a subsistence measure of poverty which is not fair, and wise intended to be taken care by (NREGA) National Rural Employment Guarantee Act (2005) of 100 days of employment at some Rs. 100 wage giving a poverty eradication formula of  $100 \times 100 = \text{Rs. } 10000$ , giving a subsistence level of living. But, Prahalad's roaster of consumption for the poor extends not only to the bare necessities of life but also some small pleasure of life, like even ice creams. It is a humanistic approach to poverty eradication. Prof. Prahalad placing forward, a forceful care of the poverty stricken people, with a special reference to India.

"It's incorrect to assume that the poor are too unconcerned with fulfilling their basic needs to "waste" money on nonessential goods. In fact, the poor often do buy "Luxury" items. In the Mumbai shantytown of Dharavi, for example, 85 per cent of households own a television set, 75 per cent own a pressure cooker and a mixer, 50 per cent own a gas stove, and 21 per cent have telephones" (Prahalad-Hammond: 2002, p.50).

Prahalad-Hammond also dispel the notion that the have-nots preference is only shoddy goods and services. "Another big misrepresentation about developing markets is that the goods sold there are incredibly cheap and, hence, there's no room for a new competitor to come and turn a profit. In reality, consumers at the bottom of the pyramid pay much higher prices for most things than middle-class consumers do, means that there's a real opportunity for companies, particularly big corporations with economies of scale and efficient supply chains, to capture market share by offering higher quality goods at lower prices while maintaining attractive margins" (Prahalad-Hammond 2002: p.50). There won't be any marketing problem too. Far more, with its, formidable number of consumers and rising levels of income under MNCs FDIs and all that, BOP market is the market of the future. Not the least, there are, according to the BOP testament, visible signs of the MNC interest and involvement at the BOP, as, say, by Unilever's Hindustan lever in India introducing a 'real' candy for the have-nots at penny a piece. Meaning, the big BOP can no longer be ignored and overlooked. In the 21<sup>st</sup> century, there is a worldwide concern for eradication of poverty all over the world.

Needless to say, the BOP manifesto or testament of the poor is so refreshingly new, enabling, innovative and pragmatic and seems a breakthrough in poverty planning and eradication, Growth through FDI and MNCs appears crucial to the theory, as underdevelopment and poverty go together. But, a breakthrough growth or a take-off one which overwhelms all forces of anti-growth and poverty needs to be worked out very carefully by weighing environmental, human, animal, water, land, rainfall, irrigation, pollution etc., factors, i.e., a 'new' and overpowering rate of growth. The costs of it should not be greater than its returns of course, the BOP does not talk of any specific rate of growth. It should be poverty

reducing. It needs to be environmental friendly, green and pro-poor, poverty reduction should be an angle of it. Growth should be of least costs and high returns.

### **The Indian Context**

The main question addressed in this note is how does the BOP theory stand in relation to India? India looms large in Prahalad's theory. The country has formidable poverty numbers, urban and rural, seemingly undiminishing and the debate and controversy goes, unendingly, about the measures of poverty and appropriate poverty lines-rural, urban and combine or total. As it is, there are Schedule Casts (SC) & Schedule Tribe (ST) dimensions to poverty, the two classes treated as belonging to the lowest category of the poor. To gain a political mileage, religious dimensions are also added, thus dividing the poor on so many grounds and perhaps setting them against one another.

The poverty issue is huge and complicated in India, extending to 29 states and 8 Union territories (UTs) each with characteristics of its own with varying levels of development and poverty.

Poverty according to Mahatma Gandhi the Father of the Indian Nation, who had utmost concern for the poor people of India, has to be tackled at the grass roots/village through comprehensive village development, including the village /rural economy (Gandhi, 1947). As against this, it is the centrally directed growth, which is a per annum increase ( $\uparrow$ ) in GDP or national income by a good percentage of which is held to be the means to end poverty over a long period of time by the modern theory of economic development (Nurske, 1971) which is the main focus of India's Five Year Plans. First-Twelfth Government of India (2012). It is on a higher growth rate of some 8-10 per cent over a long period of time, economic salvation of the nation, in abiding of poverty. Meanwhile, there are able India measure of employment guarantee and food security far more are continuous government efforts at estimating poverty, since the first estimates of poverty in India by (Dandekar-Rath, 1970) who had put poverty at some 2250 calories of food consumption per day by person at a cost of Rs. 15 and Rs. 20, respectively in the rural and urban areas of country per month. There are attempts a new at studying poverty by the new central government which came to power in mid-2014 of NDA- National Democratic Alliance (Sharma, 2015). The NDA Government has changed even the name of the historic Planning Commission to as National Institution for Transforming India (NITI Ayog), which is an uncalled change.

India, for quite some time, since the 1990s, has been in a state of economic reforms and market driven economic growth for a higher and inclusive growth, with a focus in FDI and MNCs, which now joined by the new government policy of 'Make in India' (Banerjee 2009); (Bhagwati, 2004); (Dutt, 2008); (Jose, 2008); (Government of India, 2008). It is a market driven growth policy. And the markets, it needs no saying, aim at a maximum investment, growth and profits, especially MNCs and other big firms. It is a market driven growth. The growing middle class is the main story of this new higher growth rate, marked by consumerism.

It is an age of free-market economic philosophy, practices and policies as originally propounded by the father of the laissez-faire economy and economic & business science Adam Smith way back in the last quarter of the 18<sup>th</sup> century (1776) A higher inclusive rate of growth is seen to be a sure remedy for poverty through more jobs and higher incomes and more funds to the Government for welfare programs (Ahulwalia, 2011). The strategy is to be continued in the twelfth five year plan too (2012-17) (The Financial Express, 2011).

### **Reforms Growth and Poverty**

FDI, it is not difficult to envisage, is the main plank of economic reforms (ERs), the investment needs of the Indian economy well imaginably being enormous from infrastructure to, say, retail trade, and the targeted growth rate is 9 per cent (T-9) (The Hindu, 2011). The new economic regime is a generation old (1991-2011) and new growth is found to be a take-off from the proverbial growth rate of the country of some 3-5 per cent, prior to the ERs. (Ahmed, 2008 & 2009).

**Table 1: India's Growth Rate-Reform Period (%age per annum)**

| Sectors      | 8 <sup>th</sup> Plan<br>(1992-96) | 9 <sup>th</sup> Plan<br>(1997-2001) | 10 <sup>th</sup> Plan<br>(2002-2006) | 11 <sup>th</sup> Plan<br>(2007-11) |
|--------------|-----------------------------------|-------------------------------------|--------------------------------------|------------------------------------|
| Agriculture  | 4.72                              | 2.44                                | 2.30                                 | 4.0                                |
| Industry     | 7.29                              | 4.29                                | 9.17                                 | 10-11                              |
| Services     | 7.28                              | 7.87                                | 9.30                                 | 9-11                               |
| <b>Total</b> | 6.54                              | 5.52                                | 7.74                                 | 9.0                                |

Source: 11<sup>th</sup> Plan, Vol.1, p.26

It is important that the 11<sup>th</sup> plan rate is hit by the global economic and financial crisis and the Great Recession that hit the US economy in (2008 - ) notwithstanding of which the plan's average rate is expected to be some 8.5 per cent, not a bad performance amidst global turmoil. The planners' dream growth is 10 and more per cent over a generation and more for, the Indian economy to emerge, among other things, a poverty less. Meanwhile, poverty score of the presumed FDI, MNC and big national corporation growth rate is found to be about 1 per cent and less with an elasticity rate of 0.10 ( $e = 0.10$ ).

**Table 2: Urban & Rural Poverty in India**

| Year       | Poverty Ratios (%age) |       |       | Number of Poor in (million) |       |       |
|------------|-----------------------|-------|-------|-----------------------------|-------|-------|
|            | Rural                 | Urban | Total | Rural                       | Urban | Total |
| 1. 1993-94 | 50.1                  | 31.8  | 45.3  | 328.6                       | 74.5  | 403.7 |
| 2. 2004-05 | 41.8                  | 25.7  | 37.2  | 326.3                       | 80.8  | 407.1 |
| 3. 2009-10 | 33.8                  | 20.9  | 29.8  | 278.2                       | 76.5  | 354.7 |
| 4. 2011-12 | 25.7                  | 13.7  | 21.9  | 216.7                       | 53.1  | 269.8 |

Source: Planning Commission (2014). *Report on the Expert Group to Review the Methodology for Measurement of Poverty*. June 2014. P.18.

In India poverty is estimated at absolute level or the minimum money required for subsistence. The poverty line is defined as the minimum money required for maintaining a per capita calorie intake of 2100 calories in urban area and 2400 calories in rural area. As per the Tendulkar Committee Report "Fundamentally, the concept of poverty is associated with socially perceived deprivation with respect to basic human needs".

As can be seen from the table-2 from 1993-94 to 2011-12, the rural poverty ratios has drop down from 50.1 to 25.7 per cent, and in the same period the urban poverty ratios has fallen more from 31.8 to 13.7 per cent.

**Table 3: Decline in Urban & Rural Poverty in India**

| Period                | Rural (%) | Urban (%) | Total (%) |
|-----------------------|-----------|-----------|-----------|
| 1) 1993-94 to 2004-05 | 0.75      | 0.55      | 0.74      |
| 2) 2004-05 to 2011-12 | 2.32      | 1.69      | 2.18      |
| 3) 1993-94 to 2011-12 | 1.36      | 1.01      | 1.30      |

Source: Planning Commission (2014). *Report on the Expert Group to Review the Methodology for Measurement of Poverty*. June 2014. P. 18.

Table-3 shows the total decline in urban and rural poverty in India from 1993-94 to 2004-05 to 0.74 Per cent, and from 1993-94 to 2011-12 the same has changed to 1.30 per cent respectively.

State-wise, poverty still stands quite substantial across the states barring Himachal Pradesh, Punjab and Kerala, proving that Kerala holds a key to poverty solutions. Telangana (new State), Chhattisgarh, Jharkhand, Manipur, Arunachal Pradesh and Bihar have the highest proportion of Below the Poverty Line (BPL). It is also unfortunate that no city or state in India has yet become a signatory of Istanbul of the Istanbul Water Consensus.

Amidst, the yet gloomy picture of poverty brought out by the table-4, Kerala offers a good deal of consolation with the lowest poverty rate of around 12 per cent, calling deep study of Kerala Model. While growth may have to still pick up, it is important to know whether the bottom of the pyramid is being addressed to by MNCs and their national business counterparts, with the seeming culture of consumerism of the liberalized economic regime, of upper and middle classes, with likely 'demonstration effect' upon the poor classes. Consumerism is so powerful, nurtured by MNCs. Business wise BOP seems a big constituency of large lively numbers, which MNCs may automatically address. The BOP may be the new frontier and field of big business marketing of both consumer items and industrial goods.

**Table 4: State Poverty Levels 2011-12**

| S.No. | States            | Rural        |                        | Urban        |                        | Total        |                        |
|-------|-------------------|--------------|------------------------|--------------|------------------------|--------------|------------------------|
|       |                   | % of persons | No. of Persons (Lakhs) | % of Persons | No. of Persons (Lakhs) | % of Persons | No. of Persons (Lakhs) |
| 1     | Andhra Pradesh*   | 11.0         | 61.8                   | 5.8          | 17.0                   | 9.2          | 78.8                   |
| 2     | Arunachal Pradesh | 38.9         | 4.2                    | 20.3         | 0.7                    | 34.7         | 4.9                    |
| 3     | Assam             | 33.9         | 92.1                   | 20.5         | 9.2                    | 32.0         | 101.3                  |
| 4     | Bihar             | 34.1         | 320.4                  | 31.2         | 37.8                   | 33.7         | 358.2                  |
| 5     | Chattisgarh       | 44.6         | 88.9                   | 24.8         | 15.2                   | 39.9         | 104.1                  |
| 6     | Delhi             | 12.9         | 0.5                    | 9.8          | 16.5                   | 9.9          | 17.0                   |
| 7     | Goa               | 6.8          | 0.4                    | 4.1          | 0.4                    | 5.1          | 0.8                    |
| 8     | Gujrat            | 21.5         | 75.4                   | 10.1         | 26.9                   | 16.6         | 102.2                  |
| 9     | Haryana           | 11.6         | 19.4                   | 10.3         | 9.4                    | 11.2         | 28.8                   |
| 10    | Himachal Pradesh  | 8.5          | 5.3                    | 4.3          | 0.3                    | 8.1          | 5.6                    |
| 11    | Jammu & Kashmir   | 11.5         | 10.7                   | 7.2          | 2.5                    | 10.3         | 13.3                   |
| 12    | Jharkhand         | 4.8          | 104.1                  | 24.8         | 20.2                   | 37.0         | 124.3                  |
| 13    | Karnataka         | 24.5         | 92.8                   | 15.3         | 37.0                   | 20.9         | 129.8                  |
| 14    | Kerala            | 9.1          | 15.5                   | 5.0          | 8.5                    | 7.1          | 23.9                   |
| 15    | Madhya Pradesh    | 35.7         | 191.0                  | 21.0         | 43.1                   | 31.6         | 234.1                  |
| 16    | Maharashtra       | 24.2         | 150.6                  | 9.1          | 47.4                   | 17.4         | 197.9                  |
| 17    | Manipur           | 38.8         | 7.4                    | 32.6         | 2.8                    | 36.9         | 10.2                   |
| 18    | Meghalaya         | 12.5         | 3.0                    | 9.3          | 0.6                    | 11.9         | 3.6                    |
| 19    | Mizoram           | 35.4         | 1.9                    | 6.4          | 0.4                    | 20.4         | 2.3                    |
| 20    | Nagaland          | 19.9         | 2.8                    | 16.5         | 1.0                    | 18.9         | 3.8                    |
| 21    | Orissa            | 35.7         | 126.1                  | 17.3         | 12.4                   | 32.6         | 138.5                  |
| 22    | Punjab            | 7.7          | 13.4                   | 9.2          | 9.8                    | 8.3          | 23.2                   |
| 23    | Rajasthan         | 16.1         | 84.2                   | 10.7         | 18.7                   | 14.7         | 102.9                  |
| 24    | Sikkim            | 9.9          | 0.4                    | 3.7          | 0.1                    | 8.2          | 0.5                    |
| 25    | Tamil Nadu        | 15.8         | 59.2                   | 6.5          | 23.4                   | 11.3         | 82.6                   |
| 26    | Tripura           | 16.5         | 4.5                    | 7.4          | 0.8                    | 14.0         | 5.2                    |
| 27    | Uttar Pradesh     | 30.4         | 479.4                  | 26.1         | 118.8                  | 29.4         | 598.2                  |
| 28    | Uttarkhand        | 11.6         | 8.2                    | 10.5         | 3.4                    | 11.3         | 11.6                   |
| 29    | West Bengal       | 22.5         | 141.1                  | 14.7         | 43.8                   | 20.0         | 185.0                  |

|    |                      |      |        |      |       |      |        |
|----|----------------------|------|--------|------|-------|------|--------|
| 30 | Puducherry           | 17.1 | 0.7    | 6.3  | 0.6   | 9.7  | 1.2    |
| 31 | A&N Islands          | 1.6  | 0.04   | 0.0  | 0.0   | 1.0  | 0.04   |
| 32 | Chandigarh           | 1.6  | 0.004  | 22.3 | 2.3   | 21.8 | 2.3    |
| 33 | Dadra & Nagar Haveli | 62.6 | 1.2    | 15.4 | 0.3   | 39.3 | 1.4    |
| 34 | Daman & Diu          | 0.0  | 0.0    | 12.6 | 0.3   | 9.9  | 0.3    |
| 35 | Lakshadweep          | 0.0  | 0.0    | 3.4  | 0.02  | 2.8  | 0.02   |
|    | All India            | 25.7 | 2166.6 | 13.7 | 531.2 | 21.9 | 2697.8 |

\*Andhra Pradesh includes the new State born Telangana in year 2014. \*\* Population as on 1<sup>st</sup> March 2012 has been used for estimating number of persons below poverty line. (2011 Census Population).

Source: Planning Commission (2014). *Report on the Expert Group to Review the Methodology for Measurement of Poverty*. June 2014. P. 31.

### BOP Business

Have MNCs and other big businesses addressed themselves to the production of goods and services for the poor or the bottom of the pyramid population and Jobs for them? The appetite of the poor for the goods and services of modern consumption cannot be rule out. For example, there is said to be a lot of demand for cell phones by the 'aam aadmi' or the common folks, who are the focus of attention of the GOI and the Planning Commission, and 80 or so crore of mobile phone holders in the country include so many common people. Nokia is the leader in mobile phones market in the country supplying mobiles costing even less than Rs. 1000 apiece. It is a windfall for the common people and is a benefit of the fast paced information technology, MNCs leading this technological revolution and national Cos following in their footsteps. According to the Boston Consulting Group (BCG) and Confederation of Indian Industry (CII), India's consumer spending is likely to expand nearly four times to \$3.6 trillion by 2020, fueled by economic growth and rising household incomes, GDP increase 3.6 times from \$ 991 billion in 2010 at an annual rate of 14 per cent. India continues to 'march along a robust growth path despite the current global economic environment' and average household income in the country is forecast to triple but the base remains low at \$2000 a year (Rapoza, 2012). By 2020, poverty level may be brought down to about 15 per cent at an annual rate of decrease in BOP population by about 1 per cent per annum, as seen. Prof. Prahalad's theory of MNC job creation and product supplies. It is doubtful whether MNCs have job creation for the poor on their business agenda. Then, it is product supplies.

Theoretically and practically it is profitable proposition for MNCs and NCs to address themselves to the BOP sector as the new sector to be addressed. They have to imbibe the spirit of serving the poor sweeping the business world across the globe. For, poverty needs to be addressed for business prosperity.

It appears that about 270 million BOP population in the country cannot be neglected by any company. Tea, for example, is the most favored item of consumption of the common man. There is a great BOP market for the product which can be cashed very profitably by any famous Tea brands, Tata's, Brooke Bond, etc. and these famous brands are available for the purpose of consumption of common people in packets of Rs. 10 and even less giving a taste of these tasteful teas to the common people whose day appears to start with a hot and refreshing and energizing cup of tea. In fact, the famous tea brands should concentrate more and more on the common man's market which is enormous and they need to make the common man their mascot or focal point. They need to make new healthier special tea is for the BOP people to make them feel part



of the big national tea market. There needs to be a AA Brands-than Adam brands of every MNCs product is doubt, the BOP is being addressed in respect of soaps, washing powders, shampoos, cosmetics etc. by the MNCs in India, like HUL, P&G and others.

What of soaps, tooth pastes, washing powders, face creams, shampoos, etc. The famous lifebuoy brand soap, of Unilever's Hindustan lever, is said to be a soap that fights 10 infections, very apt for the poor people and it is affordable by the common people at about Rs. 10, a cake and even less in packs of 3-5. The famous Fair & Lovely brand face cream is available at Rs. 5 which is within the easy reach of poor households and their female members, especially girls whether in town or villages. The economies of scale of these products appear to make them well affordable by the common peoples and MNCs are known for their economies of scale. There are famous tooth paste brands like Colgate at Rs. 10 a tube well within the reach of the common people. So also well-known washing brands of Rin, Nirma, Tide, Surf, etc., at quite affordable prices of Rs. 10 or so a pack, for the poor and not so poor. Bread as yet might not have become a commoner's consumption item but it is available in a common man's pack of Rs. 10, of Britannia and other well-known bread brands. As far as shampoos are concerned, all famous brands like Pantene are available at a small price of Rs. 1 or 1.50 (special) far more, they are 'marketed' on the small screen by film beauties. What is important is that these famous MNCs branded products are TV advertised by the famous Hindi Cinema heroes and heroines quite near and dear to the common people.

Thus, the poor, in the first instance and to start with, appear to be served by all the well-known consumer brands of the middle and upper classes. For example, Tata tea, Taza is as much an item of consumption of the poor household as of a rich one. Any product, it seems, cannot avoid BOP market segment for full exploitation of market potential. The common man business or economic strength is the sheer numbers, some 300m upward. Among the big business houses of India, the Tata's, led by endearing Ratan Tata, is of common man bent and more plans and products for the poor. They have a water purifier for the poor at a price of Rs.7000. Food security taking care of their primary requirement of food, the common man will have some money to spare for non-food items and it seems incumbent on the part of MNCs and national big corporations to develop goods for the common man's consumptions under Janata brands that would make them proud and famous and common man's icons (Ahmed, 2013b). For instance, the famous Nano car of the Tata's was intended to be a Janata or common man's car at Rs. 1 Lakh a piece. The Tata's seem intent on Nano housing too. This is BOP business spirit. Thus, no small BOP business wave appears to be sweeping India, still, it is quite well known, that the main, focus of attention of MNCs in India is the MOP, the middle of the pyramid/middle class and TOP, top of the pyramid, higher income groups, with the strength of the middle class estimated at about 400 million (Paul, 2008). From these the interests of big businesses have yet to percolate to the BOP, the income of whose people is not yet even \$1 US a day (Prahalad & Hart, 2002). Consumer protection of course in developing economies like India is inadequate and weak, and as a result, there is some room for exploitation (Karnani, 2007, 2011, 2012; Walsh et.al. 2005). This, however applicable to both the poor and affluent.

In summary, with economic growth rate of the country yet to take off fully, MNCs and national big business houses appear not to be much committed to BOP businesses, which is evident from no focus on the common men/women in their print and electronic media advertisement and marketing. It is the haves who are the Advertising and Marketing (A & M) attention, of the MNCs and their Indian counterparts.

And, there are no employment and income increasing initiative by MNCs and NCs for the poor. Their CSR, which is yet to be taken up seriously by the corporates in India seriously, is to be greatly poor-focused, with reference to skills, micro/mini enterprises, finance and marketing and monitoring (The Economic Times, 2015).

### Conclusion

Thus, in the context of India, Prof. Prahalad's path breaking BOP business model addressed to MNC at the vanguard of the present day economic development of underdeveloped countries, does not appear to have taken roots to any significant extent. For, not only the rate of growth has yet to take off beyond the 'breaking' point of 10 percent and more, the core of the BOP population also appears to be still greatly preoccupied with fulfilling their basic needs to have any significant interest in MNCs goods and services appearing to be still greatly alien to them. However if there is any poverty -afflicted nation to which the BOP theory is more apt and applicable, it is India with its vast poverty ridden population.

But, eventually, MNC business interests have to percolate to BOP as the Indian economy gears up to its full growth potential. The BOP population is too formidable to be ignored by big national and MNCs. It's a lively population with a great appetite.

Not the least, it is the center and state governments which must first become serious about poverty eradication.

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