Report: Workshop on ‘The Poor as an Emerging Market: Strategies, Research, and Implications’

RBI Programme on Interdisciplinary Approaches to Economic Issues
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In politics and business, the market potential of the poor in both rural and urban India has become a powerful motif. India’s poor are increasingly represented and celebrated as an emerging market, a ‘fortune at the bottom of the pyramid’ as C.K. Prahalad has famously put it. As the state looks to maintain recent levels of growth and as businesses look to expand rural markets for goods and services in the fields of health-care, energy, telecommunications and banking, India’s poor have seemingly become the new drivers of the economy. To launch a new conversation about the ways that India’s poor are being re-imagined, a one-day workshop on ‘The Poor as an Emerging Market: Strategies, Research, and Implications’ was organised at NIAS on November 6, 2009, under the RBI Programme on Interdisciplinary Approaches to Economic Issues. The workshop was organised by Dr. Carol Upadhya of the School of Social Sciences in collaboration with Dr. Jamie Cross, a visiting scholar from the National University of Ireland. The workshop brought together about twenty participants from academia, industry, and the NGO sector from Bangalore, Chennai, Hyderabad, and New Delhi (list of participants below).

BACKGROUND:

Confronted with instability in the global economy, India’s 2009 post-election budget focused on boosting domestic demand for goods and services. Plans for increased public expenditure on the National Rural Employment Guarantee scheme, social security schemes under the Unorganised Sector Social Security Bill 2007, and the *Bharat Nirman* rural infrastructure programme, are all aimed at increasing purchasing power in poor, rural markets. The emphasis of the new Congress government overlaps with the interest of corporate entrepreneurs in emerging markets. Contemporary marketing and business paradigms present the creation of new markets around the needs and the aspirations of people at the ‘bottom of the pyramid’ – that is those living on less than 2 dollars a day - as both an efficient technical solution to problems of poverty and a means of realising value for shareholders.

Micro-finance and information/communication technologies are proving to be important engines of growth in India’s bottom of the pyramid markets. Efforts to ‘bank the unbanked’ and expand saving and credit facilities among the poor are key to the expansion of retail markets and direct-distribution mechanisms in urban and rural India. Meanwhile handheld mobile devices, management information systems, and geographical information systems are all being leveraged to transform financial transactions and retail chains, and to transform the provision of health and employment services. These financial, logistical and technological innovations all take place in contexts where processes of globalisation, uneven development and structural inequalities continue to reproduce poverty and ‘the poor’.

Social scientists have long been interested in how society is constituted or re-constituted through the market and in the kinds of social or political transformations that market based development interventions bring about. India’s emerging markets are creating new arenas especially for applied anthropology and for critical enquiry. The workshop aimed to deepen our understanding of the contemporary synergies between development goals and business strategies in India, explore the role of applied anthropology and ethnographic methodologies in research and design, and highlight directions for further investigation.

THEMES:

The following themes and questions were addressed in the workshop:

Theme 1) How do we know the poor?

Markets do not emerge. Markets are made. The question of how India's emerging markets are being created is also a question about how marketing paradigms and classificatory schemas re-imagine poor communities as a consuming demographic and poor people as economic agents. Development and business interventions in emerging markets are accompanied by new cartographies of consumption that map poor constituencies by behaviour, psychology and entrepreneurial spirit. Classification systems that organise households not by income but by the 'purchasing power' of the primary wage earner have become the dominant framework used by fast moving consumer goods (FMCG) companies to map India's economy. Market researchers struggle to delineate the boundaries between the 'deprived', the 'seekers', and the 'aspirers' while academics attempt to chart the upward and downward trajectories of poor households over time and space. Development interventions single out and target particular categories of person as entrepreneurial actors. All of these endeavours seek to re-map India's socio-economic geography.

Questions:

- How are definitions of rural and urban 'poor' populations being reshaped in emerging markets?
- How do logistical innovations in marketing, distribution and selling re-invent or imagine who the 'poor' are, what they want, and what they do?
- What kind of landscapes do new cartographies of consumption create, and what features are included and what are excluded?
- What notions of the individual do marketing strategies and paradigms in emerging markets create?
- How are particular locations and settings made more widely representative of other slums and other villages in India and beyond?
- What happens to the intra-societal and political positions of poor people as they become consumers (people with needs and desires) rather than simply citizens (people with rights and entitlements)?

Theme 2) Re-Programming Social Networks

In the absence of state welfare or social security mechanisms, poor people in India depend on social networks of kinship and friendship, neighbourhood and community, reciprocity and obligation through which information, goods and services are exchanged and circulate. These social networks are proving to be lucrative cultural assets that are incorporated into marketing and distribution strategies as new sources of value. Development interventions in emerging markets make this ‘social infrastructure’ visible, legible and malleable in new ways. Social networks are being re-programmed as digital channels of communication, entertainment, financial and information services by corporations investing in mobile technologies and devices *and* as retail channels by fast moving consumer goods companies that are investing in direct distribution mechanisms to extend their market reach.

Questions:

- How are social networks being tracked and mapped?
- How is the ownership of social networks being asserted or transformed through market based development interventions?
- How are informal forms of saving and credit, as well as place-based associations through which communities co-ordinate social and religious obligations, being incorporated into the provision of financial services?
- How are non-marketised forms of exchange and ritual traditions - like gifting and festival-going – being incorporated into strategies for the expansion of markets among poor consumers?
- How is the everyday work of building and maintaining social networks mediated by new technologies, and how does this work subsidise innovations in service provision and retail distribution?

Theme 3) The Production of Social Goods

Commodities that are explicitly designed for and marketed to people who live on less than two dollars a day, *and* which are widely seen as combining ‘social’ and ‘commercial’ value, can be understood as ‘social goods’. This theme investigates the kinds of relationships involved in the successful production of social goods for emerging markets in India. In the business literature, the relationship between corporate and non-corporate communities in markets at the bottom of the pyramid markets is understood as one of mutual benefit. Management scholar C.K. Prahalad has described this relationship as a process of ‘value co-creation’, in which different actors co-operate to deliver unique and desirable outcomes for each other. However, the production of a social good also involves hidden work and power relations to successfully align and enlist an array of different actors, including but not limited to the brokers of scientific knowledge and research, state actors, schoolchildren and women on low incomes.

Questions:

- What kind of social values and outcomes are being associated with particular products and services in India’s emerging markets?
- How are societal or developmental outcomes used to add legitimacy to products and services?
- How does the language of ‘value co-creation’ in the production of social goods conceal the relations of power involved in enlisting different actors?
- How do social goods attempt to address the collective disadvantages of a wider population?

Theme 4) Predicting the Uncertain Future

Emerging markets for consumer goods and services are characterised both by the range of human efforts to forecast trends and patterns and by the uncertainty of futures or outcomes. Investments in India's emerging markets hinge on the ability of investors to read the needs of poor people and to predict changes in their behaviour. Yet the increased participation of poor people in emerging markets as producers, sellers or consumers is accompanied by both opportunities and uncertainties that are not yet fully understood. Whether as an individual micro-entrepreneur selling products direct to rural consumer markets at the bottom of the pyramid, or as a member of a co-operative creating niche products for markets at the top of the pyramid, interventions that seek to strengthen the participation of poor people in markets for consumer goods also expose them to local and global fluctuations in demand. Meanwhile, rising demand for durable and fast moving consumer goods among poor consumers is accompanied by parallel transformations in supply, as business owners seek to reduce the costs of production through a wide range of informal, casual and precarious labour practices. The implications of these risks and vulnerabilities are rarely examined.

Questions:

- What kind of un-intended or unforeseen outcomes do market based development interventions in India have?
- How do market interventions create new kinds of structural disparities and exclusions?
- What spatial and temporal futures do commercial and technological innovations in emerging markets imagine for poor people?
- To what extent might socio-economic uncertainty be a necessary condition for doing business in emerging markets?

Workshop format: Each panel included a chairperson and two speakers who made 20-minute presentations and a chair, followed by open discussion.

OUTCOME:

Eight interesting and useful presentations were made by the speakers, stimulating a lively discussion (see Programme, attached). A divergence of views especially between corporate and micro-finance actors and academia became apparent, but a rich field for debate opened up. It became clear from the discussion that the themes of the workshop require much more extensive research, conceptual formulation and discussion by social scientists.

In the aftermath of the workshop, several participants decided to form a 'Research Network on the Poor as an Emerging Market', to be anchored from NIAS. This network will share information and knowledge and work towards future research activities, workshops and joint publications.

PROCEEDINGS:

Dr. Carol Upadhya (NIAS) welcomed the participants, and Dr. Jamie Cross (National University of Ireland) introduced the theme of the workshop as laid out in the Background Note. He highlighted several focal questions:

1. What notions of the individual are being created by the new kinds of marketing strategies aimed at the poor?
2. How have specific locations come to represent segments or social groups?
3. How have existing social relations or networks, and relations of reciprocity, been incorporated into marketing both in business and development?
4. What has been the impact of specific interventions, such as goods and services aimed at BoP (bottom of the pyramid) markets, on the creation of new social values?

SESSION I. RE-PROGRAMMING SOCIAL NETWORKS (1)

Chair: Prof. Narendar Pani, Dean, School of Social Sciences, NIAS

The first session, entitled 'Re-Programming Social Networks', was chaired by Prof. Narendar Pani. In his introductory remarks, he pointed out that the poor have traditionally been viewed as requiring aid, from the state or private agencies. They have been seen as outside the ambit of business and not included in core business strategy. However, today they are placed right at the core of business interests and strategies. This development requires new theories and reinterpretations of earlier economic theories to understand it. Theories of poverty and poverty measuring methods put forth by Amartya Sen and other economists are very relevant here, in that it is no longer sufficient to just count the number of people below the poverty line, instead the interest is in assessing the purchasing power of those below the poverty line. The viability of business models aimed at the poor are of concern. There are many examples of successful marketing models aimed at the poor – one rupee packets, high energy glucose biscuits that cost less than a regular meal, etc.

MFIs/NGOs as Facilitators to Private Sector in Reaching BoP Segment

K. Prabhakar, Senior Advisor, BASIX Microfinance, Hyderabad

The first presentation was by Sri K. Prabhakar, BASIX. His talk was entitled 'MFIs/NGOs as Facilitators to Private Sector in Reaching BoP Segment'. Mr. Prabhakar started by presenting the 'win-win' premise of the collaboration between his microfinance company, product manufacturers, and the rural poor. He said the goal is to create a win-win situation for both the poor and industries. The role of Basix is that of a facilitator.

Highlighting the relevance of the BoP segment, he said that its market potential is becoming a powerful force and the poor are therefore recognised as drivers of the economy. He pointed out that a significant majority of India's population lies in rural areas, and the BoP segment that corporates are now targeting is also largely in rural areas. However, the rural market is a 'large black hole', and has a huge untapped potential. But there are major problems related to accessing rural markets, including distribution costs, non-availability of retail outlets, gaps in our understanding of the rural market, etc.

Besides facilitating the marketer and their potential rural customers to come together, there is a large latent demand for market research and test marketing in these areas. Such studies would explore the acceptance level in the market vis-à-vis the level of market penetration as it exists now. MFIs are well placed to play this role as corporates are often far removed from ground realities of these market segments. 'There is a missing link in formulating tailor-made strategies for effective penetration of rural markets. MFIs and NGOs can provide this link and assist corporates in these areas.'

He then elaborated on the strengths of MFIs/NGOs in providing the missing link regarding rural markets. These include their wide reach in the rural areas; a 'unique understanding and analysis of the rural market'; understanding of the Indian rural psyche; the ability to understand the needs of the 'rural folks'; ability to design their innovative products and services; ability to promote entrepreneurial skills and group development, and most important, their credibility. 'Because of our presence, we have equity. We have customers' trust and confidence. They think these people [MFIs, NGOs] understand their needs and issues.' Therefore, MFIs/NGOs can leverage their strengths and infrastructure to facilitate marketers to reach the BoP segment and add value to the business strategies of the marketers for these markets. They can, in effect, catalyse the private sector and become engines of growth.

However, a big dilemma confronts them – whether they should at all be playing this role (assisting the private sector) instead of focussing on their stated objectives. His answer was Yes. The mandate before MFIs and NGOs is clear. Their mission is to provide sustainable livelihood opportunities, improve the standard of living, and provide skill sets to make such interventions successful. 'However, livelihood interventions are very complex. The required competencies are varied. In this context, no single organisation can be effective. In a broader perspective, it is imperative to work together with like-minded organisations in trying to achieve their goals. MFIs and NGOs should leverage their knowledge base and infrastructure with a dual objective – facilitate marketers to reach the BoP segment and augment their revenues in the process. 'A social heart with the business mind'.

The Basix philosophy is to go only as far with corporates that they help to fulfil the goals of creating livelihoods or improved standard of living and not engage in direct selling process.

Prabhakar said that a diverse range of corporates are now approaching MFI/NGOs for assistance – agribusiness, commercial banks, consumer product companies, insurance companies, IT companies and other microfinance lending companies. The biggest challenge before them is the right choice of collaborators. "With whom to collaborate?" Before they select their collaborators, their organisation ensures that there is social consciousness and not just a pure business proposition behind such partnership. They base their choices on 'values'. He said they do not take consumer goods as a 'blanket bouquet', but discern their value and possible benefits for the poor. 'Some products might be needed to improve sanitation, housing, education level and some may provide alternative energy, old age beneficial products or products for the disabled.' When they decide on collaborations, they ensure that the 'products have some kind of a social context'.

He discussed briefly the level of participation of MFIs in such collaborations. 'We do not want to lose focus on our mission. We only assume the role of facilitators. We provide the link between the market place and the corporates. We help in bringing collaborating partners' products to the doorstep by leveraging our infrastructure and our strength.' However, they are very clear about NOT participating in direct sales. 'If we do [direct selling], we become part of the marketing team. That requires a different set of people. It is a fine balancing act, he said. They provide several platforms to bring BoP customers and marketers together.

Every party will gain from this collaboration. The BoP segment gets access to goods and services benefiting them. These goods and services could also provide livelihood opportunities. Marketers benefit in reaching their target customers in a very cost effective way leveraging the MFIs' strengths in such markets. Facilitators (MFIs) are also benefited as they attach value to each platform provided to the marketers, quantify each facilitation and charge the partner,

'It is a win-win-win situation. This is the concept which we are working.' He said they are currently working with four to five corporates.

Made by the BoP for the ToP: Inverting the classic BoP premise by enabling the Poor as Producers

Aishwarya Ratan, Microsoft Emerging Markets Research Unit, Bangalore

The second presentation was made by Ms. Aishwarya Lakshmi Ratan of Microsoft's Technology for Emerging Markets Research group, Bangalore. She began by noting that her presentation inverts the primary argument of C.K. Prahalad about the bottom of the pyramid – 'inverting the classic BoP premise by enabling the poor as producers rather than as consumers'. She challenged the perspective adopted by Prahalad et al. on the 'fortune at the bottom of the pyramid. 'From whose perspective is there a fortune at the BoP? And how will profits eradicate poverty?' Prahalad's audience is top management in the corporate sector, producers and investors, CEOs of MNCs, she argued. He urges ToP producers and investors to recognise the BoP as a large viable market and view the poor as consumers, and discusses new ways of access to BoP consumers. Aneel Karnani, who mounted scathing attacks on Prahalad's formula, however sticks to the same structure of argument, although questioning its content. He argues that there is very little profit to be made from BoP consumers and that the state should invest in human capabilities. But his audience too is the corporate sector.

Aishwarya argued that poor households should be perceived as producers and not just consumers. She made this point based on the following facts and insights –

- The BoP consists primarily of small-scale producers: 57 per cent of India's labour force is self-employed, 29 per cent of India's labour force consists of workers who provide casual labour.
- The ToP, or the rich, are brand conscious consumers, who can be seen as a viable niche market for BoP produced goods and services.

Therefore, new ways of accessing ToP markets should be discovered. She argued that the surplus is still at the top of the pyramid. 'The real way to make profits is in production and not consumption.'

She cited Prof Anirudh Krishna of Duke University, whose 'Stages of Progress' studies have delineated key factors that alleviate or cause poverty. Showing a slide that summarises Krishna's studies, she said the factors that lead people out of poverty, across the world, include: diversification of income sources, additional small business, and land improvement (successful irrigation investment) etc. Factors that drove people into poverty included ill health, high healthcare costs, high interest for private debt, social and customary expenses (wedding and funerals). While this seems to fit the BoP argument, in that the private sector can provide solutions to these problems in areas like affordable and high-quality finance and healthcare, looking at the drivers of progress suggests that enhancing income sources is key to facilitating sustained improvement in household economic capabilities, which is what will ultimately reduce poverty.

Why should the poor care about the rich?, she queried. In India the top 20 per cent of the population is responsible for 45 per cent of aggregate consumption. Drawing a contrast between BoP as consumers and ToP as consumers, she said the former are marked by highly unreliable incomes and preference for products that have the lowest ticket price. The latter, on the other hand, are marked by income streams that are well insured against numerous shocks. ‘The rich actively seek differentiation from peers driving consumption of luxury, custom-made and premium goods.’ Also, the BoP as consumers are hard to serve (most are dispersed in villages), whereas the ToP are easier to target as consumers (concentrated in cities). The BoP face trade-offs between consumption and savings, which the rich do not.

What does it take to invert the classic BoP approach? The BoP should be supported as producers reaching out to the ToP as consumers. ‘It is an easy premise, but difficult to execute, just like the classic BoP strategy.’ This is because it requires understanding the aspirations of the rich, and a strong institutional structure for aggregation of products, quality control, marketing, branding and risk management, as well as mobilisation of appropriate finance. It also requires collective action with strong leadership to make this strategy a success.

To sustain demand, the aspirations of the rich should be well understood. She showed a slide that laid out a common framework for such a production chain (organisational structure) around BoP production. While production happens at the bottom (in rural areas), the urban centres will be involved in branding marketing, retail sales and design. An example of a rural product being sold as a high fashion branded product as well as a social good is the Hansiba brand of garments. She compared the welfare impact in net income terms across three examples that target poverty alleviation through market mechanisms– M-PESA (mobile money transfer in Kenya, e-Choupal (direct procurement of farm produce), and Masuta (tasar silk production by the poor). M-PESA’s impact in a good case was a savings of ~8% of monthly income. E-choupal has enabled farmers to increase their income by ~6 per cent per year through direct sales to corporate buyers (ITC). Masuta, on the other hand, which organises and markets tussar silk yarn produced by the poor has increased household income of members by ~30 per cent per year. She mentioned Maya Organic India Private Limited, SEWA and other ‘producer companies’ that have built the capabilities of the poor as producers. It is not easy to set up such enterprises as it requires investing in human skills. She mentioned that IT could be an enabler in organising such enterprises, for example in terms of coordinating quality control and enabling the institutional structure to support disaggregated production. She gave the example of Digital Green, which facilitates participatory, mediated, video-based instruction on improved agricultural practices for smallholder farmers.

Discussion

During the discussion, Prof. Pani said that the poor should be seen as a huge market in itself, not just as a market for business propositions but also a market for anti-poverty measures, such as the NREGA. He asked Aishwarya, who decides whether a product improves the quality of life or not? If someone believes that Fair and Lovely enhances her quality of life, who can say it is not so? He also said that the rich selling to the poor and the poor selling to the rich cannot be mutually exclusive endeavours. He pointed out that rural markets have been tapped before successfully, for example by Hindustan Levers. He felt that we need to look at how AMUL and SEWA have become such huge successes and if it is due only to their products or to some other factor.

Alice Street (University of Sussex) asked Prabhakar whether MFIs like Basix provide data on individual households to corporates? In response, Prabhakar said most of the demographic details are from public data sources. Some of the corporates have such data. He said MFIs also provide such (household and other micro-level) data to the corporates using their field networks.

Karen Coelho (MIDS, Chennai) wondered about the so-called shift in approaching the poor. The poor have been seen as consumers even in the traditional Fordist premise that believed in putting money into the hands of factory workers to spur consumption. The developmentalist paradigm had a certain approach to enhancing income levels of the poor. 'At what stage did this notion dissolve and the Prahalad idea of poor as a market re-emerge?' Prabhakar noted that the corporate sector started to look seriously at the poor as potential market when their existing markets started saturating. 'They needed to expand. They had to uncover the rural market, which had always existed. That is why it is not discovery, it is uncovering. Just then, the Prahalad framework emerged.' Pani said it was corporate reconceptualisation of corporate social responsibility, and it took place within the corporate sector.

Addressing Aishwarya, K. Kalpana (CDF) noted that the poor have always produced for the rich and for the cities (i.e., agriculture), and have been kept in poverty due to unfair terms of trade. So why are we now proposing that the poor should be producing for the rich markets? Since the poor have always been selling their labour power and products to the rich, how do we now view these development issues within a larger framework?

Kalpana's question to Prabhakar was, what is their responsibility to the consumers with regard to the products, e.g., if something does not work or if a product has health risks. Has there ever been a conflict of interest while partnering with the corporate sector; should the 'social goods' provided go unquestioned during such partnerships? Prabhakar replied, 'MFIs should draw a line somewhere. But they must walk a thin line.' He said they too are under pressure to partner for the right products as people would distrust them otherwise. He said that the corporates should invest their own infrastructure and not bank entirely on MFIs to promote their products.

A.R. Vasavi (NIAS) asked him to give some examples of collaborations with the corporate sector. He named a solar light and water purifier units of HLL. Jamie asked Prabhakar to name the services of MFIs that are charged to the corporates. He asked Aishwarya if the examples of successful organisation that she cited grew up organically or were imposed from above. In response, Prabhakar went back to the slide that he had skipped during the presentation and enumerated the various services that they charge for, including pre-designed questionnaires, demonstration of products, awareness programmes, facilitating setting up of distribution channels, distribution of product brochures, arranging banner displays and product displays.

Responding to Jamie's question, Aishwarya said that while individual farmers are incurring loses, agribusiness is doing very well. These organisations have done very well in attacking markets where there is not much branding. She said organisations like Maya use various strategies. To Pani's question on how to distinguish between what works and what does not, she said there are certain factors that come up again and again – building capacities to participate as strategic individual producers. The onus of selling is on the producer, but risk is distributed at an aggregate level.

Rahul De (IIMB) challenged Prabhakar, querying whether they are not just acting as middlemen between producers and the poor: 'You have a developmental agenda. But if you are enabling the HLLs (Hindustan Levers) of the world, whose side are you on?'. He asked Aishwarya about the problem of capital and whether there is vendor dependency in the types of institutions she described. In response, Prabhakar said that they are not 'middlemen' but facilitators. 'The idea is to be objective and impartial. We believe that if a product is beneficial and helps them earn a livelihood, we should help promoting it.' Aishwarya said there is no problem of capital as the producers are required to bring only their labour and not capital. 'The more productive you are, they more you earn. In terms of quality, it is people to people. They are uncompromising on quality.'

SESSION 2. RE-PROGRAMMING SOCIAL NETWORKS (2)

Chair: Anant Maringanti (Independent researcher, NIAS and Hyderabad)

The second session was chaired by Dr. Anant Maringanti (Hyderabad). In his opening remarks, he pointed out that while talking of markets we must remember that markets are not natural entities but something are made – created or built by consuming demographies. An interesting aspect is how the notion of the 'individual' is created by different market paradigms. When one talks of emerging markets the setting may be 'rural areas' or urban slums, but these terms stand for generalities. The functioning of SHGs and the like are making money visible and creating these new markets and market segments through data collection and aggregation. Another interesting dimension to explore is how existing relations of kinship friendship etc are utilised and how existing markets thrive in countries like India. The idea of the workshop is to bring many more such questions from to the fore.

Flagging an issue raised in the earlier session about flows of resources between BoP and ToP, he felt the question to be addressed is in which direction is the money moving, how the movement happens and into whose hands? He felt that the state as well as corporates are trying to make the poor more 'calculable' – they are being reengineered along the lines of abstracts concepts like 'producer' and 'consumer'. There is a need for a broader understanding of such abstract categories, as the 'poor' are not encompassed by any one category. Over the last twenty years microfinance organisations have come to play an important role in aggregating money and capturing it. Digital technology has played a role in bringing transaction costs down and also tracking data on the movement of money.

FINO's Experience in Designing and Delivering Financial Products to Rural Poor Leveraging Technology

Mujahid Ahsan, FINO, Bangalore

The first presentation was by Mujahid Ahsan, (FINO), who spoke on 'FINO's Experience in Designing and Delivering Financial Products to Rural Poor Leveraging Technology'. Ahsan highlighted the experiences of his organisation in bringing relevant financial products to the rural market using biometric card technology. Their management team consists of professionals whose combined experience spans over financial, microfinance and technology fields. He noted that banks are increasingly using a model of financial inclusion but they face constraints, which emerge in a certain kind of environment. Here is where FINO steps in. FINO also shares the vision of financial inclusion and works towards providing solutions to banks to provide minimal, no frills accounts and services to India's untapped consumer base.

The hurdles in micro business need a comprehensive solution and they have to work to overcome issues like information gap, inadequate infrastructure, lack of foolproof identity and dealing with an illiterate population. Therefore the task ahead is huge. They would need to enrol 10,000 customers a day to reach three million a year, he pointed out. A robust architecture together with security constantly working towards dovetailing banking with other backend services with adequate risk cover is required to make India financially literate. FINO's approach is through 'doorstep banking', using agents (FINO Bandhus) who go house to house using handheld devices, to collect and disburse cash to customers. Till date some 8000 agents have received training to reach out to these customers. The process by which they try to build this architecture is first to enrol the rural poor with them and provide them with biometric multi-function smart cards. The financial transaction happens through field devices and then the transaction data gets loaded into the backend system.

Since large number of poor people are unbanked and rely on informal financial networks in rural and urban parts of India, the RBI propounded the Business Correspondent (BC) model in 2006 to make financial services accessible to the unbanked. Within a short span of three years this model has demonstrated its relevance and utility on the ground. The BC model has made financial services accessible to over 9 million people in India till date. The biggest beneficiaries of the model have been the large government schemes – the National Rural Employment Guarantee (NREG) and Social Security Pension (SSP) schemes -- which were struggling to pay their dues to the rightful beneficiaries.

According to Ahsan, FINO works on four important tenets:

1. Financial inclusion which encompasses not just savings but also remittances and insurance;
2. The architecture works on the BC model using technology to cover operational and financial risks;
3. Looking for comprehensive solutions to hurdles in MF
4. FINO looks forward to working with mainstream technology and scaling up its market base to bring down costs

The architecture of this BC model has demonstrated that the technology can be leveraged to deliver wages to the workers covered under NREGS in a timely manner, reduce duplicate and fraudulent registrations, and provide benefits to pensioners right at their doorsteps, using simplified processes at the front-end and keeping the complexity of the technology at the back-end.

Two key products that they handle are in micro-insurance – life and health insurance. The challenges on the health insurance front are much greater. While life insurance is not a transaction intensive product, health insurance is very transaction intensive. The cost to serve a typical customer under regular health insurance is 5 per cent, and in the case of micro-insurance the ticket size is low so the cost is much higher. FINO has designed a system that leverages technology to capture all the beneficiary details and store them on a smart card, approve / reject claims as per WHO approved packages, and deliver cash-less benefits to customers from hospitals. This technology was shared with the Ministry of Labour, the Government of India. This facilitated quicker and efficient roll out of Rashtriya Swasthya Bima Yojna (RSBY) in the country. The scheme envisages insuring nearly 60 million Below Poverty Line (BPL) households in the country and has a health insurance market of Rs.40 billion annually in the country. It is being implemented by several states through various insurance companies and technology service providers.

One of FINO's innovations is the 'Micro Deposit Machine' (MDM), which is an equivalent to a low cost ATM machine that enables cash deposits for FI customers. This model eliminates the need for human agents to serve customers. The low cost of MDM make it financially viable and the fact that it is fully automated suits the 'any-time banking' requirements of the target population. Second, it has used mobile enabled banking solutions designed especially for rural populations. Currently mobile enrolment is being done for NREGS where data is made available with pre-populated fields. Mobiles can also act as enrolment and transaction devices used by agents.

In the current scenario, the acceptability of the BC model by prominent financial institutions is ushering in a new banking paradigm in India. Mainstream players continue to regard this customer base as not immediately profitable and are also unwilling to financially invest in growing it to an adequate degree.

Ahsan concluded his presentation by highlighting that the Government of India has a vision and strong commitment to enabling inclusive growth -- reflected in a series of policy initiatives and incentives (NREGA, SSP, RSBY). The BC model in India has the potential to accelerate financial inclusion but growth incentives for the BC model are not all in place and are still being debated. The government needs to consider making available financial services to our people in the same light as provision of roads and other infrastructural services. Since the approximate cost of financial inclusion is Rs. 100 per unbanked person, for an unbanked population of 410 million the total amount comes to Rs.41.0 billion -- a cost which he feels is very small when compared to other expenditures being made by the government. There is a very large untapped market in the financial inclusion space. A rare combination of *business acumen, robust technology and social responsibility* is required to tap this market.

Contests over Credit: Class, Gender and Microfinance in Rural Tamil Nadu

K Kalpana, Senior Researcher, Centre for Development Finance, Chennai

The second presentation in the session was by K. Kalpana, who presented some findings from her thesis on microfinance, in which she challenged the idea that MRIs are pro-poor. Linking to the question raised by Karen Coelho in the earlier session, she explained how the poor started to 'emerge' as a market simultaneously with the emergence of MFIs.

Microfinance is being promoted on two planks – the 'win win' hypothesis (whereby both the provider and the borrower benefits) and poverty alleviation by routing money through the hands of the women. Yet it has been seen that interests of service providers (MFIs / NGOs) are usually placed above those of the borrowers. Such rigid financial services not suited to the life circumstances of borrowers. It has often been seen that the provider has a monopoly over the terms of savings and credit (Grameen II for instance).

To the standard MF model she counterpoised an alternative model of 'community managed loan funds', usually managed by Self Help Groups (SHGs) in which the members are supposed to manage and control the capital. The SHGs decide the terms of the transactions, including the generation, distribution and repayment of the corpus. This model is potentially pro-poor and pro-user. Her study was designed to investigate this question.

The study covered 27 SHGs in three villages that had been functioning for a period of three to seven years. They were all-woman groups, and barring two, all were caste-homogenous. The groups were predominantly of OBCs or SCs. The promoters of these SHGs were grassroots NGOs, international NGOs, BDOs, and a nationalised commercial bank. She found that the SHGs had autonomy in decision-making. For instance, they distributed savings and interest income annually despite the INGO's prohibition and disregarded the INGO stipulation to increase interest rates from 12 per cent to 24 per cent in one instance. Moreover, negotiation between promoters and SHGs were based on both adherence of rules and at times disregard and defiance of such rules.

There was great diversity across the groups. There were variations in the terms of transactions among SHGs promoted even by the same agency and in the same village.

She found that the SHGs were able to take decisions in response to the life circumstances of members and local livelihood conditions, in contrast to the 'Provider' model. Yet this conclusion should not lead us to celebrate decentralised decision-making by SHGs, she cautioned, as there exists a hierarchy within the SHGs. Women with a higher household economic status tended to get preference in loans, as did those women who have able-bodied and earning male household members or physical collateral like house ownership deeds. Those with alchoholic and/or non-earning males in the family tend to be overlooked. Kalpana found that significantly higher loans were accessed by higher status women. All the women were conscious that loan distribution is unequal and mediated by household economic status and gendered household social status. However caste was not a factor in intra-group loan distribution, since most were single-caste groups.

Some of the features of the loan transactions included:

- Women resented restrictions on loan access and protested at group meetings
- Assessment of credit-worthiness worked against older, poorer and single women
- Leadership was a central axis of power:
    - Coordinators had higher loan access and had the power to sign and sanction loans
    - Could take new loans, when old loan pending
    - Demands for preferential treatment
    - Low formal literacy of members
    - Informational asymmetries within SHGs

Kalpana concluded her presentation by stating that there has been a huge proliferation of MFIs that are providers of financial services. But SHGs are marked by vulnerability of poorer to better-off members and of members to group coordinators Control over terms of access is being fought for within SHGs and between SHGs and promoters. Programmes are aimed at expansion of access, but what about the terms of access, she queried. Also what needs to be looked into is the relationship between providers of finance and SHGs and also relations within SHG as accessibility of loans is linked to internal hierarchies.

Discussion

Prabhakar asked Kalpana if loans were given to outsiders to which she replied that it is open to outsiders. To Arundhati's question on defaulters, she mentioned that default is harmful to them as they would not be eligible for another loan. So loans are usually repaid.

Benjamin wanted to know about the agents that work in BC models and how they handle the risks involved in handling cash transactions. He also wanted to know about the financial viability of this model. Ahsan clarified that there are two types of risks, and technology as well as insurance are used to minimise risks. For example, agents cannot perform more than 200 transactions a day as the machines limit the transactions, nor can he collect and carry more than 5000/- INR in a day until they settle the transactions & cash with the backend system and the Block co-ordinator respectively. The model can only be financially viable if FINO scales it up and the organisation is gradually working towards this.

Vasavi wanted to know from Ahsan about the quantum of revenue that has been generated by FINO so far. Ahsan mentioned that since the last three years that they have worked in this sector they have not been able to make any profit. But this will change as they are now handling large programmes, e.g. 70 crore rupees per month is being dispensed through NREGA. They have received many offers to distribute FMCG products through their network but FINO has declined these offers.

Sundarraj commented that he found synergy between FINO and other MF models but the difference seems to be that FINO operates through the help of technology. Ahsan replied that though FINO started as a technology provider for MFIs, the sector was not forthcoming to adopt this technology, hence they have shifted into this sector. Using the model of core banking they are now helping seven or eight banks, he noted.

Sourav asked Kalpana whether the money borrowed by SHG members is used for consumption or asset creation. She replied that 57 per cent of the loans are used for consumption while the rest goes for income generation or asset creation. SHGs give women freedom to use the loans as they wish. They often apply for loans to mitigate vulnerability, hence they cannot insist that they be used only for asset creation.

Sowjanya remarked that the money that the poor invest on insurance through the government schemes seems to create a pool of funds for the government rather than for the beneficiaries. Ahsan replied that the money invested by the beneficiary is Rs. 30 annually as registration / renewal charges for which for which they get coverage of Rs 30,000. Initially the poor were not even aware that they are covered under such schemes but now they are aware as they are given smart cards on the spot at the time of enrolment.

Rahul De wanted to know about the accuracy of finger printing technology used in biometric identification. Ahsan clarified that they collect the prints of all ten fingers of the beneficiary and so there is a fallback mechanism in case of one or more finger not being able to be verified.

Jamie wanted to know what Ahsan meant when he used the terms ‘financial illiteracy’ and ‘technological illiteracy’. Ahsan said he meant literacy in his domain – which is financial. He said that the agent and customers are not much different and they had to train the agents in dealing with technology, financial products, customer interaction etc.

Carol wanted to know how they decided who was to be considered as BPL, to which Ahsan replied that they use the database provided by the government rather than identifying BPL households themselves.

Anivar wanted to know how FINO maintains the biometric data it collects and whether it is being shared by other agencies. The reply given was that since FINO collects data on behalf of banks the ownership lies with the bank.

Kalpana commented that the BC model is being used by banks to give loans and subsequently they harass the customers in case on non-payment. Ahsan mentioned that they look into such cases in order to minimise problem.

SESSION 3. THE PRODUCTION OF SOCIAL GOODS

Chair: Carol Upadhya, NIAS

Dr. Upadhya introduced the third session by highlighting the role of anthropology in understanding commodity cultures. Anthropology is interested in the question of how value is produced in commodities. In this theme the discussion is on ‘social goods’, which purportedly combine social and commercial attributes. Another issue is how new needs and demands are created when goods are judged to be of social value. She said that many anthropological perspectives are available to understand commodities, such as the work of Arjun Appadurai who had looked at how commodities circulate and are consumed in his work on the ‘social life of things’.

Promoting Innovation and "Healthy" Competition: The Sanitary Napkin as Hygiene or Aspirational Product for Rural Women?

Devyani Srinivasan, Villgro/ Rural Innovations Network, Chennai

Devyani's presentation explored the question of the production of social goods in the context of one innovation incubated by her organisation, Villgro (formerly RIN). She said that looking back, she feels there are more questions than answers. She started with a brief introduction about Mr. Muruganandan who was the brain behind Villgro's idea to encourage rural women to produce and market their own sanitary napkins. Mr. Murugananthan produces and sells a mini sanitary napkin manufacturing machine to rural women, thereby encouraging them to produce and market their own napkins, while Villgro offers mentoring, networking and funding to him. She said that in each innovator's life there is a 'eureka' moment and Mr. Muruganandan's moment happened when a sanitary napkin he had been carrying around tore open and he saw that it was made of biodegradable wood pulp fibers, which are more absorbent than cotton.

After this, the broad interventions at Villgro ranged from ideas, prototypes-testing to undertaking market studies and test marketing followed by pilot marketing and finally scaling it up and gauging the impact.

A mini sanitary napkin manufacturing machine was innovated which was an incremental innovation over a Gandhigram Trust machine in the method of compacting fibers and sealing the napkin.

According to her data only 15 per cent out of the 6 million women in the 13-40 age group in Tamil Nadu use napkins. Cloth napkins are used by the poor and low income households in rural areas while branded napkins are used by the middle and high income households. Their intervention was mainly aimed at the users of cloth napkins as their study showed that use of cloth is uncomfortable, requires frequent changes, is not hygienically used or disposed of, and prevents women from working or studying during menstruation.

The unbranded napkin as an intervention would have the following advantages -- it is manufactured manually by SHGs, and it gives privacy to the customer. The disadvantage is that the stitching required reduces the speed of operation. The solutions were to mechanise some of the operations in the unbranded manufacturing process, and sell the machine to SHGs that would in turn would manufacture, brand and sell the napkins. The approach to branding was different from a product like Avon's. Avon's approach had been termed "Lipstick Evangelism" (by Catherine Dolan and Linda Scott). Avon Ladies were representatives of the world's leading direct seller of beauty products, who use catalogues and samples to sell products door-to-door. These catalogues "work to refashion traders as respectable, 'beautiful', modern women. The company's marketing materials, for instance, purvey a global beauty aesthetic in which idealised representations of gender, race and class prevail, providing a field guide for 'modern' self-representation". In contrast, in their approach they expected social values such as hygiene, comfort, convenience and privacy to be highlighted.

At least 40 napkin brands emerged from this exercise but what was interesting is that the brand names chose seemed to evoke a close association with the branded napkins produced by MNCs and there was no use of local language or imagery and no evocation of the social values that Villgro was trying to promote. Most brand names such as Eva, Be Free, Feel Free, Free Style had the word 'free' in it, possibly imitating the most famous brand in this industry, Stay Free -- with the exception of the brand name 'Easy Feel'.

Devyani said that several questions were thrown up by this experience that invite further research: Is it the sanitary napkin as an aspirational product that is being invoked by these brands, with little reference to the meanings of the brand names? And do the values associated with the napkins produced by MNCs resonate with rural women? Do women actually experience the napkins as imparting freedom? What does the term ‘free’ mean to rural women? She said that posing these questions was the first step and that they have started to systematically research some of these issues at Villgro through their KM program.

Devyani concluded the presentation detailing the various specific innovations made in their interventions in the programme and highlighting the three areas of research and their interlinkages -- Entrepreneurs, Innovators and Users at Villgro.

Purity and Light: Chasing social goods in South India

Jamie Cross, National University of Ireland and Goldsmiths College, UK
Alice Street, University of Sussex, UK

The presentation by Drs. Cross and Street compared two commodities that have been marketed to the poor in South India recently as ‘social goods’ – Hindustan Lever’s Battery Operated Water Purifier Pure-it, and the D-Light Solar Powered Torch. They briefly highlighted the main characteristics of both commodities, which were developed along the lines of the BoP model to be fairly cheap but also mass manufactured. They noted that the notion of a ‘social good’ is understood by them as a claim made by the manufacturers.

According to them, these products are claimed as social goods because although they are developed and sold for profit by commercial outfits, the latter work as agents of development claiming to transform people’s lives for the better through their products. As social anthropologists they are interested in developing insights about the relationships between technology and society revealed through the production of new types of commodities for consumption by people in ‘bottom of the pyramid’ markets.

They said that one has to think of shifting the ‘boundaries of the object’ in order to think about the commodities marketed to the BoP segment. We need to see other people, institutions and things that seem to be physically or materially separate entities as, in fact, integral to these objects, through a series of relationships. Rather than being clearly bounded, the lines between objects and various agents connected to them are instead messy. Indeed, this is the premise on which commodities are being packaged and sold as ‘social goods’ to BoP communities. Jamie said that the stories surrounding these social goods are typically of the ‘everyone wins’ kind where everyone is said to benefit from new public-private partnerships, or where rural social networks can be harnessed as direct distribution channels through alliances with micro-credit organisations. The stories related to the bottom of the pyramid commodities were clean, coherent and presented a smooth picture of the social relationships linked to the commodities. They also present a particular picture of the interests of the people and institutions that make up the network and of the social problems that the ‘social good’ addresses. In contrast to this they suggested that all objects are messy, muddled, moving, incoherent, and enmeshed in slippery and sticky networks of relationships. Social relationships around these goods are transformed as the good is produced and distributed and are never predictable, smooth, coherent, but involve unexpected hic-ups, unintended effects and unpredictable relationships. The networks of relationships that are incorporated into commodities are always bigger than any single, coherent story about them is able to describe. The paper pointed to the inter-related processes that frame social goods -- that they are accompanied by problematisation, where particular issues are highlighted at the cost of others, and that they are framed as technical problems rather than as state failures to provide basic services (e.g., impure water). Secondly, only those relationships which add value to the object specifically as social good are highlighted while other kinds of relationships (such as with the producer) are downplayed or ignored.

They presenters went on to elaborate this point examining in detail how the case study products are presented to the consumers. In the case of HL, the problem that the product is claimed to address is that of waterborne diseases. All water is constructed as impure and the only solution is to purify it at the end use point. The problems arising from impure water, such as child mortality and diarrhoea, are represented as evils that can be solved by Pure-it. Framed this way, a domestic appliance becomes the automatic solution to the problem and simultaneously creates a huge universal and under penetrated market.

To make the commodity both profitable and socially beneficial, authorship is claimed by HL as a patented product and as an achievement of HL scientists who provide the human face to the product. The patented ‘Germkill Battery Technology’ is said to meet standards set by the American Environmental Protection Agency while consumer friendly features built into the product provides further authorship to the product. This is because substantial market research has found that low-income consumers do not want ‘useful’ objects like Pure-it. Instead they want aspirational objects such as televisions, motorbikes, and fridges. Pure-it meets the demands of consumers who are known/defined as both ‘needing’ pure water and ‘desiring’ high-status commodities.

However, the paradox is that this battery requires frequent replacement after every 1,500 litres (up to every three months) at around 350 Rs each, which means that a household needs a reliable source of income in order to keep the technology working and ongoing reliable distribution networks through which it can access those batteries. What is left out of these framings is the high battery cost, which is not affordable by really poor households. Other relationships that are omitted are the absence of the state (as provider of clean drinking water) and the use of distributors as a low cost option as compared to retail outlets and advertising.

Similarly, the problem that D-Light claims to address is dependence on kerosene for lighting, which is portrayed as an evil to be eradicated. This would be done by providing safe and affordable lighting solutions to those who do not have access to electricity. Kerosene is portrayed as a major cause of risk through stories of children dying in domestic fires and indoor pollution. D-Light, in contrast, is advocated as a product that can help improve livelihoods (by providing lighting at night), save money and provide cost savings. Jamie showed how Sam (the inventor) often narrated the story of marriage celebrations in rural Mexico that came to halt because of a power failure but could continue due to a battery powered light similar to D-Light. However, what is left out of this formulation is the livelihoods of those who are involved in the transportation and sale of kerosene, the health risks due to other uses of kerosene which would continue despite D-Light, and again the state’s failure to provide electricity infrastructure.

D-Light’s authorship was by two American men -- Sam Goldman and Ned Tozun who were MBA students at Stanford University's Institute of Design and who came up with this product during a semester-long class called Designing for Extreme Affordability. The story of this product draws on a number of different associations in order to present it as a credible and legitimate social good, such as its association with Stanford University, etc. The use of Sam’s story and his face are important to the product.

At the other end, D-Light is funded by a small number of private venture capitalists and is accountable to a small consortium of investors which have provided seed funding and to six external investors who have stock options in it. There is little publically available financial information on the relationship between D-Light and its financiers. However, they have to pay considerable attention to frame their product as profitable for the sake of these investors.

The product itself embodies the conception of the rural market as remote villages. Considerable market research was undertaken to identify the right group for which D-Light seemed the ideal product. Sam's assumptions about rural markets were modelled after a Mrs. Gupta who worked outside his office compound; he would test his new innovation with her to see how useful it was to her.

There is also the story of the LED technology used in this product, which is undergoing a transformation phase as industry is trying to increase the use of LED in more products and by ramping up demand and cutting costs. So this technology is put to use in BoP markets as they can provide economies of scale for this technology to help bring down the costs.

However, on the production side the speakers pointed to further complexities -- the lights are assembled in China through the use of experienced supply chain managers who focus on cutting costs, reducing failure rate and increasing turnover. This would also mean a the use of feminised and casualised workforces, industrial production systems that depend upon complex surveillance technologies, and hyper-efficient forms of workplace organisation, to produce this 'social good' for poor markets. At the level of end users it was piquant to see a D-Light being used in a microfinance organization by its loan officers so that they could collect repayments from villagers at night.

In conclusion, the story of D-Light is the story of a very specific set of relationships and associations that are important for framing its market and its product. But the kinds of relationships in which their lights are embroiled are much more messy, complicated and unpredictable.

Discussion

Rahul De asked, what is special about social goods as all material goods have the same complex relationships described in the paper? In response, Alice said that these products claim to have a particular social value, which is what makes them interesting. Jamie noted that the companies circulate claims that they are marketing social goods but by unpacking this complex of relationships, we can provide a broader framework through which to assess and evaluate that claim.

Sahana Udupa asked whether Drs. Cross and Street have looked at how these products are received by the users, because if the intention is to theoretically reposition the objects in messy relationships then is there not a need to move beyond branding and go into other stories, e.g. of the consumers? Alice said that anthropology as a discipline provides the cultural and social side of the story, and by using the examples of D-Light and Pure-it they attempt to go beyond the common-sense story about these products.

Anant expressed dissatisfaction with the analysis, which to him seemed to be alluding to, but not directly talking about, commodity fetishism. In the Marxist tradition, the relationship embodied in commodities is obscured – but the speakers have not invoked this concept. Second, he suggested that geography is important to unpacking these relationships. E.g., why are particular production regimes in China connected to distribution networks here and not elsewhere? How have the various BoP goods travelled and where have they ended up – we have seen in this session one case where SHGs are producing a good and another where corporates produce it. How do we understand these variations? He also pointed out that the kinds of ads, narratives, discussions highlighted in the presentation are about the authority of the expert – the science lab, patents, American associations, etc, which appeals to a certain group of people, or to the donor organisations, funding organisations, etc. But such narratives might not appeal to the government or to the target consumer. Why should something be bought? Products are used by individuals. Do these stories travel at all to the consumers?

Karen Coelho noted that rather than the perspective of commodity fetishism, what interests her is that in this case particular relations are fetishised by the product. There is profit for the producer and value for consumers and that particular relationship is projected as as central. So there is actually a *defetishisation* and a foregrounding of selective social relationships in these representations and strategies.

A participant gave the example of water being supplied to the household at the doorstep, and when an assessment was made substantial benefits were calculated because the women did not have to travel for long distances to get water and they could spend time with the children, and the cows and buffalo gave better milk yield and therefore revenue and the life of livestock increased. He said that it is important to calculate the benefits to the consumer in the case of such improvements.

Rahul De asked whether there is data available on the consumer segment for Pure It. Alice responded that the consumers are mainly in the middle income group since the cost of Rs. 2000 is quite high. She also clarified that the 'battery' in Pure It is not actually a battery but a cartridge containing the purifying substances.

Karen noted that there is an increasing differentiation, polarisation, class enclaves, ghettos, slums, etc, such that there is a grid emerging and everybody wants to be on the grid. Are the marketers of 'social products' trying to address this emerging social reality?

Kalpana highlighted the issue of state responsibility being individualised and transferred to the consumers. The effect is to shift attention away from healthcare and the allocation of state resources, for example in clean water supply, and to a focus on technological quick fixes, excluding other relevant relations.

Santhosh Singh noted that all these companies (providing 'social goods') neatly map onto the southern part of the country, while there are few such enterprises in the North because there the infrastructure is relatively poor. In the North the consumers are really poor and not aware and these companies do not enter those markets because the cost of servicing these areas is very high. Thus Bangalore, Hyderabad and Tamil Nadu are the preferred locations. These venture capitalists approach the 'low hanging fruit' first and their priority is to first establish themselves and start making a profit (instead of reaching deeply into the new markets).

Vasavi noted that their real target then is not the poor or the BoP but people who could afford such products, albeit people in rural areas. Jamie said that even Sam has repeatedly expressed disappointment at how his enterprise is going, because it has not really reached the market for which it was intended. Alice noted that in fact only a tiny section is targeted, those who are not too rich or too poor, are not provided by the state but have sufficient resources to purchase these products.

Sowjanya pointed out that these products have a particular relation to the body. In the paper by Jamie Cross on Lifebuoy soap, he showed that these products are not harmless but actually bring a change that could lead to increased health risk. The marketing of these commodities as social goods tends to not focus on their physical, biological linkages with the body and society.

SESSION 4. THE POOR AS CONSUMERS

Chair: Solomon Benjamin, NIAS

Rural India : The Emerging Market

Benjamin Mathew, MART, New Delhi

Benjamin Mathew's presentation was on the 'Rural as an Emerging Market'. The main contention of his presentation was that the rural has always occupied a significant space as a target market and it would be wrong to see this only as a recent phenomenon. To bolster his argument he presented macro-statistics that showed, for example, that 17 per cent of villages in the size range 2000 – 10,000 (of a total number of around 6 ½ lakhs) account for 50 per cent of the rural population and 60 of the rural wealth. He cited various statistics to show how the rural market is booming and there is great scope for tapping this market. He also pointed to the growth of smaller towns as markets. For instance, 90 per cent of durables purchased by rural people are from around 1900 towns with a population between 20,000 and 100,000. The presentation claimed that due to the large size of the market, mere presence ensures a brand's sales. This can be done through deep distribution and correct pricing policies.

The size of the rural market in 2006 was pegged at Rs 2000 billion (including FMCGs, durables, two- and four-wheelers, etc). Other interesting facts noted were that 55 per cent of LIC policies are sold in rural areas, and 70 million kisan credit cards have been issued, similar to the number of urban credit cards. 50 per cent of the turnover of HUL comes from rural areas, while half of BSNL's mobile subscribers are in rural areas and small towns. These data were clearly aimed at convincing companies about the attractiveness of the rural market, as pointed out during the discussion.

Mr. Mathew presented a demographic and behavioural profile of the rural market. This homogenous view of 'the rural' was challenged by the listeners, but the speaker also noted that the rural is in fact a heterogeneous population, and that companies that succeed are those that could cater to this diversity. The presentation challenged several 'myths' about rural India – that it is homogenous, that there is low disposable income, and that purchase decisions are made by individuals. But he also described various bottlenecks to tapping these emerging markets, and the need for business models to adapt to this environment. He presented data on distribution and retail networks in rural areas, showing the large scope for extension.

Challenging notions of rapid urbanisation, the presentation also claimed that India would continue to live in its villages with a forecast of 62 per cent of the population still being in rural areas in 2025.

The presenter suggested that there would be growing opportunities of livelihood in the unorganised, non-agricultural service sector for the rural populace with tourism, construction, and retail leading the way. The presentation painted a picture of increasing rural prosperity, rising incomes, and enhanced consumption. But several claims, such as that food consumption has not declined and the agricultural economy is growing, were contested by many of the participants. For instance, they argued that the high volume of rural marketing in smaller towns is due to a differential pricing strategy used by several companies (offering lower prices in Tier Two and Three towns, thereby increasing the market share there). Also, the claim that there are 482 millionaires in rural Haryana and only 137 in Bangalore appears improbable, participants pointed out.

Queries on the Poor as Consumers

AR Vasavi, NIAS

Vasavi's presentation raised broader issues about the legitimisation of the expansion of capital through the kinds of marketing and credit networks discussed during the workshop. Providing a context for her arguments, and addressing the question of when did the idea of 'poor' as consumers emerge, she underlined the following points:

- These developments are taking place in the context of neoliberal/flexible capital and the increasing presence of MNCs, in a situation where earlier forms of the triad production-distribution-consumption collapses into newer forms of accumulation (David Harvey); and it is in this context that Prahalad's work assumes legitimacy.
- There is an emerging discourse of fighting poverty with profitability, which goes along with two other developments:
    - the emergence of 'culture' as a commodity;
    - the large and increasing population size is now seen as a market and not as a potential drag on the economy.

Vasavi pointed out that while the MNCs and other companies are busy marketing 'social goods' to the poor, there are several products that are of potentially great value but have not been marketed :

- the smokeless chula developed by IISc; has never been adopted by the intended market;
- bicycles -- demand among the rural poor has fallen while demand for two-wheelers has grown; at the same time there is a demand for fancy bicycles among the 'yuppie' urban population;
- what seemed to have seen a huge spurt in demand among the rural poor is for cheap synthetic saris (e.g., from Reliance), which has created a market for better clothes among them.

It is in this context that Vasavi raised a few queries on the BoP as an emerging market:

- What are the implications of such a movement in the context of increasing indebtedness of the rural poor and their links to new credit cycles? How does consumption impact the credit cycles of households?
- Will the possession of such goods being marketed to the BoP undermine the BPL classification and mask poverty – in the context where ownership of consumer goods is taken as a proxy for economic status in some surveys?
- What about the ecological sustainability implications of mass production and sale of some of the products that are being targeted at the poor?
- What are the broader implications of a hidden or explicit burden generated by enhanced consumerism in rural areas (e.g., demands for dowry)?

Thus, she argued, we need to look more closely at the expansion of capital in rural areas that is being mediated through various channels -- corporate, state (schemes such as NREGS etc), civil society, and media (promoting the expansion of capital).

Discussion

Several respondents pointed out that the kind of statistics shown by Benjamin Mathew in his presentation can be used in different ways. There may also be problems with respect to the accuracy of these statistics based on the definitions and sources used. Mathew was also questioned on why NSS data was not being used, instead of relying on NCAER data.

There appeared to be differing positions on the question of 'food security risk' between MART's perspective and the participants from IIMB. The participants from IIMB indicated that data from sources such as NASSCOM are highly suspect as IT companies submit different sets of data for these bodies and for institutions like SEBI. Thus other company generated data must be questioned.

Mathew was asked for whom the presentation was made, and he replied that it is mainly used for clients aiming rural markets.

One participant pointed out the need to put the arguments about poverty, indebtedness, and capital in a broader historical perspective – debates about debt have been there from late 19th century onwards, so we need to examine old and new forms of debt and also institutionalised and non-institutionalsed forms of debt. Rather than condemning the activities of MFIs we need to discover whether they are replacing more exploitative forms of debt and economic organisation in rural areas.

Another participant pointed out the need to see the issue at two levels: first, the relations between burgeoning MFIs-SHGs and the pressure (or lack thereof) on the banking sector to cater to these demands; second, the linkages of the banking sector with the global financial circuit. The role of development funding agencies (in terms of their links to global funds/financial markets) and their provision of funding to SHGs, and their role in training the rural populace to become consumers, also needs to be explored. The participant queries whether SHGs being looked upon as consumers/clients OR as pressure groups acting on a welfare state (for a more efficient banking sector)?

The workshop was closed with thanks for the participants and a promise of further discussion and debate on these issues.

NATIONAL INSTITUTE OF ADVANCED STUDIES

RBI PROGRAMME ON INTERDISCIPLINARY APPROACHES TO ECONOMIC ISSUES

Workshop on

The Poor as an Emerging Market: Strategies, Research, and Implications

PROGRAMME

Friday, 6th November 2009
National Institute of Advanced Studies, Bangalore
Conference Hall–II

9.30 – 9.45 a.m. Registration

9.45 – 10.00 a.m. Welcome and introduction to the workshop
Carol Upadhya, NIAS
Jamie Cross, National University of Ireland

10.00 – 11.15 a.m. **Session 1. Re-Programming Social Networks (1)**
Chair: Narendar Pani, Dean, School of Social Sciences, NIAS

K Prabhakar, *Senior Advisor, BASIX Microfinance, Hyderabad*
MFIs/NGOs as Facilitators to Private Sector in Reaching BoP Segment

Aishwarya Ratan, *Microsoft Emerging Markets Research Unit, Bangalore*
Made by the BoP for the ToP: Inverting the classic BoP premise: Enabling the Poor as Producers

11.15 – 11.45 a.m. Tea break

11.45 – 1.00 p.m. **Session 2. Re-Programming Social Networks (2)**
Chair: Anant Maringanti, Hyderabad

Mujahid Ahsan, *FINO, Bangalore*
FINO's Experience in Designing and Delivering Financial Products to Rural Poor Leveraging Technology

K Kalpana, *Senior Researcher, Centre for Development Finance, Chennai*
Contests over Credit: Class, Gender and Microfinance in Rural Tamil Nadu

1.00 – 2.00 p.m.	*Lunch*
2.00 – 3.15 p.m.	**Session 3. The Production of Social Goods** Chair: Carol Upadhya, NIAS
	Devyani Srinivasan, *Villgro/ Rural Innovations Network, Chennai* ***Promoting Innovation and "Healthy" Competition: The Sanitary Napkin as Hygiene or Aspirational Product for Rural Women?***
	Jamie Cross, *National University of Ireland and Goldsmiths College, UK*
	Alice Street, *University of Sussex, UK* ***Purity and Light: Chasing Social Goods in South India***
3.15 – 3.45	*Tea break*
3.45 – 5.00	**Session 4. The Poor as Consumers** Chair: Solomon Benjamin, NIAS
	Benjamin Mathew, *MART, New Delhi* ***Rural India : The Emerging Market***
	AR Vasavi, *NIAS* ***Queries on the Poor as Consumers***
5.00 – 5.30	**Final discussion and wrap-up**

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