Nearly half of the planet's population subsists on $2 a day or less. What role should business play as the world confronts what may be the most explosive socioeconomic challenge of the new century?

As members of the School's Global Poverty Project (GPP), Kash Rangan, John Quelch, and other faculty members have studied and researched the issue of business and global poverty for some time. They believe that in pursuing its own self-interest in opening and expanding the BOP market, business can make a profit while serving the poorest of consumers and contributing to development. As Rangan explains, "For business, the bulk of emerging markets worldwide is at the bottom of the pyramid so it makes good business sense—not a sense of do-gooding—to go after it." Today, market forces, private-sector know-how, and grassroots initiatives such as microfinance are all being looked to as tools to alleviate poverty. Business, once viewed by many critics as part of the problem, is increasingly being called on to be part of the solution. How business can do this most effectively is the focus of the GPP's research and scholarly activity.

**Multinationals Leading The Way**

While GPP faculty note that it is too early to declare any models runaway successes, they point to some unique ways that multinational corporations (MNCs) and local businesses are serving the previously invisible BOP market: Nestlé, with its "milk-district model" that encourages supporting businesses to spring up around its dairies in rural India; CEMEX's program of affordable payments and materials that enables impoverished Mexican families to build their own housing; or in Brazil, with Kodak's no-frills camera/film packages, or the department store Magazine Luiza's ... merchandise, payment plans, and customer service, all designed to make consumers out of those outside the formal economy. "The GPP's intent is not to discover the next big idea," Rangan says, "but to find models that business can use to engage with the base of the pyramid."

**POVERTY CAN ONLY BE TRULY ADDRESSED IF YOU MEET FOUR CONDITIONS.**

In December 2005, the GPP convened a three-day colloquium, "A Conference on Global Poverty: Business Solutions and Approaches," with a goal of beginning to identify the characteristics of successful enterprises and leaders in this realm. The nearly 100 academics, business practitioners, and nonprofit executives from fifteen countries who gathered for the event examined the operational and cultural obstacles that impede success in fighting poverty. They also considered the impact of business as a poverty alleviator and whether business engagement alone is sufficient to lift individuals out of poverty broadly. "The aim of the conference and the resulting, just-published book, *Business Solutions for the Global Poor*, is to accelerate the adoption of new, scalable solutions to the global poverty problem," notes HBS professor John Quelch, a member of the conference committee. (Quelch, Rangan, and Latin America Research Center executive director Gustavo Herrero (HBS MBA '76) are the book's co-editors, with Research Associate Brooke Barton.)

The 2005 conference was followed that spring by an MBA elective, Business and the Bottom of the Pyramid, taught by Rangan and Senior Lecturer Michael Chu, former president and CEO of ACCION International, a microfinance organization focusing on Latin America. Last fall, a series of seminars on business and global poverty was held; more conferences and seminars are set for the coming months. Baker Library is building an electronic library of BOP cases, articles, and other materials, the first such comprehensive compilation anywhere.

GLOBALIZATION HAS NOT REALLY HURT THOSE MAKING $5 A DAY OR LESS. BUT IT HAS NOT HELPED THEM.
Rangan and Chu’s course, now a full-credit offering as of this semester, takes an in-depth look at microfinance, an important and relatively new poverty-alleviating weapon. Introduced about thirty years ago, this system of very small loans to grassroots entrepreneurs such as street vendors, subsistence farmers, or home-based businesses has enjoyed widespread success. Indeed, the 2006 Nobel Peace Prize was awarded to Muhammad Yunus and the microcredit Grameen Bank he founded in Bangladesh more than two decades ago. With interest rates ranging from zero to 20 percent, Grameen's average loan (no collateral required) is $200. Its repayment rate is about 98 percent. Some 7 million poor people, almost all of them women, have Grameen loans; Yunus asserts that microfinance is helping to reduce Bangladesh's poverty levels by 2 percent a year.

**Paying The Way With Microfinance**

Michael Chu, a private-equity specialist at KKR before joining ACCION International, was instrumental in spreading microfinance throughout Latin America while ACCION's CEO. In Bolivia, ACCION linked the microfinance field to capital markets through the founding of BancoSol, a microfinance institution that became the nation's most profitable bank.

"Poverty can only be truly addressed if you meet four conditions," Chu explains. "You must have huge scale to reach the billions who are in poverty; solutions must be enduring and last over generations; solutions must be truly effective and make a difference; and all this must happen efficiently. Only through a commercial approach can you achieve all those things, and the great power of microfinance comes through its ability to generate profit. There is no contradiction between social impact and good profitability; in fact, profitability is central to that social impact."

Eliminating, or even alleviating, global poverty is an enormous task. About a billion of the world's people live in slums, and Payatas resident Ronald ('Bobby') Escare is one of them.

As described in a recent article in *Harper's* magazine, Bobby can make $3 on a good day foraging for copper wire and aluminum cans. During the eight years that Bobby has lived in Payatas, three of his children—ranging in age from nine years to three months—have died. The lives that he and his Payatas neighbors lead resemble those of other inhabitants of the chaotic megacities of Latin America, Asia, and Africa whose daily existence, in the words of journalist George Packer, is "the furious activity of people who live in a globalized economy and have no safety net and virtually no hope of moving upward." "Globalization has helped emerging economies distribute their products and services around the world but there's been no systematic way to link the extra wealth that has been created to spur poverty alleviation at the BOP," Kash Rangan says. "Yes, economies, and with them, the middle classes in emerging countries, have grown. But inequality within countries has also grown. Globalization has not really hurt those making $5 a day or less. But it has not helped them."

The wealth created by globalization, Rangan declares, requires blueprints from governments to use those resources to help people escape poverty. In the private sector, Rangan sees a positive trend among multinational corporations within industries to set and adhere to minimum standards for labor, the environment, and human rights. Their self-interest—specifically, the need to maintain their moral and literal licenses to operate in these countries—requires it. "Although it may increase their cost of doing business, businesses have nonetheless taken the lead here, and strong governance will emerge," Rangan observes. "But it's a slower process than people imagine. At the GPP, we don't expect change overnight. But we feel that we can help advance the business process in a direction that makes commercial sense and is the right thing to do."

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business can make a profit while serving the poorest of consumers and contributing to development. As Rangan explains, "For business, the bulk of emerging markets worldwide is at the bottom of the pyramid so it makes good business sense—not a sense of do-gooding—to go after it." They also considered the impact of business as a poverty alleviator and whether business engagement alone is sufficient to lift individuals out of poverty broadly. Around 8% of the world’s population lives in extreme poverty — but do you know why? We look at 11 of the top causes of global poverty (updated for 2020). Post Permalink. 11 top causes of global poverty. March 4, 2020. Share. Tweet. Email. Around 8% of the world’s population lives in extreme poverty — but do you know why? We look at 11 of the top causes of global poverty. Share. Tweet. Email. Living on less than $2 a day feels like an impossible scenario, but’s a reality for around 600 million people in our world today. Approximately 8% of the global population lives in extreme poverty, commonly defined as surviving on only $1.90 a day, or less. There is some good news: In 1990, that figure was 1.8 billion people, so serious progress has been made. Business can fight physical poverty, heal the emotional effects of poverty, facilitate sharing spiritual wealth, develop stronger social networks, and enable better care of our environment. As businesses start and grow, impact grows as well. Whole economies and nations begin to flourish in ways they haven’t before or haven’t in a long time. These stories from across our global network are evidence of the power of business to end poverty so all may have life and have it abundantly. When entrepreneurs and businesspeople come together in a global network, sharing resources, knowledge, and inspiration, what we can accomplish individually is multiplied. Discover how you can join us fighting poverty through business visit Partners Worldwide website.