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Special Address on "Eradicating Poverty through Profits"
by

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Good morning and thank you for having me and I feel particularly privileged to be part of this morning, and I will tell you why I feel particularly privileged, because I think for the first time we have a clear recognition in this country that there are really two India's- a very confident, global, highly aspirational India may be of 100 million people and upward disenfranchised India coexisting at the same time of 900 million people. But these 900 million people don't create a monolith, they are not all the same and what today's program is saying is that we need to be fairly segmented, not have one solution for all people in poverty, but have a highly segmented solution, district by district because the problems are different, the opportunities are different and there are many different ways in which we can solve the problem. This is an extraordinarily positive thing.

The second positive thing that I am very excited about and its been one of my key assumptions and how to deal with poverty is traditionally we had extremely clear distinctions of roles, civil society and the government took care of the poor, their wards of the state and if it is a constituency of civil society, and multilaterals like UNDP and the World Bank helped them through the governments. But the private sector was totally left out of the debate, and I believe for the first time, we are starting to actively include the private sector in the debate, and I believe just including them changes the nature of the debate and the nature of the solution and as we see right today in three companies that made presentations on something very practical, something that can be done and the level of creativity you can bring to the problem in less than 2 months of work.

I believe that private sector is well and alive in rural India. We just don't want to see it. What do I mean by that? There is a huge unorganized sector. I don't want to call them moneylenders, but it is there, it is private sector, let's not forget it. That's what Hernando's work is and Hernando's sort of basically argued, "Poor people are dependent on local monopolies called private sector". So, private sector is not new to poor people. The only thing is we have refused to recognize them. The second thing is this, this private sector is not transparent, it is very opaque and it does not create a virtuous cycle so that people can get out of poverty. It creates a vicious cycle of continuing poverty.

So, when people worry about large companies moving and the asymmetric relationship between the large company and the villagers, let us be clear compared to what? Are we comparing it to the local money lenders? Is that what our worry is? That is the issue we have to face head on. I heard recently that the fact ITC is likely to go on create e-Choupals, and you can correct me if my information is wrong, in Rajasthan to let the money lenders to go on a strike. Is that true or not? They are telling you something, transparency, access; asymmetry of information is the result of ITC e-Choupal. That is contrary to the interests of moneylenders who are lived off the poor people as a constituency for hundreds of years.

Now, I would like to pose the question. Who should have the courage to break this local monopoly? If you don't, let us not talk about solutions to poverty, its not going to happen. I believe ITC e-Choupal got away with it, just like E-governance was done because local people did not fully understand what the implications are. The individual farmers love e-Choupal, the moneylenders don't, and I think we need to come to terms with this issue of local monopoly.

Now, why do we need the organized private sector? I think that's an important question. Not that the poor people are against private sector. I think even when your public services are available in this country people go to the private sector. Let me give you two examples and move on. Health care, there is public sector healthcare available, but people go to private doctors, they spend a disproportionate amount of their money because public sector has failed them. We have public schools but people go to private school or even if they cannot go to private schools they go to private tuition. It's one of the largest industries not documented well in this country. Everywhere I go I ask a simple question even the servants in rich homes work two jobs to make sure their children get private education called tuition after they come back home. That is the tragedy.

So, when we talk about the dangers of private sector, we must continuously balance it against an unaccountable public sector that is been the bane in the villages. Somebody has to call a spade a spade and I think, the sooner we do it, the faster progress we will make.

Now, why do we need the organized private sector? I just happened to know all three companies that made the presentations and I want to say here I am very proud of the fact, two days ago, I know Jaya Wilson was there from UNDP, we had 1100 person participation in a global conference on "Eradicating Poverty Through Profit". I am happy to say it was an all Indian show. The two people who made the presentation and I think Arun was there as well. The two people who made the presentation carried the day. One was Deveshwar from ITC, another was Dr. Nachiket More from ICICI, everybody else was talking about minor experiments messing around with 20 or 30 people in a small village. These two stood up and said we can touch 20 million people or 10 million people. In other words, India does not have to go outside, you can become the benchmark. In fact, you were the benchmark in that conference and I want you to recognize it and thank people for having done a phenomenal amount of good work that is recognized worldwide. I hope it gets recognized inside this country first, but it was recognized worldwide. I just felt good and I want to share it with you. I want to talk about and I will spend more time in the afternoon.

I want to say why ITC experiment is an important? It is not because it creating a linkage. That is an important part, but it is creating both infrastructure for input management and output management from the farm. Initially, it started by acquiring Soyabean that is output from the farm, it is connecting the subsistence farmers to global markets. That I think is the creative part of what ITC has done. They have done four things, by creating an opportunity for eliminating asymmetry of information between the poor farmers, in fact, our students made a video which is the part of the bug where a farmer now talks about going to the Chicago Board of Trade to check prices. Now think about this. Do not worry about whether poor farmers will accept new technology and rapidly build capacity. They will, sooner then you think. Our students asked them, why do you go to Chicago Board of Trade? You know what the answer was? You are the educated one you should

no. We did not, believe me, we did not, we went and did the research most of the Soyabean from this country is exported, therefore, the prices of Soyabean is very dependant on Chicago Board of Trade. The poor farmers figure this out on their own. I do not believe the problem is with poor people the problem is with our view of poor people. I want to make clear, I have never seen a case, and I have done enough research in-depth in this country to know that the problem has never been with the poor people. It has been with us who have been very elitist about poor people and the sooner we accept it the better it is still. Eliminating asymmetry of information, eliminating asymmetry of choice, so I do not have to sell it at the rate at which the mandi will offer it to me, but I have the ability to sell it at the mandi or to sell it to ITC that is an important ingredient in what ITC did. Contracts enforcement is not only one sided, it is to just the mandi or ITC, but the farmers can enforce the contract because it is transparent and finally giving him self-esteem and dignity. That's what ITC has done, that's what we should do in the poorest districts of our country

Second 'Shakti' is about entrepreneurship it is about creating the skills. I went and interview Shakti, believe me at the end of three hours I asked her a simple question, what is it all meant for you? She said, today I am somebody. That's what it's all about. It is dignity, it's choice, it's hope and that is what it is about. Its about obviously income generation, its about access, availability, all the other good things as was talked about.

ICICI is quite interesting because it is all about eliminating risk for the farmers, whether it is crop insurance, rain insurance, bringing world-class products to the poorest people in this country. When you have a subsistence farmers in coffee who can buy a derivative that's high-class work. In other words, do not give poor people bad stuff, give them world-class stuff, they deserve it and they know how to use it. Coffee farmers are asking for derivatives. You can ask for rain insurance, you can ask for crop insurance. This is not just about micro finance, giving access to credit and hoping for the best, it is building new product and services that are fundamentally different and that is why this experiment is so interesting. I do not believe poor people, we do not have to worry about how rapidly they will adapt, if it is in the self-interest. If it is not in their self-interest, if we just give them more aid, we are creating a sense of dependence not getting them into virtuous cycle of change. My suggestion to the people who are going to do it, nobody ask me what my suggestions are, but I am going to give it anyway because I desperately want this to succeed because the poor people deserve better. I have just four things.

1. Before you start work, do not start with 100 poorest districts and say we are going to solve the problem inside, go and look at 100 richest districts in this country, just across. Go to Amul, see the rich districts in Gujarat, same people same core stock, why are they rich and why are other businesses poor?
2. Look at contiguous districts. Why is one district poor and one district rich.
3. Do not allocate resources, which is the subsidy. It creates dependence.
4. My last most important suggestion is do not have 100 priorities. The metaphor is cricket. I have to use baseball in the United States but the cricket is a good metaphor here. Even if you are the best catcher or fieldsman, if I throw 10 balls at your face simultaneously you cannot catch it. One ball at a time in rapid succession you have a chance of catching all of them. I find it every program in this country involving poor people there are four hundred priorities, nothing gets done when you have so many. Pick one or two priorities and rapidly escalate. We should have a plan for 400 priorities. If we start with everything from biogas to gender equality simultaneously, it is very hot to do all of them. I do not care how

- much bandwidth we have. Let's pick two or three, let's get moving and rapidly escalate the opportunities for people, they will figure out what is more important for them. Just like in ITC villages, in Shakti villages, they are not stupid people. Go and talk to self-help groups in southern part of India, they are very vocal on what their priorities are. We do not have to tell them what they are, start with the field.
5. Finally, I would say create stability to the teams and those who are involved in doing it pick your own team. That's what all managers do in a turnaround situation. Do not work with existing people. This is an experiment, which the whole world will watch if it succeeds. For those of you who are going to do it, you are on world stage. Believe me, two years from now, when I organize another conference like the one I helped two days ago in San Francisco, I want this team to come and present because the world can learn from what has happened here. If that is your perspective then you should not mess-around with incrementalism. You should take the attitude we are going to make this a model and if anybody stops us and stands in the way, we are going to get rid of them. If we do not have that courage we will wall of in mud some more time and come back and say it is hard to change poverty. It is not. We know the answers. The good news about India is, we know all the problems, we have more research into poverty of this country than I know what to do with. But we need solutions and we need action and this is the time.

Finally, I would say, I have done a lot of research on looking at human development index, corruption from a transparency to national and purchasing power parity. I do not want to bore you with all the regressions but I can tell you the conclusion. There is no rich country, which is corrupt. Out of 195 countries, you can take my word, all this is public data, you run the regressions yourself, if you find one country which is corrupt and its rich let me know, and I am not asking us to become like Finland over night. Let's be a little bit less dishonest that's all. Let's be a little bit more concerned about making India different.

I wish the group all the luck and I also give you one thing, which I am not authorized to by my school, but I can do it, you want help I will get the best MBAs to come and help you. That is a guarantee I will give you, but if you do not change fundamentally, and stick with the existing system, I know, it is going to fail. Therefore, you would not get the success you deserve. The world is watching you and it's up to you to be in the front cover of every magazine in the world. If that does not motivate you I do not know what should. Thank you very much.