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Stepping up to the plate

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Where alleviating poverty is the end goal of all the company's businesses

"Philanthropy is not going to work anymore," **Rajesh Chakrabarti** says of the change in India's economic and demographic environment that has led to a major shift in its poverty profile. "The key thing corporates have to do is build CSR into their DNA. It's not going to work in isolation just as poverty, hunger or 'poorness' also never work in isolation.

His organisation, Reliance, has gone on to change economic and lifestyle outcomes for India's poor while retaining corporate profitability—and in the absence of a dedicated corporate social responsibility (CSR) programme.

"Unlike other organisations, we do not have a budget set aside for CSR. We believe that everything that we do, every service product that we manufacture or deliver, has to have an inbuilt CSR aspect. At the same time, everything we do also has to have a business angle and that's why we are a profitable organisation. Every industry that we're in has a larger role to play in bridging gaps,"

Chakrabarti told *Perspectives @SMU* on the sidelines of the World Marketing Summit 2013 held recently in Kuala Lumpur.

For the people, by the people, of the people

Nearly five decades ago, before CSR became a buzzword, Reliance had already been operating this business model. "Our founder chairman Shri Dhirubhai Ambani created a company which is largely 'for the people, by the people, of the people', and Reliance been nurturing this business model carefully over the last 55 years," the CMO & CIO of Reliance Commercial Finance says.

Born in 1932 in a small village in India, Ambani studied and sold snacks to earn pocket money. Eventually he went to the Yemen and worked as a gas attendant and then as an accountant in a small firm, coming to Bombay in 1958 with IDR50,000 to start his own textile trading company. There were no IPOs in those days and he raised capital from the poorer sections of the community.

"And from then the CSR seed was sown because when he built his company, it was with the blessings and money from the poorest section," says Chakrabarti. "It was the people's faith and belief in the entrepreneur that made them invest their small amounts, and those who initially helped Ambani later became millionaires (as the company became successful)."

Stories abound where the poor have benefited from Reliance, such as a man who says, "I had to get my daughter wedded, so I just sold a few Reliance shares."

"If you think about it, the money had come from the entrepreneur himself," says Chakrabarti. "The founder was building CSR into the DNA of the organisation from the very beginning."

The great divide

The last 10 years have witnessed major demographic shifts in India. Significant numbers of rural populations have migrated to cities, leaving behind the remnants of communities that now have nothing to trade with, or leverage on. The emergence of this newly marginalised segment is behind the increase in the divide between the rich and the poor. While the rich are becoming richer, the poor are becoming even poorer, laments Chakrabarti.

So how do we close this divide?

Chakrabarti believes there are enough opportunities to make money by serving the poor who will pay a price to buy a product or service. "This means products have to be priced in such a way that it is affordable for them, as well as able to make money for the organisation," he says.

Moreover, specific sections of society need specific sets of products, services and prices. "Hence if you create a product for a particular section of society and price it accordingly, you can then proceed to multiply that effort. In this way you become a serial entrepreneur, with serial innovations," he argues.

SMEs and 'Intrapreneurship'

India's 1.3 million small and medium enterprises (SME) employ close to 40 percent of India's workforce, contribute 45 percent to India's manufacturing output and account for 40 percent of India's total exports.

Everyone, says Chakrabarti, is making a beeline to find them without understanding the way the business cycle works. "On the one hand you want to fund them, but on the other hand you don't want to take the risk because you don't understand the nature of the business."

For the last five or six years, Reliance's finance division has tried to understand the way SMEs work, gaining sufficient expertise to be able to acknowledge the risk, accept it, but also price the risk appropriately.

While SMEs offer the opportunity to climb out of poverty, every business idea has a shelf life, says Chakrabarti. But the gap between "the one big idea" and funding the idea is wide. Loans can take months to be approved, even if it's just the capital for a food stall.

To meet that need, Reliance created a quick turnaround banking system, that sees it grant loans in three to five working days to SMEs.

Another CSR approach that Reliance took was to develop its Intrapreneurship programme.

"Everyone has a dream of doing his or her own thing but can't take the risk because you have to bear the burden if there's a financial loss. That's why we're creating 'intrapreneurs'," explains Chakrabarti.

Intrapreneurs work for Reliance, but create their own products and services, as well as run and manage it. "If there is a loss, the organisation bears it. If there is a profit, they are made partners in that profit. So everything is around people, for the people," he adds.