

**ORGANIZATIONAL SUPPORT TO BUSINESS  
SUCCESS AMONG BASE OF PYRAMID  
ENTREPRENEURS: A CASE OF  
GRAMEENPHONE BANGLADESH LIMITED**

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GRAMEENPHONE BANGLADESH LIMITED**

**By**

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**This Thesis is Submitted in Fulfillment of the  
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## **DEDICATION**

To my mother Nasreen Rahman and my late father Syed Aminur Rahman for whom, I am continuing the journey of life with blessings.

To my daughter Syeda Aisha Rahman (Aliya) who was born while I started this PhD journey and to my wife Nayla Sharmin Shami, who has sacrificed for me and supported constantly all the way through.

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## LIST OF PUBLICATIONS

### **Journal Articles Published**

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**SOKONGAN ORGANISASI TERHADAP KEJAYAAN USAHAWAN  
GOLONGAN TERKEBAWAH (BoP): KAJIAN KES GRAMEENPHONE  
BANGLADESH LIMITED**

**ABSTRAK**

Konsep yang mengabungkan perniagaan dan kemajuan sosio-ekonomi ini telah digambarkan melalui pendekatan pasaran BoP 1.0. Namun begitu, BoP 1.0 ini berdepan dengan pelbagai kritikan dan perdebatan kerana ia dikatakan mengeksploitasi mereka yang miskin memandangkan kelompok ini dianggap sebagai pengguna atau pengeluar. Di atas kekangan ini, BoP 2.0 telah diperkenalkan yang menggariskan model perniagaan keusahawanan yang menganggap kelompok ini sebagai usahawan; dan dengan itu menjamin kesejahteraan mereka. Oleh itu, objektif utama kajian ini adalah untuk mengkaji faktor-faktor yang mampu mempertingkatkan kejayaan perniagaan usahawan BoP ini; dan kemudiannya menganalisa impak kesejahteraan subjektif mereka. Kajian ini berharap dapat mengkaji peranan sokongan organisasi persendirian seperti informasi, teknikal, dan sokongan latihan yang membawa kepada kejayaan perniagaan melalui kompetensi keusahawanan. Kajian ini juga mempertimbangkan peranan moderasi sokongan pihak kerajaan dan NGO. Untuk mencapai objektif kajian, kaedah “*mixed-method*” telah digunakan dengan tumpuan diberi kepada pengumpulan dan analisa data kuantitatif. Ini kemudiannya diikuti dengan pendekatan kualitatif. Pendekatan kualitatif telah digunakan untuk menyokong penemuan yang diperoleh daripada penyelidikan kualitatif. Hasil kajian menunjukkan bahawa sokongan dalam bentuk teknikal dan latihan yang diberikan oleh organisasi persendirian memainkan peranan yang signifikan dalam mempertingkatkan kompetensi usahawan terke bawah (BoP)

ini. Kompetensi usahawan ini juga didapati menjadi peramal yang kuat kepada prestasi kewangan dan bukan kewangan; dan juga berperanan sebagai moderasi. Akhirnya, pencapaian prestasi kewangan dan bukan kewangan didapati memberi kesan dalam memastikan kesejahteraan subjektif usahawan BoP. Kajian ini akan menjadi garis panduan untuk pertubuhan-pertubuhan swasta yang ingin memastikan kesejahteraan miskin. Kerajaan dan NGO juga boleh mengambil kajian ini sebagai standard untuk membuat dan melaksanakan dasar.

**ORGANIZATIONAL SUPPORT TO BUSINESS SUCCESS AMONG BASE  
OF PYRAMID ENTREPRENEURS: A CASE OF GRAMEENPHONE  
BANGLADESH LIMITED**

**ABSTRACT**

The concept of integrating business and socio-economic development has been reflected in the well contentious market-based approach BoP 1.0. However, the BoP 1.0 has been suspected as a way of exploiting poor people as they are being considered as consumer or producer. In this setback, BoP 2.0, came into existence which outlines the business model of entrepreneurship creation that treats BoP people as entrepreneurs and thus ensure the wellbeing of the BoP segment. Therefore, the main objective of this research is to examine the factors that could enhance business success of the BoP entrepreneurs and subsequently analyze its impact on the subjective wellbeing of these BoP entrepreneurs. The study aimed to investigate the role of private organization support i.e. information, technical, and training support that lead to success of the businesses through the entrepreneurial competencies. It also considered the moderating role of government and NGO support. A mixed method approach was applied with a major focus on quantitative data collection and analysis, followed by qualitative approach. The findings of this study revealed that technical and training support provided by the private organization enhance the ‘entrepreneurial competencies’ which is also a strong predictor for both financial and non-financial performance and play a mediating role. Finally, the attainment of financial and non-financial performance revealed to ensure the subjective wellbeing of the BoP entrepreneurs. This study will be a guideline for the private organizations who want to ensure wellbeing of poor. Government and NGOs can also take this study as a standard for making and implementing policy.

## CHAPTER 1: INTRODUCTION

### 1.0 Introduction

The notion that propagates the intrinsic role of private organizations in alleviating poverty among the base of the pyramid (BoP) (those who earned equal or less than US\$2 per day) has gained momentum recently. Scholars such as Prahalad, Stuart Hart, Ted London, Allen Hammond throughout the decades have developed two main conceptions in relation to (1) finding fortune, and (2) creating fortune, for those who are at the base of the economic pyramid. Finding fortune refers to selling products/services to the BoP segment which would enhance their living standard as well as maximize the profit for the companies. The notion of creating fortune refers to the creation of entrepreneurs among the people who are at the base of pyramid (BoP). Taking the case of a telecommunication company in Bangladesh, GrameenPhone Limited, which created entrepreneurship business among those in the BoP segment, the study has identified the research problems and formulated the research objectives and questions in relation to role of the support in the creation of fortune for the BoP via entrepreneurial initiatives.

On that note, the major contention of this study is that the creation and the success of small scale businesses among those of the BoP require the support from private organizations, non-governmental organizations (NGOs), and government. This is because these organizations are the ones who might ultimately ensure the wellbeing of those BoP entrepreneurs. Furthermore, it has been suggested that the support scheme from private organizations would assist in developing entrepreneurial competencies among the BoP entrepreneurs; thus, facilitating the BoP entrepreneur's success.

Against this backdrop, chapter one provides an overview on research background, research problems and objectives of the study. This chapter also highlights research questions, and significance of the study including organization of the research chapters and definition of key terms.

## **1.1 Background of the Study**

Civilization is moving forward at a considerable pace which engenders change in the society. We are now in the middle of a societal and economical change, leading to the issue of sustainable development in the society. The fundamental idea behind the concept of sustainable development has emerged for centuries. It is apparent that in German forestry in the 17th century, there was a law which controlled the cutting of trees, and timbers are to be used in a responsible and sustainable way (Steurer, Langer, Konrad, & Martinuzzi, 2005). The concurrent conceptual foundation of ‘sustainable development’ incepted from the Brundtland report in 1987, where it is seen as “a development that meets the need of the present without compromising the ability of the future generations to meet own needs (p.16)”. The sustainable development requires the meeting of basic needs and legitimacy for the quality of life. The objective of sustainable development is to reduce poverty and ensure economic growth, as well as social and human welfare through improvement in the capacity of society in economic, societal, and environmental context (Bečić, Mulej, & Švarc, 2012; Folke et al., 2002; Golusin, Ivanovic, & Teodorovic, 2011).

The notion of sustainable development is decoded from the principles, and subsequently incorporated into the management practices by both government and business organizations. The Agenda 21 reports that business and industry can play



pivotal role in the sustainable development of a country; and thus, increase employment and livelihood opportunities, and reduce poverty (United Nations Conference on Environment and Development, 1992). According to Corbett (2010), since the inception of the concept, policymakers and business organizations have used this term in the development of their policies. Scholars have argued that to some extent it is difficult for the government to continue the development agenda such as: infrastructure development and poverty alleviation by oneself. In such context, therefore the role of business organizations and non-governmental organizations (NGOs) came into existence in the economic and social development process (Calton, Werhane, Hartman, & Bevan, 2013; Kolk & van Tulder, 2006). More specifically, in addition to the NGOs, business organizations have been also termed as development agent by the society (Blowfield & Dolan, 2014).

However, sustainable development has emerged as an influential, yet a controversial concept for businesses and policy makers (Baumgartner, 2011; Hall, Daneke, & Lenox, 2010). According to Bečić et al. (2012), sustainable development entails the concept of social responsibility that is considered as a way to express holism. However, understanding the importance, businesses are now showing greater extent of interest along with government and non-governmental organization to increase social life, or wellbeing (Ansari, Munir, & Gregg, 2012) and thus alleviate poverty.

### **1.1.1 Poverty Scenario**

Being poor and in poverty gives the scenario of misery and indignity. This undesirable situation of the poor is a matter of substantial concern to the world's population. The gap between the poor and the rich does not only create economic

imbalance but also affects the equilibrium of social structure (Kerr, 2014). Poverty is the lack or deprivation of basic human needs such as: foods, nutrition, clean water, health, shelter, clothing, and education, due to inability to afford them (Chambers, 1995).

The level of poverty varies considerably across regions and countries. According to World Bank's web site, currently the world holds in total more than two billions of poor people who live on equal or less than US\$2 a day and south Asia contains half of those population (The World Bank, 2014). Therefore it is very important to alleviate the poverty level in this region. A South Asian country like Bangladesh remains one of the poorest countries of the world; and is grouped in the Least Developed Country (LDC). According to the databank of World Bank (Figure 1.1), the poverty rate in Sri Lanka is 8.9 percent in 2010, Pakistan 22.3 percent in 2006, India 29.8 percent in 2010, and for Bangladesh in 2010, its poverty rate was at 31.5 percent, with 58.8 percent in 1991 (Imai & Azam, 2012).

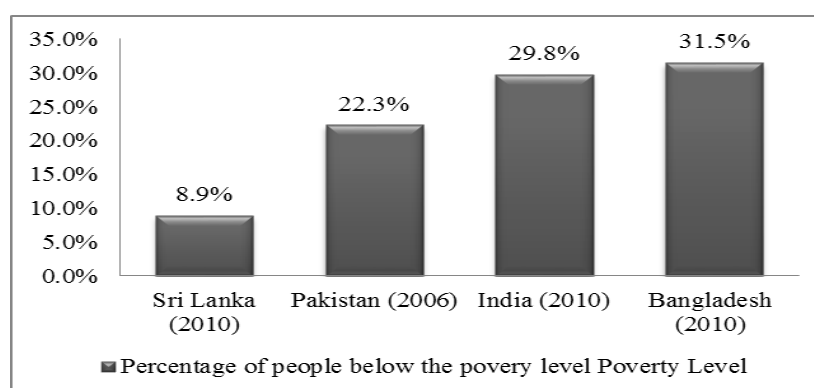


Figure 1. 1: Poverty level of four south Asian neighboring countries

Source: The World Bank (2011).

This indicates that from 1991 until 2010 poverty has been reduced by an average percentage of 1.43 per annum. According to the Human Development

Report (2011), 57.8 percent of the total population in Bangladesh suffers from multidimensional poverty. In this respect, Ghana has an almost similar GNI per capita to Bangladesh, at 31.2 percent, while Myanmar is at 31.8 percent.

It has been reported that the number of population in Bangladesh is increasing by an annual average rate of 0.314 percent, reaching 56 million in 2005 (Unnayan Onneshon, 2011). In comparing the number of poor people of Bangladesh to the World Development Indicators Database 2011, it brings out the fact that this figure (56 million) exceeded the total population of Korea Republic (48.8 million), Canada (34 million), Malaysia (27 million), or Australia (22 million) (The World Bank, 2011). As such, this data demonstrated the severity of poverty in Bangladesh.

Having noted that, recently, the poverty scenario in Bangladesh is coming under control. In fact, The Economist (2012) had accolade Bangladesh for improving the lives of its poor population. The GDP growth of Bangladesh is projected to be more than 6 per cent in the year 2014, which has also been remarked by the World Bank as a country which demonstrated continued positive growth for the last couple of years despite of various impediments (The World Bank, 2014). Nevertheless, economists, academicians, and the government of Bangladesh believe that there are a lot more to be done for the country as to achieve a better sustainable economic growth (Raza, Das, & Misha, 2012).

According to the General Economics Division Bangladesh (2010), poverty remains in the rural areas of the country due to inadequate access to technology and lack of infrastructural improvements. It has also been suggested that inequality in income, poor infrastructure, lack of education, poor health, inefficient public sector, lack of work opportunities, low wage rate, population growth, and lack of human

resource development are among the major contributing grounds of poverty in Bangladesh (Hossain, 2005; Hye, 1996; Smith, Khan, Frankenberger, & Wadud, 2013).

In the effort to curb poverty, a number of poverty alleviation initiatives, e.g. micro-credit, development of health and education, infrastructural development, and social safety net have been carried out mostly by the government and donor agencies. All these stakeholders have been pursuing the alleviation poverty in Bangladesh since its independence in 1971.

Moreover, apart from the traditional techniques, it is recognized that the private sector also contributes towards poverty alleviation, mainly through employment creation (Kolk, Rivera-Santos, & Rufín, 2013). In a similar vein, Davis (2011) surveyed on the life history of the poor in Bangladesh to explore the factor that will improve the people's life. It was revealed that 46% of the surveyed respondents gave credit to 'businesses' as their means to escape from poverty. The contemporary approach towards poverty alleviation is based on the contention that poverty can be reduced by adopting newer 'market-based approach' coined by Prahalad in 2002 in the BoP context. According to Prahalad (2011), profit making and enhancing the wellbeing of the poor can go hand in hand; and thus, creating a win-win situation for the business ventures and the poor. Bruton, Ketchen Jr, and Ireland (2013) also suggested that market-based approach of poverty reduction such as entrepreneurship, offers a noteworthy prospect to substantially change the current poverty setting. It has been reported that business can successfully alleviate poverty, and thus ensure wellbeing of the poor particularly through effective usage of

telecommunications, information technology, and micro-finance (The World Bank Institute, 2008).

### **1.1.2 BoP- Connecting Business and Poverty**

The concept of integrating business and socio-economic development has been reflected in the well contentions proposition by Prahalad in the field of business strategy, termed as ‘Bottom’ or ‘Base’ of Pyramid, in short BoP. The BoP initiative considers a market-based approach to alleviate poverty rather than the traditional approach. Traditional approach sees the poor as incapable, and thus needs charity (Pitta, Guesalaga, & Marshall, 2008). Meanwhile, market-based approach considers and recognizes the poor as an “active” (London, 2007), and “central” (Simanis & Hart, 2006) agent in development process. Conceivably this axiom draws a distinct line between the market-based approach, BoP and other development models. The BoP approach is firmly grounded on ‘generating collaboration’ with the “active agent” rather than ‘providing assistance’ like the usual development model (London, 2007). While identifying the “active agent” or in other way the poor, scholars have pointed out the existence of billions of people in the world who earns equal or less than US\$2 per day, what seemed to be as a tip of an iceberg (Prahalad & Hart, 2002). Nevertheless, proponents of the BoP concept suggested an amount of US\$2 per day to determine the size of the BoP population. Nonetheless, Prahalad and Hart (2002) find an immense business opportunity for this group of population; whereby this will gradually uplift them from the agony of the poverty. In BoP, its major contribution is while this group of poor people is seen as an untapped market, they are also considered as consumers, producers, or entrepreneurs (London & Anupindi, 2011).

Taking this into consideration, the industry players and the government have started to realize the benefit of development through entrepreneurship (Kuriyan, Ray, & Toyama, 2008), apart from traditional development tools such as grants, donations, or aid. In this context, Akula (2008) finds entrepreneurial fortitude among the poor, while researching on the BoP arena.

BoP is now considered as an illustration of sustainable development, social responsibility, or corporate citizenship (Arnold & Williams, 2012; Calton et al., 2013; Hahn, 2009; Hemphill, 2010). Therefore, integrating business and concept of development through the practice of social responsibilities, businesses could offer valuable impacts to the poor (Table 1.1).

Table 1. 1: Impacts of development on the poor

Development multipliers of business on the poor
<ul style="list-style-type: none"> <li>• Producing safe and affordable products and services</li> <li>• Generating income and investment</li> <li>• Creating jobs</li> <li>• Developing local human resources</li> <li>• Fostering entrepreneurship and building local businesses and business linkages</li> <li>• Spreading responsible business standards and practices</li> <li>• Supporting technology development and transfer</li> <li>• Establishing physical and institutional infrastructure</li> </ul>

Source: Nelson and Prescott (2008)

### 1.1.3 Corporate Social Responsibility

Conceptually, corporate social responsibility (CSR) advocates that corporate bodies have an obligation to contribute back to the community. It also encourages companies to not only concentrate on the pursuit of monetary gain but to also improve the socioeconomic standing of the community in countries where they are

operating. These private agencies are said to be the ‘game changer’ and act as the vanguard for the new economic and social development. Thus, CSR is seen as a possible bridge in connecting the business and community development. According to Reed and Reed (2010), businesses are now contributing to nation development via corporate social responsibility initiatives. Gokulsing (2011) has propagated that CSR is a way to promote the private sector as a “development partner”. This has now shifts from an ideology to reality. Organizations have now realized the importance of redefining their role in the society (Lindgreen & Swaen, 2010) and made CSR an essential part of their business strategy to contribute to sustainable development (Welford & Frost, 2006).

CSR and its priorities differ in the context of time, culture, nation and country (Bečić et al., 2012; Silberhorn & Warren, 2007). Summing-up the citations of different scholars, Silberhorn and Warren (2007) revealed that the priority differs from country to country. In the UK it is a legal responsibility, while for Germany, quality of life and legal responsibility are of the highest priorities. Meanwhile, the USA focuses on legal and ethical responsibility. In Latin America, CSR agenda has been heavily shaped by socioeconomic and political conditions (Carvalho, Sen, de Oliveira Mota, & de Lima, 2010), and in Thailand, CSR means carrying out environmental responsibility (Blowfield & Frynas, 2005). In Asian countries like Indonesia, Malaysia, China, and Thailand greater focus on CSR had been given, whereas Bangladesh, Sri Lanka and Vietnam tend to give lesser attention (Visser, 2008).

Businesses which practice CSR contribute significantly to sustainable development. Having said that, Naeem and Welford (2009) found sporadic effort to

coerce CSR through only written policies in Bangladesh. A noteworthy effort is that of a telecommunication company of Bangladesh, GrameenPhone Limited, which has established community information centers throughout Bangladesh as a part of their corporate social initiatives to transform the BoP strata; and this has recently received significant attention by the business practitioners and academia.

#### **1.1.4 Telecommunication Industry in Bangladesh**

In Bangladesh, telecommunication industry plays a vital role in the socioeconomic development of the country. This major breakthrough happened in Bangladesh when the government approved licenses to mobile operators during the 1990's. It is worth to mention that Bangladesh is the pioneer among its neighboring countries and to even some other lesser developed countries, to privatize the telecommunication industry.

According to the Bangladesh Telecommunication Regulatory Commission (BTRC) website, the country's six mobile phone operating companies had 115.62 million active users as of April 2014. With a 43 percent share of the country's cell phone subscriber base, GrameenPhone dominates the industry, while Banglalink holds a second place with 29.44 million active users. Additionally, between these two companies, they have 78.28 million subscribers and this equated them to holding 67.70 percent of the country's total cell phone subscriber base. Meanwhile, Robi Axiata which is with 24.06 million customers is in third place capturing 21 percent of the market share. The remainder of the market place is made up of Air Tel, Teletalk, and Citycell capturing 8.50 million, 3.34 million, and 1.42 million subscribers respectively (BTRC, 2014) (Figure 1.2).



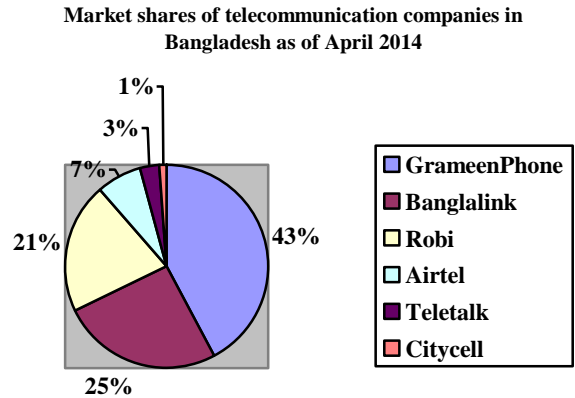


Figure 1. 2: Market share of telecommunications companies in Bangladesh

Source: BTRC (2014)

### 1.1.5 GrameenPhone

GrameenPhone, the largest telecommunication service provider in Bangladesh received its operating license in 1996 and started operation from 1997. After almost 17 years it has become the largest mobile phone service provider in Bangladesh with 48.84 million subscriber as of April 2014 and holding 43% of the total market share in the mobile industry that contributes 6.2% of the national GDP of Bangladesh (Telenor, 2012). In terms of financial condition of GrameenPhone, the company had enjoyed 6.3 percent revenue growth in 2014 compared to 2013 (GrameenPhone, 2014). The trend of the revenue growth year by year has strengthened the market position of the company as a champion. However, all these market and financial growth mainly comes from the overall organizational strategy and state of the art business operation.

A Norwegian telecommunication company, Telenor, having 55.80 percent of ownership partnered with Grameen Telecom of Bangladesh (34.20 percent of ownership), and formed mobile telecommunication company GrameenPhone. In a side note it is relevant to mention that Grameen Telecom is a sister concern of world

famous micro credit NGO, “Grameen Bank” which is established by Nobel Laureate Professor Muhammad Yunus.

With the vision to help subscribers with full benefits of telecommunication services in the subscriber’s lives, GrameenPhone’s mission is to get and bring closer its entire subscriber base through strong telecom network and relevant innovations & services. The network of GrameenPhone now extends from urban to even deep rural area. The data from the annual report 2011 states that every month 4.9 million people are connected through the GrameenPhone Internet in Bangladesh (GrameenPhone Annual Report, 2011). From its inception the company has pass through milestones (Table 1.2), which together made the company at a leading position in the telecommunication industry in Bangladesh.

Table 1. 2: Major milestones for GrameenPhone in Bangladesh

Year	Major miles stone
1996	Incorporated as Private limited company
1997	Commenced operation & launch of Grameen Village Phone
1999	Launched first pre-paid in the country
2002	Best joint venture award
2005	Launched Electronic Recharge System, djuice, EDGE for the first time in Bangladesh
2006	Launched pilot project for GPCIC with 16 CIC around Bangladesh
2010	Launched ‘MobiCash’ a new financial brand, ‘Ekota’ for SMEs
2011	Launched location-based discount on usage and GrameenPhone branded handset.

Source: GrameenPhone (2013b)

### **1.1.6 GrameenPhone’s Corporate Social Responsibility**

GrameenPhone has defined corporate responsibility as a complimentary combination of ethical and responsible corporate behavior as well as a commitment towards generating good in a society as a whole by addressing the development needs of the country. Implementation of the responsible activities towards the

development of the country signifies GrameenPhone has adopted the holistic approach (i.e. strategic and tactical) to corporate social responsibility (CSR). Taking up this approach, the company intends to get involve with the larger section of the society as the company’s belief is “good development is good business” (Balasundaram, 2009). The company always pursues for continuous development initiatives rather than intermittent events. The company statement claims that 400,000 people are directly dependent on GrameenPhone for their livelihoods (GrameenPhone, 2012b), which indicates continual and mutual advancement of the living standard of the insolvent segment of the society. According to GrameenPhone (2013b), taking the nation forward is the top priority along with the business success. Based on the goal of creating shared value with the society through the mobile technology, GrameenPhone focuses on health, education, and environmental issues of the society through integrating responsible business practices in all of their operations. In order to fulfill this purpose, the company has taken various corporate responsibility initiatives as shown in the following Table 1.3:

Table 1. 3: Social initiatives of GrameenPhone

<ul style="list-style-type: none"> <li>• Safe Motherhood &amp; Infant Care Project</li> <li>• Free eye care support for around 28,780 people.</li> <li>• Awareness building on varied national issues- AIDS, National Immunization Day</li> <li>• Information boats with digitized contents for remote riverine communities</li> </ul>	<ul style="list-style-type: none"> <li>• Employment opportunity to acid survivors</li> <li>• Scholarship for underprivileged meritorious students</li> <li>• Establishment of Blood Bank at Bogra for underprivileged patients</li> <li>• Economic freedom for more than 400,000 Village Phone Operators</li> </ul>
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Source: GrameenPhone (2013b)

Since the inception of the company it has invested US \$ 2.16 billion to the development of poor people in Bangladesh. Their first venture was Village Phone

Program (VPP) under shared access model aimed to run by women entrepreneurs in the villages of Bangladesh (Yusuf & Alam, 2011). Surprisingly, those women were usually deprived of education and other societal supports. Moreover, they didn't even see a telephone before. Subsequently, while they are been given scope to do business with technology, they become successful entrepreneurs. Such business model generated income among the poor people in the rural areas. This is also an exemplar of a success story of BoP concept which has brought information revolution among the rural people by giving them telecom access (Seelos & Pearson, 2009; Yusuf & Alam, 2011). It recognizes poor people as consumers and thus alleviated the poverty in the rural areas of Bangladesh. The company has justifiably considered BoP to be their partner of growth in the business. In this line, Rashid and Rahman (2009) indicated that strongest growth in the mobile industry in different countries of the world is now coming from the BoP markets. However, many studies have been done to evaluate Village Pay Phone initiative by GrameenPhone and Grameen Bank. For example, Akter, Rajasekera, and Rahman (2010), Akther, Onishi, and Kidokoro (2006), Yusuf and Alam (2011), Alam, Yusuf, and Coghill (2010), Andersson, Grönlund, and Wicander (2012), Chowdhury (2001), Molina (2006), and Seelos and Mair (2007). But after a decade the triumph of VP program appeared to be obsolescence due to the fierce competition in the market, limitations in the business model and long term future planning (Shaffer, 2007; Yusuf & Alam, 2011).

However, GrameenPhone's endeavor to pursue for market oriented business leader can be also understood by another following social initiative of village phone program i.e. GrameenPhone Community Information Centre along with other conventional strategies of doing business.

### **1.1.6.1 GrameenPhone Community Information Centre (GPCIC)**

In 2006, the leading telecommunication company in Bangladesh, GrameenPhone started another social initiative named GrameenPhone Community Information Centre (GPCIC). The objectives of GPCIC are to disseminate information to the rural poor people and flourish entrepreneurship business in the BoP community. The focal aims of GPCIC are bridging the ‘digital divide’ by providing information access to rural people, alleviating poverty, and educating the underserved and underprivileged on information-based services (Islam & Hasan, 2009). GrameenPhone strives to enhance the wellbeing of the local community via entrepreneurial initiatives. Initially GPCIC was launched with 16 CIC (community information center) throughout 5 divisions of the country namely: Dhaka, Chittagong, Khulna, Rajshahi, Sylhet. Later it expanded to Barisal and Rangpur divisions. At present it has set up 498 CICs in the rural and sub-urban areas with the continuous aim of narrowing the gap of digital divide between urban and rural populace providing information based services.

GPCICs are operationalized with the minimum of a computer, a printer, a scanner, a webcam and an EDGE-enabled modem, to access the Internet using GrameenPhone’s nation-wide EDGE connectivity. All these facilities were given to the GPCIC which is run by the entrepreneur from the rural areas.

GrameenPhone has designed the GPCIC business model to facilitate the local entrepreneurs especially in the remote area to run small businesses. For the entrepreneurs and for the residents around the GPCIC, the company has given sufficient amount of information to the GPCIC. The company believes that access to information could reduce the digital divide as proposed by the scholars (Islam &

Tsuji, 2011b; Islam & Hasan, 2009). From the economic point of view, information and communication are considered as a fundamental element for overall and particularly rural development (Ulrich, 2004). According to Fong (2009), access to information fosters social equality and social mobility. Therefore, GPCIC facilitates the poor people who are residing near the center to come and utilize the given information in their web portal. The information portal is stuffed with health, education, agriculture, and trade related information. Government forms, documents for public purposes can also be obtained from web portal of GPCIC. This facility has created a greater impact on the people at BoP segment. It has reduced the time, cost, and energy of the BoP people to travel 6-7 hours or more just to get a government form. The information that has been given in the web portal regarding trade related issues, for example, market price of different kinds of products, enabled to get rid of the middlemen in the business chain and helped the people at BoP to take right the decision. The education related information is also tremendously assisting the prospective students to take the right decision and opened up a platform for knowledge learning and sharing.

To assist the entrepreneurs to earn an extra living, GrameenPhone has also provided the GPCIC few value added services, such as payphones (using GrameenPhone's mobile network) and electronic recharges (Flexi load) for prepaid and postpaid mobile accounts (GrameenPhone, 2012a). The services that can be obtained from the GPCIC are given in the following Table 1.4:

Table 1. 4: Services of GPCIC

<ul style="list-style-type: none"> <li>• Internet surfing and e-mailing</li> <li>• Content on health, agriculture, etc.</li> <li>• Locally relevant customized and open content</li> <li>• Chatting with Voice, Picture</li> <li>• Video conferencing</li> <li>• Typing, Scanning, Printing</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial Mobile Call</li> <li>• E-governance services</li> <li>• GP value added services such as FlexiLoad, Ring tones downloading etc</li> <li>• E-Fax, CD Writing</li> <li>• Telemedicine services</li> <li>• Multimedia education for children (Meena Cartoon, courtesy of UNDP)</li> </ul>
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Source: GrameenPhone (2012a)

In the same manner, GrameenPhone has partnered with some local NGOs for loans to establish community information center in the remote area, where BoP entrepreneurs will be financed by the NGO, if they desire to get. However, the reason for collaborating with NGO can be justified from Webb et. al. (2009) view that suggest, Business-NGO partnership to create entrepreneurship among the BoP will foster the community wellbeing and thus resulting in poverty reduction.

The type and size of GrameenPhone's CIC falls under the category of the ICT entrepreneurship and considered as micro entrepreneurship (Roldan & Wong, 2008). CIC is a much popular approach in many developing countries that had been mostly initiated by government and private sector. Several countries (for example, India, Thailand, Indonesia, and Brazil) have emulated the CIC model and established a number of community information centers as part of micro-entrepreneurship (Islam & Mezbah-ul-Islam, 2008). In Bangladesh, Micro-Small-Medium Enterprises (MSMEs) contribute 20-25% of the national's GDP (Islam, Aktaruzzaman Khan, Obaidullah, & Syed Alam, 2011). According to the Governor of Bangladesh Bank, 6 million of micro-small-medium enterprises accounted 75 percent of the domestic

economy and contributed 90 percent of industrial employment in Bangladesh (Rahman, 2012).

### **1.1.7 Requirements for Small Scale Business (i.e. CIC)**

Among the small scale entrepreneurship business, community information center is the kind of business which is gaining interest among the researchers (Islam & Tsuji, 2011a; Patki, Kulkarni, & Patki Dhanvanti, 2003; Sein, Ahmad, & Harindranath, 2008). It has been revealed that this type of entrepreneurs (of the BoP segment) needs supports for a successful business. In this line, similar to others, Sarder, Ghosh, and Rosa (1997) and Powell and Eddleston (2013) have found that firms which are receiving support services are experiencing significant growth, resulting in business success. In addition, Man, Lau, and Chan (2002b) and Mitchelmore and Rowley (2013) have implied that in order to start and achieve consecutive growth in the entrepreneurship business, competencies are essential. Entrepreneurial competencies have been widely used to understand entrepreneurship business's success and performance in several studies such as: Ahmad, Halim, and Zainal (2010a), Mitchelmore and Rowley (2010), Mitchelmore and Rowley (2013). Within the literature on entrepreneurial competencies, the major focus is directed to the so called 'general' entrepreneurs; while the competencies of the BoP entrepreneurs who venture into entrepreneurship via non-traditional method are understudied.

Moreover, from the BoP's concept, it has been presumed that the wellbeing of the disadvantaged group in an economically poor community is significantly affected by the activity and success of small scale entrepreneurship business (London, Esper, & Grogan-Kaylor, 2013). Therefore, entrepreneurship has been



accepted as the panacea for inclusive growth (contributing to profit and society) of the BoP's segment (Hall, Matos, Sheehan, & Silvestre, 2012).

Having such success story of GrameenPhone in entrepreneurship with BoP strata, there are indeed some significant gaps observed in the domain of BoP and entrepreneurship, which will be discussed in the next section.

## **1.2 Problem Statement**

Despite of the economic progression through various activities, poverty remains an obstinate problem across the world. Much debate is taking place over the concern that poverty might largely be confined to the low-income and developing countries (Edward & Sumner, 2013). In such context, reduction of poverty has become the primary and foremost agenda for all the segments of communities. The government and the Non-Governmental Organizations (NGOs) are considered as the major players to initiate and undertake poverty reduction steps. However, mixed reactions exist in context of the role of the NGOs among the researchers. Some scholars suggest that the NGOs are the vital player to address the poverty related issues in the BoP segment (Schuster & Holtbrügge, 2014). In contrast, other scholars have criticized the failure of poverty reduction programs undertaken by the Non-Governmental Organizations (NGOs) and the government as poverty still persists and too an extent, is mounting in many countries of the globe. South Asia is the fastest growing region in the world; but on the contrary it is also home to the largest concentration of people who are suffering from poverty for quite long time. Researchers have noted it as 'depressing paradox' with regard to South Asia (Chakravarty & D'Ambrosio, 2013). According to the World Bank's statistics, there are 1.08 billion poor people (earning equal or less than US\$2/per day) living in South

Asia, whereby it is a significant portion of the world's total number of poor people (The World Bank, 2011). Considering the failure of the direct initiatives to reduce poverty among the vast population of the BoP's segment in the developing countries by the government and NGOs, the role of private organizations has emerged within the thought of researchers, academicians, practitioners, as well as the policy makers. Therefore, this has resulted in the new concept of the "Base of Pyramid" (BoP).

The first generation of "Base of Pyramid" ideology focused primarily on finding business opportunities by selling/sourcing product and services around the billions poorest people of the world, thus treating them as potential consumers (Anderson & Markides, 2007; Prahalad & Hart, 2002). For instance, Hindustan Lever of India had come up with a small sachet of salt, Casas Bahia; and a Brazilian retailer has made appliances available to thousands by offering credit to those who were not eligible earlier. Meanwhile, Procter & Gamble had commercialized a water purification product in Latin America and Asia. These examples illustrate the 4As of BoP: affordability, availability, acceptability, and awareness (Anderson & Billou, 2007).

However, scholars have criticized this notion of 4As in several areas. Karnani (2006) believes that two of the 4As, i.e., affordability and availability, can be used to exploit poor people. Karnani (2006) illustrated the small kiosks in India which sell cigarettes individually and the selling of cheap liquor in Malaysia as examples. These methods of selling will increase the number of poor people purchasing such products, resulting in increased health risks. Further, with regard to the affordability of products and prices being cheaper, when calculated on a cost per unit basis, an individual actually pays more. This may have an impact on their economic situation

(Davidson, 2009). In addition to the above, single-serve packaging significantly impacts the environment with regard to the accumulation of non-biodegradable waste (Pralhad, 2005). As such, the first generation BoP faced extensive debate and criticism, as it has been suspected as a way of exploiting poor people. However, the proposition of BoP 1.0 does consider the poor people as consumer or producer.

Criticizing the view of BoP 1.0 as a means of manipulating the BoP, the second generation of BoP, that is BoP 2.0, came into existence. It outlines the business model of entrepreneurship creation that treats BoP people as entrepreneurs. It has been proposed that creating fortune can be materialized by the formation of entrepreneurship business among those of the BoP's segment; provided that they are given the support by private organization, NGO, and government in collaboration. It has been proposed (with greater expectation) that BoP 2.0 would be helpful to contribute towards poverty reduction. Responding to the call of BoP 2.0, Hall et al. (2012) had taken the initiative to research on the interconnection between BoP and entrepreneurship policy. However, the research is largely theoretical based and lack of empirical support. It also appears that there is no clear evidence in terms of the kind of support that should be given by the private organizations, NGOs, and government to enhance the success of the BoP entrepreneurs. Therefore, it is the interest of this study to look into the domain of newly evolving BoP research. To this end, one question remains; that is, "Does private organization (PO) support enhance the development of entrepreneurial competencies among BoP entrepreneurs?" It is the contention of the study that BoP entrepreneurs must possess some abilities which would help them to capitalize the supports provided. This is even more important given the non-traditional route that they take to become entrepreneurs. However, in

the domain of the BoP research, the issue of competencies among the entrepreneurs has been surprisingly overlooked.

Though, it is commonly known that the BoP segment is the most unfortunate group whereby they do not receive adequate market-based support other than aid or loan. In most cases, those of the BoP's segment have been deprived of education, training, information, other infrastructural facilities, and healthcare (Kakwani, 2003; Kolk & van Tulder, 2006; London, 2007). Further, it has been argued that the bottom billions of people in the economic pyramid have been unheeded by the private sector (Schuster & Holtbrügge, 2014).

From the holistic perspective, there is a lack of understanding and empirical investigation to the fact that how, what and whose support would be needed as to enhance the BoP entrepreneur's competencies and lead to entrepreneurship business success. As the entrepreneurship among the BoP segment has been purported to be a poverty alleviation technique (Hall et al., 2012), it is important to investigate the necessary supportive factors which will enable them to be successful in their entrepreneurship business. On the other hand, Nakhata (2007) claims that low level of entrepreneurial competencies can be found in "necessity based entrepreneurship" as entrepreneurs take the career as a compulsion, rather than a choice due to deprivation especially in developing countries. Deprivation indicates the necessity in every aspects of human life. In developing countries, poor people is suffering mostly from the multidimensional deprivation and also inadequate facilities (Mitra, Posarac, & Vick, 2012). The lacking of inadequate facilities affects the business environment, and most importantly the small scale entrepreneurship businesses in achieving success (Chaturvedi & Goyal, 2012). The scenario of the small scale

entrepreneurship business in Bangladesh is however, less impressive, which should also be taken into account for research. In Bangladesh, micro, small, medium entrepreneurship business contributes only 25 percent to total GDP (Rashid, 2012), whereas other neighboring countries such as, India and Malaysia the contribution is at 30 and 32 percent respectively; meanwhile, for Indonesia it is 58 percent to the GDP (World Economic Forum 2013). In Bangladesh, still micro, small, medium businesses are not flourishing due to the failure of identifying required supports (Rashid, 2012).

Furthermore, GrameenPhone of Bangladesh claims that it has been able to enhance the wellbeing of BoP segment's population through the successful creation of entrepreneurship (GPCIC). However, there is no empirical evidence to confirm the effectiveness of this initiative. An investigation into this subject matter is seen crucial since it could set a platform to highlight the importance of private agencies' supports in eliminating poverty from the society (Hahn, Frese, Binnewies, & Schmitt, 2012).

From the theoretical perspective, many theories have been adopted by researchers to comprehend BoP and entrepreneurship, for instance, the network theory, disruptive innovation theory and institutional theory. Nevertheless, the BoP notion especially in regard-to the understanding the ways in which their likelihood of success can be enhanced, remains unanswered. Therefore, Ansari, Munir, and Gregg (2012), have called for a systematic study for a clear theoretical framework for BoP so that suitable policies and guidelines can be proposed to enhance the overall wellbeing of the BoP community. As such, based on this backdrop, the present study is set to investigate the factors that could increase the likelihood of business success

among BoP entrepreneurs; that could subsequently lead to the improvement of their wellbeing.

### **1.3 Objectives of the Study**

As stated earlier, the main objective of the research is to investigate the factors that could enhance business success among BoP entrepreneurs and subsequently analyze its impact on the subjective wellbeing of these BoP entrepreneurs. It is the contention of the study that in order to ensure the success among BoP entrepreneurs, support from the private organization is needed as to equip the BoP entrepreneurs with the requisite entrepreneurial competencies. Taking the case of GrameenPhone, the objectives of this study are:

1. To examine the relationship between Private Organization (PO) supports (i.e. information support, technical support, and training support) and the development of entrepreneurial competencies among BoP entrepreneurs.
2. To examine the relationship between entrepreneurial competencies and the entrepreneurship business success (i.e. financial and non-financial performance) among BoP entrepreneurs.
3. To examine the mediating role of entrepreneurial competencies on the relationship between Private Organization (PO) support (i.e. information support, technical support, training support) and business success (i.e. financial and non-financial performance) among BoP entrepreneurs.
4. To examine the moderating role of NGO support on the relationship between entrepreneurial competencies and entrepreneurship business success (i.e. financial and non-financial performance) among BoP entrepreneurs.