



<input checked="" type="checkbox"/>	Master's thesis
<input type="checkbox"/>	Licentiate's thesis
<input type="checkbox"/>	Doctor's thesis

Subject	Economic Sociology	Date	11.11.2011
Author(s)	Sari Juntunen	Student number	
		Number of pages	94
Title	Buying a promise. Microinsurance in India – case Allianz		
Supervisor(s)	Dr.Soc.Sc. Pekka Räsänen, Dr.Pol.Sc. Markku Wilenius		

Abstract

The Bottom or Base of the Pyramid (BoP) is a business-based approach arguing that there are huge, untapped opportunities for companies at the base of the world's economic pyramid, and realising them also benefits the poor by giving them access to better products and services, employment opportunities and a better standard of living. There are approximately 4 billion people at the BoP.

Questions of interest are: Are there really business opportunities at the BoP? What are the challenges, and how can they be overcome? Can business at the BoP provide a solution to poverty?

The BoP proposition is also discussed from the broader perspective of a global economy and the transformation of capitalism, and as part of the sixth Kondratieff cycle. According to the Kondratieff theory, the world economy follows a cycle of 40–60 years. Five long waves can be identified in the economy since the 18<sup>th</sup> century, all beginning with technological innovations that later form the basis of a long period of economic growth and indicating times of enormous change.

The BoP presents several challenges to companies. There are often no ready markets to enter, the potential customers' incomes are small and irregular, their education level is low, and the operating environment is difficult due to a poor infrastructure and regulatory framework, and lack of market information. To succeed, business must be based on innovative methods and solutions.

Microinsurance products are extremely low-premium products, covering against risks that could shatter the lives of the poor completely, such as the death of a breadwinner. The BoP theory is looked at through a case: the microinsurance activities of a German insurance giant, Allianz Group, in India. As only public material was available for analysis, a descriptive approach was chosen.

The material used clearly shows that huge business potential exists at the BoP. The poor represent an economy of more than USD 13 trillion purchasing power parity and the BoP economy has an estimated worth of USD 5 trillion a year. Furthermore, BoP economies are not saturated, are subject to less competition, and are growing far more quickly than developed economies. Microinsurance is also growing at an impressive speed and holds enormous potential.

Allianz was found to employ the same methods in its microinsurance activities as those discussed in the literature. Allianz was also considered to be committed to its microinsurance business, both for the benefit of its own future business and for image reasons.

It is concluded that BoP activity, and microinsurance as part of it, can be expected to become increasingly important in global business and poverty alleviation. Such activities are likely to contribute to a major change in business thinking and to the beginning of a new supercycle, and may perhaps even be instrumental in creating a new, improved capitalism and an inclusive economic system.

Key words	Microinsurance, BoP, eradication of poverty, inclusive capitalism, shared value, Kondratieff cycles, Allianz, India
Further information	