

MICRO-CREDIT BANKING AS A POVERTY ALLEVIATION TOOL

Md. Nazmul Hossain

Peoples' Friendship University of Russia, Moscow, Russia

Abstract

The total world population is 7.093 billion of them 1.29 billion do live with absolute poverty (PPP below \$1.25). Around 4 million of people die cause of starving and malnutrition and 25 million without treatment/year. 100 million is homeless and further 100 million is hidden homeless. Around 200 million is unemployed. Of them 75 million that is 13% of the total figure is between the ages of 15 and 24 [IMF-2012]. If dramatic changes are not happened in the world job markets and young jobless is remain stable, its impact would be very devastative for the forthcoming world.

Keywords: Poverty, Micro-credit banking

Introduction

For global peace & affluence in today's world stricken with hunger, homelessness, diseases & woe, tremendous poverty has to be removed to ensure the fundamental rights which include the rights of foods, cloths, shelters, education and treatment. International aid, which is joke to the impoverished, has deepened the problems rather than alleviate a bit. To pave the way for first and foremost task is either to create direct employment or create condition to create employments. Micro-credit banking, which on one hand create direct employment and on the other hand patronize borrowers to create small scale production lines or enterprises to create employments & bring financial sustainability, is one of the most remarkable options to alleviate global poverty.

Microcredit & its impact on socio-economic lives

Microcredit is a financial innovation that refers to various kinds of small loans & financial services meant for the impoverished borrowers who are currently operating businesses or aspiring to introduce businesses or simply unemployed to introduce businesses or financial activities to improve living standard. The borrowers of micro credit usually lack of collateral, steady employment & variable credit history, thus fail to qualify for regular bank loan.

«Money, says the proverb, makes money. When you have got a little, it is often easy to get more. The great difficulty is to get that little» -Adam Smith

«Low income individuals are capable to lifting themselves out of poverty, if given access to financial service»-Dr. Muhammad Yunus

Over the above concepts microcredit evolved first in 18th century and got momentum only after the establishment of 'Grameen Bank' in Bangladesh by Prof. Muhammd Yunus in 1976. As of 2013 microcredit activities are manipulated in about 50 countries around the world.

But the impact of microcredit on poverty alleviation is highly a debated issue. Since its introduction, microcredit has not had very positive impact rather has led many borrowers into debt trap or leading suicide or selling organs [Milford, 2010 & Kathrin, 2012]. 1&2

A study conveyed by Wastover & Khandaker noticed that among six representatives, five found no evidence that microfinance reduced poverty [Wastover & Khandker, 2008]. 2

Kathrina Hartman, the Journalist told about trapping in debt of a woman whom she met in 2012 Kurigram district in Bangladesh. The rural women who were the borrower of microcredit told her about the brutal methods of enforcing debt repayment, including the forced sale of cattle, house utensils and lands. In order to be able to repay loan, newly indebted men and women even sold their kidneys, as discovered by the police in summer 2011. In order to repay the loans children are dropped out of school to earn money and food expenditures are cut down significantly.

Why Micro-credit doesn't work?

It is a fact that microcredit borrowers, who don't have necessary requirements to receive loan from the formal bank, are marginal and disadvantaged inhabitants of the society. They don't know how to receive loan, how to invest the capital effectively for well return on investment, how to produce units and how to marketing. Most often the money, borrowed by the micro-credit borrowers are invested either in less profitable or non-profitable sectors fail to earn a well return to repay the loans' capital [Milford, 2010 & Kathrin, 2012]. 1 &2

Suppose, if you somewhere meet a man who is blind and deaf and direct him to go to a certain destination where he will get proper maintenance, he will never reach the destination rather lose the former shelter if you don't convey him to.

Like the blind and deaf microcredit borrowers will be dropped into debt trap or driven into loan cycle if the borrowers are not apt patronized by the lender from credit receiving to profit making.

How Micro-credit will succeed?

To reach its poverty alleviation goal, Microcredit policies are needed to be implemented and managed effectively & services are needed to be designed to meet the need of clients. Thereby not just only clients but also their family and the wider community will be benefited.

When loans are associated with an increase in assets, when borrowers are encouraged to invest in low risk income generation activities and when very poor are encouraged to save; the vulnerability of the poor people is reduced & improved of the poverty situation [Hulen & Mosley, 1995]. 3

So, together with credit providing, proper patronization of borrowers by the lender in the sectors including effective investment, producing units, marketing portfolios could bring the desirable changes.

If microcredit activities encourage and patronize borrowers to resolve easy accessible regional raw materials into commercially valuable products, it will be doubly effective. On one hand commercial production industry will be established with huge economic potentiality and on the other hand commercial raw material industry will be accomplished more effectively, those will bring massive development for local, national and world economy.

Proposed Project

Creation of microcredit bank & investment strategies to create direct employment and create condition to create employments patronizing microcredit borrowers to create small scale production lines or enterprises by microcredit banking, microcredit loan and other relevant entrepreneurial activities.

Target is to encourage and patronize borrowers to establish regional raw materials based production industries. Moreover, other potential sectors where there are rooms available to develop will also be promoted, e.g., poultry farming, fisheries, milk processing,

packaging & marketing etc.

For sustainable development of a nation, education standard needed to be promoted to create talented human capital, the nation will discover its own ways to develop. For this prospect we'll establish preparatory & primary schools with computer labs, internet access & libraries.

Method

The project will be manipulated by the name "MPFW (Mission for Poverty Free World) Microcredit Bank" with the slogan "Poverty Free World for Global Peace"

Instead of manipulating the project's activities over the entire country all together, we'll divide the country into several regions according to the geographic location. Every region will be divided into many small branches and developed the branches one after another gradually.

A branch will be selected and activities will be operated for numbers of years till annihilating poverty and transforming the branch into self-dependable & improving the quality of living.

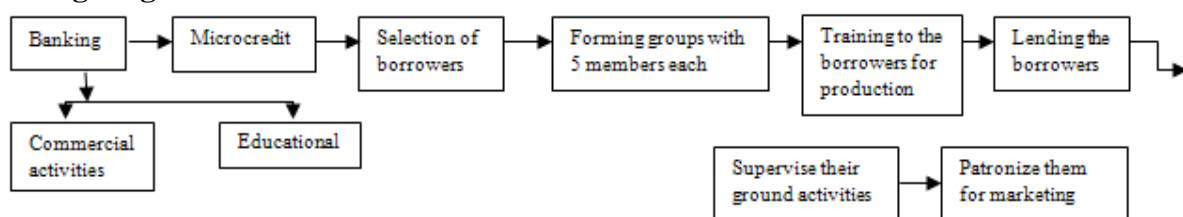
Aim is to produce commercially valuable products by easy accessible regional raw materials. So, we'll remark the regional raw materials of the region where we'll initiate the project's activities and invent the most effective ways to produce commercially valuable products.

We'll select the borrowers & train them to be skilled producers or entrepreneurs. Credit will be given to the borrowers to introduce small scale production lines or enterprises when they will be sufficient skilled to go to the production lines. We'll patronize them to marketing their products.

We'll open & operate selling centers throughout the country by the brand name "MPFW Bank's Green Product" with the slogan "Be Green to Save the Globe".

We'll buy the production from the producers (borrowers) & sell them in project's run selling centers. The production will also be offered to other retailers who are offering same products we are producing & offering. The producers are also free to marketing their products.

Loan giving structure



Pay back

Loan will be paid back with 10% annual interest rate. Loan pay back will be started after a month of their receiving loan as they will start receiving revenue from their portfolios at that time. Total loan of a borrower will be paid back with 12 installments during a year. Borrowers also can open saving account in the bank and deposit for the rainy day.

Implementation

The project will be implemented first in Bangladesh. Total population of Bangladesh is 180 million. Off them 50% is between the ages 14 & 30 years old and 55% is unemployed. 40% of the population lives below the baseline of poverty [\$1.25/day, World Bank, est. 2012]. Off them 25% do live with extreme poverty [\$1/day, World Bank, est. 2012].

Poverty, epidemic, famine and hardship of life are the common phenomenon in Bangladesh though there are huge potentialities and lots of rooms to change through promoting handicraft, SMEs and various forms of micro-industrial, small scale commercial & entrepreneurial activities. Through microcredit banking, microcredit loan & effective entrepreneurial activities, the project will pick all of the potential sectors up into account to develop.

Instead of initiate the project's activities over the entire contrary all together; we'll divide the country into four regions (South-West, North-West, South-East & North-East) and initiate the ground activities in the South-West region first. We'll divide the region (South-West) into 2500 small branches and pick a branch up and manipulate the activities till annihilation of poverty and promoting the standard of living. Then rest of branches gradually.

We'll remark the regional raw materials of the reasons and take initiative to invent the most effective ways to produce commercially valuable products by the regional raw materials.

If jute and bamboos are available and cheap in the selected branch like most of the areas of Bangladesh, we'll produce shoes, vanity bags, and shopping bags by jute and jute's garments thereafter and souvenir, toys and household products by bamboos. If the area is surrounded by grasses, we'll introduce dairy firming and small scale dairy products industries. If the area is surrounded by water, we'll go to fisheries and poultry farming. If the area possesses no physical resources but mud, we'll produce attractive souvenirs, ornaments and households things by mud.

Women, almost half of the total workforces of Bangladesh but 85% of them are unemployed. Keeping a vast population unemployed, sustainable development of a nation can't be expected. So target is to empower the women through involving them in financial activities.

Ground Activities

The ground activities of the project will be initiated on 1st of March 2014 from the village Jaduboyra, a branch in South-West region of the project's planned geographic location.

Target is to transform the village Jaduboyra as a poverty free self-dependable village by 2015.

Jaduboyra is a village of 4sq. Kilometers & 6124 inhabitants. Among them 500 are students, 20 government employees, 50 in NGOs & other sectors, 800 are farmers and vast majority of 1660 are unemployed. The total workforces are 2530 of them 98% are marginal farmers.

Like most of the rural inhabitants of Bangladesh duelers of the village Joduboyra cultivate their lands yield crops and live on it around the year. But agriculture in Bangladesh completely depends on natural climate. If weather is hostile, for example, drought, heavy rainfall or flood, either crops are destroyed or cultivation of land is not commenced in time, hardship of living is started.

Every year 'Monga', a seasonal food crisis, snatch numbers of lives of the village during the months December-January that is when farms are not cultivated and inhabitants don't have work at hands or other alternative to survive.

Like most of the areas of Bangladesh, arable lands of the area are very fertile for jute. Every year farmers cultivate jute but they don't get sufficient market value of it

Besides, huge livestock including lactescent are also physical asset of the area. Inhabitants use milk of their cows either for household purposes or sell it in the villages' markets at very cheap price.

As the village Jaduboyra is thrived with jute like most of the areas of Bangladesh,

primarily, we'll produce summer & winter shoes, shopping bags and vanity bags by jute and research to produce more innovative products to keep up pace with global demand through project's R&D center.

Moreover, we'll launch other entrepreneurial activities including poultry farming, fisheries and milk processing, packaging and marketing for rapid and sustainable development.

We'll establish necessary numbers of preparatory and primary schools with up-to-date curriculum. Educational institutions would be accomplished with computer labs, internet access and libraries.

In next couple of years (from 2013- 2015) the village Jaduboyra, the first targeted branch, will be changed for poverty free self-dependable village & standard of living. By the time five preparatory schools and a high school, five fisheries and five poultry firms will come under full operation. 500 direct jobs will be created through banking and other entrepreneurial activities. Further 500 small scale production lines, which will create employments for another 1200 employees. 1700 families will come out from the tremendous poverty. Poverty will be removed and massive changes will be brought in socio-economic living then activities of the project will be extended to other branches with the same message and mission.

Conclusion

Microcredit banking is one of the most useful components to alleviate the world poverty. But it doesn't work it-self. Effective strategies and proper implementation is indispensable to bring the desirable consequences.

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