Rural Insurance Scheme Gets Encouraging Response

Amina Khatun feels more confident than before about the future of her five children. A widow and the bread earner for the family she has insured her life for a weekly premium of Taka 10.

Says Amina 'We poor people cannot save. The 'Swalpa Sanchay' (small savings) insurance scheme helps me to save something for the future of my children. It also guarantees risk coverage'. Amina is a cloth hawker of Begunbari under Sabujbagh thana in Suburban Dhaka.

Fazlul Huq, 32, a peasant of the same area has insured his life with his five-year-old daughter Kulsum as the beneficiary. Like Amina he pays a weekly premium of Taka 10. The insured amount — Taka 5200 — can be utilised after ten years to finance Kulsum's education or her marriage, he hopes.

Amina Khatun and Fazlul Huq are two out of thousands of policy holders of two innovative insurance schemes of a Bangladeshi company designed to 'serve the needs of the poorest of the poor'.

Premiums under the schemes are collected by insurance agents by visiting homes of policy holders in small weekly or monthly instalments. There are policies with weekly premium as low as Taka six.

Agents who get commission on premium income and supervisors who guide their work are all chosen from the field on the basis of work. They are mostly college and university students. They earn Taka 1000 to 5000 a month as commission. The income incentive makes the work attractive to the otherwise unemployed youths.

'Swalpa Sanchay' and 'Grameen Bima' have been conceived by progressive insurer Shafat Ahmed Chowdhury, Managing Director, Delta Life Insurance Company. Launched in Narsingdi in January, 1988, it has been a success story so far. In two years the number of policies sold has risen to 20,000. The schemes have now been spread to Dhaka, Chandpur, Barisal and Sylhet districts.

Suburban village people, who are the policy holders, are showing great enthusiasm for it. The policy holders include vegetable and milk hawkers, rickshaw pullers, day labourers and even domestic servants.

Chowdhury says his company wants to prove that people of the low income group are just as interested in long term saving within their means as members of the affluent class provided it can be explained to them what an insurance policy is all about.

A Fellow of the Institute of Actuaries of London, U. K.

Eminent economist Prof Dr Muzaffar Ahmed of Dhaka University recently visited Dakhhingaon under Sabujbag PS to see, for himself the activities of 'Grameen Bima' project of the Delta Life Insurance. Photo shows Mr. Shafat Ahmed Chowdhury, Managing Director and Actuary, DLI, and Prof Muzaffar Ahmed watching clients accepting insurance policies from officials.

Chowdhury says he was inspired by the industrial insurance projects of the West, specially the prudential insurance Company of the United Kingdom which made remarkable success in providing insurance coverage to people of low income groups. The successful Grameen Bank credit scheme under which borrowers pay off loans in small instalments was also a great source of inspiration in lunching the schemes.

Says Chowdhury, 'Grameen Bima' and 'Swalpa Sanchay'

Mostafa Kamal Majumder

schemes are a 'social movement against poverty'. Poor village people who form the target group, however, are yet to be free from fear psychology because most of them are not sure whether or not they would get their money back. This fear is also not altogether unfounded , says Chowdhury, since some of them were reportedly cheated by signboard-based welfare organisations.

Again, there have been problems in premium collection. A few insurance agents fled after collecting premiums. Policy holders, however, were not affected as the company took the responsibility for the premiums collected. The company is now examining introduction of stricter supervision since the agents deal with cash.

According to Shafat Chowdhury the initial difficulties have been overcome to a great extent. 'We also want slow steady growth. We do not want to go fast so that it goes out of control'.

Initially the company had to provide some support to the new schemes. But in the long run they have to be profitable, even though the company does not look for profit out of those. 'We have introduced the new schemes from a social motive. It's difficult to say whether other insurance companies will take up such a venture on Commercial considerations', Chowdhury says.

He believes that the growth rate in the rural insurance scheme will be very high when the fear psychology will be removed and people will have confidence in insurance.

Shafat Ahmed Chowdhury says he launched the new insurance schemes because he found that the benefits of insurance were not reaching those who needed it most. When he first floated the idea many opposed him saying poor people will not be able to pay premium because they cannot save.

He feels proud that his schemes have showed poor people a way to save and at the same time get insurance protection. The poor people will feel attracted provided they can be motivated properly. Chowdhury says, insurance is the best medium of compulsory saving, because once committed there is an obligation to complete the cycle.

The Small Savings and Rural Insurance Schemes, Chowdhury says confidently, will help people to change their habits and save for the future and ultimately stand on their own feet.

Claims experience on the schemes so far has not been alarming. In 1990 the settled claims totalled Taka 65 thousand as against a premium income of Taka 40 lakh. Compared to that the Delta Life Insurance Company paid Taka 1.01 crore as claims under group insurance against a premium income of Taka 3.6 crore during the year. Individual insurance claims of the company totalled Taka 5.94 lakh during the period.

The Rural Insurance Scheme has been under constant watch. Experiences gained so far indicate that it has a great potential. Delta Insurance Company wants it to grow in a self-reliant fashion, and has refused to accept a grant offered by a foreign donor agency. 'We may take technical assistance but no grant', says Chowdhury.

A former teacher of Statistics of Dhaka University Shafat Ahmed Chowdhury is thankful to the Board of Directors of Delta Life Insurance Company for allowing him to carry out the experiment which promised no profit. He plans to turn the rural insurance and small savings schemes into a mutual company making policy holders the share holders. Expansion of the schemes will depend on availability of agents and supervisors having financial honesty. Because they are the ones who are to motivate poor people to buy policies and collect the premium.

Changing Faces in Global Investment

by Alan Chalkley

A better outlook for developing countries which need debt relief could well be on the way. That is the conclusion of a study by the International Finance Corporation (IFC), the private-investment arm of the World Bank.

According to "Exporting to Industrial Countries, "written by the Director of the IFC's Economics Department, developing countries can boost their exports to Europe and Japan, if they overcome new obstacles to trade. It is not going to be easy, though — they "have to learn to compete in a changing world."

Getting into those markets will depend on close arrangements between firms . An export firm from a developing country will have considerably easier access if it can arrange formal links with major European or Japanese companies that are committed to assisting in the design, production and marketing of the products.

This has been the experience of successful firms in South Korea, China, Macau and Hongkong, for instance.

Textiles, clothing and footwear remain the most important manufactured goods exported by the developing countries. So the search is on among exporters for other items — and there has been rapid growth of trade in electronics, vehicles, chemicals, building materials and processed speciality foodstuffs. These are less hindered by protectionist barriers in most countries.

The IFC study says : "At least one thing is sure — the 1990s will not be a rerun of the 1980s, and for many companies the coming decade will mean new lines of business in unfamiliar markets."

Meanwhile, there has been a widespread shift in government thinking in developing countries — away from an emphasis on the government sector, and towards a greater reliance on private enterprise, the IFC reports.

In 1988, the private businesses of the world invested as much as US$312 billion in those countries, it adds, and this figure is rising every year.

This is a great improvement on the catastrophic year of 1984, when all investment, both public and private, had collapsed (it was not even replacing the depreciation of assets). But the improvement has not been at all evenly shared.

Private investment has been highest in East Asia (from Indonesia up to South Korea), a little less in Latin America, a lot less in South Asia (from Pakistan across to Sri Lanka) and in Africa.

The nature of the investment has changed from the late 1970s, when the massive public investments were financed by big loans. Those were the years when the governments and banks of the richer countries announced large bond issues and syndicated loans, at fixed or floating rates of interest. These loans were sometimes earmarked for specific projects — power generation for instance — but most were just lent for development generally, or even only to cover budget or trade deficits.

The dreadful results of this lending boom are now very well-known. Because of the careless nature of the loan drafting, ignoring centuries-old warnings and experience, borrowers soon discovered that not enough income had been generated from the borrowed money to pay back the loans.

Indeed, just as all those multi-billion loans were being advanced, large amounts of money were streaming away from those same countries. An IMF research study shows, for instance :

The total foreign debt of 13 borrowing countries rose in 1980-88 from US $175 billion to US $350 billion , or by 100 per cent.

The money fleeing those countries rose from US $75 billion to US $180 billion, or by 140 per cent, in the same period.'

So the remainder, the real amount left to invest in these countries, rose only from US $100 billion to US $170 billion — less than half of all those loans. No wonder that the borrowers cannot seem to repay.

All this has changed now. The big banks and the big government financial bodies have burned their fingers. They will not lend unless they are sure of repayment.

The international bodies are also doing less business. Outstanding credits with the IMF have been shrinking since 1985, after a steep rise during the previous five years (following the "second oil shock"). The Fund's stand-by credits — loan guarantees which are its main kind of lending — have fallen from 15 billion SDRs to 10 billion, and the "extended fund facilities" from 13 billion to 8 billion. The SDR, or Special Drawing Rights, is roughly valued at US $1.3.

Those figures mean that IMF advances have fallen by more than a third in five years. Everyone has come to realise that vast outpourings of book-credits are causing inflation and, although the IMF hesitates to say so out loud, it is going to be much tougher with borrowers now.

The World Bank is also going to be tougher. According to its Annual Report 1990, when all developing countries are taken together, repayment of outstanding debt has been at a standstill for the last two years. The amount still owed is slightly up ; the "swaps" and repayment initiatives have had a lot of publicity, but their effects have been minimal.

Actual net disbursements of lendings (that is, investment which the funds are supposed to support) have fallen right off every year since 1984. This indicates that the absorbability — the ability of the borrowers to use the money — has also fallen.

During 1989, developing countries paid back US $43 billion more than they received, and the situation does not look very different for 1990.

Today, private investors who are looking at developing countries want to see specific projects — rentable buildings, power stations, factories, farms, hotels, airlines — before they talk money.

And then they would rather advance some equity, risk-capital which attracts profits, in addition to loans. But for that purpose, they also want more control over the assets, which means more ownership rights.

No more vague "guarantees" and "securities" which, recent years have shown, are illusory.

— Depthnews.

The Bears and the Bullish in the World's Economies

Except for the UK and Germany, all the other creditor nations are in Asia — Brunei, Hong Kong, Singapore and Taiwan, by Alan Chalkely.

CERTAIN countries stand out in the world as economic leaders. They seem to make the best pronouncements on business affairs—or, at least, they make the most of them.

Thousands of voices are heard from them every day, giving advice and forecasting events. But which are the really strong countries?

First, let us define strength in various ways. A surplus in foreign trade might point to strength, for instance. Or a lack of foreign debt. How about high income per person? Or high growth rate for that income?

A look around 44 of the world's leading countries today throws up some strange results. here they are:

Foreign trade: Germany (US$44 billion) and Japan (US$32 billion) had the highest trade surpluses last year, as they have for many years. Close behind were Taiwan (US$11 billion), China and Brazil (US$6 billion each) and Hongkong (US$5 billion).

The deepest deficit on trade was experienced by the US (US$110 billion,more than all those deficits added together). Other big deficit countries were the United Kingdom (US$29 billion), Canada and Australia (US$14 billion each) and Italy and Saudi Arabia (US$10 billion each). India was US$7 billion in the red, and Mexico US$6 billion.

Foreign debt: The country with the highest mountain of foreign debt is the US, believe it or not—US$660 billion of it. Canada owes US$149 billion, and then come Brazil(US$110 billion) and Australia and Mexico (US$95 billion each). Turkey and Egypt owe US$38 billion each.

In Asia, the debtors are low down the list— India US$63 billion , Indonesia US$53 billion, China US$45 billion, the Philippines US$28 billion, South Korea US$30 billion and Thailand US$27 billion. These countries vary in their ability to pay off those debts quickly, of course.

So where are all the creditor countries with no debt or very little? The UK in now a net creditor after many decades of indebtedness. Germany is high on the plus side, as in Japan.

All the other creditor nation are in Asia—Brunei, Hongkong, Singapore and Taiwan. In effect, the seven creditors listed here "own" the debtors...

But which countries are still enjoying the highest shares per person of the world's output? The US no longer leads in that league, although the average American gets about US$21,000 worth of goods and services available to him and her.

Japan's average product per person now measures US$23,000. That other unit of North American, Canada, weighs in with US$20,000.

Then, in the bracket of US$15,000 to US$17,000 come many countries — 'Australia, Brunei, France, Germany, Italy, Sweden, etc.

In Asia, in addition to Japan and Brunei, these countries show the highest output per person: Hongkong and Singapore (US$11,000), Taiwan(US$8,000), Macau (US$6,000) and South Korea (US$5,000). But most countries share out only between US$110 (Cambodia) and US$700 (Philippines) each year.

Growth of output: This is another matter. Growth rates rise and fall enormously from year to year, and when a country gets very rich it comes up against barriers to high growth inevitably.

So we should not be surprised to find that the US (which had high growth early this century) now grows at barely 1 per cent a year lately. Europe (which had high growth last century) now grows at barely 2.5 per cent overall (Germany about 5 per cent for the moment). And Japan, which experienced very high growth in the 1960s and 1970s, struggles to reach 5 per cent these days.

The high growth is now in East and Southeast Asia, where several countries have averaged 9 per cent a year over several years at a stretch. But not all of them are very busy now: Hongkong managed less than 2.5 per cent growth last year, and the Philippines only 3 per cent.

The champion countries in the economic game recently have been Thailand (10 per cent), Malaysia (9 percent) and Indonesia (7 percent). These three seem to be racing one another up into the "newly rich" class.

How about China? It managed a very respectable 4.5 per cent growth last year. India made 5 per cent, one of its best-ever results, and Bangladesh grew 6 per cent. These countries have a long way to go, however — their output per person in US$300, US$320 and US$180 per year, respectively.

So how do we measure strength? In addition to all the measurements shown above, there are some more "social" strengths.

—Depthnews.

Sorry, John — our new Japanese owners have asked that you disembowel yourself.

Car-mad Malta is Running out of Road

Just about everybody in Malta wants to own a car. The Maltese also like to do their own repairs and keep their cars with loving care for a long time. But the island is only 246 square miles and is rapidly running out of space. Parked cars in towns are so dense that it can take an hour to drive half a mile. Yet, reports Gemini News Service, any move to stop imports of cars could lose the government an election. by Joe Scicluna

Traffic jams ahead

A standard joke among tourists to Malta — 492,700 of them came of the island in 1989 — is that while Britons drive on the left of the road and European continentals on the right, the Maltese simply drive in the shade.

It is a way of describing the utter traffic chaos which is a way of life in this 246 square-mile Mediterranean island.

Malta, with 345,000 people is already one of the most densely-populated areas in the world and running short of land to build on. Its 140,000 vehicles are increasing by 10,000 a year.

A study published recently showed that there is a vehicle for every 8.5 persons and every 13 metres of road. The number of Maltese with a valid driving licence is 43 per cent and the police have a long waiting list for testing new drivers.

On one road just outside Valletta, the island's capital, 4,000 vehicles were clocked in an hour — the morning rush hour.

The authorities are becoming worried as more people order new cars. A government report said that "the rate of car ownership is increasing beyond limits." Few would challenge its findings. Young people take a second job _ usually in the hotel trade in the evenings — to help pay the instalments on their cars.

A new development is the importing of Soviet, Czech and Yugoslav cars. The Russian Lada, Czech Skoda and Yugoslav Yugo are much cheaper than British, French and Italian models.

They find a ready market among young people eager to buy their first car. Many families now have two or three cars.

Malta has a good and reliable bus service, but the vehicles are old, mostly second-hand from Britain. Maltese despise them because windows do not slide open and they can be veritable ovens in the summer.

The biggest problem is parking. In Valletta and other busy areas there are few recognised parking lots and they simply cannot cope.

Every effort is made to induce the Maltese to use public transport, but most prefer to drive to work — even though Valletta is only half an hour away from any town or village in the country.

The narrow roads are clogged by parking vehicles. Last year police booked 50,048 drivers. The day of multi-storey car parks is not yet on the horizon.

Garaging is desperate. The government now refuses to issue permits for buildings of more than four storeys, unless at least one parking space or garaging per dwelling unit is to be provided.

In areas like Sliema, where old buildings are being torn apart and replaced by eight-storey blocks of flats, the decision is more than welcome. On Saturday evenings it can take an hour to travel half a mile because of parking congestion.

One trouble with Malta is that vehicles last and last. The Maltese are do-it-yourself enthusiasts and the island is a museum of veteran cars.

Government still uses vehicles left behind by the British armed forces when they left the island in March, 1979. It bought the second-hand buses from Britain in a bid to spare the commuter a bone-shaking journey in locally built buses.

But only public vehicles such as buses, vans and trucks are subject to an annual inspection and test. Many are unfit for the road and dangerous.

Old cars have a new use. In Malta people marry in a second hand Rolls Royce or a vintage car. Some date from the Thirties. Others have been salvaged from fields or a forgotten garage and lovingly restored.

The government is worried that the number of vehicles is outstripping its road-building programme. There is no indication that it intends to curtail imports of new or second-hand cars.

Any government that tries such moves could lose an election. Ownership of a car — any car — is a must.

— GEMINI NEWS

Joe Scicluna has been on the editorial staff of the Times of Malta since 1949, successively as Forces Editor, Night Editor and News Editor. He has written for Gemini since its foundation in 1967.