

A Bank for the Poor by the Poor

by Mohammad Amjad Hossain

Inspired by the successful implementation of the philosophy of the Grameen Bank, many foreign organisations, both governmental and non-governmental, are seeking financial and technical assistance from the Grameen Bank for establishing such projects in their countries.

the bank, three government representatives and Managing Director, who is the founder of this bank, reviews the performances of the bank and issues guidelines for its management. The Managing Director has no voting right. It is interesting to note that the nine members are not only landless people but also possess no schooling. Apart from these, they are all women. On each meeting of the board of directors, mem-

Members of the bank are contributing Taka one every week to this fund. This is obligatory contribution for the sake of the education of their children.

The feeder school is run from this fund. By now 16 thousand such schools have been set up.

Therefore, it is hoped that members of the coming generation would be equipped with basic education to manage the Grameen Bank more efficiently

There is not much scope for corruption as the system for payment and realisation of loan is diametrically opposite to those of the commercial bank. Loan is given to a group and not to any individual. Some argue that this system may be characterised as collateral in crude form. Over the years members are increasing as a result of the success achieved. The bank has devised its own management system which has

1992. 180,000,000 taka was deposited in the emergency fund. The fund stands as a security during rainy days.

Its success story evoked world-wide appreciation. Many countries in Asia and Africa are keen to follow the footprints of the Grameen Bank of Bangladesh. Many international organisations and financial institutions are coming up at their own to assist the Grameen Bank with financial assistance. Since the Grameen Bank is for the poor and by the poor, very cautious steps are taken by the authorities of the bank in receiving and outright rejecting the offer of loans.

Inspired by the successful implementation of the philosophy of the Grameen Bank, many foreign organisations, both governmental and non-governmental, are seeking financial and technical assistance from the Grameen Bank for establishing such projects in their countries. With a view to providing such assistance to foreign countries, the Grameen Bank Trust has been set up with hard currency.

Meanwhile, the trust has received proposals for seed capital from five countries in Africa and Asia. This trust has introduced a Grameen International dialogue programme which aims at providing information on the Grameen Bank and sharing experiences for mutual benefit. Three such programmes were held last year and in April this year. Another programme is scheduled for November this year. Participants from foreign countries are attending the conferences. The setting up of the trust is indeed a milestone in the development of the Grameen Bank.

The objectives of the plan either implemented by non-governmental organisations (NGOs) or governmental sponsored organisations should not only be the short-term alleviation of hunger, human misery and poverty, but the establishment of long-term strategy which would strike at poverty's roots and make sustainable economic growth in the long run. In this respect the Grameen Bank's efforts should be considered a model for other NGOs or banks to emulate for poverty alleviation.



Loan realisation by German Bank is excellent because of such economic activities.

— Photo : Salahuddin Azizee

bers are brought in the headquarters of the bank at Mirpur, Dhaka three days ahead for thorough dressing down on the agenda. Needless to say, these members are democratically elected from among the members of the bank.

Since education is the light house for progress, the Grameen Bank has evolved informal schooling system for the children of the members of the bank. Shishu Kalyan Tahbil (Child Welfare Fund) has since been opened in different branches of the bank.

and effectively by themselves without any aid.

Despite many odds the Grameen Bank is extending its helping hand to the poorest of the poor. One hundred branches are opened every year reflecting the growing popularity of the bank. The Grameen bank managers, having minimum graduation degree, are engaged in identifying and providing loan to the poorest of the people in line with the bank's objectives which are not identical with those of the commercial banks.

no parallel in traditional banking system. It has become a national banking institution of pride. Members of the bank, have become confident, self-reliant, self-conscious and self-respected. To make them self-respected and hard-working people, the bank has opened an emergency fund. Each borrower would pay equivalent to 25 per-cent of the amount charged by the bank as interest and the amount collected from the members goes to the emergency fund. As of January,

Economic Strength Not Solely Responsible for Prosperity

by Dr. Renate I. Mreschar

THE buoyancy of a region's economy and its employment situation are not solely contingent upon such much-cited economic factors as infrastructure, availability of labour and commercial sites, proximity to markets, suppliers and transportation networks. Of equal significance is the mentality of the local population, whose personal preferences and behavioural patterns — evolved and reinforced over generations — may also constitute a decisive factor in explaining the deep divisions in the industrial and employment situations between regions with comparable economic and political structures and strategies. A region's economic buoyancy, therefore, reveals little about the actual degree of economic contentment or prosperity among its population.

These quite provocative conclusions are based on a study, commissioned by the Bertelsmann Foundation and conducted by the Institute for Economics and Society (IWG), on the Effects of Non-Economic Factors on Employment Patterns in Germany.

Comparing social behaviour, employment patterns, innovative spirit and entrepreneurial initiative in 13 "regions of above-average economic strength" in the old federal states with 13 less prosperous areas, the survey also sampled people's attitudes towards intelligence, creativity, competence, mobility and flexibility and professional ambition.

The findings revealed two clearly distinguishable populations, each possessing a "completely homogeneous group profile," which the researchers attribute to differing "concepts on the individual and society". Whereas the

stronger group attaches greater significance to the role of the individual, people in the economically weaker areas set greater store in the community as a whole.

In other words, the stronger group regards the individual as solely responsible for his/her personal success or failure, whereas among the less dynamic group, individual success is accorded less significance and consequently, ambition, competitiveness and assertiveness are far less pronounced personal characteristics.

For the inhabitants of the dynamic regions, however, work serves not only as a means to secure income, amass wealth or build a career, it also constitutes their prime motivation and purpose in life. Success tends to be defined in materialistic terms, and is an objective to which they aspire with greater dedication than their counterparts in economically less prosperous areas, where the community e.g. family, friends and neighbours, form the nucleus and substance of their life.

The attitudes and behaviour patterns nurtured in this environment serve to enhance the efficiency and cohesion of the social group as a whole. Gainful employment merely constitutes a means to earn a living.

Surprisingly, economic contentment and material prosperity are comparably high in both groups — with even a higher proportion of owner-occupiers in the less prosperous regions.

Although levels of incomes are higher in the more buoyant economic regions, this is generally offset by the additional living expenses, e.g. the cost of hiring baby-sitters or private health care, which are seldom

incurred in the weaker regions due to the different social structure.

Although unable to account fully for the considerable discrepancies in attitudes and behaviour patterns, the Institute's director Dr. Meinhard Miegel suggests that the mentality of the respective regional populations has been strongly conditioned by their geographic location, the presence (or absence) of natural resources, religious ties, as well as historical factors, such as legal, political and economic structures.

These findings also indicate that political measures only have a marginal impact on "employment-relevant" attitudes and behaviour patterns, and Miegel warns that deliberate political interference in such firmly rooted social structures could unleash unpredictable consequences.

In their conclusion, the researchers advocate a fundamental reappraisal of the political postulate that all regions, countries, economic zones, continents and even hemispheres throughout the world should aspire to and maintain identical material living conditions.

In the final analysis, the results of the IWG study demonstrate that economic strength and buoyancy do not necessarily denote a high standard of social development, or vice versa. Miegel contends that within a free and open society, these differences are merely the expression of differing mentalities and attitudes to work, conditioned by social and cultural factors. "Which of these societies will ultimately prove to be the more resilient, only the future will decide."

— German Research Service

250,000 Poor Families Get Help-to-Earn Handout

A Sri Lankan scheme to improve nutrition and alleviate poverty, under which small amounts of government money are given to families to start mini-enterprises, is showing distinct results.

The objective, a large-scale transfer of national wealth to the poor, met skepticism when the programme was introduced. Two years on, officials say the health of many families has improved through better nutrition and many are also earning extra income from farming and trade activities.

The novel scheme, known as Janasavithya, is backed by the World Bank. In the first two years 258,000 very poor families have benefited. The third year of the programme begins in October.

Phase by phase, nearly half the population of Sri Lanka will receive an allowance of Rs1,458 (US\$36) a month for a period of two years. With this, people can buy locally-grown food and other necessities from co-operatives. So far 80 per cent of families helped have generated income by using part of the allowance to engage in farming, fisheries,

small rural industries or trade. Nearly 60,000 families involved in the first phase now have stable incomes of Rs1,500 a month, with many more earning Rs1,000-1,500.

A further Rs 1,042 a month is saved in their name for the two-year period. The Rs 25,000 saved for each family in this way is not given to them direct because of government fears that they might waste it or lose it in unproductive ventures.

However, it can be used as collateral for loans of up to Rs 50,000 for income-generating enterprises. /PANOS

Entrepreneur's Role for Women

by Perla Aragon-Choudhury

OFTEN it is adversity that makes entrepreneurs of women. And by doing things themselves and doing them well, the women transformed themselves into successful entrepreneurs.

In the Philippines, they include Corazon Bobadilla of Cesscraft Philippines which is international known as a boat-building firm; Asuncion Sison who exports educational toys and embroidered linens through her Manila Trading; and community leader Patria Valles, head of a rice-retailing cooperative in a Manila slum district.

Their success may encourage more women to go into micro-enterprises but they must proceed with utmost caution, says Zenaida Gordon, herself a successful entrepreneur.

Know yourself, plan ahead, work hard, reinvest in your business. This is the advice of Ms Gordon who went into her own business after working with one of the country's business giants.

Ms Gordon was with San Miguel Corporation (SMC), one of the Philippines' top business conglomerates. She has the distinction of being the first woman to rise to an executive position at SMC.

Today she presides over Gordon Enterprises, a four-year-old venture in industrial foods. Being president means she has to make the round of doughnut makers to present her product, double at times as company driver and cut down on socialising. She enlists her family to help out, too.

"The difference between working for oneself and working for others is that the entrepreneur is at the centre of all activities," Ms Gordon told participants in a recent seminar-workshop on entrepreneurship for women.

The seminar was sponsored by the University of the Philippines' Centre for Women's Studies (UCWS) and the SGV (Sycip, Gorres and Velayo, an accounting firm) Foundation.

In welcoming the participants whose number exceeded her expectation, UCWS Director Dr Sylvia Gueterro said: "We must help women become visible as a positive force in society. Several entrepreneurs we have talked to

remember their parents, especially their mothers, instilling in them independence, responsibility and excellence."

Another seminar speaker Dr Gloria de Guzman, who chairs the advisory group on institutional development at the SGV Foundation, pointed out the need for fostering successful entrepreneurship. "The challenge is how we can develop better entrepreneurial skills. Do we start from the cradle or work through schools?"

Ms Gordon admitted to losing money twice before learning that it is only the best-prepared and the toughest-minded entrepreneur who will succeed in today's business environment, one not at all conducive to new ventures.

Ms Gordon advises women thinking of going on their own to know themselves first. She said: "Take an inventory of your skills. There will be no one there to hold your hand. The business is really (just) you. Without your presence it is not supposed to be what it is."

She speaks from firsthand experience — with engineering as her background, she was not equipped for the food processing and servicing ventures she went into.

Then one must choose staff with skills she herself does not have. Ms Gordon pointed out: "Their high-tech specialisation could complement your personal skills. The key to success is teamwork."

Assessing the need for the product in mind is crucial. Is there a market or a demand for, say, paper flowers or handicrafts made of hemp? The next step is estimating the needed investment and one's financial requirement, said Ms Gordon.

Finally, establish objectives. Only the one venturing into business can define what to her makes for work success, said Ms Gordon who offered suggestions for such a goal.

"In these turbulent times my message is this: stick to the basics, stay lean if you want to expand, build and equip judiciously — make a business plan to guide your activities — and assess your progress. Show (your records) to banks as you request financing."

To Ms Gordon the real entrepreneur is one who will still reinvest in her business after she had done everything to

make it work.

Earlier she stressed humility to the seminar participants: "There is no place for you if you feel a loss of ego or pride

in having to shop for or deliver the goods yourself."

She warns that it is treading quicksand if one goes into business to "find myself." Have

a positive attitude, she urged, saying: "Be upbeat, do the right thing now, and you will be way ahead when the good times roll in." — Depthnews Asia

State-Owned Ceylon Tea Privatised After US \$1b Loss

Mallika Wanigasundara writes from Colombo

SRI LANKA has decided to hand over the management of state-owned plantations to private sector contractors but it retains total ownership of the estates.

The move is to rescue the state plantations which are in a perilous state. According to the Ministry of Industries, they are technically insolvent.

The Janata Estates Development Board (JEDB) and the Sri Lanka State Plantations Corporation (they are both called state corporations in Sri Lanka) have been running the nationalised tea, rubber and coconut estates for the last two decades.

Their accumulated losses in this period are staggering — around 40,000 million rupees (around US\$1,000 million). In addition JEDB and SLSPC plantations are being subsidised by government to the tune of 400 million rupees a month, according to the Ministry of Industries.

This naturally can not go on. Ever since the United National Party came to power in 1977, the government has been thrashing around to find a solution to this massive drain of taxpayer money.

The government is making concessions to prevailing political opinion — which strongly opposes the complete privatisation of the plantations — by retaining ownership. But it is tackling the economic reality by handing over management to the private sector.

Together the JEDB and the SLSPC have been managing 502 plantations running into some 158,688 ha. Of these 502 estates, 449 have been regrouped into 22 fully state-owned and independent units called Regional Management Enterprises, each comprising a cluster of 15-25 estates.

The state-owned Regional Management Enterprises will be manned by directors appointed by the government. It will sign agreements with the private companies which will take over the actual management of the plantations.

These 22 contractors have

been picked from among companies which have a sound track record in business management, on the basis of competitive bids. Management contractors will draw their fees on a profit-sharing basis, and would work out to around 25 per cent or so.

Among the companies which have been picked are reputed business houses such as Aitken Spence and Co, BC Computers of the Bartlett group; Carson Cumberbatch; Chemical Industries Colombo Ltd, Forbes and Walker Ltd; George Stuart and Co; Richard Pleris and Co Ltd, Lake House Printers and Publishers Ltd; Stassen Exports Ltd and several other well-known companies. Significantly, absent from the list is John Keels, high-profile conglomerate with heavy interests in food products and tourism.

Previously, state-owned corporations were shored up with government funds. Now, if the management contractors make losses, they themselves will have to carry them.

The successful bidders for contracts will have to find the working capital and investment needs to manage the enterprises. Their contracts will last initially for five and a half years.

In loans the combined liabilities of the JEDB and the SLSPC to banks and financial institutions at the end of 1991 amounted to 5156 million rupees. These include loans to the International Development Association the Asian Development Bank, OPEC, the Sri Lanka Tea Board, the two state-owned banks (Bank of Ceylon and the Peoples Bank), and other commercial banks. Overdrafts alone amount to some 1,337 million rupees.

The plantations before they were nationalised were significant contributors to national coffers. Now, they are floating in debt and perilously unviable. Had they been private sector undertakings they would have

collapsed.

There seems no way in which these two corporations can repay these monies, according to the Ministry of Industries. Fifty-three estates owned by the two corporations have been left out of the new arrangements because they are too unproductive and have to be upgraded, rehabilitated or diversified.

Having private contractors to manage government-owned undertakings is not new to Sri Lanka. This was successfully tried out in the case of the textile mills. British Totals and two reputed Indian companies pulled the textile mills of Veyangoda, Thulhiriya, Pugoda and Mattegoda out of the woods and into solvency.

Trade unions have been restive about the change and have feared for their jobs. But government has assured them

there would be no retrenchment. The staff will remain employees of the state-owned Regional Management Enterprises which own the estates. But they will work for the contractors. This would seem a dicey arrangement where an employee is employed by one agency and works for another. But in a similar arrangement at the textile mills it worked.

The present plight of the plantations is due to a complex of factors and cannot be blamed entirely on inefficient management. Since the mid-1980s the cost of production, including wages, has escalated astronomically.

Wages, energy, fertiliser, chemicals, transport and so on have shot up by anything between 105-275 per cent. A day's labour which cost 23 rupees in 1984 is 51-18 rupees today. Some estates have been

selling their tea below the cost of production during bad periods.

Meanwhile the price of tea has taken a downward trend. In 1984 a kilo of tea fetched 63 rupees or so; now it moves around 58 rupees. In addition the plantations are paying export and ad valorem duties.

In the past, in private hands, the estates were managed by highly efficient and trained planters and agents who kept the price profile well forward in their operations. Their expertise offered the countervailing force which kept the plantations viable during bad times.

Sometime ago trade unions demanded workers on estates be given a fixed number of days of work irrespective of whether there was work or not for them. This has now been changed, but low prices and a

high wage bill did irreversible damage to the budgets of estates.

The slide downwards began with nationalisation when henchmen, stooges, and recruits with the correct political affiliations took the place of expert managers and superintendents.

Planters became bureaucrats strangled by government rules and regulations which killed initiative. With fractious trade unions, their authority was eroded. And with the killing of several superintendents by rebels, disaster faced the plantations. The exodus of trained men which started with nationalisation was accelerated.

The profit motive went out of the window when the Treasury bailed the plantations out all the time. Even a Central Bank report commented that tea was being robbed on a large scale on state plantations.

Corruption, nepotism, waste, inefficiency, and over-staffing took a high seat and discipline broke down. The plantations in fact, like all state-owned undertakings, belonged to nobody and to everybody who robbed them.

The conclusion was obvious — governments cannot manage commercial enterprises. Government regulations meant to run government departments just did not foster professionalism. Instead, where the former system demanded very high standards of efficiency, under the present dispensation, favouritism and political patronage was put on high gear.

Some of the selfsame politicians who now criticise plantation management unloaded passengers on helpless superintendents who had to carry a proportion of drones, loiterers and troublemakers. Meanwhile, tea smallholders under 50 acres in private hands have been producing higher yields and accounting for 50 per cent of last year's production of 240 million kilograms.

