

# A Case for Bankassurance in Rural Bangladesh

by Shafat Ahmed Chaudhuri

## A Lesson for Government

Things at the Zia International Airport have reached a level of anarchy short of only a complete breakdown of its functioning. Incidents demonstrating dangerous security lapses — either systemic or performance-related or both — were bad enough — they were not beyond rectification. The Civil Aviation Authority went about that business of plugging the holes in a most unfortunate and summary fashion landing the whole of that gigantic yet inestimably delicate organisation into unprecedented chaos. When things would clear up — it has to in a matter of days — its effects would continue to bedevil airport management perhaps for years. It is saddening to see very plainly that the unmanageably bad turn of events at the ZIA is wholly the handiwork of the CAAB authority.

Why did the authority jump into the harrowingly precipitate action of suspending and demoting key airport personnel? Hadn't they any idea of what repercussions could follow such an action? Or didn't they simply care, harried as they must have been by pressures from all around, specially up above? If the action was right and taken in a right manner, that could possibly have been worth the trouble. But it is the very ineptness of the action that contributed so largely to the deterioration of the situation.

The second act — of rescission of the punitive orders — was what pushed the bad state of affairs into a regular catastrophe. This was done in response to the *gheroo* mounted by the employees of the authority on its chairman. The unexpected success of the forceful protest ran the protesters to a state where they would not know when to stop and how. And they started lumping ageold grievances with the redressal of the heavy yet superficially arrived at measures of the day before. The fear now is about what will happen to the task that led to this awful rampus: The task of setting right the state of security of the ZIA? There are more chances now of that question going by default. The matter of bringing the whole organisation back to a frame of discipline may easily push the former into the background.

In our earlier comment on the gaps lighted up by the Jessore young man, we called for a deep-scope probe into the security situation of the ZIA. The government went the other way and swooped on people in what clearly appears as a tentative action featured even by retraction. While we hold the CAAB's administrative ineptness wholly responsible for the most undesirable follow-up of the stowaway story, we strongly suggest the government not to allow the security question to slip by. Rather we counsel this to be the take-off point for a series of searches into a lot of other holes riddling that hotbed of multifarious crimes and corruption, our only air entrepot. The management faux pas has already fouled up the prospects of such necessary enterprise. The government would do well to take care that such carelessness does not repeat, even if the whole of the cabinet is under hellish pressure to show summary response to certain situations.

## Good Example, but Needs to be Multiplied

The Prime Minister's secretariat has instructed the cabinet division to serve a show cause notice on the Deputy Commissioner and other concerned officials of Cox's Bazar for over-expenditure during her visit to the district. The act by itself has all the making of setting an example in a country where playing cronies has gained a disproportionate ground. A vernacular daily's snippet column that carried the news on the Premier also accommodated a spicy piece on an unfortunate compounder who failed to comply with his boss's order to present a bottle of foreign brand shampoo at the medical store's expense. The compounder was fired by the officer who had asked for the graft. This incident allegedly took place in the unlikely place of Sylhet Cadet College.

Reports also had it that in Khulna, the organisers of a college function were so enthusiastic that they felled a number of century-old trees to facilitate the landing of the PM's helicopter. The overenthusiasm was manifest in that there was no need for felling the mighty trees on the college compound for the helicopter's landing. Considering the Cadet College and Khulna incidents and various other routine exercises of greasing the higher officers or just keeping them in good humour by the subordinates, the Prime Minister's decision to ask for an explanation of the excessive — beyond allowable limit — expenditure on her reception deserves quite a few kudos. Credit also goes to the Prime Minister for her instruction through a circular in 1992 that categorically forbids lavish decoration, building of arches and other costly structures for her and her ministers' reception.

All this looks quite encouraging. But not always has the limit been maintained and the criteria followed. However, the Prime Minister has at last taken exception to the non-compliance of the austerity measure and this is good news. But to make the move more than just a style — something really substantial — the top echelons must set the right examples of propriety and austerity for the rest to follow in a naturally binding sequence.

If the preaching and practice do not have a meeting point at the higher levels, there is little chance of any improvement of the situation in the administrative system below. The contradictions in the claims and performance of some of our politicians have left a baneful influence on our body-politic. As the highest executive of the country, we expect the Prime Minister to continue to emphasise austerity and tellingly curb the prodigal ways of governance.

**B**ANKASSURANCE denotes a kind of organisational arrangement under which operate both bank and insurance company. It's a recent phenomenon capable of being modelled to suit the needs of the rural people of Bangladesh. The organisation to put the whole concept into practice may be styled as 'Grameen Bankassurance Organisation (GBO)'. The banking operation of the proposed GBO may include all normal banking functions but the emphasis will be on credit programme. In fact, the credit programme should be its sole function during the early years, at least. Even in the insurance side, life insurance will be an essential part to the credit programme which will be supported by the life insurance fund. Apart from life, GBO may take up, in course of time, those classes of non-life (general) insurance, such as crop insurance, livestock insurance, poultry insurance, health insurance etc. which are likely to help the rural people.

**WHY BANKASSURANCE?** The advantage of offering both banking and insurance services from the same organisation is obvious. It is in the saving of costs. A bank branch can be used also as an insurance branch. There will be, better utilisation of manpower employed since the same person can work for both bank and insurance. This advantage will be particularly felt in the case of high quality skilled hands who are likely to be much in demand. Bank clients would also be the potential insurance clients and the employees would be found ready for that reason to sell insurance policies at much lower than the usual commission costs. In Bangladesh, this advantage has been clearly noticed in the case of Postal Life Insurance. Compared to the usual commission-alone-dependants the insurance companies employ for selling policies, the bankassurance staff will be salaried employees and commission earners at the same time. Commission will be their additional source of income, not the only one. Compared to commission-only career, such a career will appeal much better, to a young educated person looking for job.

No wonder, bankassurance is becoming very popular in the advanced countries. Prospect of paying higher insurance benefits at same premium cost is drawing more and more banks and insurance companies in many countries towards close integration through mergers, takeovers etc. To get an idea how far bankassurance has advanced in Europe, in France, for example, about 50% of all life insurance is sold over the bank counter. It may be said that bankassurance model may work well in advanced countries but that does not automatically guarantee the same model's success when it is applied to operate among the least developed section of a community in a least developed country, namely the rural poor of Bangladesh. How confident can one feel that running banking and insurance in the rural areas will be a feasible idea?

On the banking side, Grameen Bank is too well-known to need any elaboration. A fairly large segment of the country's rural population is by now covered by its credit programme and the programme is expanding fast. There is no

reason to doubt that the credit programme, making up the most difficult part of a bank's functions, can operate successfully in rural areas provided the Grameen Bank model is followed. Case of insurance is, however, different. One experiment with the rural life insurance presently being carried out by the Delta Life Insurance Company, as described below, is showing very encouraging results. Nothing, however, has yet been tried with non-life insurance of the low-income or no-income folks.

**DLI's Experience with Grameen Bima**

The Delta Life has been carrying, for nearly 6 years, an innovative kind of programme, called the Grameen Bima (rural insurance), aimed at popularising endowment-type life insurance among the rural poor. The programme faced many difficulties and suffered many setbacks. But most of the initial problems have largely been overcome by now and the scheme is making steady and satisfactory progress.

Since commencement, the premium earnings from Grameen Bima have been as follows:

Year	Premium Income
1988	Tk 5 lac
1989	" 15 "
1990	" 37 "
1991	" 55 "
1992	" 86 "
1993	" 150 " (expected)

In what respects is the Grameen Bima different from the ordinary life insurance? Important distinguishing features of the Grameen Bima are: Policies are small. (Average size of a Grameen Bima policy is about one-tenth the size of

Here, bankassurance offers the solution. With less cost, for reason of cost sharing with bank operation, profits will increase and life insurance can then become an attractive savings scheme. **GRAMEEN BIMA'S CREDIT PROGRAMME:** The most important feature that puts Grameen Bima clearly apart from the ordinary life insurance relates to the investment of funds. It has already been mentioned that investible funds are advanced to the insureds for investment in approved micro-enterprises. To a life insurance company, which accumulates sizeable funds through premium collection, investment is always a major subject. Where to invest? In Bangladesh, unfortunately, avenues for good — profitable and secure — investments are very limited. Channelling investible funds through credit programme, run on Grameen Bank model, offers an ideal opportunity and this is the method Delta Life's Grameen Bima has adopted. Experience shows that Grameen Bank's credit programme not only assures an excellent security of the capital but is also profitable. On the question of profit-making, after the profits, after all, will pass to none else but the insureds.

It may be mentioned that although the credit programme is very much an integral part of the Grameen Bima, yet policies are never sold on promise of credit. A policyholder can not ask for credit as a matter of right. Each project is judged on its merit and the money is advanced only when the project is judged viable. One has to bear in mind the distinction between the 'policy-loan', which is advanced against security of an insurance policy and the investment 'credit' which is advanced in consideration of the viability of the project. In case of loan, the borrower does not have to give an undertaking to refund, nor does the company lose if he does not. In the case of credit, on the other hand, refund of the borrowed money, together with interest, is binding on the borrower. That is a must in any credit programme.

Once the GBO has been set up, be it a company or a mutual fund or an NGO, DLI shall want to hand over the Grameen Bima operation to that organisation. A question might be asked why DLI would not like to manage the Grameen Bima itself, as it has been doing so long. Reasons are not far to seek. Target clientele of the two programmes — Grameen Bima and the ordinary life — are entirely different. So are the forms and designs of the two. Besides, no matter what the DLI's present management may feel about social commitment, in the ultimate analysis the sole objective of DLI, like that of any such company, is to earn maximum profits for its shareholders. Grameen Bima is unlikely to be supportive of achieving that objective. In that situation, the logical step should be to separate Grameen Bima from its parent body DLI.

To be concluded tomorrow

The author is the Chairman and Managing Director of Delta Life Insurance Company and Chairman of the Green Delta Insurance Company. He is the first Bangladeshi Actuary and was Controller of Insurance after the liberation of Bangladesh.

**M**ANILA — This year it became more apparent than ever before that there is not just one Asia — there are at least two.

There are the prosperous dragons on the Pacific coast, where growth rates are taking off. Then there are the lumbering economic dinosaurs of the hinterland still living in the past.

The dynamism of East Asian dragons was recognised and its links to North America were finally formalised in October at the Seattle summit of the Asia-Pacific Economic Community (APEC).

Washington's hurry to push through with the summit was seen as an indication that United States was eager to shed its trans-Atlantic phase, and get into a new trans-Pacific mode.

The APEC meeting and the summit of the Group of Seven (G-7) industrialised nations in Tokyo in July served to underline this strategic shift in the West's perception of Asia.

The change seems to have been dictated more by economic than political or security motives. But whatever the reason, the events were hailed by the regional media as the first rays in the dawn of 'The Pacific Century'.

The West no longer perceives East Asia's vibrant economies as just a peripheral market, but an economic locomotive that can potentially pull their recession economies out of the doldrums.

Some Asian analysts felt that the United States, faced with trade deadlocks and political setbacks in Europe in 1993, was in a hurry to use APEC both as a bargaining chip against Europe and a profitable export market in world of a new General Agreement on Tariffs and Trade (GATT).

Most East Asian leaders had deep misgivings about scrambling in Seattle, but they at-

tended anyway. Malaysian prime minister Mahathir Mohammed was the most 'miffed', and boycotted the summit because APEC eclipsed his own East Asian Economic Caucus (EAEC), which would have excluded North America and Australia.

Others felt APEC, which includes Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, Thailand and the United States (Mexico and Papua New Guinea joined up in Seattle) would needlessly latch on Asian economies to North America and hurt trade ties with Europe.

With APEC, a forgotten chunk of Asia from Burma to Afghanistan and Cambodia to Mongolia fell into the crack between tectonic plates of new emerging trading blocs.

South Asian countries, which were feeling the neglect of no more being a strategic bastion of the Cold War years, are still trying to come to grips with unruly democracy.

In 1993, India and Pakistan showed their democracies could still spring a surprise or two when voters in both countries rejected religious obscurantism. In India, it gave prime minister P. V. Narasimha Rao's fast-track economic reforms another chance to show results.

During the course of the year, another fault-line dividing Asia became apparent as countries prepared for the International Human Rights Conference in Vienna in June.

It pitted those who believed that concepts of democracy and human rights are universal and others who felt there is an 'Asian Way' that puts community rights above individual

freedom. Governments of East Asia's newly-industrialised economies pointed to their glittering wealth and break-neck growth as proof that soft authoritarianism worked, and accused the west of trying to ram its concept of liberty down Asian throats.

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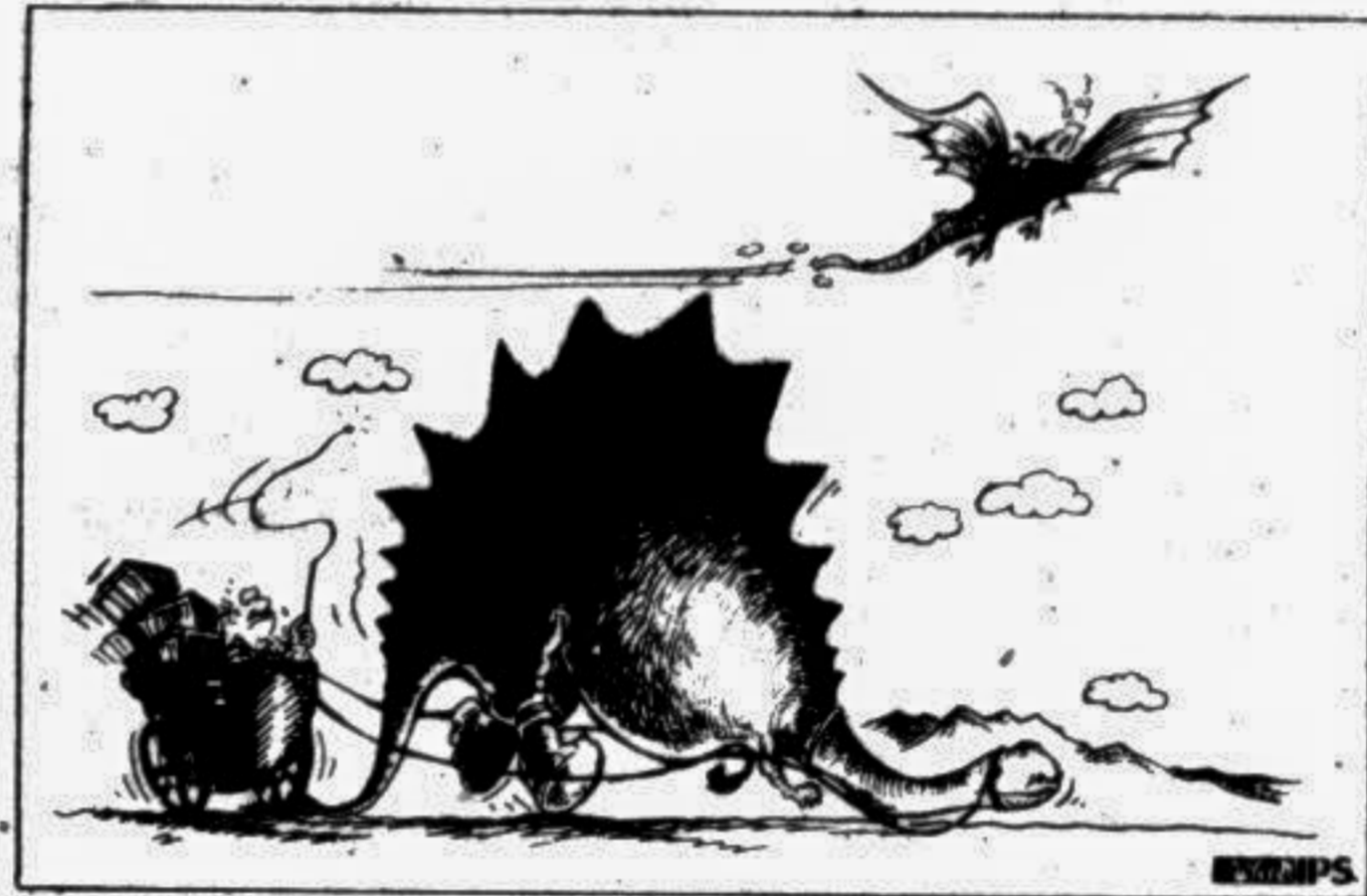
The Japanese decided they were so disgusted with political corruption that in August they voted out a government that had ruled the country for 40 years and risked a new, clean and young face: Morihiro Hosokawa.

Also in 1993, South Korea elected a new non-military president in one of its first truly fair elections. Kim Young Sam immediately set about the task of uprooting some authoritarian aspects of government that had dominated the country for decades.

In super-rich Taiwan, the tiny territory which has amassed one of the world's largest foreign exchange reserves, a popular yearning for change began forcing the complacently-nationalist Kuomintang Party to do some serious soul-searching.

## Yearend Special : The East is Rich

1993 will perhaps go down in history as the year the Pacific Ocean shrank, and the West 'discovered' Asia. Kunda Dixit of Inter Press Service wraps up the year for Asia.



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## OPINION

### Water: We Need an Action Plan

Anjad Hossain Khan

The fourth meeting of the Joint Economic Commission (JEC) was held in Dhaka on December 28, 1993. The meeting was attended by Foreign Minister of Bangladesh, Mr. A S M Mustafizur Rahman, Foreign Minister of India, Mr. Pranab Mukherjee, Commerce Minister of India. The leaders of the two delegations expressed their satisfaction on cooperation at different levels and stressed the need for further expanding the economic ties for mutual benefit.

In his opening remarks, the Bangladesh Foreign Minister noted that the two countries have a number of common environmental concerns at different fields including agriculture, forestry, wildlife, fish, salinity intrusion, flood control, use of common rivers and, augmentation of dry season flow.

The Indian Minister avoided questions relating to bilateral problems particularly on water sharing. He admitted that "bilateral irritants" were discussed. He said, "Any problem can be solved through bilateral discussions."

Mr. Mukherjee is a veteran politician and held ministerial posts for a long time in India. He is well aware of the problems and "bilateral irritants" between the two countries. He is aware of the promises and assurances of the Prime Minister of India on these issues. He is also aware that the water issue is being discussed between the two countries for over 30 years. These discussions were purely bilateral, yet the problems could not be solved so far. Naturally Mr. Mukherjee's statement that any problem can be solved through bilateral discussion does not mean anything but a diplomatic ploy to avoid the issue.

What is our national priority in selection of projects in water sector? Why do we have to take up projects just because the donors want to push it? Are all the projects of national importance? Do those projects establish our rights on the waters of the common rivers? Answer is still no. Why are we not seriously considering these issues? A national council for water was created in 1985. So far they had a few meetings. When we are thinking of national policy on different sector, why are we silent on our water policy?

We are talking about bargages on the Ganges, Brahmaputra, Dhara, Dudhikumar and other river for a long time except for Teesta, there was no firm decision for construction of bargages. In the absence of any government decision, we couldn't undertake any study of bargages on the other rivers. Study of bargages should have been done irrespective of water negotiation. Even if the water issue is settled, are we ready with project for implementation? While we want to have good relations with our neighbours, we must safeguard our national interest. While pursuing our efforts for solutions of bilateral or multilateral problems with our neighbours, we must also work on national issues. We must have an action plan.

It is high time that we must have a national water policy. The national water council didn't have any meeting for last two and a half years. Enough experienced professionals are available in the country. We have failed to recognize their talents or utilise them for nation building activities. The initiative should come from the government. We must discuss and find solutions to solve our own problem. Time is running out.

The writer is the former Chairman, Water Development Board and Managing Director, Approtech Consultants Ltd.

## To the Editor...

### Operation doomsday

Sir, Day after holocaust, one and only survivor may have to ponder what the costly record of mankind means — a record of barbarism and civility, conflict and conciliation, confrontation and cooperation, superpowers and non-aligners, so forth.

Today, after all the desperate manoeuvres to do away with the arms race, which have brought about a great deal of relief lately, 'American reciprocity switching nuclear test back on as a fallout of Chinese underground detonation of nuclear device is definitely a cause for anxiety worldwide.

This is now up to the world conscience to perceive the consequences of revived arms showdown, specifically of atomic class, with US decision to resume nuclear experiment which is powerful enough to accelerate manufacturing ultra-modern weaponry.

Any decision in favour of testing what can destroy entire civilization within seconds (for whatever reasons may there be) terrifies peace-lovers re-triving the horror memories of Hiroshima-Nagasaki and ought to confront the records the peacemakers set along the way of subduing global tension over the decades — viz. SALT, START, Cold War termination,

counter-toxic hazards, anti-fallout and leakout, moratorium, etc.

As long as the development of nuclear technology is devised for the improvement of universal habitat, as are most other inventions to date, no objection should hinder the efforts for betterment of human life quality above all destructive devices technically well set on a countdown to Doomsday.

M Rahman  
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### Bus fare

Sir, Ignoring all accepted rules and law of the land some private mini buses are illegally extracting fares at a higher rate than fixed by the government. The mini buses plying from Sayedabad to Mirpur run like all other local buses having stoppage almost everywhere over this route, but claim higher and full fare from Sayedabad to Mirpur from every passenger irrespective of one's destination/stoppage.

The conductors/helpers fashion to call this minibus as 'direct', though at every stoppage it becomes 'indirect' by taking and dropping passengers.

This kind of illegal exaction of fare from the humble

Mohammad Shafayet Islam  
Azampur, Dhaka