

# The other side of microfinance

ALAMGIR KHAN

To give macro-credit to micro-credit for the role in reducing poverty in Bangladesh or anywhere in the world (the Grameen model is now duplicated in more than 100 countries) is to discredit labour-intensive industries like garments and earnings by migrant workers. Garment workers bring in Tk.65 thousand crore and overseas workers send home Tk.70 thousand crore every year. ("Dollarer mojuder niche chapa para manush," Anu Muhammad, *Prothom Alo*, December 21, 2010).

This Tk.135 thousand crore flowing every year into the economy must be taken into account while giving too many kudos to anything else for its contribution to lifting people above the poverty line.

In this regard, it is the migrant workers, not migrant professionals, who are important in uplifting Bangladesh from economic un-development. Migrant professionals cause brain drain -- i.e. resource drain -- who get their degrees with the support of public money, go abroad and become residents in foreign countries.

While the government has been feuding with Professor Muhammad Yunus, non-resident and semi-resident Bangladeshi professionals, who are his staunchest supporters, have united to protect him and restore his mission of driving away poverty into a museum with the baton of micro-credit. They say that Bangladeshi migrant professionals have got only one thing to be proud of in the world: Nobel Laureate Muhammad Yunus.

A few try to produce other important economic results, which are based on studies, because of which Professor Yunus should be beyond any criticism. One such serious attempt is Shahid Khandker and Hassan Zaman's article "The impact of microfinance" (*The Daily Star*, March 13). These two



STAR ARCHIVE

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writers are economists based in Washington DC, and both have carried out research on the impact of micro-credit in Bangladesh.

Their studies must have been very important because they had to fly from thousands of miles away to Bangladesh to find out the impact of microfinance upon the poor of this country. They have found all the positive impacts. Though economists, researchers and reporters living in Bangladesh have also made many analyses and found that micro-credit is a very good business with little contribution to reducing poverty in the rural Bangladesh, they have mentioned none.

Anu Muhammd, Professor of Economics, Jahangirnagar University said: "While Muhammad Yunus must be credited highly for his contribution in innovation in banking and opening up a vast market for the huge accumulated finance

capital, linking of poverty alleviation with this corporate success is ridiculous and may not be very innocent one. ['Monga, Micro credit and the Nobel Prize', Meghbarta, December 5, 2006].

Mr. Shahid Khandker and Mr. Hassan Zaman have cited many studies done in Bangladesh. Unfortunately, they have not given the titles of these studies, who were the researchers, who sponsored these, the time required, the category and number of participants, the method of the study, etc. These are important information in order to evaluate the study findings. In contrast to several studies the two writers have cited in this paper, I am quoting from *The Economist* (July 16, 2009) to cite two studies and their findings:

"Researchers from the Poverty Action Lab at the Massachusetts Institute of Technology (MIT) worked with an Indian microfinance firm to ensure that

52 randomly chosen slums in the city of Hyderabad were given access to microfinance, while 52 other slums, which were equally suitable and where the lender was also keen to expand, were denied it. This allowed the researchers to see clearly the effect of microcredit on an entire community. Dean Karlan of Yale University and Jonathan Zinman of Dartmouth College carried out a similar exercise in the Philippines, this time at the level of the individual borrower. They tweaked the credit-scoring software of a microfinance firm so that only a random subset of people with marginal credit histories were accepted as clients. These clients could then be compared with those who sought credit but were denied it.

"Broadly speaking, neither study found that micro-credit reduced poverty. There was no effect on average household consumption, at least within a year to 18 months of the experiment. The study in the Philippines also measured the probability of being under the poverty line and the quality of food that people ate, and again found no effects. Micro-credit may not even be the most useful financial service for the majority of poor people. Only one in five loans in the Hyderabad study actually led to the creation of a new business. Providing people with safe places to store their (small) savings may help them more in the long run."

In fact, from China to Chile, no country in the world which has become an economic tiger in recent years has performed economic miracles with the mantra of micro-credit. It is the industrial progress and capacity to compete in the global market which have made them new economic heavyweights. And the key factors for this are macro economic policies and state interventions. There is no seat for micro-credit in the driving engine of development.

The writer is Coordinator, Ethics Club Bangladesh.

SHIFTING IMAGES

## Pouncing tiger or pliant lamb?



MILIA ALI

A recently published book, *The Battle Hymn of the Tiger Mother*, has triggered a raging controversy in the US

over "ideal" parenting methods. The author, Amy Chua, is a Chinese-American Yale professor. She claims that her book is a personal memoir, which recounts a series of interactions with her parents and her two teenage daughters. The overarching message of the book is that a disciplined upbringing prepares one to excel in life and face the tough challenges of a highly competitive world.

Chua uninhibitedly admits that she used harsh and sometimes cruel techniques in raising her own daughters. These included barring them from watching TV

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and playing computer games, flatly refusing requests to participate in sleepovers and using severe language like "garbage" to rebuke them.

Most importantly, in Chua's household lack of aptitude or interest was not considered to be a sufficient excuse for low grades.... her children had to put forth adequate time and effort until they excelled academically.

Child psychologists and experts have challenged Chua's authoritarian parenting methods, iterating that these may produce short-term results but in the long run they curb creativity and damage self-esteem. On the other hand, many parents have supported her, agreeing that parental pressure and high expectations yield children who are academically and professionally successful.

Chua has countered the critics by citing the high achievement levels of her own daughters. She also emphasises that she bears no anger against her parents for the harsh discipline they imposed on her as a child.

Being a mother myself -- though not a tiger but perhaps a lamb -- I decided to discuss the subject with my friend, a second generation American of South Asian descent, who is highly successful in her profession. We belong to the same book club and I have often heard her talk about her "tiger parents" who raised her in an environment of tough and stringent discipline.

Most of our Western friends expressed shock when she disclosed how she was slapped for not getting "As" in school, or was made to practice on the violin for hours on weekends! With such a martinet upbringing, I thought Meena would be the best person to give me a real perspective on the issue.

As Meena and I sipped our lattes at Starbucks, I came to the core question right away, "does a strict and severe parenting approach result in successful children?" Meena paused for a moment and replied: "Yes, at least in terms of material success. Look at me. I have a Harvard MBA, a coveted job where I am on the

fast track. I also continue to pursue my music as a hobby."

She proceeded to draw my attention to the many Asian children in this country who are math and music prodigies. In Meena's opinion, this was largely because of the parental pressure and supervision imposed on them. Meena's words left me with a sense of inadequacy since I had never used these severe techniques in raising my children.

My friend must have noticed my unease. She smiled and continued: "But there is more to life than just stereotypical success. As someone who has lived under hard regimentation for many years, I must confess that it has also generated a deep insecurity within me. I still have anxieties about not meeting my parents' expectations and losing their love."

She also pointed out that the less successful children of strict Asian households could end up living through life fighting the demons of low self-worth. "Many of my friends have never forgiven their parents for not allowing them the freedom to discover their latent talents," Meena added.

Yes, there it was -- "freedom," the magic word that seems to drive the Western philosophy of "light touch" parenting based on freedom

to choose, freedom to explore, freedom to be what one wants to be. Still doubtful, I asked Meena: "Do you think the concept of freedom is overrated in western societies?" "To a certain extent, yes," she responded. "After all, children do need guidance and mentoring and may be lost if they are left alone to make difficult choices since they lack experience in the real world. However, the challenge for most parents is to find the right equilibrium -- every parent wants a straight 'A' child, but the important thing is to give your child a message that



JULIANNE WALLER

once she has put forth her best effort whatever she achieves is acceptable. At the end of the day, we all want well-adjusted children, with sound moral values, who can love themselves for who they are."

After my conversation with Meena I went through a period of self-questioning and introspection. I asked myself: What do I want as a parent? Above all, what does our world need -- more Einsteins and Mozarts, or individuals who are not exceptional but emotionally secure and content?

I know that the two need not be mutually exclusive. It would be great if we could have brilliant people who are secure, happy and confident. However, if I had to choose between an emotionally insecure high achiever and a well-balanced, confident person with a strong sense of right and wrong, I know whom I would choose. Wonder what would be your choice?

The writer is a renowned Rabindra Sangeet exponent and a former World Bank employee. (This column will appear every Sunday from now.)

## Metternich's World

# Bombing states into submission

THE western powers have been pounding Libya over the past one week, the aim being to prevent Muammar Gaddafi from taking back control of territory he has lost to the opposition. Read here such places as Benghazi, still in rebel hands. The more important reason for the air strikes on Libya is of course Gaddafi himself. He has not only pledged to fight on but has also threatened the rebels with extinction because they have risen in revolt against him. Now, the dilemma here is that Gaddafi needs to be stopped and at the same time Libya must avert a collapse.

Can Gaddafi be stopped? Yes, he can. His forces are already in bad shape and he obviously cannot hold out much longer. The bigger question, however, is whether the Libyan strongman will be so weakened as to be forced out of power. That is something the West cannot guarantee, in much the same way that it could not ensure Saddam Hussein's fall after the first Gulf War in 1991. At the time, a lot of people hoped -- and some feared -- that those who had come to the aid of Iraq-occupied Kuwait would simply march up to Baghdad and send the Iraqi ruler packing. Things did not happen that way and Saddam

Hussein was punished only through the imposition of a no-fly zone in areas he had been pummeling for years. Even so, his forces, especially after their rout in Kuwait, went into the ugly business of killing hundreds of innocent men, women and children in Halabja.

The West was content to let Saddam go on ruling in Baghdad, albeit in a weakened form. Sanctions wreaked havoc on his people. Thousands of Iraqis died. Everyone thought the dictator would quit on his own. Everyone forgot that dictators do not quit on their own, that when they are squeezed into corners they fight back and often manage to stay on. Saddam Hussein stayed on. When he was finally disposed of, it was through sheer lies manufactured by George W. Bush and Tony Blair. They said, without batting their eyelids, that Iraq had an arsenal of weapons geared to mass destruction and those could be deployed by Saddam's regime in forty five minutes. That was when Washington and London invaded the country, on the basis of a lie and in contravention of all norms of international law. Colin Powell dramatically presented graphs couched in sophistry at the United Nations.

In London, the Blair government sexed up the WMD documents. And then they got Saddam Hussein, hanged him in absolutely questionable and crude manner.

Iraq today is a destroyed country. Libya appears to be going the same way. Consider this, though: if the powerful nations of the world can so easily get around to the idea that handling a dictator can best be done through bombing his country, proclaiming all the while that the aim is not to topple the dictator (that is a job for the people of his country), what happens to diplomacy? In the Clinton era, the Serbs were bombed for days and weeks on end. In Afghanistan, the bombing which commenced in late 2001 has really not come to an end. It has even been extended to Pakistan. Policy makers in Washington have even coined a new term to define the region. They call it AfPak. And they bomb the place cheerily, thinking they can thus defeat the Taliban. The Taliban refuse to be put out of business. Think back on Somalia. The Clinton administration hastily pulled back the soldiers its predecessor government had sent in. And Somalia today is a lawless country or has ceased to be a country. Its pirates roam all

over the sea looking for ships to seize and hostages to exchange for money.

The point ought to be clear: this new found 'diplomatic' weapon of bombing countries to help their people is fast proving counter-productive. It does not help people and it does not easily force dictators out. There is then the fundamental question: to what extent can a decision reached internationally under the auspices of the United Nations be morally and legally correct when the purpose of that decision is to subject an independent country to air and other forms of attack? In the old days, agencies such as the CIA went around orchestrating the fall of foreign governments through helping local quislings in staging coups d'etat. It is now through blatant bombing of countries. That has not helped matters at all.

Western bombing of Libya and other countries has often been tagged to the need for democracy to come into those places. Well, democracy is missing in Saudi Arabia, Kuwait, Morocco, Jordan and in the Gulf states. Will these places be bombed someday? And since when has democracy become dependent on a bombing of weak nations by the powerful ones?

E-mail: mwmmetternich0@gmail.com