

Microfinance Credit Bureau: Let's make the dream come true

SHAIKHUL ISLAM

CREDIT Bureau is an automated system based entity that specialises in collecting, collating, processing and disseminating client credit information. A Credit Bureau preserves and manages consumer credit data files, keeps them up-to-date and provides credit report to authorised users such as lenders for their lending decision making purpose.

There are two parts of a Credit Bureau: (a) a core automated information system that collects, collates, processes and disseminates credit information and (b) regulatory, ownership and operational structure, which manages business processes and functions related to all aspects of business, including governance, accounts/finance, marketing, inventory, legal matters, etc.

The main purpose of a Credit Bureau is to reduce credit risk in the market and promote good credit culture. This applies to the microfinance sector in Bangladesh as well, as the sector is gradually merging with the formal financial sector. Therefore, a Microfinance Credit Bureau is now a critical need.

Efforts have been made to establish a Microfinance Credit Bureau in Bangladesh over the last few years. Yet, it is still a dream. Why is that? There are three reasons for this. First, there is no consensus among the interest groups on regulatory, ownership and operational structure of the Credit Bureau. Second, business problems have not been identified clearly, which leads to the concern that if we don't know what problems need to be solved then how can we solve them? Without identifying and acknowledging the specific business problems, considering Credit Bureau as a solution may be risky. Third, technical operational environment of the Credit Bureau has not been assessed yet. Therefore, it is reasonable to say that the establishment of a Credit Bureau is facing a daunting challenge, if not difficulty.

Regulatory issue should not be a big deal as MRA and PKSF are already in the market as regulator and quasi-regulator, and they can pull the strings if needed. Ownership may be the contentious issue and may promote difference of opinions among various interest groups, however that can be resolved if all parties are committed and are ready for investment. Real commitment can be demonstrated if the interest groups agree to contribute financially and technically for the establishment of Credit Bureau. Therefore, it is important to identify the interest groups based on their tangible contribution and not by any other means. Once the ownership structure is settled, an appropriate business model can be

devised as part of the responsibility of the Credit Bureau owners.

Many studies suggest that business problems of the microfinance industry have been well identified and therefore need not be discussed, though we know there are overlapping over-indebtedness and portfolio quality management issues. Let's assume that a Credit Bureau will address these issues.

This leads us to focus on the third reason, that is the technical environment under which a Credit Bureau will be operational. This should be considered as the top priority for assessment. Interest groups need to ask whether it is possible to operate a Credit Bureau within a technical environment under which the main institutional customers, Microfinance Institutions (MFI), are currently operating. This requires a thorough assessment of the existing automation situation in the microfinance industry. If the technical environment cannot help solve the business problems then there is no need for a Credit Bureau, however good the regulatory or ownership structure are. The following example can be taken into consideration to understand the technical operational environment.

Typically, MFIs are mostly structured within a head office-branch office relationship (one-office based MFIs and medium to very large MFIs have zonal or area offices, or both, and they are linked to branch offices and head office). The roles of head office, zonal office and area offices are merely supervisory in nature, such as setting up business rules to manage operations and analysing Management Information System (MIS) reports, including head office accounts and finance department, which are involved in day-to-day transactions such as receiving funds from donors/lenders, making payments, disbursing salary etc.

Microfinance-related financial transactional activities take place at the branches, which are dispersed over different locations, and many are in remote areas. From Credit Bureau functional point of view the Source of Truth (SST) or transactions originate from branch level. What a branch would need to do on a daily basis is to process loan applications and take credit decisions based on the responses from the Credit Bureau about clients' borrowing histories. There is the need for an automated relationship between the branch and the Credit Bureau for taking appropriate lending decision when a client applies for credit. So the overriding question is, how should the Credit Bureau receive bulk client information request from a branch, and how should a branch receive responses from the Credit Bureau against each request? This

request and response mechanism should be based on a robust and scalable backend system capability which forms the basis of technical operational environment of the Credit Bureau. Without this mechanism in place, nothing can be achieved.

Another operational aspect of a Credit Bureau is the lag time between the request response mechanisms. This means that the branch offices must be able to process bulk credit information request and the Credit Bureau should be able to respond within the shortest possible time, and the lag time should not be more than couple of hours. Any response that takes more than two hours increases clients' sufferings.

So, the fundamental questions here is, how can branches send data to the Credit Bureau? Should they send data automatically, that is system to system, or manually, or by any other means? Should the branches be connected to the Credit Bureau and be capable of synchronising (both upload and download) client status update data so that the Credit Bureau can get up-to-date data on a regular basis from the branch systems?

Do we have this capability in the microfinance sector? The answer is no. Unfortunately, microfinance automation is still in its infancy, and so is the technological infrastructure such as internet connectivity in rural areas (we know 3G is there but still it is not good enough and has not been out-reached to rural areas) and lack of highly scalable data centre to handle millions of client records. Also, MFI branches are not fully automated yet due to lack of appropriate automation strategies and commitment from relevant stakeholders.

Is it possible to establish a Credit Bureau in this adverse technical situation? The answer is yes. The main point is that establishing a Microfinance Credit Bureau in Bangladesh, with design, development and operationalisation of a world class automated system for managing millions of consumer credit files, is neither difficult nor impossible, and it should not take more than a year to start operations.

This requires careful planning, meticulous design and world class technical expertise to solve the technical operational challenges. Credit Bureau technical operations can be managed only if it is fully automated and uses the most appropriate technological solutions, which will be capable of handling a robust and scalable request response mechanism.

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The burden of being "special"

SHIFTING IMAGES



MILIA ALI

I vividly remember the first parent-teacher meeting with my son's kindergarten teacher. I remember it because that was the day I realised that my five-year-old was not "special" -- he was just one of the twenty kids in the class. As the teacher highlighted his strengths and gingerly touched upon the "areas that require improvement," it dawned upon me that my dreams about my son being a genius may not materialise. Until then, I would admiringly observe his

movements, gestures and reactions and nurture a secret hope that this was an exceptional child, cut out for great things in life!

The teacher's casual comments about my son's "normal" mental and emotional development was a rude awakening. Puzzled, I asked myself: "Does she not recognise that this child is special? After all, he can repeat nursery rhymes with all the right expressions, read three full words without stuttering, recognise the colours of the rainbow and occasionally hum a Tagore number with me. How can he not be extraordinary?" Yes, I was naive but then haven't we all been there? I mean aren't most parents guilty of believing, and actively inculcating in their kids the belief that they are invincible and destined for outstanding success in their personal and professional lives? And in the process haven't we failed to equip our children with the mental ability to grapple with the angles that life throws at them, and the setbacks they have to endure?

My reflections have been partly triggered by the reviews and raging discussions on the recent book Your Are Not Special and Other Encouragements, authored by High School English teacher David McCullough Jr. McCullough created quite a controversy with his 2012 commencement speech at Wellesley High School in Massachusetts, where he bluntly told students: "You've been feted and fawned over and called sweetie pie. Yes, you have. And, certainly, we've been to your games, your plays, your recitals, and your science fairs. Absolutely, smiles ignite when you walk into a room.... But do not get the idea you're anything special. Because you're not." The book is an expansion and a sequel to the ideas he articulated in his speech.

McCullough's high school address went viral since it touched a raw nerve with parents in almost all corners of the world, particularly those who choose to boost their children's egos by sugarcoating their shortcomings. Regrettably, the complimentary gestures meant to build confidence often end up undermining a child's self esteem. A minor reversal, a small disappointment can easily unhinge a child who has not been adequately prepared to cope with failure.

Many critics as well as parents have praised McCullough's candor and courage for giving a wake-up call to an overprotected and self-centered generation. Especially children who belong to a privileged class and are pampered and mollycoddled -- whose parents neglect to tell them that their graduation picture may be the centerpiece of their living room but it has no place on the world stage. Not unless they have earned that place through hard work and effort.

I don't meant to deflate the high hopes and aspirations that most parents nurture for their children. But I do wish to draw attention to McCullough's basic conclusion that over-indulging our kids in the belief that they are "special" may set them up for disappointment in later life. Hence his key message is that we should not confuse parental love with unconditional praise!

Yes, each child is special just as all human beings are, since our very existence on this earth is a miracle. Which means my child is as special as the girl who lives in a remote village in Bangladesh and walks three miles to school. Her parents too have dreams and aspirations and the right to believe that their child will climb unprecedented heights. In any case the winners in life are not necessarily the ones who started out as "special."

It is also true that every child may have the potential to become a Mozart or a Marquez but the potential needs to be harnessed and developed. During the process many will fall, some will not succeed, some will rise and walk the distance to the goal. Despite all our superior knowledge we still don't know the exact permutation and combination of events and their sequences that will make this possibility a certainty. But it might be prudent to prepare our children for the bumps they might encounter along the road.

I have no pretensions of being a parenting expert. But the valuable lesson I took away that afternoon many years ago, while talking to my son's teacher, is that my child will always be special to me but to be special to humanity he must become more than just my child!

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What's for dinner tonight?

QUAMRUL HAIDER

WHEN the great Persian poet Omar Khayyam wrote: "A Jug of Wine, a Loaf of Bread—and Thou Beside me singing in the Wilderness—Oh, Wilderness were Paradise enow!" his loaf of bread was probably made from pure wheat flour and the wine was free of sulfites or aging enzymes.

That was more than 900 years ago. If you had a slice of bread with fruit jam for breakfast this morning, you unknowingly ingested a plethora of chemicals passed on as food additives, some of which are monoglycerides, calcium propionate, potassium bromated in the bread, and sodium metabisphosphite, sodium benzoate, synthetic food colour and citric acid in the jam.

If you had your favourite cereal for breakfast, you allowed a hard-to-pronounce carcinogenic petroleum-derived chemical (Butylated Hydroxytoluene) used in jet fuel and a waste product (Soy Lecithin) filled with pesticides and herbicides to enter your body. If it was a bagel or Danish, you downed a tongue-twisting derivative of urea (azodicarbonamide) commonly found in rubber products and synthetic leather. Although they do not add any nutritional value to the food, they have nevertheless become a significant part of our diet.

Gone are the good old days when food products bought from the stores or from the ferrywallas were nutritious and chemical-free. Nowadays, most of the

foods we eat are saturated with preservatives, pesticides and chemicals. They are used to maintain the freshness and texture, and to enhance appearance and flavour of foods. They also give foods a longer shelf life. It's a truism that longer the foods' shelf life, the shorter is ours.

The effects of the additives extend well beyond their "intended" sphere of activity. There is an "unintended" sphere of activity which is, of course, the human body. Foods processed with chemicals can cause a world of health problems for us.

Listed below are some commonly used food additives and their adverse effects:

1. Aspartame: Commercially known by various brand names (Equal, NutraSweet and Splenda), it is used for sweetening diet soft drinks. It can cause seizures, headaches, mood disturbances, reduced mental performance and affect short-term memory. It can also cause cancer;

2. Sodium Benzoate: It is used as a preservative in a variety of processed food products and drinks. In soft drinks, it may react with added Vitamin C to produce benzene, a cancer-causing substance;

3. Sodium Nitrite: Used for curing sausages, smoked fish and canned meats, it might cause gastric cancer;

4. Olestra: A fat substitute used primarily in potato chips, it will interfere with the body's ability to absorb some crucial nutrients like beta-carotene and lycopene. It may also cause abdominal cramping and loose stools;

5. High Fructose Corn Syrup: When added to processed foods and non-diet soft drinks, it raises the risk of obesity and Type-2 diabetes;

6. Artificial colouring: Erythrosine, Allura Red, Tartrazine, etc., are known to cause increased hyperactivity in children. Allura Red is a dye manufactured from coal tar or petroleum;

7. Phthalates: It is a synthetic hormone found in dairy products and meats. It is an "endocrine disruptor" and can affect male reproductive development;

8. Propyl Gallate: Used to prevent vegetable oil, meat products, chicken soups and chewing gum from spoiling, it can trigger allergic reactions, cause stomach and skin irritation, and possibly damage the liver and kidney.

The impact of food additive is far more complex than purists or adulterers would have us believe. Some additives, originally believed to be safe, were later found to be toxic. But there should be no doubt that most of the additives will damage our health. Many of the additives may cause cancer in different organs of our body. The cancer may not become obvious immediately because there is a latent period between the time of incipient damage and its expression in the form of detectable cancer.

So, what should you have for dinner tonight? It is easier to answer the question in the negative. "Don't eat anything your great-grandmother wouldn't recognise as food."

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BEETLE BAILEY by Mort Walker



HENRY by Don Tranchte



QUOTABLE Quote

The first and greatest victory is to conquer yourself; to be conquered by yourself is of all things most shameful and vile.

Plato

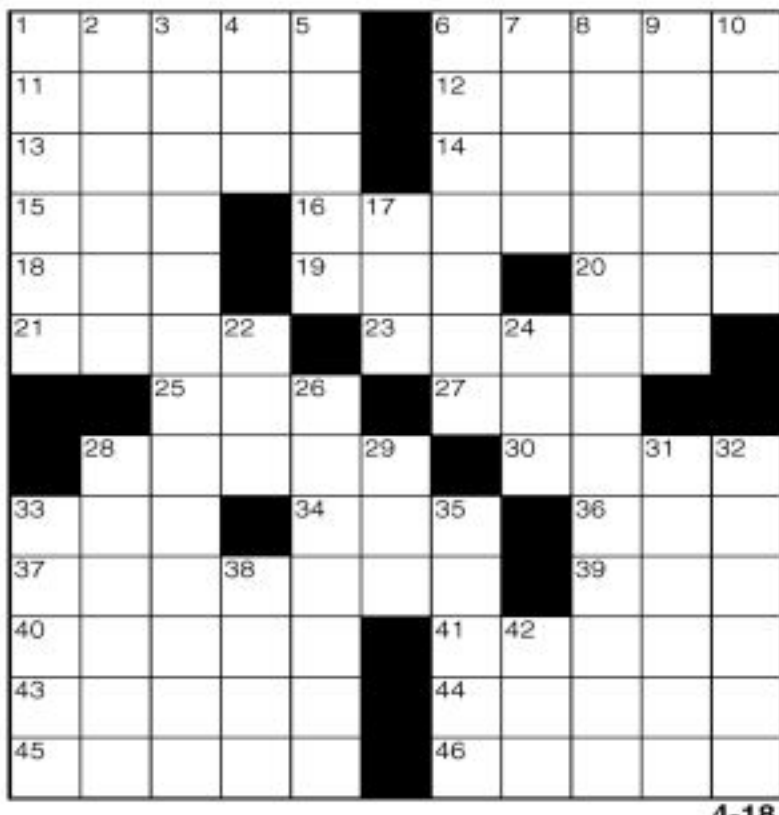
CROSSWORD by Thomas Joseph

ACROSS

- 1 Subject
- 6 Become narrower
- 11 Happened
- 12 Full of energy
- 13 Trappers' wares
- 14 Baseball's Fielder
- 15 Building wing
- 16 Roof topper
- 18 Employ
- 19 Field worker
- 20 None too cordial
- 21 Signing needs
- 23 Kid in the corner
- 25 Lazy fellow
- 27 Chocolate dog, for short
- 28 Cabinet department
- 30 Hound's hands
- 33 Distress call
- 34 Descartes conclusion
- 36 Ready to go
- 37 Begins liking
- 39 Cassis cocktail
- 40 Conspicuous
- 41 Last letter
- 43 Knot anew
- 44 Gymnast Rigby
- 45 German steel city
- 46 Party givers

DOWN

- 1 Wrap, as an ankle
- 2 Threat words
- 3 Honeybee parts
- 4 Follower's suffix
- 5 Labor Leader Chavez
- 6 Diplomatic
- 7 Out of the wind
- 8 Yogi Bear's thefts
- 9 Show clearly
- 10 Track event
- 17 Homer's neighbor
- 22 Sonar user
- 24 Snooze
- 26 Wet
- 28 Bakery output
- 29 Squealer
- 31 Scale reading
- 32 Wanders off
- 33 Put away
- 35 Be a sponge
- 38 Buffalo's country
- 42 Historic chairman



CRYPTOQUOTE

UQXH HSOV BXT ONI WXCQP. JXYI HSOV BXT ONI WXCQP. OQW GJCIYI CQ HSOV BXT ONI WXCQP.

-- HCJJ NXPINR

Previous day's CRYPTOQUOTE:

THE MORE I WANT TO GET SOMETHING DONE, THE LESS I CALL IT WORK.

-- RICHARD BACH

Yesterday's answer



A XYDLBAAX is

LONGFELLOW One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.



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