

Banking on the poor

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Article

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THE 2006 Nobel Peace Prize winner must have every reason to be proud of his innovative achievement in developing a bank for the poor — the Grameen Bank.

Muhammad Yunus, in his acceptance speech delivered on Dec 10, in Oslo, described the prize as the highest honour and dignity accorded to the hundreds of millions of women all around the world who struggle every day to make a living and bring hope for a better life for their children.

It was a historic moment not only for them but for all those who work and feel for the poor everywhere.

Indeed, Malaysia was one of the first to recognise Yunus and his early work, through his association with Universiti Sains Malaysia.

It goes back to 1986 when Yunus was part of the steering committee for "Projek Ikhtiar", an applied research project based at the university.

The idea was to replicate the Grameen Bank approach in an attempt to complement Malaysia's efforts in poverty reduction in a sustainable manner.

Here, two names come to mind, namely D.S. Gibbons, a professorial fellow then at USM's Centre for Policy Research.

There was also his assistant, Sukor Kasim, a research fellow (now, a professor).

So successful was the project that in 1988 it was institutionalised as Amanah Ikhtiar Malaysia (AIM) and was registered as a private trust.

As a founding trustee of AIM, Yunus provided invaluable advice and technical support to the USM replicators to scale-up the poverty-focused micro-finance project in poverty-stricken states in the north and east coast of peninsular Malaysia.

USM, thus, become the first replicator of the Grameen Bank approach outside of Bangladesh and much of the experiences of Grameen Trust of that country were adapted for use in Malaysia.

Based on this partnership, soon enough, a network of Grameen Bank replicators was established in the Asia-Pacific region to provide technical support.

It marked a successful translation of a small academic research into a nationwide exercise for the benefit of the poor.

This was evident when banking facilities were gainfully extended to the poor, which in turn eliminated the exploitative practices of the "moneylenders" and "middlemen".

At the same time, it created opportunities for the self-employment of the vast un-utilised and under-utilised human capital in the country.

Most importantly, perhaps, the programme allows the disadvantaged to be organised in such a way that they can understand and operate within it.

Additionally, they also find some socio-political and economic strength through mutual support, thus making the entire exercise sustainable.

At its height, AIM reportedly reached more than 50 per cent of its target group in peninsular Malaysia.

To date, the USM poverty-focused micro-credit effort remains unwavering, not only within the campus setting but also in many developing countries globally, in particular South Africa.

The added challenge, however, is to reach the poorest of households, and to design even more Islamic-based caring financial products that can address various poverty-related issues.

In this way, USM will continue to be committed in advancing micro-finance institutions, nationally and regionally, as well as eradicating poverty in general, in tandem with some of the main objectives under the Ninth Malaysia Plan.

In this context, the recent criminal breach of trust case involving RM3.8 million stood out like an ugly sore thumb.

As rightly pointed out by the Sessions Court judge, AIM was set up to help the poor. And like the borrowers of Grameen Bank, their lives could also have been transformed in the way described by Yunus.

Unfortunately, this was not the case, because evidently in the later phases of AIM, a major rehabilitation exercise had to be launched to bring down the non-performing loans from 17 per cent to 5.6 per cent, and increasing outreach from 65,000 to 145,000 members by October 2005.

Apparently, the loan was no longer limited to the "poor" but also to those who were not deserving, which was in gross breach of the AIM principles as envisaged by the founding members, including Yunus himself.

To make matter worse, apparently those without the practical knowledge of poverty-focused micro-credit were allowed to manage AIM.

This resulted in serious repercussions with dropping productivity, escalating costs, unsustainable loan products, as well as deteriorating portfolio quality as NPLs became widespread.

Here, perhaps, is where we need to take a leaf from what the founder of Grameen Bank said when recalling his experience in helping 42 victims of moneylenders who had borrowed a total of US\$27 (RM94).

According to him: "I offered US\$27 from my own pocket to get these victims out of the clutches of those moneylenders.

"The excitement that was created among the people by this small action got me further involved in it.

"If I could make so many people so happy with such a tiny amount of money, why not do more of it?

"That is what I have been trying to do ever since."

Though it sounded simple enough, many are oblivious of the impeccable integrity and passion that Yunus has in fighting for the poor and needy, even when told by the banks "that the poor were not credit worthy".

Now, he has changed all that, almost single-handedly.

Thirty years later, he noted, in a cumulative way, the bank had given out loans totalling about US\$6 billion; and the repayment rate is 99 per cent.

More importantly, according to a Grameen Bank's internal survey, "58 per cent of our borrowers have crossed the poverty line".

The bank routinely makes profit, too, proving the poor are also bankable!

So while we salute Yunus for his sheer dedication and heart-warming successes, we cannot but deplore those who have unashamedly abused the trust and privileges given to them by keeping the poor forever poor.

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