

# ANNEXES

June 2000

**From:** CREDIT AND DEVELOPMENT FORUM (CDF) [[SMTP:cdf@bdmail.net](mailto:SMTP:cdf@bdmail.net)]  
**Sent:** Wednesday, June 07, 2000 5:29 AM  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject:** Microfinance Newsletter on Microinsurance

Dear valued readers and contributors,

Greetings from CDF!

Attached file is our latest Microfinance Newsletter on microinsurance for your kind reading.

Our next issue (April to June) will focus on impact of microfinance program. You may kindly send your article, views, opinions for this forthcoming issue by this month.

Best regards,  
Faruque Ahmed  
Research Manager  
and  
Editor, Microfinance Newsletter  
CDF, 9/2, Block-D, Lalmatia  
Dhaka Bangladesh



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**From:** SM Rahman [[SMTP:smr@bangla.net](mailto:SMTP:smr@bangla.net)]  
**Sent:** Friday, June 09, 2000 7:16 AM  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject:** Microfinance Status in Bangladesh and the Forthcoming Challenges

Dear DFNs

Credit and Development Forum (CDF) organized a seminar on 1<sup>st</sup> May titled “New Frontiers of Microfinance - an international perspective” in the British Council Auditorium in Dhaka. I gave a presentation on “Microfinance Status in Bangladesh and the Forthcoming Challenges”. The article in question has been developed based on my presentation in that seminar. I have indeed attempted to make a meaningful synthesis of relevant facts and contemporary situation. Any comments, criticisms or suggestions are welcome. The article has been fully published in the post-editorial of a leading English Daily called The Bangladesh Observer on May 31, June 3 and June 4 in three issues.

Best regards.

S M Rahman  
Director, CDF, Dhaka, Bangladesh



MF Status in  
Bangladesh and (J...

**From:** Dale W Adams [[SMTP:dwadams@burgoyne.com](mailto:dwadams@burgoyne.com)]  
**Sent:** Thursday, June 22, 2000 6:12 AM  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject:** **Stamping out Empowerment**

On several occasions recently I've bumped into individuals who blathered on about using debt to empower borrowers. I don't understand how going into debt liberates a borrower and/or gives her more power. I didn't feel liberated when I took out my first mortgage and contracted to pay the lender a major chunk of my salary each month for the next zillion years. The fine print in the loan document said the lender could draw and quarter me, enslave my kids, indenture my room mate, and confiscate the house if I stumbled in my commitment to the bank. I felt shackled by the debt; one of my happiest moments was when the debt was paid and I received clear title to the house.

I remember reading an article by Parker Shipton. He pointed out that in the Gambia some groups used terms for debt that have a rope connotation—as in bound by a rope. Whatever happened to the notion of avoiding the clutches of the evil money lender? Lots of ngos run endebting programs that charge higher rates of interest than major elements of the informal financial system. If the lender is trying to do good, high loan charges are OK?—must cover the costs of attending all those meeting about microdebting in nice places. If an informal lender chares relatively high interest rates on microloans, however, and earns a modest living in the doing, he (not she of course) is an exploiter. Could he avoid this odious title if he labeled his loans empowerment instruments? I wonder if any of his borrowers would feel more empowere as a result of the renaming?

I vote we stamp out empowerment along with breast and prostate cancer.....jane

**From:** Dale W Adams <<mailto:dwadams@burgoyne.com>>  
**To:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu) <<mailto:devfinance@lists.acs.ohio-state.edu>>  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject:** **Bloated language**

Several days ago I entered the post office and noticed a large sign on the door that said „help stamp out breast cancer.“ I was uncertain about the meaning of the sign, since the term ‚stamp‘ in English has several meanings. To be on the safe side, and in an attempt to eliminate breast cancer, I stamped my feet while standing in line and also bought \$32 worth of postage stamps when I finally reached the counter. I continued stamping my feet as I exited the post office but had second thoughts when I got outside. I thought it prudent to demonstrate gender sensitivity by also doing some stamping for prostate cancer. I did this by stamping my feet all the way back to my pickup truck. Lady oh lady did I feel good after doing that stamping. I showed I cared for those who suffer these terrible maladies.

Judging from the various messages posted on the topic of „stamping out empowerment,“ I was much less sensitive to the feeling of many dfners when I posted my intemperate message. The replies convinced me that a little dab of debt will cure most anything that troubles the poor: lack of political clout, aids, environmental degradation, dirty water, hemorrhoids, bad breath, and boring personalities. Debt really is the all-purpose antibiotic for poverty. I apologize for not understand fully the miraculous properties of debt imposed with good intent.

Let's see if I now have it right. If someone who really cares lends a poor person say \$100, that loan will suddenly put a large „S“ on the borrowers chest and allow them to leap over tall buildings. At the same time, if an „evil and vicious“ moneylender makes a loan for the same amount the borrower is wrapped in the chains of debt that eventually lead to the exploiter capturing all the borrower's property and condemning the borrower's children to a lifetime of servitude. I now see more clearly that what is in the lender's heart determines the extent to which a loan empowers the borrower—only those loans made by the caring empower. Also, I hadn't earlier understood that only loans made by caring ngos are used for productive purposes, while all other flows of cash are consumed. Although completely fungible with money borrowed from a caring ngo, remittances, income earned, gifts, and money borrowed from banks or informal sources lack the magical property of empowering individuals.

I humbly apologize to all for suggesting that the term ‚empowerment‘ is an egregious example of bloated and vacuous language. After all, by simply stamping we can wipe out terrible forms of cancer.....jane

**From:** Linda MAYOUX [[SMTP:rcv12@dial.pipex.com](mailto:SMTP:rcv12@dial.pipex.com)]  
**Sent:** Thursday, June 29, 2000 11:39 AM  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject: Re: Bloated language**

I have been following this debate with interest over the last week or so. At first I was reluctant to come in again as it was clear Jane does not really read anything carefully and ,his' mind is closed on this issue.

But he really has missed the point. I agree with his questioning whether there is any difference between moneylenders and NGOs which charge high interest rates, and with his scepticism about rhetorical claims about inherent linkages between debt and empowerment. But this does not mean that micro-finance **cannot** contribute to empowerment. This depends on:

- how micro-finance itself is delivered and the terms on which it is provided (savings, credit, pensions etc)
- attitudes and levels of competence of staff
- whether and in what ways it is linked with other types of support eg advice from staff, support services, linkages to other organizations providing services eg referral to legal aid NGOs for women in difficulty, linkages with gender training organizations

My ILO paper on women's empowerment and micro-finance should be available in a month or so from ILO. I am also producing a training package for UNIFEM which should be on their website by October. I can also send electronic copies to anyone who is interested. But I shall be away till August.

Linda

**From:** Y.Ramakrishna Rao, Founder, Strategic Management Centre Pvt Ltd, Pune, India [[SMTP:yrrao@vsnl.com](mailto:SMTP:yrrao@vsnl.com)]  
**Sent:** Thursday, June 01, 2000 7:02 PM  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject: Corporate Linkage for Microcredit Investment Opportunities**

Dear Members:

Kindly respond as early as possible, either by posting a return message or to my e-mail address [yrrao@vsnl.com](mailto:yrrao@vsnl.com) <<mailto:yrrao@vsnl.com>>.

Something very interesting is slated to happen in India soon which, as I comprehend, has the potential of giving a positive boost to the Microfinance movement - in India as well as several other developing countries. A highly regarded corporate giant in India, Hindustan Lever Ltd (HLL), has announced a highly publicized intention to utilize the SHG forum and Microcredit to create investment opportunities by targeting as a win-win proposition.

Motivated by a deep professional interest in Microfinance, I am currently attempting a discussion paper on the above subject, primarily for benefit of the Asia Regional Workshop and Crafts Festival at Hyderabad, India, 13<sup>th</sup>-15<sup>th</sup> June 2000, organized by the All India Collective for Microcredit Movement (AICOMM). The workshop's theme is „Looking Beyond Microfinance“. The purpose of the paper is to generate focussed awareness and professional discussion in order to achieve the targeted win-win situation, and hence it is important to take stock, at the very outset, parallel experiences or precedents in rest of the world. I seek your kind inputs to lead me to the same along with valuable prima facie views, since time is short for the Workshop. Nevertheless, I do definitely propose to continue the research and investigation further, after the workshop, and attempt a wider contribution to the Microfinance movement worldwide.

Let me introduce myself. Aged 59, I am a professional with nearly 25 years of varied exposure to financial services from development banking to equipment leasing to small ticket financing to lower middle classes. I have been a Consultant to World Bank way back (development banking related), have traveled extensively outside India to various developed countries over a period of 15 years, and have been a management consultant with primary interest in setting up self-sustaining organizations in the days of globalization reforms, and participation in International Strategic Management Society. I have been Chief Executive of three Non Banking Finance Companies in India. My current interests are in Microfinance and developmental work associated with poverty alleviation.

Though I have had some internal discussions with the company in order to understand their mind and the extent of seriousness, I am confining here to the publicly available information on the corporate giant and its plans. The information is also confined to giving a flavor to the type of investment opportunities that could be available, and what is important is discuss professionally on the theme of corporate linkage per se - independent of the specifics of the company involved. I find a lot in the literature on linkage with banks but hardly any reference to corporate linkages - possibly in view of the nascence and present scale of the Microfinance movement worldwide.

First I give salient details on HLL:

1. The company in India is Hindustan Lever Ltd (HLL). It is a subsidiary (51% holding) of the transnational Unilever Group. Unilever is a Fortune 500 transnational selling over 1000 foods and home and personal care products through 300 subsidiary companies in 88 countries with products on sale in further 70 countries. Unilever sells in India for nearly 100 years, and HLL in an earlier form was incorporated in the early 1930s.
2. HLL is almost a household name in India, and is highly regarded on several fronts, including being revered as among the really top well managed companies, attracting cream of talent. The company tops in market capitalization has been rewarding its shareholders well, and is extremely strong financially. It has 40,000 employees. It operates 100 factories scattered all over India and also 2000 suppliers/associates. Significant growth is through mergers/acquisitions/consolidations. 1999's turnover is 100,000 million Indian rupees and profits after tax 10,000 million Indian rupees ( One US\$ = 44 rupees)
3. HLL's product range is soaps & detergents, foods & beverages (tea, coffee, processed foods, wheat flour, edible salt, cooking oils, ice creams), animal feeds, seeds, oral care, skin care, hair care, deodorants & fragrances, industrial detergents, specialty chemicals, etc. It markets about 110 brands (950 packs).
4. Distribution is a key recognized strength of the company. Catering to India's population of 1000 million, it is reported to have about 7500 redistribution stockists in urban and rural territories. It has been systematically increasing its rural penetration over the past 10 to 15 years, which it intends intensify further, and that's where Microcredit investment opportunities come in.

Now the announcement regarding Microcredit and Self-help groups. I reproduce below the relevant extract from the Chairman's (Mr. K.B. Dadiseth then) statement for the Annual General Meeting of the company on 25<sup>th</sup> April 2000. More details of the total statement can be accessed on <http://www.hll.com/>.

Quote:

#### **„New Business Model for Rural India**

Rural Demand and Consumption of consumer products is set to explode. The challenge for most companies is to be able to offer appropriate products in an affordable way in relatively remote locations. We are now convinced that the answer to this challenge lies in setting up a specific rural business system that leverages two fundamental building blocks that may not be immediately obvious.

First, we will deploy communications and information technology to establish connectivity within our distribution system on a scale that has never been attempted before. While it may seem counter-intuitive, the fact is that today the benefits of leveraging technology to connect far-flung stockists and wholesalers far outweigh the costs of deploying the technology. Our connectivity initiative will generate immense value for our channel members and strengthen the company's position as the preferred supplier, especially to rural wholesalers and distributors.

Second, we will join leading institutions in supporting rural self-help groups to alleviate poverty and reduce disparities in purchasing power. Following the pioneering work carried out by the Grameen Bank in Bangladesh, institutions like the NABARD are working closely with banks and NGOs to establish such groups in villages across India. Their experiments show clearly that micro-credit - when it is carefully targeted and well-administered - can alleviate poverty significantly. Importantly, success depends not only on the infusion of credit, but on investment opportunities.

Hindustan Lever can play a critical role in creating such profitable investment opportunities for thousands of villagers in our country. Armed with micro-credit, self-help groups will become our distributors in rural markets. For people in rural India, this translates into critically needed, sustainable jobs contributing to better living standards and prosperity; for us, it translates into access to hitherto unexplored territory.

What is powerful about this model is that it creates a win-win partnership between us and our consumers, some of whom will also draw on us for their livelihood, and builds a self-sustaining virtuous cycle of growth for all of us.“

Unquote

It is reasonable to expect that a well-entrenched and respected corporate giant like HLL will definitely feel its way carefully and also deftly attend to all sensitive issues. It may also evolve and practice business models in such a way as to optimize on its reach, diversity, expertise, and infrastructure to provide various types of investment opportunities besides merely stocking the products as long as it makes a strong business sense.

Now, the Issues for First Stage Discussion & Availability of Other Experiences

Why do I consider it of interest to the Microfinance Movement? Income generation and employment resulting from use of credit for productive purposes depends upon availability of opportunities for investment of the money. Eventhough the Microcredit Summit's Declaration of 1997 feels that type of self-employment should be left to the concerned poor person, it is also necessary that good opportunities should be available. It is impossible for banks to generate such opportunities. It is also difficult for NGOs to generate opportunities on a large scale, at least in relation to the size of the target population. And, there is a limit to which people can be employed in oft-quoted examples as artisans, vegetable vendors, etc. In such a case would a corporate linkage of the type referred in this case really result in the win-win

situation expected by the company's Chairman, by hastening opportunities both to the poor as well as to the company. Can it have the potential of resulting in one of the best practices of Microcredit? What can be the flip side - apart from sensitive issues such as MNCs Vs. poverty, exploitation, etc? Could ill-equipped poor get dragged into corporate wars among giants? What are the necessary (essentially) conditions under which the desired mutual success (and benefits) can be reasonably ensured? What dangers should be kept in view? What can be the advice of NGOs, MFIs and other intermediaries to SHGs and the constituents to react to HLL's proposal, in order to protect the interest of SHGs? Can HLL's initiative also result in yet another related benefit to rural poor i.e. the one based on access to Internet connectivity? What issues in that?

Hence, much depends on whether there are any actual experiences that may be available worldwide, or whether this will be a totally pioneering experiment? Thus my present enquiry. I look forward to your valuable inputs, now, and at later stages of work.

May I also clarify that I do not hold a brief from any organization for preparation of the proposed paper, nor is this investigative exercise sponsored by any organization - financially or otherwise - at least, not as yet. I have plunged into it at personal cost of time and effort since time can be essence, and, more importantly, because I considered it very important that the move by the corporate should be made to lead to positive benefits to the poor, and hence it is important to organize systematic all-round feedback for the benefit of multiplicity of parties that will get involved to make it a successful experiment. Future course of investigation could be different - some others too could be involved in it to carry to greater depth of analytical evaluation as also comprehensive collection of grass-root level of evidence/data.

I urge your kind indulgence to give me whatever inputs you could provide me at the earliest.

Y. Ramakrishna Rao

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