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Microcredit one bright spot in recession

Says Dr Yunus



Nobel laureate Prof Muhammad Yunus (centre), among others, poses for photographs at the launch of Bangladesh Microfinance Statistics for 2007 in Dhaka yesterday. Photo: STAR

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Nobel laureate Prof Muhammad Yunus said yesterday microcredit could safeguard many retrenched employees from the effects of deepening recession through self-employment.

"It's (microcredit) an important tool to create self-employment. It bears more significance in times of recession, as it shows laid-off employees a way to stand up again on their own," said Yunus at the launch of Bangladesh Microfinance Statistics for 2007 at the LGED auditorium.

Regarded as the banker to the poor, Yunus said microfinance has so far been immune to the global economic crisis at a time when big banks sought bailout packages to survive, although they had extended loans to borrowers against collateral.

"The banks are failing to retrieve loans although there are collateral, documents and lawyers to get the money back. Now the documents have proved fake," he said.

The microcredit system is a driver of employment, savings and women's empowerment, he said.

"Microcredit is not free from criticism though. But microcredit is a big achievement for Bangladesh and the list of achievements is long," said the Nobel laureate.

Credit and Development Forum (CDF) and Institute of Microfinance (InM) organised the programme with an aim to enable policymakers and development practitioners to pore over the microfinance situation.

According to a survey presented by InM Executive Director Prof MA Baqui Khalily, disbursed microfinance rose about 30 percent to Tk 23,497 crore in 2007 from Tk 18,096 crore a year ago. Microfinance takes up 14 percent of total domestic credit, the survey shows.

"We are giving thousands of crores of taka to people. Microcredit acts as a major lifeline to the financial sector," said Yunus.

He observed traditional banks are mobilising deposits from the rural economy and investing the money in urban areas, which means a loss of liquidity in the rural economy.

"But microcredit doesn't take the money away from the rural economy. Rather it puts the money in circulation there. We are giving money to those who did not avail themselves of credit earlier," Yunus. He called for transparency in the activities of microfinance organisations.

Microfinance institutions, as a whole, created direct employment for 200,000 people and helped them generate savings.

In 2007, micro-lenders generated Tk 6,452 crore, more than double what banks generated in rural areas in the same period, according to the survey.

The percentage of micro-lenders charging a 15 percent lending rate declined to 57.2 percent from 70.2 percent in 2006, which reflects that a portion of MFIs cut their lending rate to the 12.5 percent band.

Yunus, noting the interest rate, said a mechanism should be in place to help borrowers and others get an idea of what they are paying.

