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Examination session (May or November)	May	Year	2015

Diploma Programme subject in which this extended essay is registered: Economics

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Title of the extended essay: Has the 1976 introduction of microcredit helped
to reduce poverty in Bangladesh?

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WORKED VERY HARD ON HER ESSAY. SHE SPENT OVER 100 HOURS OF LOGGED TIME. HER MOTHER ASSISTED HER IN KEEPING TRACK OF HER HOURS.
'S FAMILY DISCOVERED, THROUGH THE STUDY, THAT HER FATHER HAD BENEFITED FROM A MICRO-CREDIT LOAN WHEN HE CAME TO CANADA - AN INCREDIBLE CONNECTION, TO HER TOPIC!

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To the best of my knowledge, the extended essay is the authentic work of the candidate.

As per the section entitled "Responsibilities of the Supervisor" in the EE guide, the recommended number of hours spent with candidates is between 3 and 5 hours. Schools will be contacted when the number of hours is left blank, or where 0 hours are stated and there lacks an explanation. Schools will also be contacted in the event that number of hours spent is significantly excessive compared to the recommendation.

I spent hours with the candidate discussing the progress of the extended essay.

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Assessment form (for examiner use only)

Candidate session number						
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Achievement level

Criteria	Examiner 1	maximum	Examiner 2	maximum	Examiner 3
A research question	1	2	<input type="text"/>	2	<input type="text"/>
B introduction	1	2	<input type="text"/>	2	<input type="text"/>
C investigation	2	4	<input type="text"/>	4	<input type="text"/>
D knowledge and understanding	3	4	<input type="text"/>	4	<input type="text"/>
E reasoned argument	2	4	<input type="text"/>	4	<input type="text"/>
F analysis and evaluation	2	4	<input type="text"/>	4	<input type="text"/>
G use of subject language	2	4	<input type="text"/>	4	<input type="text"/>
H conclusion	1	2	<input type="text"/>	2	<input type="text"/>
<i>NOT CONSISTENT</i> I formal presentation	3	4	<input type="text"/>	4	<input type="text"/>
J abstract	1	2	<input type="text"/>	2	<input type="text"/>
K holistic judgment	3	4	<input type="text"/>	4	<input type="text"/>
Total out of 36	21		<input type="text"/>		<input type="text"/>

Name of examiner 1: _____ Examiner number: _____
(CAPITAL letters)

Name of examiner 2: _____ Examiner number: _____
(CAPITAL letters)

Name of examiner 3: _____ Examiner number: _____
(CAPITAL letters)

IB Assessment Centre use only: B: _____

IB Assessment Centre use only: A: _____

Has the 1976 introduction of microcredit helped to reduce
poverty in Bangladesh?

MUCH TO
BROAD!

First Language: English

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I am thankful that my family home is alive with the discussion of current events and international issues. Topic and research question selection was an organic process for me.

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I thank my Mom for helping me to understand the time demands of the extended essay by insisting that I start the process during the summer of 2014, and that I establish, and adhere to, a completion schedule.

My Dad's guitar and vocal renditions of George Harrison's "Bangladesh" never failed to perk me up when the research and writing process left me exhausted.

I thank my Sister for tolerating my frustration during the endless editing of this document, and countering it with her fabulous sense of humour.

The extended essay process is not for the faint of heart, and I thank my Family for encouraging me to see it through to completion.

Research Question: Has the 1976 introduction of microcredit helped to reduce poverty in Bangladesh?

Contents

Topic	Page
1. Abstract	1
2. Introduction	3
3. Bangladesh: An Ideal Subject Country for Microcredit Evaluation	4
3.1 Environmental Disasters	4
3.2 Man-made Disasters	5
3.3 Extremely High Population Density	5
3.4 Political Instability	5
3.5 Influx of Funds from Outside of Bangladesh	6
3.6 Awareness Raising 1971 Concert for Bangladesh Educated the Developed World	6
4. Poverty Profile of Bangladesh: “Basket Case” (Pejorative Term) or Development Success	6
4.1 Causes of Poverty	7
4.2 “Basket Case” Perception	7
4.3 Development Achievements of Bangladesh	8
4.4 Bangladesh Bank Order Fosters Economic Growth & Development	9
5. Analysis of Microcredit Programmes in Bangladesh	10
5.1 Definition of Microcredit	10
5.1.1 Brief History of Microcredit, 1976 until the present	11
5.2 Definitions of Poverty and Research Applicability	11
5.3 Measuring Poverty	12
5.3.1 Statistical Analysis of Income Distribution	12



Topic	Page
5.3.2 Lorenz Curve	12
5.3.3 Gini Coefficient	13
5.4 Eligibility for Microcredit	14
6. Characteristics of Microcredit Programmes	14
6.1 Loan Characteristics	14
6.2 Are Microcredit Interest Rates Excessive?	14
6.3 Collateral Requirements and Application Procedures	15
7. Microcredit: Opportunity or Trap? Downside of Microcredit	16
7.1 Inability to Repay Loans: Then What?	16
8. Conclusions	17
8.1 World Poverty has Fallen Overall	17
8.2 UN Millennium Development Goal #1	18
8.2.1 Achievements of Microcredit	18
8.3 Microcredit Delivers Economic Potential to individual Bangladeshis	19
8.4 Limitations of Microcredit	19
8.5 Unresolved Questions about Microcredit	19
9. References	21
10. Appendices	26
10.1 Bangladesh Lyrics by George Harrison	26
10.2 Etymology of the Term “Basket Case”	27
10.3 Interview with Microcredit Recipient	28
10.4 United Nations Millennium Development Goals (MDGs)	30



1. Abstract

Almost four decades after a man named Muhammad Yunus reached into his own pocket and launched microcredit loans in Bangladesh, it is time to ask the question: “Has the 1976 introduction of microcredit helped to reduce poverty in Bangladesh?”

The reasons for selecting Bangladesh as the subject country for this microcredit evaluation are examined. Bangladesh achieved independence in 1971, after a bloody civil war that left the Bengali population’s numbers devastated, and its people brutalized. Western observers predicted that the country would at best, become an international “basket case”, and at worst, fail at statehood. How could the largely landless and penniless citizens of a country, birthed in such horrible conditions, achieve a reasonable quality of life?

The people of Bangladesh were war-ravaged survivors, economically destitute, with marketable skills but no production resources and no market. The causes of poverty are examined, and the parameters of poverty most likely to be reduced by microcredit identified. Muhammad Yunus started the Grameen Bank in 1976, in order to provide microcredit. He believed that microcredit loans could help extremely poor Bangladeshis free themselves from poverty.

An analysis of microcredit programmes in Bangladesh is undertaken, as well as review of the loan, collateral and application procedures. Microcredit programmes have many critics. Is microcredit an economic lifeline or death trap? Are the interest rates charged exorbitant? Are recipients of microcredit locked into a lifetime of debt repayment? What happens if a person is

unable to repay a microcredit loan? Do microcredit loans empower women, or expose them to economic manipulation?

Economic evidence demonstrates that microcredit loans benefit the poorest citizens of Bangladesh, and microcredit programmes continue to reduce poverty parameters among microcredit programme participants over time. Microcredit programmes are found to reduce poverty at the individual and village level for Bangladeshis.

Word Count: 297

J=1

Method's not clear.

2. Introduction

“... brilliant theorists of economics do not find it worthwhile to spend time discussing issues of poverty and hunger. They believe that these will be resolved when general economic prosperity increases. These economists spend all their talents detailing the process of development and prosperity, but rarely reflect on the origin and development of poverty and hunger. As a result, poverty continues.”

— Muhammad Yunus, *Banker to the Poor: Micro-Lending and the Battle Against World Poverty*

An evaluation of microcredit programmes in Bangladesh, and of the extent to which poverty has been reduced since 1976, are exciting undertakings. In 2000, all 189 countries of the world formed a partnership, establishing Millennium Development Goals (MDGs) with MDG #1 being “Eradicate extreme poverty and hunger” and MDG #8 being “Develop a global partnership for development, including effective financial systems” (“Millennium,” 2014). Has microcredit helped to achieve these goals?

These MDGs are focused on improving the lives of the world’s most vulnerable people and the question remains: what tools will be used to accomplish these MDGs? The field of economics holds at least part of the answer, especially when the study emphasis is poverty and hunger, rather than development and prosperity. This is the basis of Muhammad Yunus’ thinking regarding poverty, and his reason for the formalizing of microcredit programmes in Bangladesh. The purpose of this essay is to examine the extent to which microcredit has reduced Bangladeshi poverty. PR.

Traditionally, the study of economics has suggested ways of making countries wealthy (“Meanings,” 2008). This perspective works well in developed countries, such as [?]Canada, where solid mechanisms are in place to facilitate entrepreneurial activity and finance. In developing

countries, where economic structures are lacking, microcredit can bridge the gap. Economists need to concentrate on impoverished people gaining control over capital. Controlling investment capital gives poor people a chance to escape poverty. This development-centred, rather than the traditional wealth-centred definition of economics, provides the incentive for this extended essay. With international groups such as the United Nations concentrating on poverty reduction, there is a clear niche for development-centred economics to play a leadership role.

Content not at all clear

3. Bangladesh: An Ideal Subject Country for Microcredit Evaluation

3.1 Environmental Disasters

Bangladesh is an environmentally vulnerable country. The largest river delta in the world drains through Bangladesh (Sharma, Shekhar & Singh, 2004). Two-thirds of Bangladesh is less than 5 meters above sea level, placing it among the most flood-prone countries of the world ("Rural Poverty," 2005). "Bangladesh is one of the world's most densely populated countries and also one of the most vulnerable to the impacts of various natural disasters and climate change. People in Bangladesh live precariously close to the risk and occurrence of cyclones, floods and droughts, and more than 100 million people live in rural areas" ("Bangladesh-Asia," n.d.).

Between 1980 and 2010, 323, 480,847 ("Bangladesh-Asia," n.d.) Bangladeshis were affected by floods, droughts, earthquakes, epidemics, floods and storms. Bangladesh's people are adept survivors. Microcredit programmes make financial resources available to these Bangladeshis, to enable them to utilize their survival skills in order to improve their lives.

vague

3.2 Extremely High Population Density

Coping with environmental disasters is exacerbated by an extremely high population density. Bangladesh has a population density of 1,203 people per square kilometre (“Population density,” n.d.). In comparison, Canada has a population density of 4 people per square kilometre (“Population density,” n.d.). The relatively small country of Bangladesh has a larger total population than Russia, which is the world’s largest country (“Population of all,” 2012). With so many Bangladeshis living in an environment vulnerable to natural disaster, it is not surprising that 40% of the population of Bangladesh lives in poverty (“Bangladesh,” 2011). Microcredit connects the world’s poorest people with the resources needed to improve their lives and reach their full potential, and there are many, many poor people in Bangladesh.

3.3 Man-made Disasters

For many people around the world, the very name “Bangladesh” is synonymous with crisis: economic, medical, educational and environmental. Landslides claimed over 233 victims over the past 12 years (Nurul, 2012). People with no other place to live built huts at the base of unmaintained hills. Bangladesh is a natural laboratory for relief measures in medical, humanitarian and economic areas.

3.4 Political Instability

Bangladesh has a long, unstable and tragic political history, which goes hand in hand with economic hardship. On March 26, 1971, Bangladesh became independent, and the Bangladesh Liberation War broke out. One million Bengali casualties resulted and ten million Bengalis fled to India (“Bangladeshinfo,” 2013). Bangladeshis paid a huge price for their national independence.

still background

3.5 Influx of Funds from Outside of Bangladesh

Bangladesh has a high dependency on funds generated outside of the country and on foreign aid. Bangladeshis working abroad sent US\$ 13.0 Billion in 2011 – 2012 home, about 14% of the overall national income (Rahman, 2012). Bangladesh receives \$1.5 billion US in foreign aid annually. “In 2010 Bangladesh was the 22nd largest recipient of humanitarian aid globally and received \$1.4 billion in both development and humanitarian aid that year” (“Poverty,” 2009). With investment funds originating outside of Bangladesh and its largely impoverished populace, Bangladesh is a useful subject country for the introduction of microcredit as a means of financially empowering the population.

3.6 Awareness Raising 1971 Concert for Bangladesh Educated the Developed World

“In one day, the whole world knew the name of Bangladesh...” is the way Olivia Harrison, daughter of former Beatle George Harrison, summarized the impact of the 1971 Madison Square Garden “Concert for Bangladesh” (“George Harrison, 2011). It was the first benefit concert of its kind, where major rock stars gathered, under the leadership of former Beatle George Harrison and sitar virtuoso Ravi Shankar. According to the former UN Secretary - General Kofi Annan, “George and his friends were pioneers” (“The concert,” 2005). The concert raised \$45 million USD for UNICEF (Huntley, 2004). Awareness was raised among people in the developed world who previously knew very little about living conditions in Bangladesh.

(“Bangladesh Lyrics,” n.d.) (see Appendix 10.1).

Still background

4. Poverty Profile of Bangladesh: “Basket Case” (Pejorative Term) or Development Success?

Two “poverty” definitions are widely used in analyses of living conditions of poor

people. The United Nations definition of poverty as “a denial of choices and opportunities, a violation of human dignity” (“Report of,” 1995) provides a philosophical definition. The World Bank definition is quantifiable, and more useful when assessing the impact of microcredit on poverty. The World Bank’s definition of “poverty” is “a pronounced deprivation in well-being, comprising many dimensions including low incomes and inability to acquire basic goods and services necessary for survival with dignity” (“Extreme poverty,” 2010).

Bangladesh is a South Asian country where the proportion of people living in extreme economic poverty has fallen from 28 percent in 1990 to 21 percent in 2001 (Chen & Ravallion, 2004). Evidence that introduction of microcredit to the poorest people in Bangladesh has played a significant role in poverty reduction will be examined in this extended essay.

4.1 Causes of Poverty

Ten causes of poverty in Bangladesh are listed by the Governor of the Bangladesh Bank: overpopulation, unequal distribution of resources, lack of education, environmental degradation, unemployment, corruption, poor governance, high inflation, income inequality and poor health (“Defense Service,” 2012). The provision of microcredit directly addresses the unequal distribution of resources, unemployment and income inequality.

as per the

4.2 “Basket Case” Perception

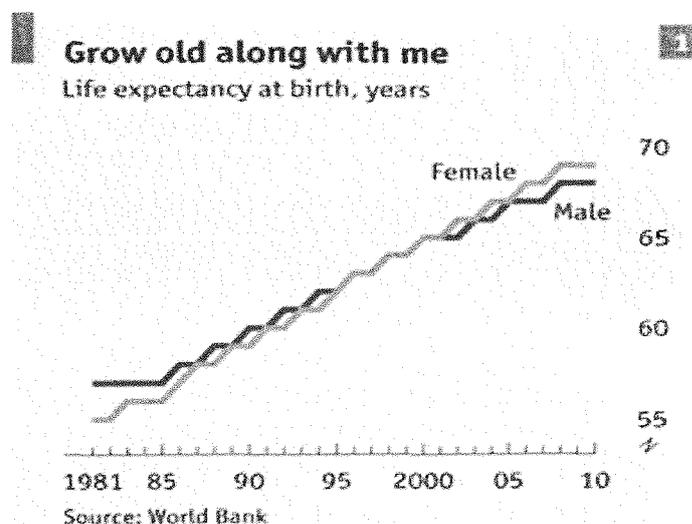
Bangladesh became independent during a civil war in 1971. The economic future of Bangladesh looked bleak and the political survival of the country, uncertain. Minutes from a December 1971 meeting in Washington D.C. refer to Bangladesh as “an international basket case” (“The path through,” 2012) (see Appendix 10.2). Despite its unpromising start, Bangladesh has been successful at improving the lives of its poor (“The path through,” 2012).

4.3 Development Achievements of Bangladesh

In 2000, the United Nations set eight Millennium Development Goals (MDGs) to be achieved by 2015 (see Appendix 10.4). As of September 8, 2014, Bangladesh was experiencing success in 5 MDGs, and behind in 3 MDGs (“Bangladesh successful,” 2014). The poverty reduction goal was to reduce the gap between poverty and extreme poverty to 8 percent by 2015. By 2013, the gap had been reduced to 6.5 percent (“Bangladesh successful,” 2014).

Despite poor economic growth, and dysfunctional politics, Bangladesh has made some of the biggest gains in basic conditions ever seen anywhere (“). Figure #1 illustrates that life expectancy of rich and poor Bangladeshis alike rose 10 years, from 59 to 69 years, between 1990 and 2010 (“). Primary school enrolment for girls has doubled since 2000, and infant mortality rates are half what they were in 1990. Bangladesh has made huge progress in reducing child and maternal mortality rates, which are Millennium Development Goals (MDGs) numbers 4 and 5. Bangladesh has concrete development achievements to its credit, countering the 1971 “basket case” prediction.

Figure #1 Life Expectancy at Birth in Bangladesh (“)



STW background

4.4 Bangladesh Bank Order Fosters Economic Growth & Development

Bangladesh's independence in 1971 was accompanied by the establishment of a central bank in Bangladesh to launch this new country on the road to financial stability ("Defense Service," 2012). The Bangladesh Bank (BB) reports a sharp decline in poverty due to the employment growth provided by microcredit enterprises at the grassroots level, with a steady GDP growth averaging 6.0% annually in real terms ("Defense Service," 2012). From 2010 – 2012, Bangladesh's banks have opened nearly 13 million basic bank accounts with initial deposits as low as 10 Taka for Bangladeshis who previously had no access to banking services ("Defense Service," 2012).

By an award?

Figure #2 Currency Converter: Bangladeshi Taka to US Dollars ("The World's Favorite," n.d.)

$$10.00 \text{ BDT} = 0.129336 \text{ USD}$$

$$\underline{\text{Bangladeshi Taka}} \leftrightarrow \underline{\text{US Dollar}}$$

?

On November 24, 2014, 10 Bangladeshi Taka had a US\$ value of \$.13 or 13 cents, as Figure#2 shows. Bangladeshis can participate in the financial system of their country and begin to build a financial future ("Defense Service," 2012) with as little as 10 Taka. A personal bank account opens the door to a microcredit loan. In 2009, 5 billion Taka was made available for microcredit loans to landless sharecroppers ("Defense Service," 2012). More than 3 million farmers received agricultural microcredit loans in the fiscal year 2011 – 2012 ("Defense Service," 2012). Fifteen percent of the total is reserved for women entrepreneurs ("Defense Service," 2012). 173.8 billion Taka was on loan to more than 20 million poor Bangladeshi borrowers as of June 30, 2011 ("Defense Service," 2012).

✓

The growth of microcredit between 2008 and 2011 is seen in Figure #3. All parameters in Figure #3 have increased. Poverty reduction is a multi-faceted challenge which requires a combination of solutions, one of which is the availability of microcredit. ✓

Figure #3 Microcredit Operations in Bangladesh (“Defense Service,” 2012)

Particulars	June, 2008	June, 2009	June, 2010	June, 2011
No. of Licensed NGO-MFIs	293	419	516	576
No of Branches	15,077	16,851	17,252	18,066
No. of Employees	98,896	107,175	109,597	111,828
No. of Clients (Million)	23.45	24.85	25.28	26.08
Total borrowers (Million)	17.79	18.89	19.21	20.65
Amount of Loan Outstanding (Tk. Million)	134,680.96	143,134.03	145,022.66	1,73,797.60
Amount of Savings (Tk. Million)	47,386.19	50,610.04	51,362.93	63,304.44

Source: MRA-MIS Database-2011

5. Analysis of Microcredit Programmes in Bangladesh

5.1 Definition of Microcredit *-NOW?!*

“Microcredit” consists of “programmes that extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families” (“Microcredit Summit,” n.d.). For such individuals, microcredit may be the only source of financing (“Microcredit-financial,” n.d.). Microcredit opportunities are not limited to people in countries in the developing world. In 1979, my father was a beneficiary of a microcredit loan in Canada. He arrived in Canada as a stateless refugee, with no assets at all and utilized ✓

microcredit to finance the writing of his professional exams (“Interview with,” 2014) (see Appendix 10.3).

In Bangladesh, microcredit programmes were formalized in 1976 with the founding of the Grameen Bank. Microcredit programmes are an optimistic investment in the human potential of financially disenfranchised people. “Many of us see the millions of impoverished people in the world as a seemingly unsolvable ‘problem’. However, we should see them as the world’s largest untapped source of entrepreneurs and consumers” (“Yunus to inaugurate,” 2011) The Grameen Bank is a model for microfinance projects in more than 40 countries.

5.1.1 Brief History of Microcredit, 1976 until the present

Historically, micro-lending between individuals has always existed as an informal process. Formalized microcredit originated in the mid-70s when Dr. Muhammad Yunus, a professor of economics at the University of Chittagong, Bangladesh, visited a collective of 42 women who were building bamboo stools. The women had difficulty obtaining materials, could not make a profit, and were mired in poverty. The professor loaned them \$27 of his own money. This relatively small amount allowed the women to obtain materials, conduct their business and repay the loan (“Story of the,” 2010). This was the start of the Grameen Bank Project.

“Grameen” means “a villager,” or “pertaining to a village” in Hindi (“Village,” n.d.). Both Dr. Yunus and the Grameen Project were awarded a Nobel Peace Prize in 2006.

5.2 Definitions of Poverty and Research Applicability

Poverty is multidimensional. “Poverty is a pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods

and services necessary for survival with dignity” (“Global Poverty,” 2014). This World Bank definition is used with humanitarian projects throughout the world. The United Nations definition of poverty, “a denial of choices and opportunities, a violation of human dignity”, is less quantifiable and less useful for this paper (“Global Poverty,” 2014).

5.3 Measuring Poverty

There are numerous ways to measure poverty. In establishing policies, governments and organizations rely on a poverty line, “a level of personal or family income below which one is classified as poor according to governmental standards” (“Poverty line,” 2014). Typically, multiple measurements are taken, resulting in a food poverty line and a nonfood poverty line (“Poverty line,” 2014). Bangladeshi households with access to less than 2,122 calories per capita per day are below the food poverty line (Edmonds, 2003). The Cost of Basic Needs method defines a specific bundle of items commonly consumed by a poor population at local prices (“Choosing and estimating,” 2011). Bangladeshi households unable to afford a specific bundle of necessities live below the nonfood poverty line.

5.3.1 Statistical analysis of income distribution

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The two common statistical tools for showing the distribution of family incomes in the country are the Lorenz curve and the Gini coefficient.

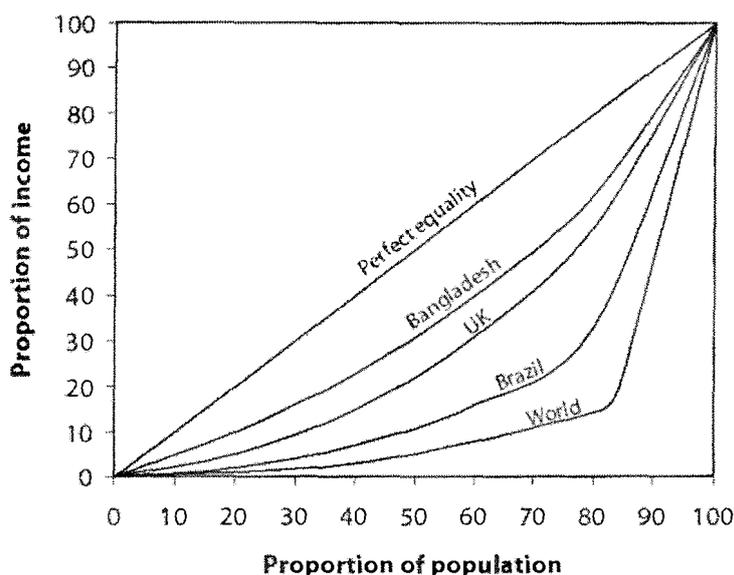
5.3.2 Lorenz Curve

The Lorenz Curve shows how closely the distribution of income within an economy approaches an equal distribution. In Figure #4, Bangladesh’s Lorenz Curve indicates a more

equitable income distribution than the UK, Brazil or the World. The majority of Bangladeshis are very poor, and the limited resources are fairly evenly distributed between the members of the impoverished populace.

Figure #4 Comparing Income Distribution in Selected Countries and the World

Lorenz curves for the World, the UK, Bangladesh and Brazil



5.3.3 Gini Coefficient

The Gini coefficient is a value between 0 and 1, with 0 representing perfect equality of income distribution and 1 indicating perfect inequality. Bangladesh has a Gini coefficient of 0.23, the UK 0.33, Brazil 0.65 and the World has a Gini coefficient of 0.83 (“Lorenz Curves,” 2004). The Bangladeshi value of 0.23 could represent a desirable situation, where wealth is fairly evenly distributed. There is so little wealth in Bangladesh, and so many people, that a small amount of wealth is distributed fairly evenly among a large populace, leaving almost everyone impoverished.

ca.

5.4 Eligibility for Microcredit

While Muhammad Yunus was able to engage in microcredit with a small amount of his own money, the organizational side of microcredit has become complicated (“Microcredit Ventures,” 2009). Eligibility for microcredit is determined by the lack of land ownership. Only landless applicants could borrow, with the majority of these being women (Morduch & Roodman, 2009). Microcredit applicants were required to self-select. In the words of one borrower, “... they should own some land ... they should not be extremely poor... they should be hard working, not just the wife but also the husband...” (Todd, 1996). Evidence of motivation, collaborative ability, prior success and entrepreneurship became requirements among the peers. ?

6. Characteristics of Microcredit Programmes

6.1 Loan Characteristics

Microcredit programmes lend relatively small amounts of money, and the loans are repaid within a relatively short time - one to three years. “Women are a major beneficiary of their activities, and the destination of the funds primarily includes agriculture, distribution, trading, small craft and processing industries” (“ROLE OF,” 2011). The lack of commercial banks in Bangladesh has made way for non-conventional lending schemes. Microcredit is not a universal solution to eradicate poverty but a tool which complements the provision of services, including education, housing, healthcare and nutrition (“ROLE OF,” 2011).

6.2 Are Microcredit Interest Rates Excessive?

Administrative costs for microcredit lending institutions are higher than lending from commercial banks. Lending \$100,000 in 1,000 loans of \$100 each will require much more

administrative effort than making a single loan of \$100,000. Microfinance institutions (MFI's) charge debtors higher interest rates than richer borrowers are obligated to pay to commercial banks. MFIs can serve their debtors best by operating sustainably instead of creating losses that are in constant need of subsidy infusions (Gonzalez, Narain & Rosenberg, 2009). Criticism of high microcredit interest rates has existed since the late 1970's. When a non-governmental organization (NGO) microfinance institution wants to start taking deposits from their lenders, it must obtain a government license and organize its business as a for-profit shareholder-owned corporation. Profits are to be held by private shareholders. This leads to the charging of higher interest rates to poor debtors. There exists a concern about high microcredit interest and the trend towards commercialization, when microfinance institutions are required to shift modes from not-for-profit to profit (e.g. from international aid to private investment). Though microcredit interest rates may seem high, NGO MFI's are providing a highly beneficial service which outweighs the drawbacks.

6.3 Collateral Requirements and Application Procedures

Microcredit schemes offer access to savings and create a support system against economic fluctuations (Gonzalez, Narain & Rosenberg, 2009). Groups of borrowers are formed and a community feeling built.

The repayment process is usually successful. The Grameen Bank of Bangladesh has pioneered a process of weekly public meetings of borrowers and staff where payment instalments and savings contributions are made in the open. The purpose is to reinforce fiscal discipline, openness, and transparency. Not all programs use such peer supervision. In Indonesia, for

example, character references appear to be more important than Bangladeshi-type peer discipline (Gonzalez, Narain & Rosenberg, 2009). For the poorest of the borrowers, where collateral assets are not available, small loans are utilized, repayable at frequent intervals. Individuals with leadership qualities are selected and appointed for the purposes of group self-administration (Gonzalez, Narain & Rosenberg, 2009). Microcredit lenders seek out their potential borrowers by visiting villages and developing a rapport with the borrowers. The Grameen Bank wants their credit system to service the borrower, not the opposite (“Method of Action,” n.d.).

7. Microcredit: Opportunity or Trap? Downside of Microcredit

7.1 Inability to Repay Loans: Then What?

Micro-lending is not immune to failure. Dramatic media accounts can create the impression that microcredit is a horrible tool for exploitation of poor people. Such media accounts tend to concentrate on the personal circumstances of a few unsuccessful individuals, without necessarily supplying economic proof. Articles such as “The Bangladesh poor selling organs to pay debts” (“The Bangladesh poor,” 2013) and “Microcredit ‘death trap’ for Bangladesh's poor,” (Melik, 2010) published by the British Broadcasting Corporation (BBC) give examples of individuals who borrow and then attempt to service their loans with other loans. Such strategy commonly fails, whether in developing or developed countries.

As in all forms of business enterprise, there exists a risk of failure in microcredit lending. In North America for example, market research has demonstrated that, on average, 14% of borrowers may default on their mortgage payments, due to personal circumstances (“New research housing,” 2012). Repayment rates in microcredit lending vary significantly by country and mode of administration. In Bangladesh, the Grameen Bank has been able to achieve a

spectacular repayment rate of over 98%, over the decades of lending and having processed over 6.5 billion dollars, due to innovative intense loan management methods, tailored to local circumstances (“Muhammad Yunus,” 2014). Debt collection in microcredit is conducted according to local cultural habits and is different from developed world practices. In cases of complete inability to repay the loan,

the group members would repossess the capital that the woman had built with her loans. This ranged from taking away her gold nose-ring (a symbol of marital status for rural women, and removing it symbolically marks the “divorcing/widowing” of a woman) to cows and chicks to trees that had been planted to be sold as timber to collecting rice and grains that the family had accumulated as food, very often leaving the family with no food whatsoever” (Karim, 2008).

From the perspective of community members, such unforgiving practice is usually seen as justified in order to maintain financial stability of the borrower’s group.

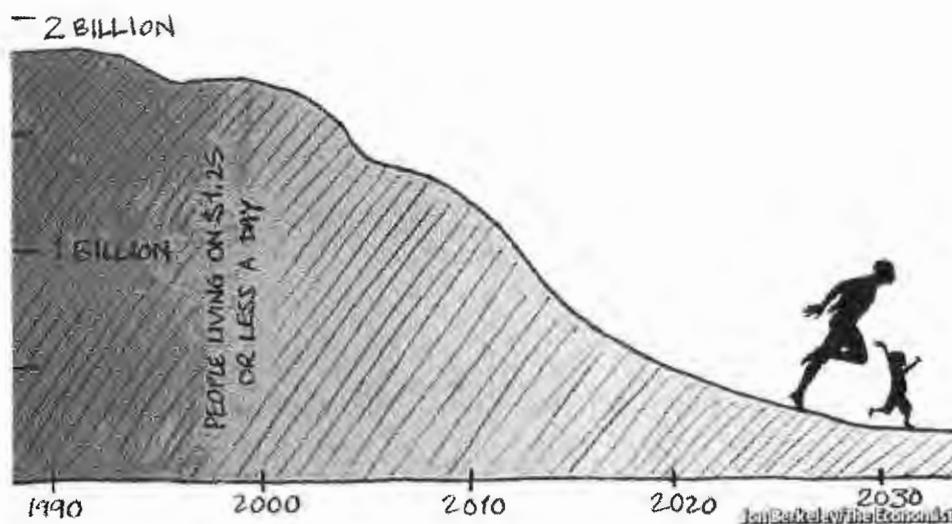
8. Conclusions

8.1 World Poverty has Fallen Overall

As the impact of microcredit on poverty levels in Bangladesh is evaluated, it is important to understand the overall global trends in poverty measurements. Scientific consensus points to an unprecedented reduction in extreme poverty levels over the past three decades and projected further declines in poverty levels, as Figure#5 illustrates. In 2013, President Obama stated, “...The United States will join with our allies to eradicate such extreme poverty in the next two decades...which is within our reach” (“Ending Extreme,” n.d.). He was referring to the international poverty line of people subsisting on \$1.25 (US) a day.

DUE TO
??

Figure #5 Global Extreme Poverty Extrapolation (“Towards the end,” 2013)



8.2 UN Millennium Development Goal #1

MDG#1 was to cut the poverty rates among developing countries in half by 2015, and was achieved in 2010. While the global rate of extreme poverty was more than 40% in 1990, it fell to 20.6% in 2010 (“Ending Extreme,” n.d.) in every region of the developing world. More than 1 billion people live in extreme poverty at this time (“Ending Extreme,” n.d.). The United Nations goal is to eliminate extreme poverty by 2030 so that no one subsists at that level by that time (“Ending Extreme,” n.d.). To achieve this goal, extreme poverty has to be reduced by 1% per year for 15 more years (“Ending Extreme,” n.d.). Microcredit is a proven, useful tool in poverty reduction.

NOT PROVEN
FREE
I'M AFRAID

8.2.1 Achievements of Microcredit

The Economic Research Group of Dhaka, Bangladesh, surveying over 4000 households, reported that “microcredit programmes have grown in Bangladesh providing a widening range of services to meet the economic and social needs of its members, mostly poor women” (Ahluwalia ✓)

Conclusion?

& Mahmud, n.d.). Overall, microcredit has been successful throughout the developing world and especially in Bangladesh.

8.3 Microcredit Delivers Economic Potential to Individual Bangladeshis

Alex Counts, the president and CEO of Grameen Foundation, mentioned that even though millions of families fell below the poverty line after the cyclone of 1998 and the food crisis of 2008, the Foundation's activities allowed nearly “a crore” (ten million in the South Asian numbering system) people to rise above the \$1.25 line (“Grameen Bank’s Response,” 2011). This quality of life improvement for extremely impoverished Bangladeshis was facilitated in part by microcredit availability.

8.4 Limitations of Microcredit

Optimism about microcredit should be tempered by the realization that it has limitations. Microcredit is only one of the factors in economic development. No amount of credit will enable the poor farmer to prosper if there is no infrastructure to cultivate, harvest, store, and sell the products of his or her work. Limited education levels in the developing world can cripple the business success of many entrepreneurs as literacy and numeracy are vital components in most businesses. Social and cultural institutions such as the tribal, clan, or caste-based societies can have goals other than just financial advancement as measures of success or failure (Roth, 1997). Microcredit alone cannot overcome such obstacles.

8.5 Unresolved Questions about Microcredit

Microcredit is far from being settled science. There exists a wide diversity of models and implementations of microcredit in different cultural and economic environments (Armendáriz de

Aghion & Morduch, 2005). Financing alone is not sufficient to change social and economic structures perpetuating poverty. Other tools are required to work in conjunction with microcredit. There is a pressing need for further in-depth research in the rapidly developing and interesting field of microcredit.

Clearly a lot of research was undertaken. However, the RQ is just far too broad, and ultimately, there is very little evidence in the essay to an argument. It is very descriptive and general.

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10. Appendices

10.1 Appendix Bangladesh Lyrics by George Harrison

My friend came to me
With sadness in his eyes
He told me that he wanted help
Before his country dies
Although I couldn't feel the pain
I knew I had to try
Now I'm asking all of you
To help us save some lives
Bangladesh, Bangladesh
Where so many people are dying fast
And it sure looks like a mess
I've never seen such distress
Now won't you lend your hand and understand?
Relieve the people of Bangladesh
Bangladesh, Bangladesh
Such a great disaster, I don't understand
But it sure looks like a mess
I've never known such distress
Now please don't turn away
I want to hear you say
Relieve the people of Bangladesh
Relieve Bangladesh

Bangladesh, Bangladesh

Now it may seem so far from where we all are

It's something we can't neglect

It's something I can't neglect

Now won't you give some bread to get the starving fed?

We've got to relieve Bangladesh

Relieve the people of Bangladesh

We've got to relieve Bangladesh

Relieve the people of Bangladesh

(“Bangladesh Lyrics,” n.d.)

10.2 Appendix Etymology of the Term “Basket Case”

The etymology of the term “basket case” dates to World War I, when it referred to a soldier who is missing both arms and both legs; a quadruple amputee (Marsh, 2012). A person with such traumatic injuries could not be safely carried on a stretcher, instead needing to be accommodated in a readily available container, such as a basket (Marsh, 2012). The term was usually seen as derogatory and insulting.

The *Online Etymology Dictionary* documents a 1919 reference to rumours of quadriplegics as a result of devastating war wounds. The military denied there were any such casualties in its hospitals. The term “basket” carried connotations of begging, neediness and poverty before WWI started (“Basket Case,” 2014). Records of the use of the term “basket case” to describe a maudlin person, date from 1921 (“Basket Case,” n.d.). The term “basket case” was

revived in 1939 by Dalton Trumbo's novel *Johnny Got His Gun*. *Webster's New Collegiate Dictionary* defines "basket case" as "one who has all four limbs amputated, one that is totally incapacitated or inoperative (Bosley Woolf & Webster, 1977). More recently, the term describes a helpless state similar to the loss of all limbs, usually caused by emotional disability, mental illness, panic, stress or severe mental disability. In 1971, the term "basket case" was in the news, because members of the United States' State Department, under the leadership of Henry Kissinger, referred to the newly formed country of Bangladesh as a "basket case" ("The path through," 2012). The fact that parts of Bangladesh "spend half the year submerged under flood waters" fueled the reference to Bangladesh as a "basket case" - predicted in its independence year, 1971, to have a very low chance of survival as an independent state (Tharoor, 2011).

10.3 Appendix Interview with Microcredit Recipient, October 26, 2014, Hamilton, ON, at the home of Dr. Mikhail Epelbaum

Interview questions and answers:

a) When did you apply for a microcredit loan?

This was in the fall of 1979, shortly after I arrived in Canada.

b) Where were you living?

I was in Toronto, staying with relatives. I had a small part-time job which enabled me to contribute to the food expenses.

c) What qualified you for this loan?

I was a stateless refugee and arrived in Canada with no money and no possessions. I was educated and could speak English but needed to study and take tests in order to prove the equivalency of my diploma in this country. There were no formal qualification criteria for the

loan. I remember I had to explain my circumstances to the loan officer; we filled out a form together.

d) How did you go about applying for this microcredit loan?

It was a simple process: a phone call, an appointment, an interview with the lending officer. It was through the community grapevine that I found out about the availability of such loans from a refugee resettlement organization.

e) Did you try to obtain a loan from a Canadian bank?

I could not even think of going to a bank. I earned minuscule amounts at my job, did not have a bank account, had no credit history, and could not start repaying until after I took and passed the exams.

f) How long did it take to hear if you were successful?

It was very quick; I think I was told that my application was going to be approved right in the interview.

g) What were you allowed to spend the money on?

The loan was strictly for educational purposes. I was not to spend the money on living expenses, food, rent, possessions.

h) What amount of money was you loaned?

\$2000 in Canadian funds.

i) How did you receive the money?

It was a cheque, payable to me. Since I did not yet have a bank account, I had to go to the issuing branch and cash the cheque there.

j) What did the loan of this money mean to you?

This was a huge improvement in my prospects. I was able to devote my time and energy to my studies rather than to some menial job (the only kind for which I would have been qualified without my professional papers.)

k) How would your life have been different if microcredit had not been available to you?

\$2000 was a giant amount for me at that time. Considering that I could take only a low-paying job without the equivalency papers, it would have taken a very long time to save that much money. Also, relatives allowed me to stay at their apartment essentially for free while I was a student. Had I started working and earning, I would have had to start paying rent, would have needed a car, etc. I think that, without that loan, it would have been several years before I could save \$2000 and pay for my educational endeavours.

l) Was it difficult to repay?

No, it was easy. Repayment conditions were extremely accommodating. I did not have to start paying until I found employment in my profession and started to earn. Repayment conditions were flexible, I could pay as little as \$10 a month if my earnings were to be small. Thankfully, I was able to repay the full \$2000 within several months.

m) How would you describe the role of microcredit in your personal success?

The microcredit loan made my path to a professional career in Canada much smoother and easier than it would've been otherwise. I believe that I saved at least two years of time and avoided significant hardships thanks to that loan.

10.4 Appendix United Nations' Millennium Development Goals (MDGs)

The eight Millennium Development Goals (MDGs) are aimed at improving development levels worldwide for all people. The United Nations held a Millennium Summit in 2000, and these eight goals resulted from the United Nations Millennium Declaration. Every country in the United Nations agreed on these goals, and works to achieve them by 2015. This totalled 189 United Nations member states (there are now 193 member states) and at least 23 international organizations committed to work to achieve the following "Millennium Development Goals by 2015:

1. To eradicate extreme poverty and hunger
2. To achieve universal primary education
3. To promote gender equality and empower women
4. To reduce child mortality
5. To improve maternal health
6. To combat HIV/AIDS, malaria, and other diseases
7. To ensure environmental sustainability
8. To develop a global partnership for development

Each goal has specific targets and dates for achieving those targets. To accelerate the progress, the G8 finance ministers agreed in June 2005 to provide enough funds to the World Bank, the International Monetary Fund (IMF) and the African Development Bank (AfDB) to cancel \$40 to \$55 billion in debt owed by members of the heavily indebted poor countries (HIPC) to allow them to redirect resources to programmes for improving health and education and for alleviating poverty” (“United Nations Millennium,” n.d.).