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Education, Poverty and Finance

*Empowering the Children of
Micro-entrepreneurs with Primary and
Secondary Education, College
Scholarships and Loans, and Financial
Services for Their Businesses*



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Introduction:

Education is a basic human right. It is empowerment. It enables a person to realize his/her potential and strive for a better life. It is a gateway to unlimited opportunities. But unfortunately many of the poor children around the world have no entry into this.

According to UNICEF report (August 2011) which is based on household surveys, the number of children not in school is 101 million with more than half of them as girls. And according to UNESCO report (March 2011) which is based on self-reporting by governments, the number of children who are out of school is 67 million. Although there is a difference of millions between these two sources, the number is huge. They come from poor households who cannot afford to send them to school. Many of these households have been illiterate for generations with no idea of education as a tool of empowerment. Due to their inability to meet very basic needs (food, shelter, clothes), their perception of life, their custom and culture and above all their struggle for day to day survival, they consider their children not as burden but as earning members and also as a part of security during their old age. This is understandable. This is deplorable. But this is true. This is the fact of life.

In many countries, despite the incentive package provided by the Govt. and others for primary education, the enrolment rate is not satisfactory and the dropout rate is high. This is not because of lack of talent among the children of poor households but because of lack of opportunities in terms of family resources and income.

Education and Poverty:

Education empowers one by providing knowledge, values and skills that form the foundation for lifelong learning and professional success. There are strong relationships between poverty, poverty related indicators and access to education. According to many studies educational access is strongly determined by household income. Poverty measured by income has a significant effect on access to education not only in Bangladesh but also in other countries. Studies indicate that there is a clear relationship between poverty and exclusion from education. The exclusion takes place in different forms. Children from the poorest families cannot afford to go to school. Children from poorer families are less likely to go to school, more likely to drop out of school and even once they are in school are more likely to be silently excluded from education.

There are critical challenges not only in getting the poor children into elementary and primary schools, but also in retaining them in schools. Their upward journey to Secondary, higher secondary, colleges and universities are far more challenging and difficult. Building an inclusive and responsive education system and ensuring quality with equity for all children is therefore the greatest challenge of all.

MDG, Education and Poverty:

The Millennium Development Goals include eradication of Extreme hunger and poverty as goal 1 and achieving universal primary education as goal 2.

The point is how universal primary education may be achieved when more than 1.2 billion people around the world live under a dollar a day and the poor children do not have equitable access to education. Equity in education requires intervention to overcome barriers that prevent the children of the poorest and the most marginalized families to have access to education. The access should not simply mean that the children must be in school but also what they do and learn in school. There is a strong correlation between poverty and exclusion from education as have been identified by most of the research studies conducted on education in Bangladesh.

Given the importance of education and given the fact that children from poor households do not have access to it; lots of agencies in different countries (Government, non-Government organizations, private sector, religious groups, individuals, community groups etc.) have been trying in their own ways to raise initial enrolment and improve the gender balance. There is an advantage for MFIs in this, since they are already working with the poor households and providing them financial services.

Education, Poverty and Finance:

The poor lead a struggling life. They are not able to fight poverty effectively. They cannot overcome poverty as they have no access to financial and other resources for their empowerment.

Nobel Laureate Muhammad Yunus believes that credit is a human right. Given the access to credit one can take care of oneself by generation of self-employment and income not only for herself but also for her family members. As Yunus is not only a man of ideas and vision but also a man of action and implementation, he started his program of providing financial services to the poorest. The program was started as a project in 1976 which became a bank in 1983 and won the Nobel Peace Prize in 2006 for its contribution in the field of poverty alleviation.

Education and Grameen Bank:

Grameen Bank (GB) provides financial services to the poorest and also implements the social development program in order to address the other aspects of poverty. One of the Sixteen Decisions made by its members is the education of their children. One of the ten indicators that Grameen Bank has developed to assess the level of poverty is also education. GB considers a family has overcome poverty if its children who are over six years of age and are physically and mentally fit are going to school or finished primary school.

In the 5 star system introduced by Grameen Bank for 100 percent achievement of a specific task ; a brown star is given to a branch and its staff for ensuring education for 100% of the children of Grameen families. A green star is for 100 percent repayment, a blue star is for profit earning, a violet star is for self financing and a red star is for all members moving out of poverty. All these are the examples of the initiatives that the Nobel Peace Prize winning Microcredit institution took at different times to help the education of the children of Grameen families.

Given the MDG goals and given the objectives, operation and experiences of GB and other MFIs, it can be seen what role MFIs are playing or can play in empowering the children of micro entrepreneurs with education and financial services. As mentioned Grameen Bank has always considered education a necessary condition for poverty reduction. In addition to educating its

borrowers through signature learning sessions and training them on Grameen principles, procedures and other matters related to their socio-economic developments from the very beginning, GB focused on the next generation of Grameen families. Given the fact that there was very negligible enrolment of Grameen children in schools in the seventies and in the early eighties, Grameen started motivating the members to start schools at their centre places in order to make the children school oriented. It was a kind of pre-schooling for the children of 3 years of age and above.

Centre School:

Starting very tentatively with a few experimental schools in Tangail in 1980, the centre school program really got off the ground in 1982 and expanded overtime as the children were regarded as the future of their families, the bank and the society. As few Grameen families could afford to send their children to schools because of costs and other considerations involved (fees, uniforms, health care, school hours, out of pocket costs, books, paper, pencil, pen etc.), the need for finding other solutions became important.

The centre schools adapted to the work and social routines of the village by holding classes in the morning or evening. The centre members were responsible for financing and managing the school. They met the expenses of paying the teachers from the children's welfare Fund developed by their own savings.

Centre leaders encouraged members to send their children at their early age to centre schools for socialization, games, songs, recitations, sports, exercises and learning. The subjects taught were reading and writing in Bangla, elementary arithmetic etc. The children attending centre schools were encouraged to earn to pay for their education. This is as a part of the implementation of 16 decisions of Grameen members who pledge "we shall educate our children and ensure that they can earn to pay for their education". The children used to earn by different means including raising chicken, goats, selling eggs, growing and selling vegetables etc.

The centre school program did not continue for long partly because of the problems of financing, availability of qualified teachers at the village level at a nominal salary, coordination and management and partly because of the fact that the number of primary schools and support programs increased overtime in the rural areas. This was also because many Kindergarten and other such schools (free or against fees) were started by private initiatives in the rural areas where Grameen children could be enrolled. Given the awareness building and given the motivation and decision that all children of school going age should be in schools; Grameen families started taking the opportunities even by paying fees and meeting other requirements (dress, transportation, Tiffin etc.). This happened with the families who could afford it because of their increased income due to microcredit. Those who could not afford it, they sent their children to schools where free education was available.

As stated, the number two of the Millennium Development Goals is to achieve universal primary education by ensuring that by 2015, children everywhere, boys and girls alike will be able to complete a full course of Primary schooling. This means 100 percent enrollment in primary education and 100 percent completion of primary education.

Although Bangladesh has made a significant progress in this respect as a result of efforts made by the Government, non-Governmental organizations and others, it has not yet been able to

fulfill the 100 percent target. Poverty remains one of the main reasons for this. Even those who completed the primary school education, only little over 40 percent of them got enrolled in the Secondary phase. Under this situation whatever support MFIs can give to the children of their clients for their education at different levels will be appreciated.

Grameen Scholarship :

Started with centre school programs GB in course of time wanted to make sure that all Grameen children of school going age (6 years) are in school and have the opportunity to go for higher education. It introduced scholarship program for high performing children of Grameen borrowers with priority on girl children, to encourage them to stay ahead. Scholarships are awarded to the students for their school and college education.

Scholarships are given on the basis of performance in final examinations of different levels of education like primary, lower secondary (Junior), secondary and higher secondary school examinations. It is also given for the achievement at the cultural front.

Scholarships are considered and awarded at different levels of Grameen administrative structure-branch, area, zone and head office. Fifty percent of all scholarships at the branch levels are reserved for female students and the rest 50% are for both for male and female students. Scholarships divided into 5 categories are considered every year on the basis of competitive performance at the Primary, Junior, Secondary, Higher Secondary final examinations and cultural competitions.

There are selection committees at all levels -branch, area, zone and the head office. The process starts at the branch level. Each branch selects 10 students for five categories of scholarships (Primary, 1 + Cultural, 1 +Junior, 2 +SSC, 3 +HSC, 3; in total 10) and forwards the names of selected candidates to the area level. The scholarship committee at the Area level selects 5 candidates with one for each category from the list it receives from the branches. Once the zonal office receives the list of 5 candidates from each area, the scholarship committee at the Zonal level selects 5 best students under 5 categories for the consideration of the Head Office which is coordinated by the Coordination and Operation Department of GB.

The Head Office finalizes the names of 5 best students from the list of the candidates it receives from the Zonal offices every year. Once the head office selection is completed, then comes the turn of the zones, areas and branches. Zonal and Area offices consider 5 candidates each for each category of scholarships. Those who could not qualify for Head office, Zonal and area level scholarships are considered by the branch level committee from the list of 10 students it selected primarily and forwarded to the area office at the beginning. The whole process may be seen as both bottom up and top down approaches. One student is entitled only for one scholarship under any category at any level in the whole process.

As in August 2011, GB has 2565 Branches, 266 Area offices and 40 Zonal offices. It has 8,347,190 number of staff and more than 8.2 million members. The total number of scholarships GB has given up to the end of June 2011 is 1,40,743. The number is increasing every year. On an average GB gives around 25,000 scholarships every year in different categories.

Out of 1, 40,743 scholarship holders up to the end of June 2011, 79,693 are female students (57%) and 61,050 are male students (43%). These are the scholarships for primary, lower secondary (junior), secondary, higher secondary education and cultural performance. The cultural events include games, sports, music, social work, acting, recitations, essay writing, dance etc. These are held

at local, sub-district, district, divisional, national and international levels. Some of the Grameen children won prizes at national and international competitions as well.

Scholarship for Education in International Universities:

Given the mission of empowering the children of poor families with education, Professor Yunus requested different International Universities for giving opportunities of higher education to the children of Grameen families. As a result of this, 38 students (27 female + 11 male) passing through the selection process, got scholarship for higher studies in the following Universities: Ewha Women's University in Korea; International Islamic University in Malaysia; Multimedia University in Malaysia; Tenaga National University in Malaysia and Asian University for women in Bangladesh. They are the students of Medical, Engineering, Agricultural science, Accounting and Finance. As per understanding, Khazanah Foundation will award 5 scholarships every year to Grameen students who qualify for admission in Malaysian Universities. Asian University for women has also committed 25 scholarships per year for Grameen students who qualify for admission. This is something which inspires and excites Grameen children who come from the poor families to strive for better grades to avail of better opportunities for higher education at International Universities.

Higher Education Loan:

Higher education is expensive and in general out of reach of the poor families. It is highly competitive. The children from the poor families who can qualify for this find it very difficult to get enrolled and continue their higher studies mainly because of financial problem. Their parents are not able to support their costs of higher education in terms of admission and tuition fees, lodging, food, books, instruments, transportation/conveyance etc.

In recognition of these constraints and in fulfillment of its commitment to support poor children to go for higher education GB introduced higher education loan in 1997. It is only for the children of those members of Grameen families who have a good track record in terms of attendance, loan utilization, repayment etc. If a member has more than one children eligible for higher education, they are qualified for this loan. Loans are given for studying in Public Universities and colleges. Those who want to study in private universities can also enjoy this loan under certain conditions. The loan is for the whole period of higher education in any discipline. The application for the education loan is made by the joint signature of the mother and her daughter/son. The application is processed at the centre meeting and an agreement is signed by the applicant with the bank.

GB has given education loan to 53,230 students including 12,509 female students. The students are from degree, honors and post graduate courses in different subjects including agricultural science, business, medical and engineering. According to the statement circulated by GB in August 2011, 4,018 student loanees have already completed their higher studies and 1279 students have made full repayment of their loans.

The amount of loan is different for different courses and varies according to the period required for completing the course. The loan is disbursed according to the periodic disbursement schedule. It is continued throughout the period of agreement given the satisfactory progress report.

The higher education loan is interest free for the period of education. A 5% interest has to be paid on the amount of loan from the following month of the receipt of last installment of loan. The repayment of loan starts in installment after one year of getting the last installment of loan as per agreement. It is repaid in monthly installments with interest over the number of years during which the loan was received. However, if any one wants to repay the loan in larger amounts and become loan free earlier, he/she can do that.

Youth Entrepreneur Loan :

GB has introduced entrepreneurial Loan for those who have got higher education loan and who are enterprising, industrious, enthusiastic and hard working. It was introduced in 2008. This is an opportunity created for the children of GB families who want to be self-employed for income earning. This is to encourage them to deviate from the conventional way of seeking job after completion of higher education but going for creating job for themselves as well as for others in business, manufacturing, trading, farming, livestock, IT, fisheries etc. They are inspired to be innovative and take initiative in agricultural and other activities by using indigenous materials and local infrastructural facilities. Their initiatives are required to be environment friendly and less risky.

Students who have completed their education and are looking for employment are given priority for the youth entrepreneur loan provided they believe in Grameen philosophy and principles and care for their family wellbeing. Grameen students who have not enjoyed or are not enjoying higher education loan or completed their education as yet are also qualified for this loan to create a foundation for their self-employment. The loan is given for individual as well as for joint venture.

Although there is no ceiling on the amount of loan under this program, the young entrepreneurs without any business background are advised not to go for big loan before they gain experience.

Loan period, rate of interest:

The loan is generally for 2 years. The loan period may be more or less than two years depending on the nature of the project, its size, business plan, cost and returns etc. The interest rate charged on this loan is 20% per annum on a declining basis. The loan is repaid in installments along with interest payment as per repayment agreement. The repayment normally starts within eight weeks of receiving loan.

A risk fund has also been created to cover the risk of investment under the youth entrepreneur loan program (YELP). The fund is created by deducting 1% from the 20% interest charged on this loan. It is used to support and save the loanee who may incur loss or loose capital in his/her business due to natural calamities, fire, fatal accidents, incurable/serious disease, robbery, hijacking, kidnapping etc. If the loanee becomes defaulter because of any or more such reasons, the fund can also be used to repay the overdue loan of the defaulter. There is life insurance scheme for the loanee under this program where the loanee has to contribute at the rate of Tk. 30 for every Tk. 1000/- loan or in other words at the rate of 3 percent of the loan amount.

Number of loanees and amount of loan under YELP:

Till the end of August 2011, GB has disbursed more than 82 million taka around (\$ 1.9 million) to 1432 young entrepreneurs including 154 female members. They are engaged in different activities including trading, nursery, coaching center, pay phone and fax center, computer training, mobile phone servicing center, tailoring shop, fashion house, clinic and health care, livestock, poultry and fisheries.

The highest amount of loan disbursed for any business under YELP is Tk. 8,00,000(0.8 million) and the lowest amount is Tk. 10,000. The repayment rate is 99%.

Grameen Shikkha

In order to support education as a means of empowerment Professor Yunus created Grameen Shikkha(Education) in 1997 to promote mass education through formal and non-formal methods, create facilities for education and training, promote new and appropriate technologies such as satellite, internet, distance learning methods etc. and to conduct research and undertake experimentation in the field of education.

Grameen Shikkha under its Early Childhood Education (ECD) program has trained more than 1,00,000 students at its pre-schools and ensured that all of them got enrolled in primary schools. Under its Scholarship Program more than 3,200 poor students got scholarships for their education at different levels. More than half of them are girl students.

Grameen Caledonian College of Nursing:

Grameen Caledonian College of Nursing is another example of the commitment of Grameen towards the empowerment of the children of Grameen borrowers. Given the demand for nurses in Bangladesh and elsewhere, Professor Yunus took the initiative to establish this nursing college to provide quality nursing and midwifery education primarily to the daughters of Grameen borrowers in order to create job opportunities for them at home and abroad.

The nursing college was started in 2010. Professor Barbara Ann Parfitt, Former Dean of Faculty of Nursing, Glasgow Caledonian University, is the Principal of the college.

The college has 78 students at present. They have got loans from Grameen Bank to complete their three year course of studies.

There is a plan to establish more such nursing colleges in different parts of Bangladesh in future in order to produce 1,000 nurses every year. Once this is done, it will not only meet the demand for more professional nurses at home and abroad but will also set the example that given the opportunity, the girls from poor families can become professional, take care of themselves and be useful to the humanity.

Education and MFIs in general :

Having stated what Grameen is doing in empowering the children of Grameen families through education and finance, some examples of what other MFIs are doing in this area may also be considered. Many of the small, medium and large MFI in Bangladesh and India which are the

home of more than half of the global outreach of MFIs are providing educational support in the form of education loans, scholarships, educational equipments etc. To name a few of many Grameen Trust partners who are engaged in this kind of services the names of IDF, MSS and Padakhep in Bangladesh, ASA, CMC, SHARE and Ujjiban in India, KOMIDA in Indonesia, LAPO in Nigeria, CSC in Pakistan, Kazama in the Philippines and SPBD in Samoa may be mentioned in this connection.

There are no differences of opinion on the importance of and the need for education of poor children. But given the situation, there is the urgency of defining and prioritizing the strategies that will help achieve the goal of universal primary education. Any program and any strategies should be welcomed for this.

In consideration of the contribution of MFIs and their experiences in supporting the children of their poor clients not only at elementary and primary schools but also at higher levels of education, the lessons learnt from their operation may be widely disseminated for developing an inclusive and responsive system of education for all.

Summit Report:

According to the State of the Summit Campaign report, “As of December 31, 2009, 3,589 MFIs reported reaching 190,135,080 (190.14 million) clients, 128,220,051 (128.22 million) of whom were among the poorest when they took their first loan. Of these poorest clients, 81.7 percent, or 104,694,115 are women. Approximately 91.4 percent of the poorest clients reported are in Asia, a continent that is home to just over 66 percent of the world’s people living on less than US\$1.25 a day. Of the 3,589 reporting microfinance institutions, 981 are in Sub-Saharan Africa, 1,723 are in Asia and the Pacific and 639 are in Latin America and the Caribbean”.

There are more MFIs working in different countries and serving the poor with financial services but not reporting to the MCS Campaign. If most or all of the MFIs in addition to providing financial services, support education of the children of their clients in some form or other, it will be their significant contribution in the field of education as well.

The MFIs know their clients and their socio-economic conditions well. They meet them regularly for microfinance business. Their motivational, awareness building and advocacy role for sending the children to schools can help a lot in increasing enrolment and attendance in schools and also improving the performance of the students. Their support in the form of scholarships, loans and others can create opportunities for poor students to go from primary to secondary, higher secondary, colleges and universities. As 82% of MFI clients are women, any effort made by MFIs may ensure gender balance, and may improve the quality of schooling. It may also reduce the dropout rate at different levels. The students who want to be self-employed and who want to take risk as entrepreneurs may be supported by MFIs to enter the world where innovative ideas and initiatives may be found more rewarding.

Conclusion:

Microfinance has proved its value as a weapon against poverty and hunger. It has pulled millions out of poverty by lending to people who have had no access to the mainstream financial institutions. As GB and many other MFIs are already providing educational support to the

children of their clients, it is possible that MF sector as a whole can do more if MFIs as a part of their social development agenda also support education of the children of their clients as well as children of other poor families.

In Bangladesh, there are more than 1000 MFIs including over 500 unregulated MFI who not only provide microfinance services to more than 20 million clients but also implement other development programs including education for poverty reduction. If all the MFIs make it a point that they will encourage their clients to enroll their children into school and help them successfully passing through different classes it will be a great contribution of MFIs in empowering the children of their clients.

In countries like Bangladesh and India where millions of children are out of school, where dropout rate is high, where girls are in more disadvantageous position, the MFIs who are growing in number, diversifying their products and deepening their operation can play a significant role in at least educating the children of their clients. This limited effort which will ensure 100 percent enrolment of the children of borrowing families in schools, will at the sometime reduce the number of out of school children and help the cause of equity with quality in education for all. The example that GB has set in this respect can be a reference point for the MFIs in different countries who are committed to the overall development of their clients and their next generations.

**Thank you
for your
kind attention**