

A Nobel idea to help Singapore's low income?

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IT was an idea that won this man a Nobel Peace Prize last year — but can it help bridge Singapore's widening income gap?

The concept was a radical one when conceived more than 30 years ago: The extension of microcredit, or very small loans, to help the struggling poor start up businesses.

But after its foremost champion, Professor Muhammad Yunus (picture), won global acclaim for his efforts among Bangladesh's poor with the Grameen Bank, more countries have been looking at microcredit as a solution to rural poverty.

Now, some in Singapore want to see if it can work in a developed economy. At the close of Prof Yunus' lecture organised by the Institute of Policy Studies (IPS) yesterday, chairman Professor Tommy Koh announced that the IPS would convene a brainstorming session with those keen on starting a Grameen-type initiative in Singapore.

The group would put up a proposal to Prof Yunus. In return, Prof Yunus promised to give whatever help and advice was needed. Today understands the session could be held by the month's end.

In his lecture, the Nobel laureate said there was no reason why microcredit — which is practised in other South-east Asian countries — would not work here, in spite of Singapore's advanced stage of development.

Just look at the movement's success in states such as Chicago, New York and Texas. Prof Yunus cited how, with a loan of a few hundred dollars, some started their own laundry services, bought tools to become repairmen or came up with innovative ways to make money, such as helping neighbours buy groceries.

One person who made a living telling stories even asked for a loan so that he could produce cassette tapes to sell, he recounted.

All this has its roots in a research experiment that Prof Yunus, an economics professor, launched in 1976 by lending the equivalent of US\$26 to 42 workers. They bought the materials for a day's work weaving chairs or making pots, and soon paid back the loan.

Since then, the Grameen Bank has disbursed 290 billion takas (\$7.2 billion) and boasts a loan recovery rate of 99 per cent.

The microcredit system took off in the United States after 1986, when Prof Yunus was invited by then-Governor of Arkansas, Mr Bill Clinton, to help alleviate the state's poverty situation.

But top American bankers were sceptical. Said Prof Yunus: "One said, 'In Bangladesh, the maximum loan you would give to the poor people was 5,000 taka (about US\$1,667 then). In the US, if there are poor people, they would be asking for at least US\$100,000 or more.'

"So I responded, 'if your poor people wanted to borrow US\$100,000 or more, then you have no poor people'."

As it turned out, the maximum loan disbursed when the Arkansas programme began was less than US\$1,200, said Prof Yunus.

Describing the conventional banking system as a "super tanker for deep ocean", Prof Yunus described microfinancing as a "dinghy boat for shallow waters".

But he felt that businesses, not governments, should be running Grameen-type banks. Policymakers could instead play a huge role by, in particular, relaxing banking laws and policies for the poor to start their own businesses, he said.

In June, the Monetary Authority of Singapore reduced the minimum income for unsecured loans from \$30,000 to \$20,000 a year- which would enable another 500,000 Singaporeans to be eligible.

But Prof Koh, who is also Singapore's ambassador-at-large, noted that the bottom 20 per cent of Singapore households -- those with a combined monthly income of less than \$2,000 -- are still seen by banks as "not creditworthy".

He said: "They can borrow from pawnshops which exploit them (or) moneylenders which exploit them even more."

In his National Day message, Prime Minister Lee Hsien Loong had singled out the growing income disparity as the "major challenge" to Singapore's "social harmony and national cohesion".

The fact that Singapore has spurned outright welfarism could make it easier for microcredit to work, said Prof Yunus -- since one problem was motivating the poor in developed countries to get off the welfare system.

More than 30 people, including social activist Braema Mathi, answered a call for those in the audience to register their interest in getting such an initiative off the ground here.

Ms Mathi told Today: "It is not whether it would work in Singapore — we have to make it work. We can start by complementing aid schemes with microcredit."

At the lecture was Mr Teo Ser Luck, Parliamentary Secretary for the Ministry of Community Development, Youth and Sports, who said any such programme would have to be "customised to fit within our system" and ensure efforts are not duplicated -- given the array of self-help schemes available.

"Our whole system of welfare is about self-reliance. Micro-financing is something that helps trigger that. It's certainly a model we can consider," he said, adding that Singapore could also learn from one critical factor in Grameen's success — its outreach.

Unlike Prof Yunus, however, MP for Jalan Besar GRC Denise Phua saw no reason why government agencies could not drive microcredit initiatives. She said: "Even government agencies can learn to ... be nimble, think out of the box and challenge conventional wisdom."

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