



# 2013 MBA Microfinance Field Study

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*India and Bangladesh, May 17th – May 26th, 2013*

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## Microfinance and Social Business

As an undergraduate Fish scholar, I consider myself lucky to have been able to participate in the 2013 Microfinance Field Study, coordinated through the Pacific Asian Management Institute at the Shidler College of Business. While the program is geared specifically towards MBA students, I applied for and received special permission to accompany the MBA students on this trip, as the subject matter was directly relevant to my undergraduate honors thesis project. This trip also would not have been possible if not for the travel stipend awarded through the Oscar and Rosetta Fish Scholarship, and I am very grateful for the opportunity to participate in this trip, as it was an experience I will never forget.

I first arrived in Delhi, India, at about 1AM (India Standard Time) on Friday, May 17, after about 22 total hours of travel time. I was actually a late arrival; the rest of the students on the field study had arrived the previous Sunday, but prior obligations made it impossible for me to leave Hawaii until Wednesday. My route took me from Honolulu to LAX, then to Shanghai, and then finally to India. I had been told that there would be a driver waiting for me at the airport, but when I gathered my bags and left the baggage claim area towards where numerous people were holding signs for arriving passengers, my name was nowhere to be seen. To make matters worse, I had not enabled my phone for international service, so I could not call anyone, and in addition, Wi-Fi logon procedures at the airport required that you be able to receive a username and password via your mobile phone! At a loss for what to do, I decided to at least get a bite to eat before trying to figure anything else out.

After some awkward communication with the cashier at the only open eatery at the airport, I received a plate of chicken biryani, which I can only describe as chicken with curry fried rice, and a container of plain yogurt. Not really being sure how to eat it, I decided to treat the yogurt like sour cream, and dumped it onto the rice, which actually ended up tasting pretty good. It almost tasted like Greek food, albeit a little spicier. Anyway, during my meal I realized that I was able to send and receive text messages on my phone (for 50 cents a pop). I got in touch with my fiancée to let her know that I had arrived safely, and she was able to get into my email and forward me the info for the hotel to which I was supposed to somehow find my way. As I walked through the doorway from the terminal to the outside, the heat hit me like a hot, wet blanket. I later found that it was about 95 degrees Fahrenheit, and at 2AM local time! As soon as I stepped outside however, I saw someone holding a sign with my name on it, which was fortunate, because I would later discover that the hotel information that my fiancée had given me was incorrect: it was from a preliminary itinerary that was based off of the prior year's trip!

We arrived at the hotel about a half hour later, and I quickly made my way to my room and took a much needed shower. In the pre-planning meetings for the trip, I had been informed that I would be arriving the night before the last scheduled day in India. The itinerary showed us going to the Taj Mahal in the morning, then touring a couple other sights, and then getting back to the hotel early for dinner before having to leave for our flight to Bangladesh at 5AM the following morning. After my shower and changing into fresh clothes, I decided that I should probably just stay up, since it was already almost 4AM at this point, and we would presumably be leaving for the Taj Mahal in a couple of hours. However, by 8AM, after wandering downstairs numerous times to try to figure out what was going on, I realized that there must have been some sort of miscommunication. Around this time, I ran into the hotel manager, who spoke English, and he informed me that the group had actually left the previous afternoon for Agra, where the Taj Mahal is located, and had spent the night in a hotel there, since it was over a four-hour drive away! The manager offered to fetch me a driver to take me to Agra to see if I could meet up with the rest of the group, but after weighing my options and realizing that I would be attempting to make an 8-hour round trip, only leaving me enough time to tour Agra for about 2 hours, I instead decided to have the driver take me on a tour of Delhi. It ended up being a great decision, as I was able to see in an afternoon what had taken the rest of the group three days to see in Delhi.



Figure 1. Presidential Palace



Figure 2. Indian Army Headquarters



Figure 3. India Gate

First, we went to see the political district of Delhi. I was able to visit the President's palace (figure 1), the Parliament building, and the Indian Army headquarters (figure 2). Afterwards, we drove past the India Gate (figure 3), which is India's national monument, and was inspired by the Arc de Triomphe in Paris. We accomplished all of this before noon and headed to a local restaurant where I had a lunch of garlic naan (flatbread) and mutton roganjosh (very, very, very spicy lamb stew with garlic and peppers). It was delicious, albeit possibly the spiciest thing I have ever eaten, and I went through two 1-liter bottles of water during lunch and immediately after.

After lunch, we headed to some of the other famous landmarks in Delhi. First, we went to see the Jama Masjid, which is the principal mosque of Old Delhi. India is perhaps one of the most religiously diverse countries in the world, and Delhi itself is composed of millions of people from different religions, primarily Hinduism, Islam, and Christianity. The Jama Masjid is the center of Muslim worship in Delhi, and is a popular tourist attraction. I arrived and walked up the large stairs in front of the main entrance (figure 4), but when I learned that I was expected to take my shoes off and leave all my belongings and valuables at the gate, I decided not to go in. I have attached an image of the mosque, however, from Wikipedia (figure 5).

After leaving the mosque, we decided to head to some other popular tourist attractions. By now, it was about two in the afternoon, and the temperature was 104 degrees Fahrenheit. Hot as it was, however, it was an extremely dry heat, as the relative humidity was only about 15%. To put that into perspective, a "muggy" day in Hawaii usually means humidity of about 90%, whereas a cool day will have a relative humidity of about 50%. That day in India, it was such a dry heat that even though I was sweating profusely, my





Figure 4. Jama Masjid

clothes were more or less dry, as the sweat was evaporating right off of my clothes into the air.

Also, because it was so dry, there was a constant haze that was present everywhere, and always. In fact, when I was at the India Gate taking a picture of it (figure 3), I was able to distinctly capture the air conditions in my photograph: although I was only a few hundred yards away from the monument at the time, you can distinctly tell that the monument looks hazy and far off in the distance. That's how the air was the whole time I was there in Delhi.



Figure 5. Jama Masjid Source: [http://en.wikipedia.org/wiki/File:Jama\\_Masjid\\_Panorama.jpg](http://en.wikipedia.org/wiki/File:Jama_Masjid_Panorama.jpg)

We made our way across the city and arrived at Humayun's tomb (Figure 6). Humayun's tomb is actually a complex of tombs, housed inside a large garden area, with the focal point of the entire area being the actual tomb of Humayun, the second Mughal Emperor, and ruler of northern India, Pakistan, and Afghanistan in the mid-16<sup>th</sup> century. I was actually very happy to learn that the Taj Mahal, built in Agra some 60 years later, was architecturally inspired by Humayun's tomb. Both the Taj Mahal and Humayun's tomb are now UNESCO world heritage sites, and by visiting Humayun's tomb, I was able to see not just the central building but also the beautiful grounds and outlying buildings surrounding the monument.



Figure 6. Humayun's Tomb

Finally, in the late afternoon, I was able to do some shopping and buy some souvenirs. The driver took me to a store called *New Delhi Haat*, which was a bazaar with all kinds of merchandise for sale, and I was able to purchase a lot of souvenirs, as well as some of the local garb (Figure 7). Finally, after a long and eventful day, my driver took me back to the hotel, where I was able to meet with the rest of the members of the group, who had just returned from visiting the Taj Mahal in Agra. After regaling them with stories of my adventures in Delhi while having dinner together, we called it a night and packed our bags, as we would be leaving for Bangladesh at 4AM local time.

Immediately upon checking in at our hotel after our arrival in Bangladesh, we were greeted by Haroun, our host and de facto tour guide assigned to us by the Grameen Bank, the company that was hosting the Bangladesh portion of our field study trip. Haroun explained that the next few days would essentially be an extended guided tour of the microfinance operations of Grameen Bank and its sister companies in the central Bangladesh area. We went to the Grameen Bank headquarters building, located only a couple blocks down the street from our hotel, where we met the president of Grameen Bank and were able to learn all about Grameen's business model and their success over the last several years. Afterwards, we were released for the evening and were able to do a little wandering around on our own.



Figure 7. Indian Clothing.

Bangladesh is the most densely populated country on earth, and even the street just in front of our hotel was evidence of this fact. From sunup to long after sundown, this street, no wider than University Avenue in front of UH, was packed at least five vehicles wide in each direction. There were no lane markings, as it would have been pointless at any rate; cars, trucks, rickshaws, bicycles, and pedestrians all simply darted in and out of any available space, and each side of the road was a chaotic mass of animals and machines moving in the same general direction. It was absolute mayhem. It was also extremely hot, humid, dusty, and dirty. After an hour of attempting to walk around the local area, we decided to head back to the hotel.

The next few days were seemingly non-stop, as we were taken to place after place to witness different applications of social business in Bangladesh. In order for this to make sense, and in the interest of brevity, I will first explain microfinance, then social business, and finally provide a brief summary of some of the places we visited.

Microfinance is the practice of lending money to individuals who are otherwise unable to obtain loans from traditional banks, due to their extreme poverty. Traditional banks view people below a certain income level as an unacceptable credit risk, as they are unable to provide any collateral and cannot show evidence of ability to repay. However, microfinance institutions focus on enabling poor people to generate income using money that they borrow, thus enabling these people to not only repay their loans, but also to being themselves out of poverty. Grameen Bank is considered a pioneer in the field of microfinance, and its founder, Dr. Muhammad Yunus, received a Nobel Peace Prize in 2006 for his work in alleviating poverty.



Social business is another poverty alleviation tool envisaged by Dr. Yunus. In the social business model, businesses are created with a specific societal need in mind, such as healthcare, energy, education, etc. These businesses aim to provide services or products to the public at as low of a cost as possible, making just enough to remain sustainable. Many of these businesses may end up being extremely profitable, as low costs are quite attractive, but all profits are directly reinvested into the business, as opposed to a capitalist business model, where profits are distributed to stakeholders in the form of bonuses and/or dividends. In fact, in the social business model, all investors understand that any amounts invested are not intended to bring the investor a profit; rather, they are a more efficient form of philanthropy than a simple donation. A million dollar donation of food, for example, lasts only until the food is consumed; in comparison, a million dollar investment into a social business that raises crops and livestock will continue to be useful to society for as long as the business remains functional, which in a fully sustainable business model, would theoretically be forever.

The first day, we journeyed to a village with a thriving Grameen village center. The village center is the focal point of Grameen's business model. In order to be eligible for loans, potential applicants must band together in groups of at least five members and undergo a training program and commit to weekly meetings. These groups provide moral support for their members, and as the number of groups begins to grow in a village, a village center is formed. Senior members are able to provide advice and support to newer members. Once a group is formed, members may apply for loans (typically less than \$100 to start) provided that they are able to submit a basic business plan for how they will use the money to generate income.

Local Grameen Bank branch managers are present at each village center's weekly meeting to issue new loans and collect weekly payment for outstanding loans (figure 8). Grameen Bank utilizes a weekly repayment schedule to make it easier for borrowers to repay in small, scheduled amounts.

There are incentives in place to ensure that group members support each other in paying their loans back on time. After a loan is successfully paid off, the borrower is automatically eligible for a future loan of up to twice the original amount, an incentive that repeats itself with the successful payment of each successive loan. In the village, we met one woman who was on her eleventh loan. She used her initial loan of about \$50USD to purchase a sewing machine so that she could sell clothes; her most recent loan was for about \$15,000 USD, and she used it to purchase a small structure and additional sewing machines and textiles so that she could expand her business to include four hired seamstresses! This was extremely remarkable because of the fact that, only five years prior, she was homeless and living in poverty, and when we met her, she was a successful entrepreneur, and one of the most successful people in her village.



Figure 8. Grameen village center.



Figure 9. Grameen Danone yogurt.

Throughout the week, we visited numerous other places. We visited a milk collection and processing plant run by Grameen Danone. Grameen Danone is a partnership between Grameen and the Danone Group, which produces and markets Dannon yogurt in the US. Grameen Danone Foods is a social business enterprise which purchases milk from local farmers at fair value, and uses the milk to produce vitamin-fortified yogurt to the children of rural villages in Bangladesh

(figure 9). This provides nutrients missing in many children's diets, and also provides income flow to village members, who Grameen Danone employs to sell and distribute the yogurt door-to-door.

We visited a Grameen Phone village store, which provides pre-paid cell phones to rural villagers. Afterwards, we visited the headquarters of Grameen Shakti (Grameen Energy), which is in the business of providing solar power to villagers to power small lighting fixtures and a couple of outlets (figure 10). Payment for these power systems are financed through Grameen in order to make the systems affordable for farmers, and provide the power necessary for students to study after dark, as well as to charge the cell phones provided by Grameen Phone.

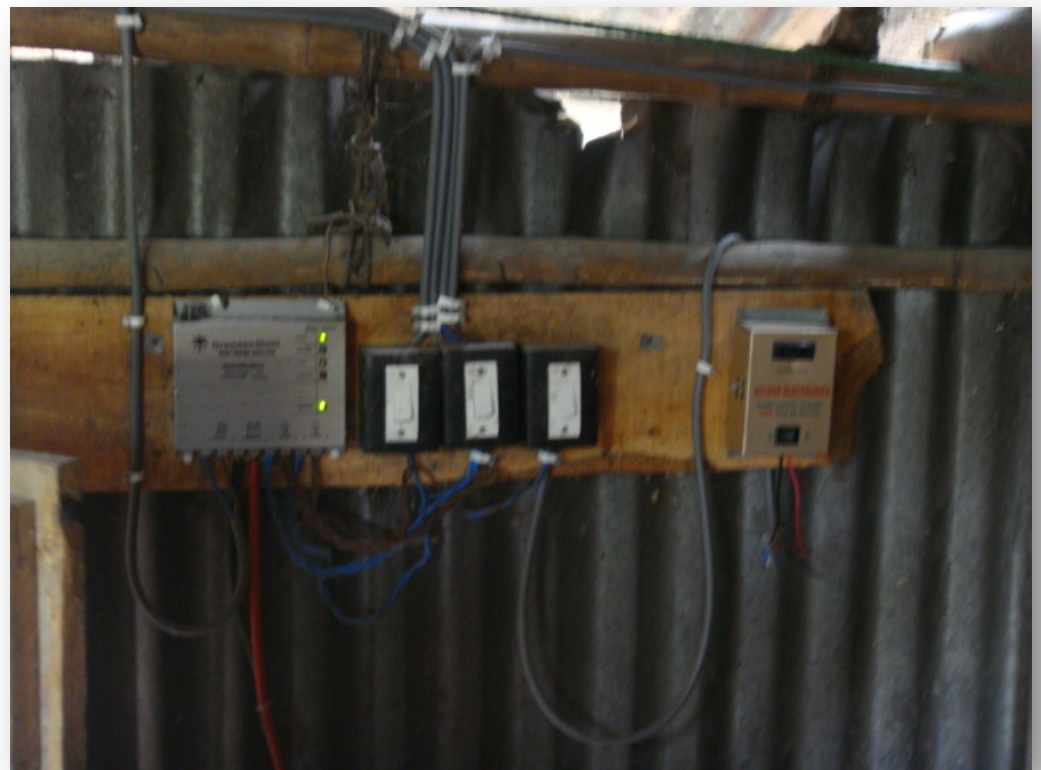


Figure 10. Grameen Shakti home solar power system.



We were also able to meet with a member of Grameen Bank's Struggling Member Program (figure 12), which provides small loans (typically \$20USD or less) to beggars and homeless people. These loans are provided interest free and with repayment terms that are determined on a case-by-case basis. We met with a woman who used her loan to purchase betel nuts and betel leaves, which some people in Bangladesh use in a manner and for an effect similar to chewing tobacco. She is able to sell these products at a profit, and uses the proceeds to pay for food so she no longer has to beg. Haroun was able to explain to us that although the change from beggar to peddler may not seem like a huge difference, in Bangladesh, it actually is a significant change in social status. In Bangladesh, it is often widows and orphans who are beggars in the street, and these people are often largely ignored. The government is not capable of supporting the sheer number of people living in poverty, so the simple act of enabling considered part of a higher social class, but Bangladesh.



After an eventful week of business tours, site visits, and some sightseeing, I left Bangladesh with a deeper understanding of the world of microfinance and its potential to alleviate poverty. One of the questions that came up during one of the informational sessions that we attended was the effectiveness of the microfinance lending model in a more developed country, such as the United States. Interestingly enough, Grameen has already launched its US subsidiary, Grameen America, which has already established itself in cities such as New York, San Francisco, and Los



Angeles. Grameen America lends money to women living below the poverty line, enabling to start their own small businesses and become financially independent and successful. In fact, Grameen America's first office was located in New York, and has become very successful. Being someone who spends a good portion of the year in New York, it was interesting to see my trip come full circle. I learned so much during my trip to India and Bangladesh, and had the privilege of meeting many amazing people who possess not only the vision to make the world a better place, but the determination, skills, and expertise to actually make a difference. As the India/Bangladesh trip is an annually recurring trip sponsored by the Pacific Asian Management Institute at the Shidler College of Business, I strongly recommend this trip for any business student with an interest in microfinance, and I hope that my experience will help pave the way for more Shidler undergraduates to accompany the MBA students on this amazing field study.

For more information on participating in PAMI Summer programs, please visit: <http://pami.shidler.hawaii.edu/summer>

