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Grooming those microfinance fails to accommodate in: System needs major overhauling

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Microfinance is claimed to be a strong poverty elevation mechanism. Prof Dr. Yunus of Bangladesh is said to be the inventor of the system. But presently, attempts are being made to credit the great Rabindranath Tagore with the idea. However, throughout the world Yunus' model is on excessive try to wipe out poverty from the globe. Whatever is the result, the irony is that the system is being sliced between breeder of menace (capitalism) and proletariat rules (socialism/communism) whereas, the mentor simply wanted to show how the have-nots can be brought into financial system. Capitalism claps for its success, but with some ulterior motive that has forced Yunus to talk against micro-sharks and socialism is the sole loser in the game. But the core issue is poverty elevation and for that, the system needs neutralization of the dog fight of the two isms (socialism/communism). Further, the system has inherent quality that needs to be overhauling so that even those elements still resting outside the orbit of micro financial system can be accommodated. While it registers success, the mankind will see a different world.

Key words: Microfinance, Poverty elevation mechanism, Capitalism, Socialism

INTRODUCTION

Microfinance is widely talked about throughout the world. Through the remote part of Bangladesh, it kicked off its journey and gradually flew through the kingdom of light hovering clouds to spread its message. And the target group easily understood and promptly absorbed its mesmerizing effect. This way credibility of the system was established within comparatively short span of time. In a World Bank estimate of about 160 million from the developing countries at present take assistance through microfinance. (Microfinance) However, credit goes to the Bengali economist Dr. Mohammed Yunus who invented in his factory the idea and threw it with a note that it

would effectively absorb the shock of poverty and empower the have-nots to lift their own status at least economically. (About)

It was all along the highest desire to alleviate poverty from the globe. Many attempts were made in the past in this direction on government as well as public levels, but no high grade positive result was achieved. A look into the distant past, gives credence to the fact that the rage of poverty had somehow been managed one way or the other. Gradually, with the advent of industrial revolution the class factor took viable roots that ultimately invited the menace. Lord Cornwallis' (Permanent Settlement 2014)

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had created a major rift between so-called blue blood and the peasants in this sub-continent. With passes of time when two world wars ensued, there had been a serious catastrophe. The events made the menace more acute. The advent of revolutionary philosophy is very important in this context. It raised hope for the oppressed class. But for one reason or the other it backfired. Majority of mankind faced miseries in a hard way. The fair sex from fragmented Union of Soviet Socialist Republics (USSR) was the direct victim of it. They had to spread their wings around the world in search of possible customers who could use their body. More to say about such miseries! Majority went below the poverty line; the whole world was groping into gloom. But the fact is that poverty is not caused by scarcity of food. Twice the number of calories needed for the mankind is produced in the world. The available food can feed double the existing number of people but one third of it is wasted. It is the system that creates poverty. Food production and distribution is in the hand of a particular brand of people who dance in the tune of capitalism. That's why poverty exists. Hapless people become hopeless. (Nistor 2013) But it is the darkness that follows the light; it is natural that in the belly of hopelessness is born the rays of hope. That hope came up in the form of microfinance, a torch bearer for the neglected segment of the society which was and still is kept outside the orbit of modern banking system for one reason or the other.

But it is not that Dr. Yunus was the first person to work on it. If eye balls are moved on history one can find the Nobel Laureate Rabindranath Tagore (1913) who had the credit to commence microcredit over a century ago. From Kaligram Krishi Bank and Shilaidaha Estate account statements, it is known that out of his philanthropic activities Tagore brought forward idea of free of charge and minus collateral micro-credit to the poor village farmers when he established the bank named Kaligram Krishi Bank at Naogaon district in the year 1905. (Majumdar) According to the concept the borrowers were fragmented into groups, and each group had five members. Interestingly but nobody knows whether it was a co-incidence or Dr. Yunus' five-client group was the replica of Tagore's, which Yunus attempted intentionally to keep out of public knowledge.

Further, there appeared credit unions and lending co-operatives. They have been at work for over hundreds of years. In the fifties and onwards micro-finance institutions (MFIs) were established to grant agricultural credit on subsidized rates to the small farmers on the hope of enhanced income and better yield. Both governments and donors were involved in it. Next came Micro-enterprise credit which made the poor women its target group. It allowed funds for small business and income generation. On that pattern Non-governmental Organizations (NGO) emerged. But Dr. Yunus' modern micro-finance showed a new dimension and left behind all as it

is said.

In recognition of his concept the United Nations marked the year 2005 as International Year of Microcredit (Bank). Today it holds so much importance that it has become bait to any international loan/ grant.

Microfinance and its clients

Microfinance means financial support of various natures like credit, saving, payment, remittances etc for the poor and low income people minus the destitute and those who provide the services are known as MFIs (Micro-finance Institutions). It may be granted to individuals or a group. But the amount involved in this connection is always meager. Why is the amount peanut? The reason may be that he/she who never counts accumulated amount will be in trauma having loan of a big amount. What will he do with the amount? And if he is given at all the way out he will be in constant fear of losing it in transaction. Yet again, will he be able to provide necessary amount to open an account and who will assist him in transaction matter?

On such background it is easy to conclude micro-credit service is not feasible for them. But who will deny them when they are already enjoying the service though in a different way. Since ages there remains a practice of private lending in the subcontinent. The lenders provided the poor service with high interest without any collateral. Names of Muslim Pathans and Hindu Marwaris are referred to in this connection. Not only that the poor form groups but also collect money from the members of the group/s for keeping in safe hand though sometimes the safe-hand turns into rogue and leaves no stone unturned to pocket fraudulently their savings. The amount so collected is given to members turn by turn. Further, they buy gold, jewelry, animals, buildings etc as investment. In case of need they can be turned into cash. They buy commodities and sell them with margin when demand is high. All these are transactions one way or the other. So, there is no reason why they should not be allowed to use micro-credit.

Initially microfinance crawled into a simple loan giving mechanism but it gradually turned into a movement. In the process borrowers' savings were emphasized upon. And an incentive of comparatively big amount of loan was given to those who ensured timely repayment. Micro-finance has no conformity with modern banking system as the former's credit has no collateral. Further, unlike unlimited bank loan its loan amount is very limited. But its recovery ratio is more than 95% (Feiner et al 2014) whereas commercial banks' is 63%. (Mondal 2014) Though, lacks dependable data of poverty affected people, the main target of the programme is to accommodate those belonging to the upper as well as lower sides of the dividing line of poverty. In urban areas, they are

often self employed, house based entrepreneurs and others while in rural areas they are involved in small income-generating activities but in no way the customers are farmers. In majority cases the target group is the fair sex.

But only recently on the land of Dr. Yunus, attempt has been made to include farmers as clients of the micro-finance. The Governor of Bangladesh Bank Atiur Rahman is on high hope that Dr. Yunus' concept will be replaced by Tagore's ideas. (Jacob)

Microfinance in Pakistan perspective

Thirty to fifty million people in Pakistan live below the poverty line. Above half the adult population are illiterates. Primary healthcare facilities are not available to nearly half of the population. Discrimination against women is rampant. (Haq, 2000) To change the destiny of the poverty stricken people NGOs in bulk took up the challenges. In an account, the number of such organizations is between 8000 and 16000 or even more if unregistered NGOs are counted. Their influence is enormous though some of their bad influence cannot be ruled out. Their strategies are counter-productive for Pakistan. (Sukhanver, 2010) Beside NGOs Pakistan Government too adopted various short term and long term steps. The Pakistan Poverty Alleviation Fund (PPAF) may be mentioned in this connection. It was set up in the year 1997 in line with Palli Karma-Sahayak Foundation (PKSF) of Bangladesh. Its target was both urban and rural poor communities. Its purpose was to give flip to their income. It is a private, non-profit and limited company. Various organizations work under its patronage. The parent body and the World Bank contribute to its project. (Financing)

At the start, PPAF signed accord with 5 followers. Later their number increased. They are said to be extending assistance directly to the underprivileged so that they can find ways to enhance income, improve community physical infrastructure and help the women get economic uplift. (Yusuf et al., 2014) It is said that the fund has its own evaluation mechanism to assess its programs. It gets feedback from its own sources. According to Gallup Pakistan survey 2005 in which 3000 households were taken as a sample. Among the sample 1500 were borrowers. The survey results show PPAF micro-credit condensed the overall poverty level by 3.07 percentage points. However, it admitted extremely deprived borrowers' poverty status slightly went up (Yusuf et al., 2014).

A peep into the global financial crisis depicts that the microfinance institutions were hit hard. The lending growth was constrained because borrowing opportunities were shrunk. Profitability graph came down. And the low income customers were charged with high rate of interest. Despite the adverse situation worldwide, the

micro-finance is still the only hope for the poor. Therefore, Pakistan has no other alternative but to take steps to make the system viable. But the major problem is that the Pakistani borrowers are charged with the interest of 22 to 24% (Aazmi (2012)) while Bangladeshi borrowers get loan at flat rate of 11/12%. (Grameen) It may be termed as denial of major benefits to the Pakistani poor. It surely overburdens the target group. But why is it so? An investigation shows that expenditure of the micro-finance institutions in Pakistan is very high. The employees are recruited on high salary with necessary perks. Office decoration is given preference while borrowers' interest is kept on low ebb. Further the source of capital for micro-finance institutions are commercial banks, PPAF Fund and foreign source. The commercial banks lend at the rate of 13 to 15pc while PPAF 10 to 11pc. (Is microcredit working?) And with the foreign funds many 'ifs and buts' are attached. A close look gives impression that these institutions are being run on the existing banking system.

In Pakistan, the Bangladeshi institutions like Association for Social Advancement (ASA) and BRAC (Bangladesh Rural Advancement Committee) BRAC are in operation. They are conducting their operation successfully. In the year 2011, ASA claims to have net income Rs. 140 million. (ASA chief) Interestingly only 8 to 10 persons from Bangladesh are running the show. The rest are employed from local sources. Interestingly, local employees have been showing their class in their performance. The question now is how do the local employees give their maximum labor to the project when it is generally said that the Pakistani workforce are not ready to give their labor properly. The fact is that it all depends on how the institution runs the affairs. A small room is used by the ASA's operational head in Pakistan. The man in the helm of affairs, hardly sit in his office at Pakistan Employees Cooperative Housing Society (PECHS). He regularly visits various sub-offices to overview the performances. Sometimes, he even goes to the lower level operation areas to directly talk to the target group members. All the employees are seen strictly maintaining official timings and other decorum of the institution. If one is seen negligent to his duty he is dealt with sternly.

One morning the former head of ASA Pakistan Mr. Mosharraf Hossain, asked his driver to get ready for a tour into the interior of Sindh. For no purpose he took me with him. He ordered the vehicle to stop on various points. On one point which was a narrow lane filled with filth, he talked to a group of women who looked extremely poor. During the discussion, he marked an elderly woman managing the transaction all along on behalf of the group members and the latter were all dependent on her. Immediately he broke the tradition and asked all the members to physically meet the officer to deal directly. His action was aimed at making all aware of the transaction and thereby developing their individual quality. On another point the person in-charge of the section was not

available in office while his petty cash was lying open. Even the account book maintenance was not proper. Immediately, the person in-charge was called on cell-phone and asked to accompany the boss to Head office in Karachi only to face music but in no way the door of mental reformation was shut in his case. This way every day Mr. Mosharraf was seen moving hither and thither with the sole purpose of seeing his organization running in proper manner.

While floods left a devastating effect on the economy in Pakistan, local NGOs made it a point for proving their loss in the transaction. But it was ASA which showed no such loss, rather profit. (According) Thus, ASA has left behind mark of instance for others but alas, Mr. Mosharraf had to pay price for his sincere work. However, the fact remains that the success of ASA Pakistan is considered to be the triumph of Pakistan and it is bait to acquire foreign aid for the microfinance projects.

Search for mechanism to accommodate the poor

Historical account shows there was a long hunt for an alternative to the Adam Smith's economic theory based on demand and supply. Initially, Adam's effort turned into a good mechanism that could help establish a logical link between two persons. Gradually it was held to be a system in which more people found a way to interact. With the passes of time, one society came closer to another on economic count and thus a nation learned how to use the economic barometer to make progress. This barometer is known as capitalistic theory. According to this theory, country's trade and industry will be in the command of private owners rather than the state. In other words it means free market. (Capitalism) The economic matter should go on its own pace. There must not be any interference in its ongoing process from any quarter particularly the government(s). The reason given is that any hindrance will only derail the process from its journey towards its logical end and thereby the desired result will not be attained. It means it was assumed as a perfect system.

Probably, the initiator of this theory never realized the dangerous turn of his theory that has threatened the existence of the mankind today. It is proved that within womb, the system brews discrepancy among mankind. Poverty germinates within the system. (US 2005) Therefore, the grand majority of mankind is its victim. (Engler 2014) It is said only microscopic minority who never give their physical labor pick the benefit for making their own destiny while the rest who give toil are made to play the role of servers. (Tabor) This led some humanistic souls to look for an alternative and the substitute came out with a bang from the work of none but Karl Marx and Angles.

Karl Marx's theory was proved to be scientific steps for quick advancement of its practical use were taken. It

showed its success which travelled through the Siberian winter and reached various warm points in the globe. But within the turn of the century, the power of the have-nots lost the ground for one reason or the other. The process of change suddenly moved on reverse gear. And over its demise the capitalism revamped with more crude form. And at last the modern micro-finance appeared like the leviathan which proved to be nailed in the last coffin of communist system. In other words this aspect is the eventual mode of excellent capitalism. (Armitstead)

Interestingly like Adam, Dr. Yunus too seems to be not aware of negative consequences of his system. Probably, he did not study why the time machine idea was finally discarded by the greatest scientist Einstein. Yunus was in fact concerned with the fate of the have-nots and thereby on a lookout for a way out for them. He said, "We created microcredit to fight the loan sharks." (MacFarquhar) He came to the conclusion that the existing modern economic system would never accommodate them within the system for changing their fate. So, he put emphasis on a different system. In search of the new one, he had to come down on the ground level for testing its vitality as well as viability. And when he found a ray of hope he threw his system to a group of top bankers who judged it as a sheer madness. But Dr. Yunus was hell-bent not to give in. He continued his efforts. However, he got a leap forward when a foreign journalist picked his case and the outside world evaluated it as positive. On ground he launched the Grameen Bank (rural bank) project to prove his microfinance system's practicability. It looked workable. Soon the message spread like a wildfire and finally it reached the corridor of the world body.

The need not to mention that the world body's key control is in the hands of those who believe in Adam Smith's laissez faire economic theory, but not on the hands of Das Capital followers. So whatever comes in conflict with the standard the world body ultimately discards it. In other words, the body is very much choosy in policy making and implementations. Though with the advent of the New World Order everything came within the control of the capitalists, one pinching point remained the cause of discomfort for people in the helm of affair. They had the bitter experience of how the have-nots were enticed to the left lining politics and how the capitalistic barometer was hit hard. The world saw how the mighty Americans were held hostage in Vietnam within the periphery of diehard revolutionary dwarf! How half of Europe crossed the limit of evolutionary myth by conversion into revolutionary deology! So with the fall of USSR, the capitalist block left no stone unturned to tighten the belt so that rebirth of revolutionary process was effectively tackled. But they were aware the tunnel through which the vast majority whose priority was not given preference, might crawl to put up challenge with renewed vigour, remained open. So, they were on the lookout for an effective mechanism to shut entrance of

the subway. Consciously or by sheer chance, Dr Yunus truly provided them the clue. In his microfinance mechanism they found the so-called solution as it somehow engaged the have-nots in a process without any sacrifice on the part of capitalistic heavyweight.

That's why they all praise it and emphasized on its wider implementation. They are not ready to hear anything against it as the first ruling of microfinance is *Don't criticize microfinance*. (Sinclair 2014) They linked the microfinance system with the loan and grant to the needy states. It means one has to implement the system before getting monetary help.

Scanning of capitalism and microfinance

In fact, microfinance is in no way the solution of the problem. (Microfinance) It is just an eye wash. It may be a mechanism to stab communism that challenged the crude capitalism in a hard way but it is not an answer to sky high economic gap between haves and have-nots. The early research reports gave hints that microfinance was ensuring extra-income and more consumption, and that was bringing the borrowers out of the net of poverty. But later it proved to be an assumption.

Recent analysis could not prove it. (Rosenberg 2009) There was no evidence poverty was conquered. But fight is on against it. At least the poor have gotten a toy which they can play with. The data available is that the patience of the downtrodden is not yet exhausted. They value the system and are on the belief that it will change their destiny. The proof is that whenever there is a new offer of microcredit people throng in numbers. No proper advertisement is needed. It means they want to avail new opportunity surely on belief that it will have a positive consequence. But why? The reason is that the intending borrowers had no previous idea about borrowings. They cannot even think of an angel who can come to them with a silver plate. They are accustomed to be neglected. So, an offer to them has changed the whole complexion. Further, media hype has direct impact on them. They, therefore, love the system like a hapless drowning sailor finding a ray of hope seeing a floating straw in the water. They find no other alternative.

An industrialist (capitalist) borrows money from another source and at the same time a microfinance agent (poor) too takes the fund from another source. But why does the use of funds gives different result to them? Why is the former allowed to pocket huge profit whereas the latter earns only a bare minimum needed for survival? Does it mean it is done to maintain class system? Does inherent contradiction exist in the system? Further, interest rate on the borrowed funds is different for those belonging to the upper ladder of the society and for those who are hand-to-mouth. Even a Bangladeshi court raised the issue of high markup rate (Jacob, 2013). The Awami League

government there made the issue a ploy to remove Dr. Yunus from Grameen Bank management. The question is what's the logic behind heavily charging interest from the people from the lower echelon of the society when the source of lending is the same? Argument may be cited on the question of operational cost in favor of heavy interest rate. But there are ways to cut the cost if rational approach is made. But who will tread the path? After all there is a fear a blind may spread prick on the way of others if he is shown the way. Further, when 60% of the lending for industrialists turns into bad loan there appears no question of heavy operational cost. How absurd the logic is! Morality demands downtrodden should be allowed relaxation on the question of interest so that they can come up fast to catch the ladder of progress. But the scenario is just the reverse. Does it not mean lack of sincerity on the part of the lenders who dance on the tune of capitalism?

It is argued that the downtrodden have strode a long way through the microfinance. There may be some truth in it. In one account those who took help from the microfinance were in better off position than those who lacked that assistance. Members of BRAC have boosted their fund users' expenditure capability by 28pc and asset by 112pc whereas, the Grameen Bank clients have enlarged their income barometer by 43pc in comparison with those of the assistance opportunity. (About) The account may be right or may be wrong. Instances from Nigeria and Mexico give painful state of the clients of microfinance. In some cases the per year interest charge touches 125pc mark. (Macfarquhar) Yet for argument's sake if at all it is right, does it mean the goal has been achieved? Have the poor touched the height? If yes, it means the poor have got their due. In other words they are not allowed to see beyond the limit. Here comes the cat out of the bag. If any system allows the poor moving fast to cross the boundary then the day is not far off when rich-poor gap will be shrunk. The capitalist block is very much aware of it. That's why they have allowed the downtrodden to have the oat, not the fresh meal. They must not dig their own grave, anyway.

Further, if for argument's sake, the march of the downtrodden still goes on, then will the microfinance create an atmosphere in which the poor will be able to compete with the rival haves? Has the system required viability as well as vitality to absorb the shock that comes from the side of the haves? Surely not. In fact it is like a wheel chair specially made for the lame. The disabled may be seated on the highly sophisticated chair but he will never be cured of his inability. It leaves impression that the system of capitalism gives only lip service to the solution of the problem. It is in no way sincere to rationalize the system. In fact, capitalism relies on division of the masses on class basis. In equal/equitable distribution of wealth it finds its own death. So, whatever guarantees maintenance of the status quo and at the same time

allows presentation of a piece of bone before the hungry dog is the ultimate choice of the system. At least in microfinance such a signal is present as it somehow has regulated the downtrodden within barometer of a system like carrot and stick game.

Microfinance and dialectical process

According to Dr. Yunus, interest rate on microcredit should vary between 10 and 15%. Beyond that line is considered as Red Zone. Ones who demand mark-up beyond that ratio will be marked as interest sharks. (Macfarquhar) But critics assert it as a simple idea. Operating cost involved in micro financing differs from country to country because of various negative factors. The argument cannot be set aside as a senseless assertion. But when the ratio touches more than 100 marks in any country such an argument looks absurd. There are reports of huge interest rate levied on microcredit. It means interest sharks are there and an element works behind it.

In fact, nothing is static; everything is on motion. Problems arise; ideas develop. Problems of the poor came up and Dr. Yunus found out a solution. It caught the attention worldwide. It is a positive aspect of the system (thesis). But the system is not static. It is in motion. Negative element cropped up from within (anti-thesis). The big business is the torch bearer of that element. Those who initially turned down Yunus' idea as madness all of a sudden discovered in it a new taste. It was sweet. It was like a game-riskless of course. So, they jumped up into the fry pan; invested a big chunk of funds and earned huge profit at the cost of the poor and the poorest. There appears much hullabaloo against the practice. (Karmani) Initially sporadic dissent voice was heard but nobody cared. Even people with microfinance background started feeling uneasy on the behavior of the renowned bankers and the intermediaries. On their censure, the critics were kept outside the orbit of any seminar on microfinance. In those seminars they intended to show only the positive side of microcredit. (The dark side 2012) Yet criticism did not stop. Gradually the barometer of bitter tone is widening. In that tone it is said, Dr. Yunus is portrayed as the good Shepherd but his flock go berserk. (Ibid)

There appeared certain criticisms that link the wrong practices of the big business. They consider them as the blow to capitalism. They describe microfinance as the savior of capitalism and regret the system that infused necessary blood to the vein of capitalism which suddenly faces severe onslaught. They want rational capitalism but find the gloom around, thereby arresting the ongoing wrong course. They fear continuous failure of capitalism to feed the world poorest may turn the clock in favor of

communism. Communism or no-communism the platform can't remain vacant. It is for sure something new must get birth out of the clash between the thesis and the anti-thesis. It means the two elements will be synthesized. This way dialectical process will complete its round. Microfinance will appear in new format. Who knows if the new brand of microfinance may part ways its link with capitalism!

CONCLUSION

Through micro help to the basket weavers, Dr. Yunus showed the way and Grameen Bank came to fore. This enticed the financiers in Geneva and Washington to invest and thus initially they earned reasonable profit allowing poverty to wither. But the later development has failed to leave evidence poverty has been reduced. (Effectiveness) There are reports that 200pc interest rate are being charged for a tiny loan in the name of microfinance. The reason is that the holy men are not in the helm of affairs of microfinance. The sector has been seized by the exploiters who instead of helping the poorest segment of the society have misused the sector for their own business. They amassed huge profit. Deutsche Bank, Standard Chartered Bank, Citybank and the like are named among the ultimate beneficiaries. (Armitstead 2012) So, it is wise to keep the big sharks (modern banking) away from the microfinance system so far operation is concerned. The investment from their side will only derail the whole system.

It will be wise enough to rationalize the yearly income of the MFIs through distribution among the loner body and the borrowers on the basis of percentage decided through regulations. One NGO in Pakistan is reported to have earned 25pc of its investment. (ASA) So, there is no reason why others cannot do the same. The share of the borrowers in the distributed amount will be deposited in saving account on which they (borrowers) will be allowed interest. Money from that saving account will be invested to accommodate new borrowers. This way the poor will be eligible for two-way income. At the same time new fund will be generated from within. This way, gradually microfinance will move towards independence.

Further all the commercial banks should contribute a chunk of fund proportionately, as is determined by the top bank of the country, from their hefty yearly income to a fund maintained by the top bank to be used for microfinance. Against that chunk of money no interest will be paid to the parent banks. And that money will be channeled as interest free loan to the micro-credit organizations. At this stage, strong and properly punishable laws must be enacted to deal with the persons misusing the fund. The creditors will be allowed to charge minimum interest from the poor agents of the microfinance system. This way the high interest rate in the existing

microfinance system will be marginal. Further, following the interest free loan to the MFIs it will be rational to make a provision to bring within the fold the most neglected segment of population who are still outside the microfinance radius even if they have to include in debit pool. It is, of course, difficult but not impossible. Already two NGOs in Bangladesh have already made a try. One of them created a fund out of profit and distributed it among the people like beggars. Taka 1000 per head was fixed. The result was not so discouraging. Only twenty percent amount went into bad debt. It means the recovery rate was 80pc. (Discussion) The result indicates that this segment can be accommodated into the fabric. Though it will be difficult to include them in the entrepreneurship criteria, their physical power can be utilized to justify their inclusion in the system. Initially, less number of such people will be added to the program as a test case and gradually more of such cases can be included in the program. After all it is the responsibility of the society, not the individuals alone, to feed the pauper.

Commercial banks may raise eyebrows on the idea and argue that maximization of fund is one of the main targets of every commercial bank. So, under what ground would their income be slashed? Surely the argument bears weight. Further it would have been weightier if the commercial banks could have evolved an effective mechanism towards bad debt scheme. It would surely ensure further maximization of income. But the reality is just the opposite. The bad debt scheme has happily been accepted. But why is it so? Is it because the rich people are eligible to such a benefit? Probably the capitalistic lesson is not to allow the big shots to turn pauper and the pauper to go rich. That's why the possible raising of eyebrows on the question of contribution to the micro-finance fund.

But in reality on such contribution the commercial banks would not face monetary crunch. Only what is needed is to tight the belt around the loan defaulters and to take lessons from the microfinance system as to how to recover the invested money. Meanwhile, much water has drifted down the river Indus. Even the promoters of capitalism have realized the need of microfinance at least for the safety of the free market system. (Armitstead) Microfinance system needs rationalization. And for that it needs charity. Charity can come only from the moneyed, not from the pauper. Without proper microfinance the downtrodden section of the society would not be brought into the modern economic barometer. Yet, if they are not brought within the barometer who knows if history would not repeat itself. The downtrodden section may prove to be a threat and can be used against capitalism again. One can remember once this neglected class rose up and established communism in Russia and elsewhere. Yet again this section took active part in falling down communist government in Poland. What's a magic in the force of the downtrodden!

Conflict of Interests

The authors have not declared any conflict of interests.

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