

Banking on the Poor:

The Banker who is Changing the World, One Micro Loan at a Time



by Peter Heslam



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This year's Nobel Peace Prize has been awarded to Muhammad Yunus, champion of microcredit and founder of the Grameen Bank in Bangladesh. Peter Heslam assesses the work of a remarkable man who with his enterprise solution to poverty is changing the course of history.

‘Some are born great, some achieve greatness, and some have greatness thrust upon them.’ For many in the last of Shakespeare's categories, a profound moment of insight proved crucial. Thus it has been for many key figures in Christian history and thus it was for Dr Muhammad Yunus, a Muslim professor of economics in Bangladesh.

His moment came during a devastating famine in 1974. ‘While people were dying of hunger in the streets I was teaching elegant theories of economics’, he recounts. ‘I started hating myself for the arrogance of pretending I had answers. We university professors were all so intelligent, but we knew absolutely nothing about the poverty surrounding us.’

He decided to visit a small village, where he interviewed a young mother making bamboo stools. Without being able to borrow from a bank, she took loans from middle men in order to buy bamboo. But after repaying exorbitant interest, her profit was

negligible. She was, Yunus concluded, trapped in poverty.

The following day, he returned with some of his students. They discovered that over forty villagers owed a total of \$27 to the money men. ‘I couldn't take it anymore’, says Yunus. He pulled out \$27 from his pocket, handed it to them, and urged them to use it to ‘liberate themselves’ from their creditors, paying him back whenever they could. Over the following year, they all paid him back, a tiny amount each day.

Thus was born the vision for the Grameen bank – a bank that would grant minute loans to poor people in the expectation that they will repay it through the profit they earn from enterprise.

Bankers laughed when Yunus first told them his idea and showed him the door. They regarded him as a mad professor with a well-meaning but utterly unworkable scheme. They're no longer laughing now. Microcredit has circled the globe, helping over 100 million people escape poverty. Many of the first organizations to get involved were

Christian, such as Opportunity International. The financial viability of microcredit is now attracting the attention of some big commercial banks like Citigroup, Deutsche Bank and HSBC.

But its impact is as much social as economic. As 97 per cent of Grameen clients are female, the bank is having a liberating effect in societies that are repressive of women. Partly for this reason, some branches have been targeted by violent Islamic extremists.

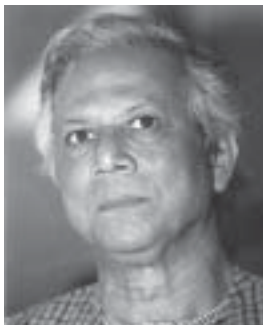
While no human system is perfect, and development strategy has been riddled with false dawns, there are several reasons why Yunus' efforts deserve attention, not least from Christians.

First, they represent a sustainable business model. Although many of the more recent microcredit organizations are dependent on donations, the money the Grameen Bank lends comes only from interest earned on deposits.

Second, they reflect a mature and responsible attitude to debt.¹ A shadow side of the Jubilee 2000 and Make Poverty History

campaigns is that debt is now regarded by many as a curse. Some dismiss microcredit on this basis, overlooking the fact that the loans may only be used to fuel wealth-generating activities that will pay off the loan. Indeed, clients will only be granted further credit if they succeed in this. Good stewardship is rewarded and bad stewardship punished, therefore, in a way reminiscent of the Parable of the Talents, which involves the recipient of a micro loan mistaking its potential.

Third, the Grameen Bank operates by putting relationships at the core. Clients are organized



■ Mohammad Yunus ■

into small groups within which they hold each other accountable - further loans will only be given if *all* group members pay

off their current ones. Moreover, the bank visits clusters of small groups weekly, thereby keeping in close contact with its six and a half million clients. This relational paradigm resonates closely with the Judeo-Christian tradition, in which relationships are paramount, and helps to account for the bank's staggering 99 per cent repayment rate.

Fourth, in combating the injustice of poverty, Yunus is promoting peace. Pope John Paul II insisted that peace can only be built on the foundation of justice, declaring that 'another name for peace is development'.² The same idea inspired the Nobel Committee,

which announced on Yunus' nomination: 'Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty.' In hungering and thirsting after justice (a more accurate translation than *righteousness*), Yunus is doubling as a peacemaker and is therefore, twice blessed (Mt 5:6, 9).

Fifth, the Grameen bank is founded on Yunus' unfailing trust in the human potential of the poor. Refusing to believe the poor are not credit-worthy, he insisted that the commercial banks, in refusing to serve the poor, were not people-worthy. His confidence in the poor even extends to beggars. Lacking any form of collateral, they are not asked to sign a loan agreement and are charged no interest. All the bank has as security is its trust in them. This resonates with belief in the inherent dignity of the human person.³ Because of their creation in the image of God (Gen 1:27), human beings are the clearest reflection of God on earth and therefore deserve dignity and respect. Indeed, it is because poverty mars the image of God in human beings, that finding solutions to it is a moral obligation.

Lastly, Yunus' story is a reminder of the priority of actions, even small and seemingly insignificant ones, over words. It was in taking such actions, rather than in further theorizing, that he found a solution to global poverty. Macro-problems really can be solved with micro-solutions, *providing* such solutions are grounded in reality. 'Give someone a fish and they can eat for a day. Teach them to fish and they can eat for a lifetime', runs the old

adage. Yunus' story indicates, however, that we can teach someone all there is to know about fishing, but if they cannot afford a net, they will still go hungry.

For these reasons, Christians ought to be amongst the first to congratulate Dr Yunus. But such congratulations need extending to the thousands of anonymous women who have become entrepreneurs through embracing the opportunity offered to them in the form of a tiny loan. Credit must be given where credit is due.

Hopefully the Nobel Prize, which has been awarded both to Yunus *and* the Grameen Bank, will help microcredit to move further towards the centre of global finance, as commercial banks come on board. In the meantime, Dr Yunus stands as testimony to another saying on greatness: 'Man is only truly great when he acts from his passions' (Benjamin Disraeli). To this we might add, echoing Jesus' words on greatness (Mk 10.43), that this is especially the case when those passions are directed towards the service of others. ■

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Notes

- ¹ Debt has been vigorously debated in this journal. The last edition (10.2) has an article on it by Lord Brian Griffiths.
- ² *Centesimus Annus*, #52.
- ³ Pope John Paul II speaks of the need for 'trust in the human potential of the poor, and consequently in their ability to improve their condition through work' (*Centesimus*, #52).