

Book Review

Yunus, Muhammad with Alan Jolis, *Banker to the Poor, The Story of Grameen Bank*, Aurum Press Ltd, London, 1998, ISBN 978-1-85410-924-8, pp 313, Price: UK Pounds 8.99.

It is the firm conviction of Muhammad Yunus, winner of the Nobel Peace Prize, that poverty can be eradicated and put away in museums once and for all. As the author puts it, the bottom line of his belief system is that 'poverty does not belong in a civilized human society. It belongs in museums'. This is what motivated this stalwart to establish the Grameen Bank in Bangladesh, the pioneer in the field of micro-finance for the poor. Today, Grameen Bank can boast that it provides 2.5 billion dollars of micro-loans to over two million rural poor in the country.

The book is essentially the memoirs of Yunus charting the obstacles along the way, and with the sheer will and perseverance of the founder and his staff, resulted in it becoming a success story. Yunus started out as an ordinary university professor, when the idea struck him that people were poor because the financial system which could help them simply did not exist in Bangladesh.

To this end, he carried out lengthy 'battles' with the World Bank and local banks in his own country, to try and sell them the idea of microcredit loans for the less privileged. Some of his efforts reaped good harvests, but more often than not they proved exercises in futility. In discussing his interaction with the World Bank, he provides startling insights into the workings of multilateral aid agencies, for instance, in how aid projects in the developing world give rise to enormous bureaucracies that are corrupt and inefficient and end up incurring significant losses. As he states, if aid is sent to a country such as Bangladesh, it is invariably used to build roads and bridges and such like, which the government claims will help the poor in the 'long run'. But, continues Yunus, in the long run we are all dead and nothing trickles down to the poor. The author firmly believes that development aid should aim at directly eradicating poverty, and that development should be regarded as a human rights issue and not one of merely GNP growth. The idea behind all aid is the 'bigger the better', with scant regard for the quality of the assistance.

While working with the poor over the years, the author dispels many myths and clichés about the poor, such as that the poor are not creditworthy, that they cannot save, that the poor need to be trained before

they can undertake any income-generating activity, and that poor women have no skills and so it is futile to talk about programs for them. From his first-hand experience, he also provides several hard-hitting home truths about the actual predicament of the poor.

Grameen believes in reaching out to women borrowers rather than males as it was felt that credit given to women worked faster than credit given to their male counterparts. Yunus then devotes a chapter to the problems encountered in setting up the bank and extending loans, especially to poor women. He discusses the social stigma attached to women receiving loans and the resistance they met with in lending to destitute women. The author tells the tale of many a woman borrower whose life was doomed till the day she received a micro-loan, which proved a window of opportunity for improving her plight.

What then is the actual repayment mechanism of micro finance that Grameen employs? The philosophy they follow is to maximize operational simplicity. The mechanism is so simple that all borrowers understand it immediately.

- 1-year loans
- equal weekly installments
- repayment commences one week after the loan is granted
- interest rate of 20%
- repayment amounts to 2% per week for 50 weeks
- interest payment totals to 2 taka per week for a 1,000 taka loan.

Loans are given for income-generating work and initially it was decided to influence the clients on their choice of work. The principle of the Grameen Bank system is that the people should not have to go to the bank, rather the bank should go to the people. In comparing Grameen to conventional banks, Yunus states that the difference for one, lies in the fact that their clients do not need to show how large are their savings and how wealthy they may be, instead they need to prove how poor they are and how meagre are their savings. Further, the success of the bank is gauged not by bad debt figures or repayment rates, although this is necessary for their internal records, but whether or not the lives of the clients have improved and they have been extricated from the evils of poverty.

The author's economic philosophy is another chapter of great interest. Although not considering himself to be a follower of capitalism per se, he does believe in the global free market economy and the power of the free market. He does not think it right to offer unemployment benefits to

redress the problem of the poor. All the poor need, he holds, is financial capital. He also advocates competition as a driving force for all innovations. Yunus proposes that we replace the limited profit maximization principle of capitalism with a generalized principle – an entrepreneur who maximizes both profit and social returns. In this way an entrepreneur could run social services such as a health care service for the poor, if financially viable. Such entrepreneurs would be steeped in social consciousness. A willing suspension of disbelief is called for here, as even though one would wish to endorse his views on the goodness of human nature, sadly his philosophy seems to border on the idealistic and ephemeral rather than being a true depiction of man's inherent nature.

Yet, so successful has been this venture that it has been replicated with greater or lesser success in other countries of Asia, Africa, Latin America and now even in the US. It has also expanded its spheres of activities to ventures such as housing loans, fisheries and retirement schemes.

To conclude, a word on Pakistan's experience with micro finance. Unfortunately this has not been as salubrious as the experience of Bangladesh thus far, for whatever reason. Yet the intended outreach this fiscal year is 3 million poor, up from last year's 2 million.

We all live with rampant poverty and our reaction is invariably one of apathy, indifference or resignation that individually there is very little if at all we can do about it. Yunus is that rare individual who not only believes that the evil of poverty can be eradicated but has devoted his entire life's work to realizing this dream.

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