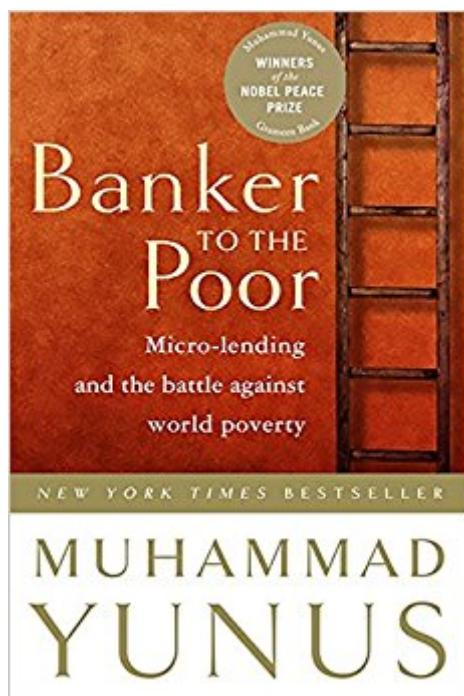


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# Banker To The Poor: Micro-Lending And The Battle Against World Poverty



## **Synopsis**

Muhammad Yunus is that rare thing: a bona fide visionary. His dream is the total eradication of poverty from the world. In 1983, against the advice of banking and government officials, Yunus established Grameen, a bank devoted to providing the poorest of Bangladesh with minuscule loans. Grameen Bank, based on the belief that credit is a basic human right, not the privilege of a fortunate few, now provides over 2.5 billion dollars of micro-loans to more than two million families in rural Bangladesh. Ninety-four percent of Yunus's clients are women, and repayment rates are near 100 percent. Around the world, micro-lending programs inspired by Grameen are blossoming, with more than three hundred programs established in the United States alone. *Banker to the Poor* is Muhammad Yunus's memoir of how he decided to change his life in order to help the world's poor. In it he traces the intellectual and spiritual journey that led him to fundamentally rethink the economic relationship between rich and poor, and the challenges he and his colleagues faced in founding Grameen. He also provides wise, hopeful guidance for anyone who would like to join him in "putting homelessness and destitution in a museum so that one day our children will visit it and ask how we could have allowed such a terrible thing to go on for so long." The definitive history of micro-credit direct from the man that conceived of it, *Banker to the Poor* is necessary and inspirational reading for anyone interested in economics, public policy, philanthropy, social history, and business. Muhammad Yunus was born in Bangladesh and earned his Ph.D. in economics in the United States at Vanderbilt University, where he was deeply influenced by the civil rights movement. He still lives in Bangladesh, and travels widely around the world on behalf of Grameen Bank and the concept of micro-credit.

## **Book Information**

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## Customer Reviews

"AfÃ•Yunus's ideas have already had a great impact on the Third World, and hearing his appeal for a poverty-free world from the source itself can be as stirring as that all-American myth of bootstrap success."

Muhammad Yunus was born in 1940 in Chittagong, a seaport in Bangladesh. The third of fourteen children, five of whom died in infancy, he was educated at Dhaka University and was awarded a Fulbright scholarship to study economics at Vanderbilt University. In 1972 he became the head of the economics department at Chittagong University. He is the founder and managing director of the Grameen Bank.

Dr. Yunus was a brilliant student. One of the top 100 or top 200 in the entire country during his high school national exams. When he came to the USA to study Economics he was warned of a couple of really difficult professors in what were supposed to be killer courses in grad school. Turns out he found those killer courses easy and enjoyable. Then he goes on to win the Nobel Prize. There are memorable tidbits in this book about his personal life that were touching and heart warming - his falling in love with the white girl and marrying her, his struggles with his mother's mental illness, his not being able to study unless the TV was on, his political activism, his sincere efforts to alleviate penury using practical methods rather than overly-theoretical economic models. The only problem with his micro-credit scheme was that he charged usury for it and he had an interesting way of claiming that it wasn't usury because the indigent borrowers became "shareholders" by virtue of their loans. But for all pragmatic purposes it was just lipstick on the pig.

This book tells the story of Muhammad Yunus' efforts in his fight against poverty through Micro-Lending: "My repeated trips to the villages around the Chittagong University campus led me to discoveries that were essential to establishing the Grameen Bank. The poor taught me an entirely new economics. I learned about the problems that they face from their own perspective. I tried a great number of things. Some worked. Others did not. One that worked well was to offer people tiny loans for self-employment. These loans provided a starting point for cottage industries and other income-generating activities that used the skills the borrowers already had. I never imagined that my

micro-lending program would be the basis for a nationwide "bank for the poor" serving 2.5 million people or that it would be adapted in more than one hundred countries spanning five continents. I was only trying to relieve my guilt and satisfy my desire to be useful to a few starving human beings. But it did not stop with a few people. Those who borrowed and survived would not let it. And after a while, neither would I."What truly sets this book and its underlying story apart, is the fact that it defines a new paradigm in social economics. It redefines what poverty is, its true causes and proposes a practical and pragmatic to help eradicate it. Muhammad is as successful with his initiative, as he is with sharing the underlying stories first-hand and on the ground to make his readers truly understand the problem he is tackling - that of poverty and its vicious cycle. The main premise of the book is that credit - which is traditionally not available through commercial banks for this sector - is what is needed to break out of the poverty cycle. The author did not only identify the problem but built a foundation to offer micro-lending (Grameen Bank). This has served as a model to be replicated all over the world, and has created a true global movement.A very enlightening book about an aspect of economics that is often forgotten and left behind. A must read!Below are excerpts from the book that I found particularly insightful:1- "Analyses of the causes of poverty focus largely on why some countries are poor rather than on why certain segments of the population live below the poverty line. Socially conscious economists stress the absence of "entitlements" of the poor. What I did not know yet about hunger, but would find out over the next twenty-two years, was that brilliant theorists of economics do not find it worthwhile to spend time discussing issues of poverty and hunger. They believe that these will be resolved when general economic prosperity increases. These economists spend all their talents detailing the processes of development and prosperity, but rarely reflect on the origin and development of poverty and hunger. As a result, poverty continues."2- "Like navigation markings in unknown waters, definitions of poverty need to be distinctive and unambiguous. A definition that is not precise is as bad as no definition at all."3- "They were poor because the financial institutions in the country did not help them widen their economic base. No formal financial structure was available to cater to the credit needs of the poor. This credit market, by default of the formal institutions, had been taken over by the local moneylenders. It was an efficient vehicle; it created a heavy rush of one-way traffic on the road to poverty."4- "Indeed, more than 98 percent of our loans are repaid. The poor know that this credit is their only opportunity to break out of poverty. They do not have any cushion to fall back on. If they fall afoul of this one loan, they will have lost their one and only chance to get out of the rut."5- "Today, at every Grameen branch, our members take enormous pride in reciting the Sixteen Decisions. They are as follows: 1) We shall follow and advance the four principles of the Grameen Bank - discipline, unity, courage,

and hard work - in all walks of our lives. 2) Prosperity we shall bring to our families. 3) We shall not live in a dilapidated house. We shall repair our houses and work toward constructing new houses at the earliest opportunity. 4) We shall grow vegetables all the year. We shall eat plenty of them and sell the surplus. 5) During the plantation seasons, we shall plant as many seedlings as possible. 6) We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health. 7) We shall educate our children and ensure they can earn to pay for their education. 8) We shall always keep our children and the environment clean. 9) We shall build and use pit latrines. 10) We shall drink water from tube wells. If they are not available, we shall boil water or use alum to purify it. 11) We shall not take any dowry to our sons' weddings; neither shall we give any dowry at our daughter's wedding. We shall keep the center free from the curse of dowry. We shall not practice child marriage. 12) We shall not commit any injustice, and we will oppose anyone who tries to do so. 13) We shall collectively undertake larger investments for higher incomes. 14) We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her. 15) If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline. 16) We shall introduce physical exercises in all our centers. We shall take part in all social activities collectively."6- "Experts on poverty alleviation insist that training is absolutely vital for the poor to move up the economic ladder. But if you go out into the real world, you cannot miss seeing that the poor are poor not because they are untrained or illiterate but because they cannot retain the returns of their labor. They have no control over capital, and it is the ability to control capital that gives people the power to rise out of poverty. Profit is unashamedly biased toward capital. In their powerless state, the poor work for the benefit of someone who controls the productive assets. Why can they not control any capital? Because they do not inherit any capital or credit and nobody gives them access to it because they are not considered creditworthy."7- "In a world that trumpets the superiority of the market economy and free enterprise, aid money still goes to expand government spending often acting against the interests of the market economy...If aid is to have some impact on the lives of the destitute, it must be rerouted so that it reaches poor households more directly."8- "Worst of all, economists have failed to understand the social power of credit...In reality, credit creates economic power, which quickly translates into social power...If economists would only recognize the powerful socioeconomic implications of credit as a human right."9- "Micro-credit is not a miracle cure that can eliminate poverty in one fell swoop. But it can end poverty for many and reduce its severity for others. Combined with other innovative programs that unleash people's potential, micro-credit is an essential tool in our search for a poverty-free world."10- "I am proposing two changes to this basic feature of capitalism. The first change relates

to this overblown image of a capitalist entrepreneur. To me, an entrepreneur is not an especially gifted person. I rather take the reverse view. I believe that all human beings are potential entrepreneurs. Some of us get the opportunity to express this talent, but many of us never get the chance because we were made to imagine that an entrepreneur is someone enormously gifted and different from ourselves...The second change relates to how an entrepreneur makes investment decisions. Economic theory depicts the entrepreneur as a profit maximizer...As a result, the social dimension in the thinking of the entrepreneur has been completely bypassed...I propose that we replace the narrow profit-maximization principle with a generalized principle - and entrepreneur maximizes a bundle consisting of two components: ((a) profit and (b) social returns, subject to the condition that profit cannot be negative."11- "We believe that poverty does not belong in a civilized human society. It belongs in museums. Thus summit is about creating a process, which will send poverty to the museum."

I do not know what Hillary Clinton and Jimmy Carter's endorsements are doing on this book. Muhammad Yunus is the next best thing to Milton Friedman. He's a lot wordier than Uncle Milton, though. Muhammad Yunus is responsible for a revolutionary approach to poverty eradication: skip the world bank, bypass the UN, abolish the welfare state, and loan the money directly to poor people. Unsecured. No collateral. People know what they need to survive and thrive. Often it is as little as \$125 dollars for a tin roof for their shack, so they can continue weaving or grinding grain for sale during the 5-month rainy season. That \$125 may be the only thing keeping a family from desperate, filthy poverty. It may bring about their dignified self-sufficiency. But governments and banking traditions get in the way of poverty alleviation and perpetuate the misery. Grameen bank has partnered with poor people worldwide to help them pull themselves out of poverty through individual initiative. Tiny bits of money to the best tamale maker so he can buy a cart and sell his tamales through town. Tiny bits of money so women can buy grain to grind for profit. Tiny bits of money that do not pass through the hands of bureaucrats or corrupt governments. Microcredit unleashes human potential. Beginning at page 185, Yunus explores the reality of the welfare state in developed countries: the disincentives for work; the imprisonment of the poor at the bottom; and the tenacity of welfare programs, blocking innovation. Slowly, he describes people turning away from reliance on government. In real life, the taxes taken from rich people do not help the poor. They help the government employees in the bureaucracies. Helping the poor means those bureaucrats are out of a job. Page 204 is a rallying cry for government to get out of the way of individual enterprise. The private sector, unlike the government, is open to everyone. Loaded with examples of people who

have succeeded with micro loans, this book is a winner. Yunus was raised and trained in a marxist/Communist mentality (pp 203-220), but you can tell he is trying to shrug it off. He hasn't found the words yet for what he believes. He still has a hard time admitting capitalism is a benefit to humanity, but he concedes that free markets are very natural and wholesome, and indeed, the only solution for wiping out poverty. To the extent that we continue to rely on governments for social programs, we will fail the poor. Exciting to read!

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