

MICRO CREDIT



Prof. Muhammad Yunus & Grameen Bank Awarded The Nobel Peace Prize for 2006

The Norwegian Nobel Committee has decided to award the Nobel Peace Prize for 2006, divided into two equal parts, to Muhammad Yunus and Grameen Bank for their efforts to create economic and social development from below. Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means. Development from below also serves to advance democracy and human rights. Muhammad Yunus has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh, but also in many other countries. Loans to poor people without any financial security had appeared to be an impossible idea. From modest beginnings three decades ago, Yunus has, first and foremost through Grameen Bank, developed micro-credit into an ever more important instrument in the struggle against poverty. Grameen Bank has been a source of ideas and models for the many institutions in the field of micro-credit that have sprung up around the world.

Every single individual on earth has both the potential and the right to live a decent life. Across cultures and civilizations, Yunus and Grameen Bank have shown that even the poorest of the poor can work to bring about their own development. Micro-credit has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions. Economic growth and political democracy cannot achieve their full potential unless the female half of humanity participates on an equal footing with the male. Yunus's long-term vision is to eliminate poverty in the world. That vision cannot be realised by means of micro-credit alone. But Muhammad Yunus and Grameen Bank have shown that, in the continuing efforts to achieve it, micro-credit must play a major part.

Muhammad Yunus is often referred to as "the world's banker to the poor". His life's work has been to prove that the poor are credit-worthy.

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.

His revolutionary Grameen (Village) banking system is estimated to have extended credit to more than seven million of the world's poor, most of them in Bangladesh, one of the poorest nations in the world. 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. Mr Yunus came up with the idea in 1976 while professor of economics at Chittagong University in southern Bangladesh. The first loans he issued had a value of \$27 (£14.50). Their recipients were 42 women from the village of Jobra, near the university. The women had relied until then on local money-lenders who charged high interest rates.

The conventional banking system had been reluctant to give credit to those who were too poor to provide any form of guarantee. The success of Mr Yunus' scheme exceeded all expectations and has been copied in developing countries around the world. His "micro-finance" initiative reaches out to people shunned by conventional banking systems - people so poor they have no collateral to guarantee a loan, should they be unable to repay it. Mr Yunus' has tried to transform the vicious circle of "low-income, low saving and low investment" into a virtuous circle of "low income, injection of credit, investment, more income, more savings, more investment, more income". As a result, even beggars have been able to borrow money under his scheme.

Legacy of change

The BBC's Roland Buerk in Dhaka says that Mr Yunus lives a simple life. The Grameen Bank is now majority owned by the rural poor it serves, with a 10% stake held by the Bangladeshi government. Our correspondent says that Mr Yunus has already created a legacy of real social change in Bangladesh. His work has been widely recognised. In 1999 he was awarded the Indira Gandhi prize for peace, disarmament and development in India.

And it is not just in the developing world that he has had an impact. Hillary Clinton, wife of former US President Bill Clinton, said in 2000 that Mr Yunus had helped the Clintons introduce micro-credit schemes to some of the poorest communities in Arkansas. In 2002 a report in the Wall Street Journal said the bank was running into trouble because of increased competition and a fall in the bank's loan repayment rate. Mr Yunus responded by telling the BBC that the bank was in its "strongest position ever".

"Micro-credit is something which is not going to disappear... because this is a need of the people," he said. "Whatever name you give it, you have to have those financial facilities coming to them because it is totally unfair... to deny half the population of the world financial services."

Now Mr Yunus hopes that the Nobel peace prize will provide a huge boost to Grameen. *"It's recognition of our movement to ensure the rights of the poor,"* he told the BBC's Bengali service. *"With this recognition, we expect that the model we have developed will spread across the world."*



President Barack Obama (I) places a 2009 Presidential Medal of Freedom around the neck of Muhammad Yunus at the White House, 12 Aug 2009

U.S. President Barack Obama has awarded the Presidential Medal of Freedom, the nation's highest civilian honor, to 16 people who have made a difference in the nation and the world. They come from diverse backgrounds, but have one trait in common. The list of recipients includes activists, scientists, actors, humanitarians and athletes.

President Obama says they are all agents of change. "*They remind us that we each have it within our power to fulfill dreams, to advance the dreams of others, and to remake the world for our children,*" he said. Several of the winners are well known champions of human rights. Among them: retired Anglican Archbishop Desmond Tutu of South Africa.

Yunus started the micro-loan program in his native Bangladesh. Before the award ceremony, he told reporters that he hopes the Medal of Freedom award will help spread the word about the micro-loan concept. "It is a very exciting moment for me because this is a big recognition for the ideas that I have been promoting, trying to let people pay attention to it. This recognition brings a lot of attention to those ideas so I am very happy about it," Yunus said.

Source: <http://www.voanews.com/english/2009-08-12-voa61.cfm>

Banker to the Poor: Micro-Lending and the Battle Against World Poverty is the autobiography of Muhammad Yunus. It details how Yunus developed the idea of Microcredit that he employed in the Grameen Bank.

Film director Marco Amenta is currently working on making the film *Banker to the Poor* for the big screen, based on the international bestseller. The movie tells the story of Muhammad Yunus, a Bengali economist and banker, inventor of microcredit and Nobel Peace Prize in 2006 along with his Grameen Bank. For the script of his "Banker to the Poor", written together with the famous Sergio Donati, Amenta was rewarded by Robert De Niro at the Tribeca Festival film. Italian producer Simonetta Amenta has purchased the film rights through her company Eurofilm before the Professor Yunus won the Nobel Prize.

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.

Useful sites:

<http://en.wikipedia.org/wiki/Microfinance>

<http://en.wikipedia.org/wiki/Microcredit>

<http://en.wikipedia.org/wiki/Microinsurance>

http://en.wikipedia.org/wiki/Cooperative_banking

<http://www.microcreditsummit.org/>

<http://ec.europa.eu/enterprise/policies/finance/borrowing/microcredit/>

<http://www.microcapital.org/>

<http://microcredit2010.impact.org/>

