

Beggars into Businesspeople: how a \$12 loan transforms lives

Professor Muhammad Yunus, 2006 Nobel Peace Prize co-winner with his Grameen Bank of Bangladesh, inspired London audiences on Valentine's Day with his message of hope through microfinance and social business as he launched his latest book, *Creating a World Without Poverty*. His microfinance journey started over 30 years ago with a \$27 loan to 42 families in famine-stricken Bangladesh. Today Grameen Bank's 7.5 million members lead this quiet revolution for the poor to help themselves as microfinance, small loans and other financial services to the poor, now serves 100 million families around the world.

Bangladesh, with the highest penetration of MF users in the world, is set to achieve the first Millennium Development Goal (MDG) of cutting poverty in half ahead of the 2015 target set by the UN. 95% of Grameen's shareholders are women, many illiterate, and now many are proudly out of the poverty zone with flourishing small enterprises, tin roofs over their heads and their children in education. Prof Yunus's statistics of Bangladesh's MDG's achievements brought spontaneous applause from an audience jaded by bad news.

'Bangladesh, a 'basket case' in the 70s, is now poised to achieve ahead of time the first MDG and we are well on target to achieve 6 out of the 8 MDGs, against all odds for an often flooded country of 115 million people. Our poverty has declined annually by 2% on average and is gaining momentum. If we could improve on corruption, look at how much more we could do.'

How has Bangladesh managed to pull itself up the ranks of poor countries? How has Grameen Bank, the product of a Muslim country, been able to show the rest of the world how to eliminate poverty? Prof Yunus put Bangladesh's 'against all odds' success down to a belief in the multidimensional aspect of human beings. 'Too often business looks at people as uni-dimensional, money making and using machines. Human beings are much more than that'. 'There's something missing in our theoretical structure. We can think of ways to do good to others, not just to benefit yourself' he proclaimed to a UK Microfinance Club audience in London's financial hub, Canary Wharf. One of the richest spots in the world, Canary Wharf's towering blocks look down over Tower Hamlets, one of the poorest areas of London and home to the Bangladeshi community. Yunus challenged, 'Why can't the system correct itself so poverty doesn't exist?'

Grameen Bank and other Grameen enterprises have changed the lives of millions, based on this belief in giving people opportunities. Yunus drove the point home how even the poorest could get out of poverty and create new futures through two inspiring scenarios: an illiterate woman's pride in her doctor daughter and the Grameen Struggling [Beggars] Members Scheme. Yunus told of his visit to a modest three generation family home of a Grameen Bank shareholder, an illiterate woman who had pulled herself and her family out of poverty to the level that her daughter is now a doctor. 'If this young lady could become a doctor, we know that her mother could have become a doctor too.' He then talked of the grandmother shyly sitting in the shadows during his visit , 'If this mother could be a member of Grameen Bank, we know that this grandmother could have been a member too.' Yunus's answer to poverty: 'If you give people opportunity, they will show up.'

The most graphic example of people showing up is in Grameen's Struggling Members Scheme, growing from a modest start in July 2002 to 100,000+ members today. A Grameen loan officer talks to a beggar, finds out at what tipping point she had resorted to begging, then gently suggests a modest 'start-up' something to sell alongside her begging. A \$12 to \$15 no interest loan, with no pressure for pay-back in 3 to 4 cycles becomes a process that changes people's lives. More than 10% have graduated out of begging and poverty; Yunus noted the others are doing their 'market segmentation as begging is their core business. 'We don't push them; they graduate at their own pace.' Both success stories, the Grameen woman with her doctor daughter and the beggars turned businesswomen, attest to the power of transforming lives by matching belief in the multi-dimensionality of humans with opportunities to get out of poverty through their own efforts.

Yunus is advocating the spread of 'social business' like microfinance and the Grameen-Danone yoghurt business in Bangladesh. 'We are innovating by creating businesses that are giving back to the people. The charity dollar has only one life, the social business dollar has many lives. This is a business that provides a product such as low-cost, micronutrient-rich yoghurt for poor children. Once the business is sustainable, the people themselves own it, not a big company or shareholders only interested in profits.' Again he reminded us, 'People are multidimensional and we look at them in a holistic way, finding ways they can

participate in the business, creating products and services that serve their whole needs, not simply a way to extract profits from them.'

Microfinance serves 100 million families today, and the goal is 500 million by 2015. Banks and other investors are keen to move into microfinance, looking at potential profits due to the high repayment rates, often at 95%+. Microfinance started over 30 years ago with Prof Yunus's \$27 loan to 42 families as a way out of poverty, an alternative to loan sharks in famine-stricken Bangladesh. A recent IPO of a Mexican microfinance institution, Compartamos, has raised concern about profiting from the poor. Yunus warned, 'We started microcredit not to make money, we don't want to become loan sharks ourselves, we don't want to go beyond a certain limit for fair interest. Let's look carefully at 'commercialisation' and not use it just as an opportunity to make money. Our goal is to get poor people out of poverty, transform their lives and the way to do business with a social focus.'

Prof Yunus inspired London audiences, with long queues for photos and signing his book, 'Creating a World without Poverty'. How do we, the inspired, now move to commitment and action, put our minds and hearts into developing social businesses, transforming financial and other services to serve the multidimensionality of human beings? We at Microfinance without Borders are offering training, technology and investments as a way of growing the microfinance sector, assisting smaller institutions to serve the poor better and follow Grameen's example. The UK MF Club website lists links with organisations developing the microfinance sector. Let's move beyond listening to taking action, following Prof Yunus's inspiration for putting poverty into a museum with more than mere applause.

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UK Microfinance Club, a forum for exchanging information, networking and taking action to raise awareness about Microfinance, www.microfinanceclubuk.org

Prof Muhammad Yunus with 'Be the Change' supporters at St James Piccadilly, London, 16 Feb 2008

