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November 8th, 2014

“Banker to the Poor” by Muhammed Yunus

Muhammed Yunus is the creator of the micro loan and the author of two novels, “Banker to the Poor” being his bestselling. This book is his personal account of the process that took place to get microloans used in Bangladesh. It started when he returned to Bangladesh after his education in America to be an economics professor. Thousands of the poor moved to urban areas looking for food during Bangladesh’s famine in 1974 and he despised the fact that his economic theories had little to do with solving this countrywide problem.

He started by leading a group of students into nearby rural villages helping them with small projects, which led into his desire to educate himself on what it was that made the poor, stay poor. He discovered that a majority of them worked all day to make a very small profit, one young woman made stools out of bamboo and she had to borrow money daily from extorting money lenders that charged too high of an interest, keeping her in a poverty stricken cycle. He soon learned that in this small village there were 40 other women in the same financial situation just like her, he talked with them and decided to help them get out of this cycle he would need to lend them twenty-seven dollars. He did this from his own pocket and saw successful results, which led him to the idea of the micro loan.

Micro-lending is a type of money lending where very small amounts of money are lent at reasonable interest rates, borrowers are the extremely poor that use the loan to buy materials and create sufficient income to pay back the loan and live better. Yunus was confronted with an enormous amount of opposition from big banks and the rich saying that the poor would not repay their loans, the loans are too small, or it was impossible to reach the borrowers, as they are mostly illiterate. However, after a lot of persistence and successful learn-by-doing Yunus started the Grameen bank. “Grameen” means “Rural”, and under their microcredit scheme, there are a lot of rules/regulations, one of the most important being that the bank would not lend to anyone until they’re part of a group of 5 borrowers. If you fail to repay the loan, the whole group suffers making villagers push each other to produce an income and repay the loan. The Grameen bank repayment system also had to be specifically tailored, the loan last one year, installments are paid weekly, and repayment amounts are 2% of the loan amount per week for 50 weeks. These guidelines were enforced by the threat of not being able to borrow money again if not repaid. Branches were opened across Bangladesh to service the borrowers in all parts of the country. Interestingly, they found lending to women did a much better job to improve a family’s well being so the bank strived to concentrate on lending to women. This type of banking worked and brought the extremely poor the capacity to work toward better living standards.

To this day, Grameen Bank Bangladesh has 2.6M borrowers and loaned \$3.9B since it was started, \$3.6B has been repaid, with a recovery rate of 98%. It has 1,181 branches that work in 42,127 villages with 11,777 employees. Furthermore, this microcredit plan has been implemented in nearly 100 other countries to this day and is empirically successful. I truthfully think that Yunus’s creation and Grameen’s

methodology is at the forefront of a growing world movement toward eradicating poverty through micro-lending.