

Microlending's Next Step

REVIEWED BY BRENDA WALKER

Among people engaged in third world development and poverty alleviation, visionary economist Muhammad Yunus is recognized as a leader and thinker. He gained fame for his creation of microlending, an ingenious blending of small business entrepreneurialism with the talents and social capital already present in communities. As such, he is one of the most famous and honored humanitarians on earth. His most recent book expands his ideas about microfinance and how it can grow beyond individual loans to create small businesses into a larger system.

Yunus' story of reimagining economics for the poor started with a regular education in finance. As a young man from Bangladesh, he got a Ph.D. in economics from Vanderbilt University, but was disappointed at how little his advanced training helped in reducing the grinding poverty back in his home country. The beginning of inspiration started to form when he met a very poor Bangladeshi woman in the village of Jobra. She was a hard-working craftsperson who made bamboo stools, but could never get ahead because she had to borrow cash at exorbitant interest in order to purchase materials. She earned barely enough to feed her family while working long hours.

Acting out of economic curiosity, Yunus investigated and found 42 others in a similar situation in that small village, who could get on their feet with the infusion of just a few dollars of investment. He pulled \$27 out of his pocket to lend to the villagers, and that was the beginning of microfinance.

Over time, that individual act of lending grew into a systematic self-help program to improve the lives of

the poor. The basic idea was that the people struggling with poverty needed credit, not charity. Yunus believes that poverty can be eliminated through the innovative use of market principles and business. His first book, published in 1999, was titled *Banker to the Poor* and explained the beginnings of the project.

Trial and error created a program that combined social support with simple entrepreneurship. Over the years, it was determined that women deal more responsibly with the loans, so now the majority of borrowers are female. An important part of the system is the group support structure for borrowers. Members of a village loan association are required to meet

regularly, and no one in the group can get an additional loan until everyone has paid back the previous one, which creates a powerful incentive for solidarity and support. The loan process is structured to be a part of the community and to prevent failure, with small repayments scheduled often, in

some cases daily. Strategies like these help everyone to keep current. Regular contact means no one is left alone to get behind in payments because problems are handled early, before they become difficult. The camaraderie and communication encourage the women to see that they can indeed accomplish this new endeavor.

Now microlending has become firmly established and recognized internationally, particularly after Yunus received the 2006 Nobel Peace Prize. In fact, similar small business loan programs have sprung up, such as Kiva, which works person to person, by connecting individual lenders to borrowers. Another, Heifer International, helps relatively affluent persons purchase farm animals for third world families using its catalog of sheep, llamas, pigs, and other domesticated creatures. Small-scale entrepreneurship has become a popular alternative to large bureaucratic programs that are more prone to corruption. Indeed, Heifer.org animals are a popular donation-gift given in the name of the recipient.

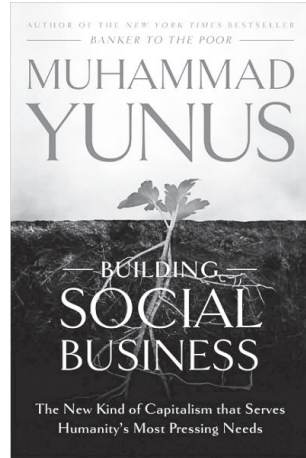
**Building Social Business:
The New Kind of Capitalism That Serves
Humanity's Most Pressing Needs**
by Muhammad Yunus
PublicAffairs, 2010,
256 pp., \$25.95



Brenda Walker is a writer-blogger living in Northern California who publishes LimitsToGrowth.org and ImmigrationsHumanCost.org.

Muhammad Yunus has been thinking more broadly about using business to help the poor improve their lives. His new book, *Building Social Business*, continues his evolution of thought about what can be done at a midway point between charity and capitalism, where the objective is human betterment rather than financial gain.

It should be noted that Yunus is not a Marxist seeking to destroy, reform, or remodel capitalism. He is perfectly happy with people wanting to make lots of money; he merely seeks to create a separate path, in which the profits are plowed back into the enterprise and the point is to achieve social objectives. Those goals include healthcare, housing, and financial services for the poor, as well as nutrition for malnourished children, safe drinking water, and renewable energy — all accomplished via business. Notably, the subtitle of the book is “The new kind of capitalism that serves humanity’s most pressing need.”



Another indicator of Yunus’ pro-capitalist viewpoint is his remark: “Whenever I wanted to deal with a social or economic problem, I tried to solve the problem by creating a business around it.”

Being an ingenious fellow, Yunus has also combined his goals of successful business and social good into a single operation, exemplified by Grameen Danone, a small yoghurt factory that produces a food with added nutrients needed by undernourished Bangladeshi children. It employs the poor for production and sales and buys milk from local farmers, and the product improves the health of poor kids and helps them be more successful in school. He reported that there have been some bumps along the road to the business becoming sustainable, but those are being worked out in traditional fashion. Yunus emphasizes that good intentions cannot make up for bad management. He is a visionary humanitarian, but never forgets the importance of practicality.

So the work to improve the lives of the world’s poor goes on with energy and success. Yet many profes-

sional do-gooders in America do not understand that rescue-by-immigration is a failed strategy, given the numbers and scope.

At the time of this writing, a number of American religious leaders have spoken out in favor of amnesty for illegal aliens residing in this country, basing their opinion on Christian charity. The clerics exhibit a strange kind of morality; their wish to amnesty millions of foreign lawbreakers would transform them into legal workers during a brutal recession where over 15 million citizens in this country are jobless. At least Marxists want to redistribute wealth from the rich; these religious socialists aim to take jobs from the American poor and give them to the foreign poor.

Anyway, with so many billions of poor people on earth, the immigration of a relative few to the first world really does nothing to help in the larger scheme of things. True humanitarians should be embracing effective strategies to aid the poor where they live. When Muhammad Yunus lectured about microlending in San Francisco in 2008, I attended, and my question was chosen for the Q&A session: “With five billion people living in countries poorer than Mexico, don’t you think microlending is a better strategy for tackling poverty than massive immigration?”

He responded well to a question that was out of the ordinary, answering, “It’s not fun to leave your home and struggle through all kinds of legal barriers, live like thieves and criminals in another country. [Immigration] is no fun. They do it out of desperation because life is so difficult there. So if we can all make life better where people live, where they were born, where their forefathers lived, then nobody will leave their place.”

It was nice to see the world’s best-known living humanitarian agree with me, that on a planet of nearly seven billion souls, charity — and business — must begin at home. His work is the best refutation to the class of open-borders supporters who base their demands on a warped view of faith that often is more about Marxism than historical religious thought. ■

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For more about Prof. Yunus, see his own website, www.muhammadyunus.org/, which connects easily to his Twitter and Facebook portals.