

Grameen bank (male or female narrator)

"If we are looking for one single action which will enable the poor to overcome their poverty, I would focus on credit". (Dr Muhammad Yunus)

The beginning

Twenty five years ago, Muhammed Yunus, a Bangladeshi economics teacher, was visiting a village when he met a woman who made bamboo stools. She couldn't afford to buy the bamboo to make the stools, so she had to borrow the money from the bamboo sellers and then pay them a large part of the profit from each one she sold. There was so little money left for her to keep that she couldn't afford to buy more bamboo, so she had to borrow more money. And so the cycle continued with no way out for her. She couldn't borrow money from friends or family because they were as poor as she was. She couldn't borrow from the bank because she had no collateral (property or land) to guarantee that she would pay back the loan.

Yunus went around the village and found forty-two people who were in the same situation - trapped in a cycle of poverty with no escape. When he added up the amount of money that they needed to break free of the cycle, it came to just twenty-seven dollars. As Yunus says "I felt ashamed of myself for being part of a society which could not provide even twenty-seven dollars to forty-two hardworking, skilled human beings."

He lent them the money and told them to pay it back whenever they could. He got all of it back, so he went to other villages and did the same thing. He always got his money back. The official banks didn't want to get involved in what he was doing, so Yunus started his own bank. The Grameen bank was born, and with it a new approach to lending money – 'micro-credit'.

But what makes the Grameen bank so different?

The conventional banking system is based on the principle that the more you have, the more you can borrow. Grameen gives priority to those who have nothing, particularly the poorest women. The loans are small and repayments are made in small amounts spread over a year, with a built-in insurance scheme so that the family doesn't become responsible for the loan if something happens to the borrower. There is no legal contract between the bank and the borrower, and no danger of legal action if the repayments are not made – the relationship is based on trust and good faith.

Repayment rates are very high for two main reasons. Firstly, borrowers know that they cannot borrow again if they don't repay the first loan. And secondly, they must join a group of other borrowers who all share some responsibility for other members' loans and are encouraged to make group decisions. So there is considerable peer pressure and support from the group to encourage them to pay it all back.

Another important difference from conventional banks is that Grameen has a social programme. The system encourages the borrowers to do practical things to improve their living conditions, health and level of education. These are known as the 'Sixteen Decisions' which include, for example, not continuing the dowry system, growing fresh vegetables, organising clean drinking water and good sanitation, education for children, and being ready to help each other whenever necessary. Conventional banks would not consider this to be any of their business.

The success

The bank now lends over a billion dollars to more than two million borrowers, 96% of them women, and involving more than half of the villages in Bangladesh. The repayment rate is 99%. The rural economy of the country has improved greatly since the bank started. And the success has spread. This year it was estimated that there are now over 7,000 microcredit organizations in the world, lending to over 16 million of the poorest people.

Grameen's success in Bangladesh has also shown that the developing world has lessons to teach richer countries like the USA and Britain. Both countries have begun to encourage microcredit schemes based on the Grameen model, in an attempt to deal with their own levels of poverty.

