

Book Review

Banker to the Poor: The Autobiography of Mohammed Yunus

University Press of Bangladesh, Asian Edition, 1998, Pages: 313, Taka. 480.00

Banker to the Poor: Micro-Lending and the Battle Against World Poverty

M. Yunus and Alan Jolis, Persus Book Group, 1999, Pages 258, \$24.00.

The two books, published by different publishers under slightly modified titles, are essentially similar. The second book is available on Amazon.com.

Professor Yunus and the Grameen Bank, his brainchild institution, are quite well known in Bangladesh. Both are becoming increasingly popular around the world, especially in the United States and Europe. Like many others who have known the Grameen bank (GB) and its founding managing director, I too was waiting for this autobiographical work. There are many books on the GB published overseas; however, no comprehensive biography of the famous Bangladeshi economist was available prior to this book. I was in Dhaka in early 1999 when I was invited to the launching ceremony of the English version at the National Press Club on February 18. The program included a distinguished panel of speakers, friends and colleagues of the author. Professor Yunus also spoke about the origins of the book. He remembered his co-author Alan Jolis who had been recently diagnosed with brain tumor and was fighting for his life.

In 1996, I had the opportunity of introducing Professor Yunus to an audience of friends and admirers in Nashville, Tennessee when he came to visit Vanderbilt University to receive the Distinguished Alumni Award. I had been asked by the local Bangladeshi community to formally introduce him. In preparation, I read everything I could find about this remarkable man and his institution. I was convinced that this story deserves to be told to a wider audience.

Mohammed Yunus comes from a middle-class family background in urban Bangladesh. His father had a jewelry shop in Chittagong. He was brought up in a strong and loving family of nine brothers and sisters. His mother's illness in later years forced the children to rely on each other in those difficult years. The young Yunus gained leadership skills in this environment. The combination of qualities of leadership and management, a creative mind, a socially concerned heart, and the courage of conviction and commitment he cultivated are indeed

rare. These ingredients have made Professor Yunus the person he is today. His considerable achievements are thus no accident. There are many incidents from his early life where the Yunus style becomes clear: When you see a problem, you roll up your sleeves to find a solution. You don't just sit around analyzing or criticizing the situation. You get your hands dirty trying to solve the problem and improve things.

During the liberation war, Yunus was teaching in Middle Tennessee State University near Nashville. When he heard about the brutal army crackdown on the civilian population, he reacted swiftly to the need of the hour, which was to attract the world's attention to the genocide and to try to help those on the ground. Later, returning to Bangladesh with a doctorate in economics from a prestigious American University, he sought a setting where he could be productive. Resigning from the desk job at the Planning Commission in Dhaka, he went back to teaching. But soon he became disenchanted with the conventional life of academia. The restless Yunus met his challenge in the village of Jobra, adjacent to the campus. Yunus, the social scientist, conducted his social experiments and tested his theories in a real-world stage on a micro scale. He was groping to find solutions to the problem of poverty and deprivation. The village setting allowed him to tweak his theories until he found a satisfactory solution.

From rice cultivation to irrigation, he applied his common sense, attempting to find technical and social solutions to the problems of the poor. Soon, almost inevitably, he arrived at the idea that of all the elements that chain the poor to poverty, none is stronger than their lack of access to institutional sources of credit. Low income leads to low savings, to low investments, that in turn leads to low income. This is what the economists call the vicious cycle of poverty. The poor are poor because they are poor! How do you break away from this loop?

Economists have grappled with these problems for generations and have mostly opted for solutions that have emphasized the big picture. Foreign aid can

increase the pool of savings, allowing the poor to break out of the cycle of poverty. Increasing public sector investment in infrastructure would also allow the poor to increase their incomes and break out of poverty. However, not many have suggested taking the issue to its logical conclusion. How does one ensure that foreign aid funds reach the poor? More importantly, how do we increase their entitlements when in fact no financial institution wants to extend credit to the poor? As Professor Iqbal Mahmud queries, how do you assist the poor so that they may be liberated from poverty and from their dependence on future assistance?

Yunus went to the banks, the logical source of loans, to ask for credit on commercial terms for the poor. The banks turned him down. "We are not in the charity business. We don't give loans to the poor who have no collateral to offer," was the standard reply. His experience is now a legend and need not be told here again. I will let the reader enjoy the book and learn from the author's own words. Yunus does not claim and he is right in not claiming to have invented micro-credit. The ideas of credit unions and micro-credit have been around for decades in different parts of the world. Even in Bangladesh a flourishing credit union movement has existed in the small Christian community for decades. The real miracle in his achievements is the implementation of a workable model of extending institutional credit to the rural poor on a large scale. There were many trials and tribulations on the way. A man with any less commitment or skills would not have succeeded, given the treacherous nature of Bangladesh's politics and bureaucracy. However, Yunus was a determined man. Finally, after years of work, he achieved success and, with it, worldwide recognition. Now some will say there is an oversupply of praise. What may be lost in all of this are the valuable lessons from his life. Despite the seemingly insurmountable odds that surround us, a person can indeed make a difference. Yunus has shown that it is possible to declare war against poverty, corruption, bureaucracy, and hopelessness and win on a scale that matters.

Professor Yunus's criticism of modern academic economics also needs careful attention. Economics is a social science and some believe that it has lost much of its relevance and has become a narrow business discipline because of its overemphasis on formalism and a conscious move away from an interdisciplinary approach. Although, many of these criticisms are valid and come from the heart, outright rejection of economics is less than accurate. There is a strong body of literature in economics that believes in an interdisciplinary approach. His criticism that

economists have neglected self-employment and entrepreneurship are also debatable. In some schools of thought, especially in the writings of the institutional economists and Austrians, these topics are subject to much analysis and debate. Economists use models to simplify things, not to ignore the real world. The best in the profession have always been deeply concerned with social issues and have used a multi-disciplinary approach.

Yunus also points out that free markets are efficient and yet they are no panacea. Markets can be easily monopolized or otherwise manipulated by the rich and the powerful. Often, the rich deny market access to the poor and the needy masses (as in rural credit markets). Pakistani economist Mahbubul Huq has pointed out that this is also true at the international level where the poor nations are able to receive only a fraction of the pool of global private capital and that too at much higher rates. The challenge is to create institutions within the market framework which will be driven not by greed but by "social consciousness." This is not necessarily a criticism of capitalism as a system but a plea for replacing or supplanting the institutions that currently dominate it with institutions that are poor (people) friendly.

The essence of Professor Yunus's philosophy is to avoid dogma and ideology and to be pragmatic. The following quote reveals his belief that although the free markets are superior to a command economy or socialism, the results must be carefully monitored. "No doubt the free market, as now organized, does not yet provide solutions for all social ills." (p. 214) He goes on to add that it is not a large public sector that can improve the outcome when the market fails, rather a different kind of entrepreneur or business in the private setting. "The economic opportunities for the poor, ensuring their health-care and education, well-being of the elderly and retarded people, are glaring examples of totally ignored areas. Even so, I believe that 'government', as we know it today, should pull out of most things except for law enforcement and justice, national defense and foreign policy, and let the private sector, a 'Grameenized private sector', a social-consciousness-driven private sector, take over their other functions." (p. 214)

Despite near-universal praise and worldwide recognition, there is also some noteworthy criticism of the Grameen bank and the idea that micro-credit is one of the most effective tools for poverty alleviation. Researchers have pointed out that micro-credit does not reach the poorest of the poor. The very nature of setting up groups leaves out the very poor who would be perceived by fellow members to have no ability to

generate income and therefore high risk. Secondly, in parts of the rural economy, there may be so little infrastructure or law and order that commerce is rendered unfeasible. Others have pointed out that micro-credit simply deepens the exploitation of the women since the rates of interest charged by the bank in real terms are quite high; consequently, credit

often worsens the debt situation and gives the husbands even more leverage. However, such criticism is still a minority view. Other research, especially by the World Bank has supported the view that given a supportive infrastructure, micro-credit can break the cycle of poverty for many.

Munir Quddus
University of Southern Indiana