Yunus defies paradigms to empower the poor

Micro-lending pioneer Muhammad Yunus is living proof of the old adage, "It is better to light one candle than to curse the darkness." He was right. When Yunus loaned her the money, she was able to sell her wares at a fair market price and pay him back right away. Soon, she was able to buy the bamboo without a loan.

Yunus then found 42 other poor people in the village who needed loans totaling a mere $27. "I thought, if you can make so many people happy with so little money, why not do more of it?"

He soon convinced a bank to make small loans to villagers deemed uncreditworthy, but they agreed only if Yunus served as the guarantor. In time, thousands of low-income Bangladeshis were getting small business loans and defying the naysayers by repaying them. Yunus hoped the loans would see the success of his experiment and grant the loans without his guarantee.

Later, a woman in the village went into a financial institution to apply for a loan. She was turned away because she was a woman. "I went and applied for a loan. They would not lend me money. Then I thought, if I can make 100 women happy with $1,000 each, why not do more of it?"

Thus, Grameen Bank was born (Grameen means "rural" in Bengali). The institution, which now has 1,300 branches, provides services in almost 40,000 villages in Bangladesh and has loaned $4.57 billion to date. Ninety-nine percent of those loans are repaid, he said, despite the lack of collateral or signed loan documents. Grameen Bank gives priority to women, who make up 96 percent of its borrowers, because they have found that such loans have a much more positive impact on families.

Yunus found that the poor do not ask to be relieved of poverty. They ask for a chance to solve the problems they face. They do not want charity; they want credit and an opportunity to change their lives.

As he traveled around the world, Yunus realized there was a pattern. He saw that the poor were always skilled at micro-lending, but they were isolated from the formal banking system. Yunus wanted to put the money in the hands of the poor, using their skills to turn them into entrepreneurs.

"If you can make poor people more productive, they will solve any problem, but you see how incapacitated you can solve any problem, but you see how incapacitated you are in the face of real problems." Not sure what else to do, he began visiting villagers each day in hopes of doing a kind deed. "I thought, I would go into a village and do something to help, even for a day," he said. "That was my mission every day. I did a lot of little things."

But what he was doing was not so little. As he listened to the stories of the street vendors, panhandlers and widows caught in a cycle of poverty, he began to see a solution after all.

One woman, who crafted bamboo stools, simply needed 25 cents to purchase bamboo each week. Because she had to borrow from a lender who demanded that she sell her wares to him at the price of his choice, she could not get ahead. Yunus suspected that a small loan was enough to turn this woman's life—and her business—around.

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He was wrong. The bank officials firmly held to their belief that the poor should not receive loans, particularly women.

"It dawned on me, Why am I trying to convince them? Who are they to decide?" he said.

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Yunus' detractors put forth that if loaning to the poor was risky, then loaning to the poorest of the poor was imampossible. Yunus, of course, disagreed. He sought out even the street beggars and taught them to use small loans to transform their begging into enterprise through selling items. Other innovative programs for the poor pioneered by Yunus include health insurance ("poverty and poor health go together"), home loans and a cellphone-use sales business. Grameen Telecom provides a swift business for villagers, particularly women. They receive a cellphone and are trained to sell time on the phones to villagers who previously had no access to a telephone. Now these "telephone ladies" have savings accounts in Grameen Bank and are helping others to do the same.

"Poverty is caused by the system," said Yunus. "It is caused by the policies and the conceptual frameworks we have created. But we are changing that. Access to credit should be accepted as a human right."

---Jean Brutcher, Vanderbilt Register

Where Are They Now?

Three Arts and Science alumni recently were elected to the Vanderbilt University Board of Trust: Catherine Bessica Reynolds, BS’79, of McLean, Va., is a prominent philanthropist and pioneer in the development of privately funded student loan programs. William M. Wilson, BS’79, is president of Nashville-based Cherokee Equity Corporation, a private management company, and also of Cherokee Properties Inc., a private real estate holding company. He is also a principal in Global Associates LLC, a Memphis-based business management firm.

Carrie Colvin, BA’05, of Birmingham, Ala., is an economics and art history major, was elected as Young Alumni Trustee. A member of various academic honor societies, Colvin represented Vanderbilt at the International Achieve- ment Summit in Dublin, Ireland.

Reynolds is chairman and chief executive officer of the Catherine B. Reynolds Foundation and of EduCap Inc., which has provided more than $3 billion in education loans to students and their families. Business Week named her one of the top 50 living philanthropists in America, the first self-made woman to make the list.

Wilson, who is serving as chair for the Class of 1970’s reunion this year, has many family and philanthropic ties to Vanderbilt. David K. Wilson Hall is named in honor of his father, an emeritus trustee who previously served as chair of the Board of Trust. Several endowed chairs and programs at Vanderbilt are named for members of his family.

Both Reynolds and Wilson are members of the Col- lege Cabinet, the donor society for the College of Arts and Science.

With three children scattered across the U.S., today the Ransoms enjoy traveling and being with their three grandchildren. Alumni can contact them by email at n.a.ransom@vanderbilt.edu.

To the Editor:

On the cover rear of the Winter 2005 issue, the middle picture is incorrectly labeled as the 1980s. It is actually a picture of the 1970s. Ron Mayers is the Commodore. Becky Fricker is Mr. Commodore (or whatever she was called), and they both graduated in 1977.

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