



Letters

A Response to New York Times

To the Editor,

I was very disappointed by the article that *The New York Times* ran on microcredit. The word "microcredit" has been so widely used and abused these days that almost every small loan is called micro-credit. I have been drawing attention to the abuse of this word, and how people use it in ways that I could not have imagined when I began scaling up this strategy in Bangladesh (where some 11 million families now benefit). If others want to give small loans to people who now lack access, I'll welcome it because I have always campaigned for adopting credit as a human right. Nobody can argue against giving loans to the poor people nearer to the poverty line; of course we should do it. If you raise the question of where donor priorities should be fixed I don't think there is any room for debate. Donor priorities should be sharply on the poorest. By all logic of foreign assistance and millennium development goals, this will be the right thing to do.

Grameen Bank now lends to 3.5 million borrowers, 95 per cent of whom are women, with an average loan size of around \$200 (after loan size growth over a period of past 28 years of lending). The average first time loan now is about \$65. A number of world class researchers have studied Grameen Bank (beginning with a thorough study published by the International Food Policy Research Institute in 1988). These studies have documented the economic improvements that have taken place among the borrowers, in addition to political and social empowerment of women, the positive impact on health, sanitation, family planning, child mortality, drinking water quality, educational status of children, housing improvements of the borrowers, etc. Grameen Bank has given more than 600,000 housing loans to the homeless borrowers; it has given student loans to all Grameen students who enroll to become doctors, engineers and other professionals; it provides health and other insurance coverage; it offers opportunity for building up their own pension funds. Also, please don't miss the point that Grameen Bank, which regularly makes profit, is owned by the borrowers, who at their start, belonged to the less-than-a-dollar-a-day families. The bank runs its business with the money it mobilizes through deposit taking. It has stopped taking foreign aid since 1995. The recent U.S. law which you refer to simply specifies that US foreign assistance money go to 'Grameen borrower' kind of people in Grameen size of loans. I don't understand why anybody would have any problem with that.

To demonstrate that even the poorest can benefit from credit, Grameen Bank this year is exclusively giving loans to beggars. They are taking loans to sell merchandise to the very same people who they used to approach for begging. In stead of shying away from us, they are gathering around us in big numbers. We are restricting the numbers to 25,000 this year just to get the initial experience. We wish to see how many of them find selling to be a better alternative than begging, and how soon. Already, there are more than 9,000 borrowers in this program. Typical loan size is \$10. Would The New York Times debate about it?

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This is the unpublished response to the New York Times front-page article published on April 29, 2004 entitled "Debate Stirs Over Tiny Loans for Worlds Poorest".