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Bangladesh's "Banker to Poor" wins Nobel Peace Prize

By Paul Watson and Nural Alam
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Nobel Peace Prize winner Muhammad Yunus waves to well-wishers Friday at his home in Dhaka, Bangladesh, on Friday. His work has helped millions lift themselves from crushing poverty.

CHITTAGONG, Bangladesh — Muhammad Yunus, Bangladesh's "Banker to the Poor" who provides loans to help millions of people fight poverty by starting businesses, has won the Nobel Peace Prize.

Yunus, who shared the \$1.4 million prize Friday with the Grameen Bank that he founded 30 years ago, pioneered the concept of "microcredit." It allows very poor people, who don't qualify for traditional loans, to get loans of as little as a few dollars without collateral. The banks' shareholders are the impoverished people it supports.

Yunus, 65, and his bank were honored for "their efforts to create economic and social development from below," announced the Norwegian Nobel Committee in Oslo, Norway.

As his jubilant nation cheered, Yunus said in Bangladesh's capital of Dhaka that he wants "to work to create some more new things in the world" and would use the award money to start a company to produce inexpensive yet nutritional food for poor people. He also plans to use it to set up an eye hospital for impoverished patients.

Yunus' "revolutionary" belief that the world's poorest people were not only good credit risks but potentially big business has led to the creation of a multibillion-dollar microcredit industry that is now being courted

by government leaders and investment banks eager to replicate Bangladesh's success.

Yunus said winning made him feel more encouraged about developing other "poverty alleviation" projects. He said he hoped "many countries will follow us" with programs to fight poverty.

In Oslo, the Nobel committee said "lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty."

"Microcredit is one such means," the committee said. "Development from below also serves to advance democracy and human rights."

The Nobel shines a spotlight on a form of "social capitalism" that has gained currency in recent years, propelled by high-profile supporters such as former President Clinton, rock star Bono and Microsoft founder Bill Gates.

Gates foundation grant

In August, Gates' foundation gave Yunus' Grameen Foundation \$1.5 million for a program to extend its microfinance programs to 5 million more of the world's poorest families. Three years ago, tech entrepreneur Craig McCaw provided \$2 million to start up the Grameen Technology Center, which is using microcredit to finance cheap mobile service for people in Uganda and Rwanda.

"I've always said [Yunus is] the closest I will ever come to meeting Gandhi — he's simply unmoved by any obstacle or any argument," said Bill Clapp, an heir to the Weyerhaeuser fortune and founder of Global Partnerships, a Seattle-based microfinance group that has partnered with Grameen in Central America.

Across the globe, more than 92 million poor people, the majority of them women, have taken loans as small as \$20 and worked their way out of the most dire poverty, said organizers of the Microcredit Summit Campaign, a public-private partnership

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whose sponsors include Monsanto and Northbridge Capital.

Sam Daley-Harris, head of the Microcredit summit and a longtime advocate of Yunus' work, described his friend as an unlikely revolutionary who has an unwavering belief in the economic empowerment of poor people and a willingness to break the rules of conventional banking.

Yunus, who was nominated for the peace prize at least twice before, is the first person to win a Nobel Prize from Bangladesh, a country of 147 million. His Nobel Prize is a rare bright light in a country struggling to defeat radical Islamic terrorists. The country also is chronically inundated by floods and storms that blow in from the Bay of Bengal.

Yunus received his doctorate in economics in 1969 from Vanderbilt University in Nashville, Tenn., where he was a Fulbright Scholar. He became an assistant professor of economics at Middle Tennessee State University later that year before returning to Bangladesh, where he joined the economics faculty at Chittagong University.

Inspired by villager

Bangladesh, one of the world's poorest countries, suffered a devastating drought and famine in 1974, which killed an estimated 1.5 million people. While trying to help starving villagers, Yunus met a woman named Sufia Begum, 21, who was burdened by a tiny yet crushing debt, he recalled in his autobiography "Banker to the Poor."

Begum, who had to borrow to buy bamboo to make stools, received some 25 cents a day from moneylenders. After giving them stools to pay off her debt, she was left with 2 cents a day, barely enough to feed herself.

To break the grinding cycle of debt and poverty, Yunus loaned \$27 to Begum and more than 40 of her neighbors in the village of Joba. He allowed them to pay him back over the next year as their businesses started to produce stable profits.

He tried to persuade a local banker to loan more money to the villagers, but the banker refused, insisting they didn't qualify for credit. So Yunus started his own bank to help the poorest of the poor lift themselves up.

Thirty years later, Yunus' Grameen Bank has more than 6.6 million borrowers, 97 percent of whom are women. The bank has 2,226 branches and provides services in 71,371 villages across Bangladesh. It has given out more than \$5.7 billion in loans, in payments averaging \$130, and claims a repayment rate of more than 98 percent. The banks' borrowers make up about two-thirds of its depositors.

Most of Grameen Bank's borrowers use the small loans to start businesses by, for instance, buying a cow to produce milk, a rickshaw or materials to make cloth or pottery.

The borrowers must form five-member groups that, along with the bank's field workers, closely supervise the loans. Peer pressure substitutes for collateral because the group's first two borrowers have to start repaying the principal plus interest over a six-week period before the other members can take out loans. The interest rate is fixed at 16 percent.

In 2003, Yunus brought the microcredit revolution to the streets of Bangladesh to support more than 50,000 beggars, whom the Grameen Bank respectfully calls "Struggling Members."

They receive interest-free loans of about \$9 each to buy small amounts of bread, candy, pickles, toys and other items that they sell to supplement their begging. Their payments are usually just a few cents per week, and the bank backs up the loans by promising shopkeepers that debts will be repaid if any of the beggars default.

"Every single individual on Earth has both the potential and the right to live a decent life," the Nobel committee said. "Across cultures and civilizations, Yunus and Grameen Bank have shown that even the poorest of the poor can work to bring about their own development."

Los Angeles Times reporter Evelyn Iritani contributed to this report.