



Published: 10.14.2006

Microcredit pioneer earns peace Nobel

First Bangladeshi to win founded bank of tiny loans

THE ASSOCIATED PRESS

DHAKA, Bangladesh — The simple yet revolutionary idea of loaning tiny sums to poor people looking to escape poverty by starting businesses won Bangladeshi economist Muhammad Yunus and the Grameen Bank he founded the Nobel Peace Prize on Friday.

Yunus' notion — today known as microcredit — has spread around the globe in the past three decades and is said to have helped more than 100 million people take their first steps to rise out of poverty.

Some bought diary cows, others egg-laying hens. In recent years, money for a single cell phone has been enough to start thriving enterprises in isolated villages without phone lines from East Asia to West Africa.

"Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty," the Nobel Committee said in its citation in Oslo, Norway. "Microcredit is one such means."

The 65-year-old economist said he would use part of his share of the \$1.4 million award to create a company to make low-cost, high-nutrition food for the poor. The rest would go toward setting up an eye hospital for the poor in Bangladesh, he said.

Yunus is the first Nobel Prize winner from Bangladesh, a poverty-stricken Southeast Asian nation of about 141 million people on the Bay of Bengal.

"I am so, so happy, it's really a great news for the whole nation," Yunus said from his home in Dhaka.

His joy was shared by those his program has helped.

"I can't express in words how happy I am," said Gulbadan Nesa, 40, who five years ago used \$90 from the Grameen Bank to buy chickens so she could sell eggs. She's since taken more loans and expanded into selling building materials.

Grameen, which means rural in the Bengali language, was the first lender to hand out microcredit, giving small loans to poor Bangladeshis who did not qualify for loans from conventional banks. No collateral is needed for Grameen loans, which average about \$200.

But there is social pressure to repay. Recipients form groups of five and members qualify for future loans only if all are current on their old ones.

The results are hard to argue with — the bank says it has a 99 percent repayment rate.

The bank says it has loaned \$5.72 billion to 6.6 million Bangladeshi, 97 percent of whom were women, and today provides services in more than 70,000 villages.

Grameen's critics focus on the bank's high interest rates. Its business loans carry a rate of 20 percent, significantly higher than the 10-15 percent charged by commercial banks.

Worldwide, microcredit financing is estimated to have helped 92 million families last year alone, according to the

Microcredit Summit Campaign.

All content copyright © 1999-2006 AzStarNet, Arizona Daily Star and its wire services and suppliers and may not be republished without permission. All rights reserved. Any copying, redistribution, or retransmission of any of the contents of this service without the expressed written consent of Arizona Daily Star or AzStarNet is prohibited.