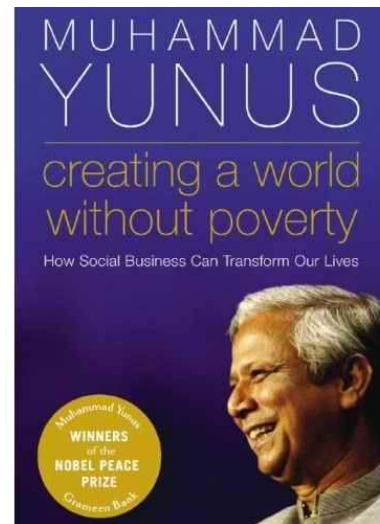


## NEW AND EFFECTIVE WAYS TO REDUCE POVERTY

Muhammad Yunus, *Creating a World without Poverty: Social Business and the Future of Capitalism* (New York: PublicAffairs, 2007, pp.263).

Awarded the Noble Peace Prize in December 2006, Muhammad Yunus and the Grameen Bank have attracted worldwide interest in their ideas about eradicating poverty. Building on his experience in developing the fabulously successful Grameen Bank in Bangladesh, Yunus provides a new business model that aims to promote 'social businesses' which have human wellbeing as part of their core concern.



Partly because of the work of the Grameen Bank, Bangladesh has managed to lift perhaps 100 million people out of the severest poverty, so that country is on target to achieve the Millennium Development Goal of halving the extent of poverty by 2015. Even more amazing, economic growth in Bangladesh has not been at the expense of increasing inequality, especially since 2000. There have been great improvements in health care, child and maternal mortality and educational opportunity (pp. 106-107).



Yunus recounts how in a conversation with M. Franck Riboud, CEO of the international food marketing company, Danone, he talked about beginning a 'social business' to improve nutrition for poor families. A 'social business' would pay no dividends, but the company would make enough money to repay investors, with profits staying in the business (p. xvi). In several chapters of *Creating a World without Poverty*, Yunus describes how Grameen Danone developed a nutritious yogurt to significantly improve the health of children especially. A small factory was built and a local marketing system developed, creating employment for small-scale distributors and producers alike.

Yunus is not opposed to globalisation itself, but he is disturbed that without proper guidelines it can be 'highly destructive', exacerbating 'poverty, disease, pollution, corruption, crime and inequality' (p. 5). He calls for better regulation at all levels to protect the poor against exploitation. He believes the 'free market... could address problems like global poverty and environmental degradation, but not if it must cater solely and relentlessly to the financial goals of its richest shareholder' (p. 6).

Yunus recognises the resources of governments, but also the power of special interests and bureaucracies. He supports the work of charitable bodies, though they are reliant on donations and limited in their possibilities. He is critical of the multilateral institutions like the World Bank which concentrate on large-scale projects which may have little benefit to the poor (p. 11). Yunus argues that the poor must not

be seen as objects of even pro-poor policies, but as active subjects of their own development. 'The poor can be self-employed entrepreneurs and create jobs for others' (p. 12). Drawing on the experience of the Grameen Bank, Yunus insists on small borrowers making their own business decisions and investments themselves (p. 13).

The problem in Yunus's eyes is the business model 'at the center of capitalism'. While many businesses recognise the 'triple bottom line' of responsibility in the financial, social and environmental areas, 'ultimately only one bottom line calls the shots: financial profit' (p. 17). He contends that capitalism has reduced economic activity to the one dimension of profit-making, isolating business thinking from the wider human and social reality (p. 18).

Instead he advocates forming 'social businesses' that would compete with other businesses in the market, but aim at producing social benefits, not simply maximising profits. A social business is not a charity; it aims at full cost recovery and would repay investors, but not offer dividends. Profits would be used to expand the business or as sources of credit.

Yunus also considers another social business model – *one owned by poor people*. He instances the Grameen Bank as a model of this type of 'social business'. Although it aims at maximising profits, the dividends are distributed back to the owners, 94% of whom are poor women in Bangladesh, thus augmenting their incomes. He advocates this as a model that can be used elsewhere provided 'we seriously come up with practical ownership-management models' (p. 30).

Yunus explains how he moved from teaching economics to search for better ways to reduce extreme poverty. He recounts how he offered \$27 to rescue from debt 42 victims of money-lenders. He soon determined to develop a rural credit scheme. The major banks would not lend to people considered not credit-worthy, so Yunus went guarantor for a bank loan that allowed him to make tiny loans to villagers. 'I was stunned by the result. The poor paid back their loans, on time, every time!' (p. 47). Eventually the government authorised a new 'village bank' to be set up, the Grameen Bank.

It expanded by 2007 to give \$6 billion in loans to over seven million poor people, 97 percent women, in 78,000 villages in Bangladesh. It has a repayment rate of 98.6 percent (p. 51), and helped two thirds of borrowers to cross the poverty line. The Bank has made loans to construct 640,000 houses, offers 30,000 school scholarships each year, and makes loans for further study to 13,000 students (p. 57, 241).

Yunus argues that mainstream economics has made things too abstract and missed the reality that poor human beings are very entrepreneurial, given the opportunity. The Grameen Bank has demonstrated that the poor have proved to themselves that they can also change their world for the better. Yunus considers it a mistake to measure the outcomes of microcredit schemes in terms of material output alone. 'Microcredit turns on the economic engines among the rejected population of society. Once a large number of these tiny engines start working, the stage is set for big things' (p.56).

Yunus explains how the microcredit practices of Grameen are spreading in other developing countries, and how they can make rapid inroads into alleviating poverty. He details how Grameen Bank has spawned many other businesses as non-for-profits or owned by shareholders, from health services to IT, manufacturing, and producing or marketing nutritious foods. Grameen Phone helped 300,000 'telephone ladies' bring cell-phone communications into the poorest villages.

He writes that the aim of development efforts should prioritise benefiting the very poorest people, building solidarity with them, especially the women, and to make achievements sustainable in the long term (p. 113). Yunus believes the poor have good survival skills and basically need capital to put their skills to use. 'The poor must have a chance to participate in decision-making that affects their lives', and avoid paternalism (p. 116).

'The challenge is to innovate business models and apply them to produce desired social results cost-effectively and efficiently' (p. 244).

The innovative thinking by Yunus and others in Bangladesh has produced outstanding results beyond what most economists would have considered possible. These experiments are being emulated in other developing countries, and despite the current financial crisis, offer other ways to help meet the Millennium Development Goals of halving the extent of hunger and extreme poverty by 2015.

*Reviewed by B. Duncan*