

Nobel Peace Laureate Muhammad Yunus: A Banker Who Believes Credit is a Human Right

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Thirty-one percent of people living in East Asian countries survive on \$1 to \$2 per day, which is the very definition of extreme poverty, according to the 2006 World Development Indicators.¹ In Bangladesh, birthplace of Nobel Peace Laureate Muhammad Yunus, 49.8 percent of people exist below the poverty line.² Of all women in the country, 73.2 percent are categorized as “unpaid family workers.”³ These individuals may not have the financial resources to adequately care for their children or the ability to contribute to household income and stability. Both in Bangladesh and throughout the world, “[f]ew women have access to credit markets, capital, land, training, and education, which may be required to start up a business.”⁴ Without adequate funds to meet daily needs, there is no opportunity to invest funds in long-term approaches for creating financial security.

Logic dictates that financial institutions do not generally invest in individuals, families, or community groups who have no prior credit history, no collateral with which to secure loans, and little experience in running a business. But one man thought differently—Muhammad Yunus. He began what would become a worldwide phenomenon of lending small amounts of money to the poorest of individuals, to help them achieve long-term financial security.

One Person’s Approach to Addressing Poverty

In 1976, as an economics professor at the University of Chittagong in Bangladesh, Muhammad Yunus decided to explore a new kind of banking system, one which

would support the poorest individuals in an attempt to change their financial circumstances.⁵ He lent \$26 of his own money to a woman making bamboo furniture, and then lent additional money to other villagers in Jobra.⁶ Yunus was seeking to liberate his borrowers from “loan-sharks,” who charged excessive interest and kept borrowers in a cycle of permanent debt.

This new idea of “micro-credit” involved providing small loans of money to individuals or groups, given on personal trust. Clients are generally unable to provide collateral or security for amounts as little as \$10. Borrowers use this money to start their own small businesses, purchase raw materials for an existing business, or pay off high-interest

debts. The lending approach requires only a personal guarantee from its borrowers, and its loans are interest-free.

Yunus’s initial experiments were a success: the impoverished borrowers paid back their loans on time and did not default. From this first group of borrowers, Yunus expanded his lending to neighboring villages. In 1979, he approached the central bank of Bangladesh and extended the project to other districts. In 1983, Grameen Bank was established as an independent institution, taking its name from *grameen*, the Bangla word for village or rural area.⁷

Today, Grameen Bank has 6.74 million clients and provides all kinds of financial services to the poor.⁸ Its borrowers own 90 percent of the bank’s shares. Women constitute 96 percent of Grameen’s borrowers, and repayment rates have reached 97 percent. Grameen Bank has branches providing services in more than 72,000 villages in Bangladesh, covering more than 86 percent of all villages in the country.⁹

Research indicates that the average household income of Grameen Bank members is approximately 50 percent higher than comparable groups in non-Grameen supported villages.¹⁰ Grameen’s

Bangladeshi Nobel Prize winner Muhammad Yunus waves, as Mayor Sadek Hossain, right, hands over a key of Dhaka City during a civic reception in Dhaka, Bangladesh, Nov. 29, 2006.

(AP Photo/Pavel Rahman)



micro-lending approach has resulted in a sharp reduction of the numbers of individuals living below the poverty line, from 50 percent down to 20 percent.

Access to Credit as a Human Right

In 2003, Grameen Bank launched a new initiative, targeted at the neediest of Bangladesh's poor—individuals who engage in begging activities to survive on a daily basis.¹¹ Today, 81,000 of Grameen Bank's clients are street beggars, called "struggling members," who utilize the bank's financial and health insurance services.¹² A special program was developed to meet the needs of this distinct group—the struggling members are not required to join a group of borrowers, and they are not required to attend weekly meetings of borrowers. Grameen arranges for local shops to provide items for the members to sell during their daily begging activities. Grameen also provides identity badges to show the member's affiliation with Grameen; basic necessities, such as blankets or mosquito nets, are provided for the members' use, to be repaid as part of their interest-free loan.

Yunus and Grameen Bank promote the still radical idea that credit is a human right.¹³ Grameen Bank lends money, not based on the individual's direct ability to repay or provide collateral, but on the individual's social capital or future potential to become financially solvent. Rather than asking who is "credit-worthy" or "bankable," Grameen approaches impoverished individuals and engages them in discussions about what skills they might have. These discussions can then lead to decisions by those individuals to join into groups with others in a similar situation and open small businesses that focus on their strengths and talents. Grameen Bank adheres to a progressive social agenda, outlined in four principles: discipline, unity, courage, and hard work; and 16 decisions—including the abolition of dowries, attention to environmental causes, and education for all children.¹⁴

The 2006 Nobel Peace Prize

In 2006, the Norwegian Nobel Committee awarded the Nobel Peace Prize jointly to Muhammad Yunus and Grameen Bank "for their efforts to create economic and social development from

below."¹⁵ It recognized Yunus's idea of micro-credit as a necessary instrument for building peace and prosperity at the grassroots level. According to the Committee, "Micro-credit has proved to be an important liberating force in societies where women, in particular, have to struggle against repressive social and economic conditions."¹⁶ The Committee noted that there is a direct relationship between poverty, human rights violations, and socio-economic instability. Therefore, the struggle against poverty is part of the struggle for the restoration of human rights, democracy, peace, and stability.

This is the first time the Nobel Committee directly linked peace with the struggle against poverty. In the past, the prestigious peace prize has been awarded to individuals and institutions that were internationally recognized and played an active role in resolving international conflicts. In more recent times, particularly since 2003, the Nobel Peace Committee has been examining the root causes of global violence and awarding the peace prize to those who use innovative methods at the grassroots

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Activities

Elementary Grades

Thematic Strand: **VI PRODUCTION, DISTRIBUTION, AND CONSUMPTION**

Big Idea: Banks loan money to people to help them start businesses.

Guiding Questions: Why do people need bank loans to start businesses? How do new businesses help a community?

Background Knowledge: Children should gain a basic understanding of key economic concepts. For example, these concepts might include banks, money, loans, business, market, needs and wants. Students can apply these concepts to a study of how Muhammad Yunus and the Grameen Bank loans have helped villagers in Bangladesh meet their needs and wants. Teachers can guide children to link this knowledge with how bank loans benefit the economic life in the community they live in.

Suggested Activities:

1. After students have been introduced to this topic and these economic concepts, ask students to collect photographs or draw pictures comparing different types of businesses in Bangladesh and their community. Display these visuals on a bulletin board under the heading "Alike and Different."
2. Encourage students to share orally with the class why people might apply for a bank loan to start, maintain, and expand the businesses posted on the bulletin board. Also, ask students to explain why these businesses would make the community a better place to live.
3. For a role-play or simulation of micro-credit practices, the teacher can divide the class into two groups. The largest group of students is asked to imagine that they are members of a village in Bangladesh who want to start a business. Have all students research what type of businesses might be useful in the village, and how each business might help the community. These students should write a request for a bank loan. In their request, students should explain:
 - a. How much money they will need;
 - b. Why they need the money;
 - c. How the money will be used;
 - d. When the loan will be repaid.The smaller group should imagine that they are Grameen Bank loan officers. They will need to

evaluate the loan applications and decide whether or not to grant the loans. These students will also make suggestions to the loan applicants on how to strengthen their loan requests, where needed. Have the students place the loan applications in order, based on how valuable the business is to helping the community.

4. At the early elementary grades, students can decide to raise money to donate to a local or international charity. Ideas might include selling lemonade or hosting a cookie sale during the next school event. The teacher can engage the students in a discussion regarding basic business practices: How will we get the supplies for the bake sale? Who will pay for these? The teacher might make a micro-loan to the class of about \$25. Students can draw up a list of materials to be purchased. They decide on a price for the products they will sell, and afterward they will practice basic math in adding up their profits and subtracting the cost of the loan to be repaid. This can be done as a simulation only, or the teacher can use this as the basis for an extended unit over several days, with the students making their product and actually selling it.
5. To address social prejudices and stereotypes, students can engage in a discussion of lending practices. Questions might include: What have you loaned to someone in the past (such as a pencil or a toy)? Did you get the item back in good condition? To whom do you like to lend? Why? How would you feel about lending to a complete stranger?

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Activities

Middle School Grades

Thematic Strand: **V** INDIVIDUALS, GROUPS, AND INSTITUTIONS

Big Idea: Empowering impoverished women to become financially independent aids the economic life of a society.

Guiding Question: How does micro-credit assist impoverished women and help society?

Background Knowledge: Students should understand that most of the world's poor are women. Helping these women earn a living will help them feed their children. Grameen Bank is committed to helping these women, as 96 percent of its loans are made to women. Students can explore the following websites to find more information concerning the relationship between poverty, micro-credit, and empowerment. Some of these websites share personal stories about how small loans have helped poor women to achieve their goals.

Suggested Activities:

Ask students to take on the role of a villager, and write a letter to Dr. Yunus explaining the ways that Grameen Bank loans have helped the community. The girls may want to take on the roles of women who have received micro-credit loans, and the boys may wish to take on the role of a husband or son whose wife or mother has received a loan.

Propose to the class that the school is willing to provide them with a micro-loan of \$25. Engage the class

in a discussion of what they might do with that money, in order to grow it into more money. Have students develop ideas in small groups, write up proposals, and advocate for their idea in front of the class. A project can be chosen by ballot, after all ideas have been considered. Once a project is selected, students can develop their class's business plan and implement it. Students can assume various roles in their business, such as marketing, accounting, sales, etc. As students begin to receive income from their project, the class can discuss how best to spend or invest this "new" money (by paying off the original loan, investing in the business, giving to charity, etc). Decisions can again be made by balloting.

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High School Grades

Thematic Strand: **IX** GLOBAL CONNECTIONS

Big Idea: Eradication of poverty is addressed through large internationally and nationally supported projects and small micro-credit loans.

Guiding Question: What is the best method for ending poverty in the world?

Background Knowledge: Students should learn about various international and national projects that have been designed to address the issue of poverty. For example, they can study the impact of various UNICEF, UNDP, and USAID projects around the world. They also should research the philosophy and methods espoused by Muhammad Yunus and the Grameen Bank.

Suggested Activities:

1. Students can conduct research on the approaches of both large international organizations and the local micro-credit lending groups. After gathering information on the two credit philosophies, students can compare and evaluate each approach. Students can: (a) write a position paper taking a stand on which method is most effective, (b) design a poster or bulletin board illustrating a comparison of the two methods, (c) use one of the many styles of debate to discuss the pros and cons of each loan strategy.
2. To focus students' thinking on their social responsibilities as citizens of the world, discuss the following phrase: *To whom much has been given, much will be*

Activities

High School Grades continued

expected. While students in their individual circumstances may not feel economically secure or financially wealthy, most individuals in the developed countries of the world have relatively more income and assets. Ask students to consider what responsibilities they have to help those who are less fortunate. They can begin by considering local applications, such as helping those in their own school or neighborhood. Later they can consider how to help those worldwide who are less fortunate. Students can discuss ways in which to help those in need at all levels, and pick one project to work on over the course of the school year.

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Notes

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2. Ibid., "2006 World Development Indicators: Table 2.7—Poverty," devdata.worldbank.org/wdi2006/contents/Table2_7.htm.
3. Ibid., "2006 World Development Indicators: Table 1.5—Women in Development," devdata.worldbank.org/wdi2006/contents/Table1_5.htm.
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17. Iftikhar Ahmad, "Nobel Peace Laureate Wangari Maathai: Connecting Trees, Civic Education, and Peace," *Social Education* 69, no. 1 (2005): 18-22; Ahmad, "Shirin Ebadi: A Muslim Woman Nobel Peace Laureate," *Social Education* 68, no. 4 (2004): 260-263.
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Teaching Resources

Bangladesh WebQuest
(Elementary)

www.arlington.k12.va.us/schools/barrett/discovery/research/bangladesh

Grameen: Banking for the Poor www.grameen-info.org

Grameen Foundation
Video: "Breaking Through"
(Documentary on
Microfinance)
www.grameenfoundation.org/resource_center/video_breaking_through

National Council for Economic
Education (NCEE): Teacher
Resources
www.ncee.net/resources

The Nobel Foundation
Nobelprize.org

The 16 Decisions of the
Grameen Bank (illustrated)
www.grameen.com/bank/the16.html

The 16 Decisions of Grameen Bank

1. We shall follow and advance the four principles of Grameen Bank -- Discipline, Unity, Courage and Hard work -- in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.

UNICEF - Bangladesh
www.unicef.org/bangladesh/index.html

Virtual Bangladesh
www.virtualbangladesh.com/bd_contents.html



Bangladeshi women, who took small loans from Grameen Bank, gather at a house to pay back their loan installments in the capital, Dhaka, January 19, 2004. REUTERS/Rafiqur Rahman. AA/FA

CREDIT IS A HUMAN RIGHT

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level to foster human rights, protect the environment, and work against social and economic injustice. In 2003, the Nobel Committee honored Shirin Ebadi for her struggle for human rights and democracy in Iran, and in 2004, it honored Wangari Maathai for her work in environmental preservation.¹⁷ Less well-known, non-governmental voluntary associations and their visionary leaders, working with limited resources, are now being recognized as a major social force with real potential to bring about positive social change.

Micro-Credit across the World

Today, Yunus's idea of micro-credit has become popular both in Bangladesh and in the rest of the developing world. Grameen Bank is considered a pioneer and a model for its novel approach to

reducing poverty. The idea of micro-credit has also been exported to developed countries; both the United States and the United Kingdom have implemented programs based on Grameen's principles of utilizing people's social capital to build financial stability in the vacuum of poverty. In the United States, more than 350 organizations, such as the Women's Venture Fund, provide micro-loans to very poor people, who cannot secure traditional bank financing to start or expand small businesses.¹⁸ Micro-loans in the United States average \$10,000, rather than the typical micro-loans of less than \$600 in most other countries around the world. In the United Kingdom, the British Bankers' Association has identified a range of locally-based groups that are providing micro-credit to help the "financially excluded" to begin or expand small businesses.¹⁹

Bringing Micro-Credit into the Classroom

The study of Yunus and Grameen Bank can be integrated into the social studies classroom at all grade levels. Using the social studies standards, *NCSS Expectations of Excellence: Curriculum Standards for Social Studies*, as our guide, we provide teaching suggestions for elementary, middle, and high school levels. 🌐

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