

Microfinance and Baha`i Teachings

Terry Riggins

`Abdu`l-Baha, at the beginning of winter, would give winter cloaks to about 600 of the poorest of Akka.¹ He did that every year. A record of the recipients was kept.² One winter, in 1902, this event was witnessed by Myron H. Phelps, a New York Lawyer, Mr. Phelps also witnessed `Abdu`l-Baha regularly giving money to poor people, often a hundred at a time, in Akka neighborhoods. `Abdu`l-Baha would also talk to these people and encourage them.

`Abdu`l-Baha said, "Give to the poor! if you give them only words, when they put their hands into their pockets they will find themselves none the richer for you."³

`Abdu`l-Baha's actions for the poor were targeted (helping the poorest people in the winter), systematic (every winter) and organized (a record...was kept).

Starting Micro Loans

In 1974, Dr. Muhammad Yunus was chairman of the economics department of Chittagong University in Bangladesh. He began to find it difficult to teach elegant theories about "the perfect workings of the free market" while hundreds of thousands of Bangladeshis died from poverty and famine.

Dr. Yunus did research about poverty in the village of Jobra. He found families that could earn only a few yen per day. He found 42 families who could not work their way out of poverty because they were victims of money lenders. From his own pocket he paid all of the debts of these 42 families. The total amount was about ¥3,000. That tiny amount of money, that pitiful sum of money was keeping 42 families in extreme poverty.⁴

From this experience, Dr. Yunus developed the idea of making micro loans--small loans usually less than \$100 (about ¥10,000) in size - to the poor.

The Universal House of Justice wrote in 1985:

The inordinate disparity between rich and poor, a source of acute suffering, keeps the world in a state of instability, virtually on the brink of war. Few societies have dealt effectively with this situation. The solution calls for the combined application of spiritual, moral and practical approaches. A fresh look at the problem is required, entailing consultation with experts from a wide spectrum of disciplines, devoid of economic and ideological polemics, and involving the people directly affected in the decisions that must urgently be made.”⁵

This statement says that there is a “solution” to the “inordinate disparity between rich and poor.” The solution has two main points: 1. The solution requires (“calls for”) spiritual, moral and practical approaches. 2. Also necessary (“entails”) is consultation with experts and with the people directly affected.

Grameen Bank

At about the same time as the statement from the Universal House of Justice was written, Dr. Yunus, in 1983, created a separate bank for the poor, Grameen Bank. He followed the two points that the Universal House of Justice listed: he consulted with many experts for several years (1974-1983), and he included spiritual, moral and practical points in how his bank operated. ⁶

With the Grameen Bank, Dr. Yunus followed the three points exemplified by `Abdu`l-Baha. The ideas and plans for the bank were targeted (for the poor), systematic and organized (he made an official, legal bank).

These are some of the features of the Grameen Bank:

Loans (of about ¥10,000 - ¥20,000) are made to rural poor women. Women receive about 97% of the loans from the Grameen Bank.⁷ Women are more likely than men

to use their loans for household and family needs.

Loan recipients are put in groups of 5 people. The group members consult about new loans and other business topics. Loan payments are made weekly.

All women learn the Sixteen Decisions.⁸ Some the 16 Decisions include the following:

- follow principles of discipline, unity, courage and hard work
- bring prosperity to their families
- repair their houses
- grow vegetables/ eat plenty of vegetables
- keep their families small
- educate their children
- do not inflict any injustice on anyone
- be ready to help each other
- (other points are specific to the culture of rural Bangladesh)

The Sixteen Decisions have moral and spiritual points such as discipline, unity, justice, helpfulness and courage. Remember, the Universal House of Justice said that a spiritual approach would be called for in the solution to poverty. Grameen loan recipients must memorize the Sixteen Decisions and study and discuss them at weekly meetings.

In *The Promise of World Peace*, the Universal House of Justice wrote about “erecting a social system at once progressive and peaceful, dynamic and harmonious, a system giving free play to individual creativity and initiative but based on cooperation and reciprocity.”⁹ The Grameen Bank stresses leadership, self-initiative, helpfulness, unity and peacefulness. Those all points featured by the Universal House of Justice.

The Grameen Bank does not offer job training or career building services. It fosters “individual creativity” by giving a loan to a person after the person has an idea for

an income producing business. The Grameen Bank does not suggest loan applicants start certain kinds of businesses. The loan applicant must get the idea and have plan to use the money to make a business.

Dr. Yunus wrote: “My work with Grameen Bank has brought me into close touch with the poorest of the poor. This experience has given me an unshakable faith in the creativity of human beings.”¹⁰

The Grameen Bank currently gives loans to 8,000,000 people in 84,000 villages. The loan repayment rate is over 98%. The percentage of Grameen borrowers living in extreme poverty was reduced by 70%. More than 91 per cent of borrowers said the bank helped to improve their lives.¹¹

This is an example of one of the practical things the Grameen Bank does: Many of the women who get loans from the Grameen Bank are illiterate. This is one reason they could not get loans from regular banks, they could not fill out the forms. To help these poor women, the Grameen Bank began to require that illiterate women learn how to write their names. The women found being able to write their names very empowering. Then they volunteered for literacy classes.¹²

The Grameen Bank grew and expanded into more services for the poorest in society. The bank provides a range of microfinance services: savings accounts for people who previously had no bank accounts, life insurance, pensions, money transfer service and banks in their local areas. All villages in Bangladesh now have branches of Grameen Bank.

In addition to growth of the Grameen Bank other institutions were established, all with the goal of improving life for people of Bangladesh. There are now twenty-five companies in the Grameen group. Grameen Shikkha provides scholarships to students of poor families. Grameen Health Care Services provides health care services for the poor. Another example is Grameen Danone which makes affordable, nutritious foods for the poor.

In 1995 Grameen Telecom was set up. This was one of the most creative and

successful Grameen programs. This program established “telephone ladies” in villages through out Bangladesh. Using a Grameen Bank loan, a village lady would buy a cell phone. Using this as a communications business, she would lease the phone to other people in her village. With this Grameen project, Bangladesh went from a country with almost no phone service in the countryside to having cell phones in every village.

Microfinance has now spread to almost every country in the world. The Grameen Bank often supplies advice and technical help to new microfinance institutions in other countries. However, Grameen Bank operates directly only in Bangladesh. It stays focused. By the year 2006, 100 million families in the world were receiving microfinance services. The goal set at the third global Microcredit Summit held in Canada in 2006 was to provide microfinance to 175 million families by 2015.¹³

Social Businesses

Dr. Yunus feels that capitalism is incomplete. Recently he has been writing and talking about the idea of social businesses. The traditional free-market idea is that the goal of a business is profit and that individuals are consumers. Dr. Yunus feels that individuals are multi-dimensional, they are more than just consumers. In addition to companies that have a goal of maximum profits, other well-run, efficient companies can operate with the sole goal to achieve a social objective.

The idea of social businesses extends the services of microfinance to any activity or need of society. This again uses the requirements of the Universal House of Justice of spiritual, moral and practical approaches to solve economic problems in the world.

An example of a social business is the U.S. company Newman`s Own. It has social goals of producing all-natural foods such as salad dressing and donates all after tax profits to charity. Newman`s Own has donated \$27 billion to thousands of charities around the world. This company is targeted (only natural foods), systematic and organized (a major corporation).¹⁴

Many kindergartens in Japan are social businesses. Their goal is to care for and educate children, not to maximize profit.

Social businesses are non-loss, non-dividend businesses aimed at social goals for education, health, food, the environment, etc. Entrepreneurs can be motivated by social goals. Social businesses are not charities; they are businesses that are not motivated by profits. Social businesses are new institutions. For profit companies work well for some people, but have left half of the people in the world living on ¥200 (\$2.00) a day or less.

In August 2009 the Yunus Centre was established. This is designed to serve as a hub for social business contacts and development. It will also develop academic programs on microcredit and have a research program for social business. Some partner organizations of the Yunus Centre are Rikkyo University, Kobe University and Kyushu University.

Dr. Yunus wrote, "it is possible to eliminate poverty from our world because it is not natural to human beings."¹⁵

Dr. Yunus and the Grameen Bank jointly received the Nobel Peace Prize in 2006 for their work in microfinance.¹⁶

References:

1. Balyuzi, H.M., *`Abdul`l-Baha*, p.100.
2. Honnold, Annamarie, *Vignettes from the Life of `Abdu`l-Baha*, 1986 p. 65
3. *ibid.* p 68.
4. Yunus, Muhammad, *Creating a World Without Poverty*, p.46.
5. Universal House of Justice, The. *The Promise of World Peace*, p.25.
6. Yunus, p. 48.
7. Yunus, p. 51.
8. Yunus, p. 58-59.
9. Universal House of Justice, The. p. 15.

10. Yunus, p 150.
11. Yunus, p. 52.
12. Yunus, p. 89.
13. Yunus, p. 67.
14. Newman, Paul and Hotchner, A.E., *In Pursuit of the Common Good*, 2003, p. 97.
15. Yunus, p. 233.
16. Yunus, p. 105.