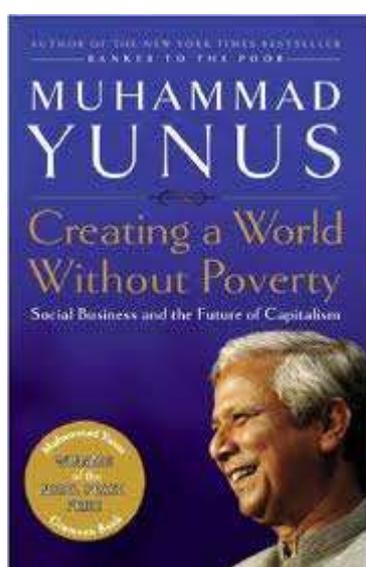


# THE 27 DOLLAR MIRACLE – ERADICATING POVERTY, TRANSFORMING COMMUNITIES

Christine Miller & Muhammad Yunus

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‘Poverty in the world is an artificial creation.  
It does not belong to the human civilization.’



A notable exemplar of the 21<sup>st</sup> century Zeitgeist Principle of ‘doing well by doing good’ is Nobel Peace prize winner Muhammad Yunus, Founder of Grameen Bank, the innovative ‘microfinance’ banking program.

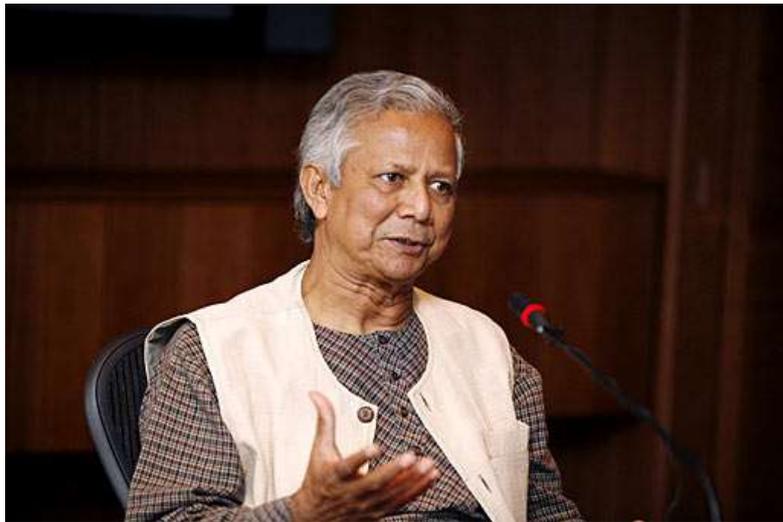
Yunus’ book ‘*Creating a World without Poverty*’ impresses not only with its ideas, but more so with the fact that they are being *practically applied with positive results* in Bangladesh and beyond.

Individuals, families, and villages have been transformed and lifted out of poverty, not by charity handouts creating dependency, but by a programme of small microcredit loans which support people - mainly women - in setting up and running their own businesses within their communities. Conditions have been vastly improved for many, and families who could never have dreamt of giving their children an education have been enabled to do so; now their sons and daughters are returning to further benefit their communities with their medical and other professional expertise. In the past thirty years, microcredit has spread to every continent and benefited over 100 million families. This human capital investment based on trust is enriching the economic and social fabric and transforming lives beyond anything the conventional system ever believed possible or allowed.

The red tape and bureaucratic meanderings of that conventional system discourages individuals from making changes and challenging the status quo. Sometimes the problems of the world can seem far too great for one person’s effort to make any difference, so we devolve the responsibility for change back to our governments, to organisations – or to just about anywhere else but at our own doorstep.

But Yunus' story about what prompted him to take action against poverty in Bangladesh back in 1976 is a prime example of the *real* effects that one person's persistent, thoughtful approach can make to a whole region. In this case, the region is one of the poorest and most fragile ecological systems in the world, a place prone to ever-increasing cyclones and flooding, where the effects of global warming are acutely felt - a place where, in 1974, a famine led to the deaths of millions of people.

### **DRIVE TO ERADICATE POVERTY**



**Muhammad Yunus tells us how his continuing quest to eradicate poverty began.**

We had a terrible famine in the country if you recollect in 1974. Many people died: not from disease or epidemic, but from simply not having enough to eat for survival. People died; not hundreds of them, not thousands of them, not hundreds of thousands of them, but *millions*. So that's our journey; and when you live in Bangladesh you go through frustration after frustration. Nothing seems to work; but you don't give up hope. You continue to fight back. In an environment of such frustrations, many people in Bangladesh tried to do many different things to overcome the frustration and bring out rays of hope.

### **POWER OF ONE PERSON'S EFFORTS**

When you see the famine raging everywhere, you become totally numb, not knowing what you can do in a situation like that. I was a teacher at one of the universities in Bangladesh, and I was hoping that, as a human being, I could still do something. I felt I shouldn't be overwhelmed by the vastness of the problem. All I was trying to do in the village next to the university campus was to see if I could do something for just *one person*, even for a day. I was not trying to change everything in the next village; I thought if I can help one person at a time, even if it was only for one day, then that will be good enough for me. This was the process that I got involved with, and I felt more at ease than just sitting around and watching what was happening in front of me, and not knowing what to do.

## THE 27 DOLLAR MIRACLE

Then I began to find out what terrible things went on inside the village. There was 'loan-sharking', lending tiny amounts of money to people, and controlling their lives because of the debt. I thought I should understand this a little better, and find out how it happens.

After several days of going around the village I made a list of people who were borrowing from the money lenders. When the list was complete, there were 42 names on that list and the total money they borrowed was just \$27. I was shocked that people had to suffer so much for such a small amount of money. At the same time it dawned on me, the problem is very intricate but the solution is so simple. The idea came to my mind that if I give this \$27 to all these 42 people according to the list I have, and ask them to return the money to the loan-sharks then they will be free. So I immediately did that. But I didn't realise what it would lead to next! What surprised me was the enormous amount of excitement that it generated in these families. They looked at it as if I had done something that was a miracle. In the beginning I just felt amused; amused by the \$27 miracle. I said that with just \$27 you can become an angel - if you can spare another \$27 you may become a super angel! So the thought that came to my mind was *'if you can make so many people so happy with such a small amount of money, then why shouldn't you do more of it?'* That's exactly what I wanted to do.

## CHALLENGING CONVENTION

I thought about the ways I could do that, and one idea caught my imagination. I thought I should ask a bank located in the campus to lend the money to the people in the village, just a few yards away from each other. When I went to the bank manager and suggested this, he said, *'absolutely no way. The bank cannot lend money to the poor people'*.

That is the biggest lesson I learned about banking. I had no idea how banking was done, but he repeatedly explained that it is impossible for a bank to do that. The more I insisted, the more he put up resistance. So it went on for several months, talking to the senior officials in the banking hierarchy. Nobody would accept that idea. Finally, I used some of their rules to make it easy for them to understand. I said, *'why don't you accept me as a guarantor, I'll sign all your papers. I'll take your risk. You keep your rule and I get the money'*. So it took another couple of months to push them. Finally, they accepted me as a guarantor and then I took the money and gave it to people. I wanted to make sure people found it easy to pay the money back. So I came up with tiny little ideas to make it easy for them, and it worked.

That was the beginning of Grameen Bank - with \$27, and then it grew and grew.

## TURNING BANKING ON ITS HEAD

So what did we really do that made it happen? In a way, we can look at it as if we are mimicking the conventional banks in a very strange way. As if whenever we needed a rule to see how to handle it, we looked at the conventional banks and how they do

it. Once we find out how they do it, we just do the opposite! And it works, and it works beautifully, and it's still working.

Conventional banks are based on the principle, the more you have, the more you get. We reversed that principle. We said the less you have - the higher attention you get. If you have absolutely nothing, you get the highest loan. Conventional banks want collateral, you have to bring wealth and position, before you get a loan. We reversed it, we said forget about collateral. In our system there is no collateral, there is no guarantee. In our system there are no lawyers; in conventional banks anything you do, they will bring a lawyer, all the papers you have to sign, seal, notarise. We don't have any system. Conventional banks go to men to give the money, we go to women. They go to the rich, we go to the poor.

They want you to know everything about your business; when they are convinced, only then they will talk business. We go to women, and they say *'well I don't know many things'*. The more she insists, the more she says *'I don't know anything, I never touched money in my life'*, the more we get interested in them. So you can see in every way, it is the opposite, and it has been working very well.

## **TRANSFORMING COMMUNITIES**

Today Grameen Bank has seven and a half million borrowers, and 97% are women. The Bank is owned by them, and it has changed their lives. Not only does it work in Bangladesh, it now works all over the world, in rich countries and poor countries; countries in Latin America; countries in Africa; countries in Asia. You look around and you see that with their ability, their creativity, people are changing their economic situation. They are moving out of poverty. They are sending their children to school. Grameen Bank gives loans for sending children to higher education, so that illiterate families can have children who are literate and educated and going into higher education. Right now we have over 21,000 students in Grameen Bank who are in medical schools, engineering schools, and universities, and some of them have scholarships from international institutions such as Harvard.

When I go to the villages and meet these women who have been working so hard to make a difference to their life, it's an amazing experience to be with them. Now I see a new phenomenon coming, added to that. When I'm visiting them, the daughter from the city comes in: she's just finished her degree, she's a Doctor now, and she's practising as an internee at the hospital. She came because I was visiting her village. So I see the mother and the daughter standing side by side. One is a totally illiterate person who joined Grameen Bank some 10 or 15 years back, took tiny loans \$50, \$20 or whatever, started her life and sent her daughter to school. Now, she is a doctor.

## **RELEASING HUMAN POTENTIAL**

You cannot escape the thought in your mind, looking at these two ladies standing next to each other, that her mother could have been a doctor, too. But society never gave her mother a chance. All we have done through Grameen Bank is allow her to improve her income, given her the capacity to send her daughter to school and encouraged her to keep the child in school. Then we gave her a student loan to

continue and finish her education, and she became a doctor. Her mother must have the same elements in her, there is no reason why she should have any less than her daughter has.

Then you will also have the mother who will be introducing her own mother; the older lady stays inside the house because she's not used to being in a crowd. So she's still a shy old woman, whose daughter has been to Grameen Bank, and has changed her life in a different way. The grandmother has never been through such an experience, but when you meet her, again that same question comes to your mind - she could have been a doctor, too.

The conclusion that you would come to is that poverty is not in the person; poverty is not created by the person, poverty is created by the system. Therefore if you want to address the issue of poverty, it's not about her, it's about us. What did we do wrong? Where *did* we go wrong? Fix it up. If we can pick out the seeds of poverty that we have put inside all the things that we build as institutions - the policies, the concepts, then nobody in the world would be a poor person. There's nothing, absolutely nothing wrong in the human being. We messed it up, and then blamed them.

## THE END OF POVERTY

At the end of Muhammad Yunus' book, he suggests that when we have eradicated poverty, then we should create 'Poverty Museums':

*'When there are no poor people anywhere in the world, then in the same way that there are no longer any dinosaurs in the world, and just as we keep the skeletons of dinosaurs in museums and we take our children to see what the dinosaurs used to be like, so we will take our children to the poverty museum to show what poverty used to be like'.*



We have here a model that works, that *is* working, transforming some of the most deprived communities in the world. Today, all we need to do is fix the date: which is the year in which we will set up that Poverty Museum?

Find out more about Grameen and Muhammad Yunus's work at:

<http://www.muhammadyunus.org>

Find out more about Christine Miller at:

[www.resourcefulentrepreneur.com](http://www.resourcefulentrepreneur.com)

[Christine@resourcefulentrepreneur.com](mailto:Christine@resourcefulentrepreneur.com)

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