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## Articles

### Some Good Economic News!

By Bob Dickson And Blaise Salmon, For The Calgary Herald February 4, 2009

It is high time for some good financial news in the midst of the economic turmoil, fear and uncertainty that swirls around us.

Recently in New York City, the Microcredit Summit Campaign announced it has officially reached its goal of providing small loans to 100 million of our planet's very poorest families living on less than \$1 per day! And not to rest on their laurels, new goals were set to reach an additional 175 million poor families by 2015, and bring 100 million of those families above the official poverty line.

Among those participating in this historic announcement were leaders who have been dubbed the three wise men of microcredit--Dr. Muhammad Yunus, founder of the Grameen Bank in Bangladesh and winner, along with six million of the poorest women in his country, of the prestigious Nobel Peace Prize; Sam Daley-Harris, founder of RESULTS, one of the world's leading advocacy and educational institutions for ending poverty; and John Hatch, founder of FINCA, the largest microcredit organization in the Americas.

These visionaries put together the World Microcredit Summit, hosted by Hillary Clinton in Washington, D. C., in 1997, and set the now historic goal of reaching 100 million families by 2006.

Microcredit programs around the world have helped millions of the poorest families to care for themselves and their children. The official announcement stated that more than 106 million of the world's people living on less than \$1 per day received micro-loans, and that this goal was reached in late 2007. It took most of 2008 to count and verify these numbers. This is a remarkable achievement. When the campaign was launched in 1997, there were only seven million very poor borrowers worldwide.

Microcredit funds a huge variety of small, self-employed businesses for people who wouldn't normally have access to credit. Interest is charged to sustain programs and organizations, and repayment rates are higher than 95 per cent. Microcredit provides hope and opportunity for the poorest who are often left out of the global economy.

The most famous example of microfinance, the Grameen Bank, now employs more than 16,000 people, has more than seven million clients--mostly women--and has lent more than \$7 billion, stated its founder Muhammad Yunus.

Nineteen years ago, Yunus was asked, "What is the first thing a woman does with the proceeds from her micro-loan?" He was expected to say that she feeds her family or puts her children in school.

"The first thing she usually does," Yunus replied, "is bring her children home." He went on to explain that during hard times in Bangladesh, families were often unable to feed their children. So they would send them out to work for other families, even when they were as young as five or six years old, for a pittance of money or the promise of food.

The story of one woman in India shows the kind of impact microcredit can have. "When my children cried at night from hunger, I felt like killing myself," recalled Saraswathi Krishnan. Eventually, having no jewelry or other assets to pledge for the basics for subsistence, Saraswathi sold her seven-year-old daughter into bonded labour to a local merchant for 2,000 rupees (\$60 Cdn).

"My little girl complained to me daily that the merchant abused her. His family would eat food in front of her and give her none."

Five years later Saraswathi joined Working Women's Forum, a women's self-help and microcredit program. With her first loan she paid off her debt to the merchant, freeing her daughter, who now attends school, and began a small vegetable-selling business. With a second loan she bought her 16-year-old son a loom.

With the family's new sources of income, Saraswathi has a sense of pride and security she never before experienced. "I will never mortgage my children again; they will be educated." This type of story, showing the positive impacts of microcredit, is being repeated millions of times among the poorest people on earth.

There are many millions of people more who could be helped with microcredit. 1.4 billion people live on less than \$1.25 a day, the new official poverty line. Many of these people and their families could benefit if they had access to microfinance.

Currently, there is an immense global microfinance funding gap of at least \$250 billion. Only about four per cent of the worldwide demand is being met. "Microfinance" includes microcredit, savings, micro-insurance and other financial services.

Private investment, not governments, will provide most of the required funding. Microfinance has a long track record as a solid investment opportunity. Not only does microfinance enable poor people to improve their lives, it offers a modest investment return at comparatively low risk.

More and more large investment and pension pools are recognizing microfinance as a solid investment. Examples include the multibillion U. S. college pension fund and TIAACREF, which invested \$100 million in global microfinance.

For several years, it has been possible for Canadians to use their savings to invest in global microfinance through institutions such as Citizens Bank, VanCity Credit Union, Oikocredit and the Mennonite Economic Development Associates.

Now is the time to expand on this by engaging some of the big players in Canada's banks and mutual fund community. Mutual funds, with over \$550 billion of assets as of last November, are a huge potential source of funds for microfinance. In the U. S., many socially responsible investment funds have pledged to invest at least one to two per cent of their assets in domestic and global community investments. More of Canada's mutual funds should follow this example, and invest a minimum of one per cent of their assets in microfinance and other community investments.

Investing in the world's poor is one of the safest investments around. The option of investing in microcredit, while at the same time earning a secure return, provides a huge win-win for Canadian investors in these times of financial turmoil, and creates an unprecedented opportunity for our most destitute global neighbours.

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