

Microcredit lifts 410 million out of poverty, and counting

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MORE THAN 110 million poor people received small loans like those championed by the Nobel Peace Prize winner, Muhammad Yunus, last year.

About 82 million of the recipients were earning less than \$US1 (\$1.30) a day, or lived well below their country's poverty line, according to the *State of the Microcredit Summit Campaign Report 2006* prepared by the anti-poverty lobby group RESULTS. Eight in 10 of those loans were to very poor women.

The report, issued in Washington on Tuesday, found more than 3100 institutions were involved in microcredit, the strategy of giving small collateral-free loans to the poor to start or expand income-generating activities.

The loans, often \$150 to \$200, are used for business such as selling milk and eggs, cooking and selling food and producing handcrafts. Loans have also been used for relatively high-tech enterprises like selling solar-powered mobile phone time in areas without landline services.

The report's author, Sam Daley-Harris, said the loans to 82 million poor clients affected 410 million family members.

"These micro loans are giving hope to hundreds of millions of people," he said.

The national manager of RESULTS Australia, Maree Nutt, said the report was a wake-up call for the Australian Government, which was likely to devote only \$14 million to microcredit in poor countries this year.

"I am hopeful that this report, plus the recent awarding of the Nobel Peace Prize to Muhammad Yunus, the founder of the Grameen Bank, will add much-needed momentum to what should be an important component of our aid program."

The Grameen Bank has made millions of small loans to the poor in Bangladesh. Once synonymous with famine and natural disasters, the country has become the showpiece for the effectiveness of microcredit.

Research by the World Bank has linked the success of microcredit in Bangladesh to significant improvements in quality of life there. The number of deaths of children under five per 1000 live births has fallen from 239 in 1970 to 77 in 2004 and the fertility rate has fallen from 6.4 in 1970 to 3.2 in 2004. Bangladesh had overtaken India in reducing its child mortality rate, the report said.

Mr Daley-Harris said microcredit organisations hoped to reach 175 million of the world's poorest families by 2015. Several global banks were now involved, although some practitioners were concerned this could damage local microcredit markets.

STARTING SMALL

Microcredit is the provision of small loans without collateral, mostly to very poor women excluded from mainstream lending.

The loans, often \$150 to \$200, are used to start or expand small businesses.

The number of loans has risen from 13.5 million in 1997 to 113.2 million last year.

Source: State of the Microcredit Summit Campaign Report 2000