A human economy, taking account of the necessity of each person to live with dignity: this is the idea at the basis of microcredit. An idea that has emerged more and more, changing the rules of the economic game which relegated the poor out from the race field.

With the strength of the results, the enthusiasm and the dignity of the people involved, microcredit has already influenced the policies of whole nations and international organization, and is still growing around the world."
microcredit!
MACRO-SOLUTIONS
TO ERADICATE POVERTY
To all the young women and men about to read this book

Today we live in a world that is ever more interdependent, but while distances are shortening and communication becoming global, inequalities are not diminishing and we still witness extremely high levels of poverty, especially in some areas of the world.

The richest 20% of the world, of which Europe is a part, consumes 80% of the world’s riches, both in economic terms and in terms of energy and natural resources. The majority of the population, then, has no choice but to survive on the 20% that we leave for them.

Three billion people, nearly half the world population, live on 2 Euro a day. This poverty holds an even deeper poverty, so-called “extreme poverty”, which is made up of those living on less than 1 Euro a day: 1.4 billion of the world’s people (75% of whom are women).

There are people who are fighting against this inequality and believe that a fairer world is possible.

The story that we narrate for you in this book and the attached film is first and foremost the story of a struggle for dignity and against poverty, because having to live on 1 Euro a day is unjust and inhumane. This is a story that came about in one of the world’s poorest countries, Bangladesh, where over 60 million people (approximately the entire population of Italy) live in extreme poverty. It is a story of hope, because giving people back their dignity, guaranteeing them a salary and a decent life is possible.

You will discover some possible solutions in this book, not only for contributing to the fight against poverty in the poorest countries of the world, but also for creating fairer and more equal human and economic relationships. Because injustice and inequality are at the basis of poverty.

I hope that in reading the book and watching the film you find not only theoretical knowledge, but a desire to make your own struggle towards a fairer world for everyone concrete, a world where hunger and extreme poverty are just a memory.

Dina Taddia
President of GVC
Young man, there must be some kind of misunderstanding. You came here with no money, you have no investments, no shares, no treasury bills, nothing at all, and you want a hundred million? And you expect us to give it to you?"

Roberto Benigni, when talking to an astounded bank manager in the film “You Upset Me”, goes to great lengths (in his way, naturally) to explain that if he had the money needed to get a loan, perhaps he himself would be granting loans rather than asking for one, and that he would pay it back, that he was a respectable person and not a thief. All he was asking for was a little trust. “You have an inkpot instead of a heart!” he bursts out before being dragged away by the police.

It is easy to joke about the economic mechanisms that regulate co-existence and human activities. They are no doubt complex, depend on an infinite amount of factors, and just as many studies which try to make sense of them. But we can say one thing for sure: the poverty of billions of people is generally regarded as an inevitable misfortune. An ugly and bitter fruit born spontaneously on the magnificent tree of progress and of human growth. A breakdown which at best can be contained by improving the way the machine works, without ever totally fixing it.

Microcredit proves that this is not true.

Microcredit, great trust

For many groups of people with no assets or means of subsistence – due to many factors, as we will see – it is impossible to gain access the financial aid that would support their efforts to break free from poverty.
Credit, in many romance languages, is a synonym of trust (from the Latin crèdere, trust, trust to). This is its principal meaning, from which a loan derives in the “banking” sense. Nonetheless – we are used to it, but if you think about it, it is strange—trust itself is the one element missing from the normal bank loan system.

In 1974, considering the specific conditions of extreme poverty in his country, Bangladesh, economist Muhammad Yunus thought to change the system. What would happen if small loans – that is microcredit – were granted under a series of specific conditions, to people who have nothing, on the basis of trust in them and their projects?

The results were extraordinary, beyond any expectation. This is how microcredit came to be.

DEFINITION

“"If you lend a large sum of money, you probably won’t get paid back. If the loan is small, you support and advise your borrower, and give them the chance to reinvest the minimum interest that you have required, you will achieve individual and collective profit.”

This quote from Muhammad Yunus, founder of Grameen Bank and “inventor” of microcredit in its original form, is an excellent starting point for better understanding what we are talking about.

There is no single definition of microcredit, they change based on approaches and the countries where it exists. Here is one that contains many of its main aspects.

Microcredit is a process
in which lender and borrower integrate, and establish a long-term relationship based on trust and rooted in the specific social context, that generates social capital.

that is, an evolving story; they do not simply exchange money but build a constructive relationship to overcome difficulties, working together;

the aim is to improve the well-being of individuals and groups. Creating self-assurance and trust in their own possibilities.
The idea that it is possible and useful to grant small loans to the poor is not new, it actually goes back to many centuries ago. Theories and initiatives were informal and removed from institutional bank practices. Whether motivated by religious principles of charity, utopias of progress in the human condition, or a more practical increase in of tax revenues, the intent was to create an improvement in the conditions of marginalized populations, in turn benefiting the community.

In seventeenth century France under the Sun King, the "tontine" were created (named after the Neapolitan banker, Lorenzo de Tonti, who, due in part to this idea, enjoyed a relatively level of success within the court of Louis XIV). This intelligent system consisted in groups of people where all committed to periodically depositing a fixed sum of money. The total sum collected would then be invested and profits were shared by the group members. When one of the participants died, profits would continue to be distributed among the remaining members, and after the death of the tontina’s last member, everything was given over to the state.

While writing “Gulliver’s Travels” in 18C, Jonathan Swift founded the Irish Loan Fund System, which provided loans even to the poorest farmers without requiring any guarantee.

In 19C and 20C, in all of Europe, and in different Asian and Latin American countries, a number of experiences followed each other, with various fates but a common principle: granting access to financial services to those living in poverty could channel positive energy into helping solve economic and social problems.
This quote, like many others cited in this booklet, comes from Bengali economist and 2006 Nobel Peace Prize recipient Muhammad Yunus. Naturally this is no coincidence.

In 1974 the term microcredit did not exist. That year, a significant part of Bangladesh had had it rough: a prolonged period of famine following floods had destroyed people’s ability to be self-sufficient. The economic system in many agricultural areas was devastated and there was an alarming escalation in poverty.

The young Yunus, then head of the Rural Economy Program at the University of Chittagong, would discover how dramatically inadequate his theoretical skills would prove in tackling the situation.

“I was teaching at the university while the country was suffering from a severe famine. People were dying of hunger, and I felt completely helpless. As an economist, I had no tool in my tool box to fix this kind of situation. I had no idea that I would end up involved in something like lending money to poor people.”

As is generally known, great ideas usually begin from small steps: Yunus first tried with the banks. When he proposed lending money to the poor, the bankers nearly fell off their chairs. Once they recovered, they explained that it is impossible to give money to someone who cannot provide some sort of concrete guarantee that they will pay the sum back. Something else had to be thought up.

THE STOOLS OF JOBRA VILLAGE

Yunus went with his students to Jobra, a predominantly Muslim village where he only found women, as the men were away at work. Here he met Sufiya Begum, who made bamboo stools. Sufiya borrowed money from traders to buy the bamboo to create her stools, then sold them to the same traders to repay her loan, with profits close to zero. She would be able to get out of this vicious cycle only if she had enough money to buy more bamboo and sell the stools at market price. After a week of meetings with Sufiya, Yunus was able to make a list of the people in the village who depended on traders, 42 names in total. The total amount of loans they needed was just 27 dollars. Sixty cents per person. It was a shock and a true revelation.

The first loan was given to a group of women producing objects in bamboo. Note the following terms: group, women and production. As we shall see, many of the key elements of microcredit were already present.

It was not easy at first: groups had to be organized, members had to be convinced to recruit others and make sure that everyone understood what to do and what is expected from them. It was particularly difficult to convince men that women have the right to receive the loans in their own names. Women are only allowed to speak with close relatives, so Yunus used a female student as a mediator to persuade them to come forward. And the pilot project began.

MICROCREDIT IN TRAVEL

They start to visit hundreds of villages in the area, on foot and the project begins to be successful. It becomes so successful that some banks actually decide to finance Yunus’ micro-loans. It took very little to enable a considerable number of families to pass from a conditions of absolute desperation to a hope to become self-reliant. Loans were repaid on a regular basis. The small business enterprises were based mostly on the strength of groups and the determination of village women who made very small yet crucial profits to guarantee a more dignified life.

From this point on, the powerful force of such a simple and revolutionary idea exploded. The initial conditions were by no means exclusive to Bangladesh, and similar experiences began spreading in many other countries worldwide, adapting to different cultures and economies, often “tied in with” similar self-support mechanisms already being practised in small communities, gaining new vitality. This is how Microcredit came about, and it has never stopped since.
There are many of them, so many. They tend towards invisibility (to the joy of those who do not wish to see them), and once this change has taken place, it is often irreversible. Their situation is dramatic, and at this point most economists have stopped looking for a solution.

Who are we talking about?

The excluded, the vulnerable, the “leftovers”. They are individuals considered unfit to access banking services. They do not make enough money, regularly enough, and it is not worthwhile to grant them a loan because they do not provide sufficient guarantees of being able to pay it back. It would cost too much for the banking model: they are not worth trusting. In “developing countries” this category is generally comprised of the rural population and that of the “slums” around the city; in Western Countries, “unbankables” are greater in number than we think: immigrants, the unemployed, the temporarily employed, the uneducated, families supported by the elderly, large families with dependent vulnerable members, very small enterprises active on the local market, often women. Is all hope lost? Some do not think so.

From bonsai to forest trees

When Muhammad Yunus launched his project to finance the unbankables of Bangladesh, the need emerged to have a bank that could manage it. The program’s recipients were the inhabitants of rural villages (known as grameen in Bengali). It was thus natural to establish a very special credit institute, a “village bank” that is, the Grameen Bank.
Yunus defines the Grameen Bank an oxymoron, thanks to its methodology which is practically diametrically opposed to the traditional banking model:

«Traditional banks only lend money to the rich, whereas we only lend to the poor; traditional banks want a guarantee, we do not ask for one; traditional banks want to know everything about their clients, all we want to know is the commitment that they are willing to make; they only lend to men, we only lend to women».

The method is founded on the belief that having access to credit is a true human right. Giving out credit and trusting the human potential of those you are working with, and not what they have already obtained in life. Starting with bank property: until 2012, the Grameen Bank, was owned by charter by its customers (95% of shares, compared to 5% owned by the state). Later, given its success, the situation changed by the will of the government who wanted to “get their hands on the bank”.

Yunus sees the poor as similar to bonsai trees: the seed of the big tree and of the miniature tree is the same, what changes is the type of soil that it is allowed to grow on. The objective of the Grameen Bank is not gaining profit (there is little profit), but sowing these seeds in a vaster terrain of society.

THE PRINCIPLES OF MICROCREDIT

To better understand the practice of microcredit, the bank principles it applies are illustrated below (including forms different from the one “made in Grameen” which, as we will see, have multiplied across many countries, as have their specific features).

- Start with the problem rather than the solution. The credit system must be based on an analysis of personal and social conditions rather than on a pre-established system.
- Development is a long-term process which depends on the aspirations and commitment of all involved.
- It is the bank which serves the poor and not the opposite. The bank must visit and get to know its “clients”, giving priority to the poorest among them.
- Support activities that generate development (business activities, raising children, building a house), to create autonomy, economic independence and self-confidence.
- Support activities conducted by small groups of people from the same community who trust each other.
- Associate credit to savings, but without this being a necessary prerequisite.
- Maintaining a relationship with the borrower, through making them follow simple procedures.
- Do everything possible to ensure that the system is financially sustainable and balanced.
- Invest in training those who work within the system to develop its ethics, rigour, creativity and respect for one’s working environment.
“THE 16 DECISIONS”
Grameen Bank presented a “manifesto” stating its founding principles. The manifesto incorporates “16 decisions” (closely tied to the Bengali context), proudly shared by all group participants and aimed at “correcting” those cultural reflexes which nurture the viscous cycle of poverty.

1. We shall follow and advance the four principles of Discipline, Unity, Courage, and Hard work in all walks of our lives.
2. We shall bring prosperity to our families.
3. We shall repair our homes and work towards constructing new houses.
4. We shall grow vegetables all year round. We shall eat plenty of them and sell the surplus.
5. We shall plant as many seedlings as possible during the plantation seasons.
6. We shall plan to keep our families small, minimize our expenditures, and look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education.
8. We shall keep our children and our environment clean.
9. We shall build and use latrines.
10. We shall drink water from tubewells. If they are not available, we shall boil water or use alum.
11. We shall not take any dowry at our sons’ weddings, nor shall we give any dowry at our daughters’ wedding. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, nor shall we allow anyone to do so.
13. We shall collectively undertake bigger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is experiencing difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
16. We shall take part in all social activities collectively.

It just works

The procedure is simple; in short, it works like this:

- A group of people with similar aspirations and backgrounds is formed, who trust each other and share the desire to participate in the experience.
- They are instructed in the basics of credit, savings and business management, to enable them to draw up a micro-business project.
- Microcredit is granted.
- Operators give support and advice. If possible, a weekly meeting is organized for installment payments. It is not enough to get credit to be an entrepreneur!

Unbelievably (but only for those who did not believe in it) the method worked: the return rate for these loans is more than 95%!

The Grameen Bank has already helped more than 9 million people, in Bangladesh and other countries where it is present.
Poverty is not necessary
We can choose a different world: there is not only one possible form of economy

When we read that half of the world, over three billion people, lives on less than 2.50 dollars a day, our first reaction is one of relief that we do not belong to that half, tinged by a vague sense of guilt.

Our second reaction is usually to filter out this data, putting it aside in the belief that there is not much we can do.

Being poor is perhaps the oldest “job” in the world. There is Pauper famelicus, a poor person devoured by hunger; pauper pannosus, one without clothes; pauper infirmus, a crippled, blind, mad person; pauper peregrinus, a poor vagabond, at times due to religious devotion; pauper verecundus, a dishonoured person who has lost all their assets; pauper abiectus, a repugnant, disgusting individual. Ancient sources distinguished different forms of poverty, classifying them into categories that go beyond simple economic descriptors.

Today poverty is generally described and measured in relation to a lack of money, a person’s inability to access the economic resources needed to satisfy their vital needs and services (food, shelter, health).

Such a unidimensional approach to poverty, limited to income and spending capacity, is tied to a traditional vision of economy, overlooks the complexity of the issue, and has proved to be insufficient in seeking solutions.

Recently, studies by economists such as Mahbub-ul-Haq, Amartya Sen and Joseph Stiglitz have paved the way toward a new, multidimensional vision of poverty.
**Poverty vs. freedom**

According to Amartya Sen, an Indian economist and recipient of the 1998 Nobel Prize in Economics, the poverty (or well-being) of a group of people can no longer be defined solely on the basis of income; other dimensions of human life need to be contemplated. Sen views poverty as rooted in an individual’s inability to carry out basic human activities. The approach calls for an evaluation of both functions, that a person is actually able to have or do (such as income, fulfilment of individual needs or desires), and capabilities, denoting that a person has the potential to do or be, **that is, freedom of choice that a person has in life.**

The idea has significant consequences: the inability to participate in decision-making, to have sufficient political rights, or a lack of self-esteem due to poverty, are all factors which contribute to the definition of poverty. Just as someone’s opportunity to plan their own future, participate in community life, be able to freely express their feelings, know how to use their creativity and show their abilities, are all **capabilities** which need to be part of the objectives of anyone who intends to fight poverty.

Poverty is not, in fact, a cruel and inevitable destiny: dominant economic and political thought can be questioned. Poverty, thus defined, is not **at all necessary.**

**THE ROOTS OF MICROCREDIT**

In coping with poverty numerous examples of “a solidarity economy” have arisen in many cultures since ancient times. We have already seen the “tontine”, which, however, had their roots in earlier traditions: to give an example, the French peasants of past centuries often had the habit of working together in the fields of each one in turns, or collectively helping each other build houses, barns, and churches. In Africa we witness countless antique forms of savings and loans: the Osusu in Gambia, the Shaloogo in Somalia, the Djanggis in Cameroon, the Ibilemba in Rwanda, the Kitemo in Congo, just to name a few.

In Latin America, several self-help traditions dating back to the pre-Columbian Age have remained active to this day and form the groundwork for new experiences in microcredit.

**The devil is poor**

This story, set in Ecuador, begins like many others: with a small group of very poor itinerant traders who have no hope of improving their condition since no bank is willing to grant them credit. In times of extreme difficulty, they get an idea: «we all decided to contribute a dollar per week and then we lent it to one another with a little interest to enable us to grow». Through this spontaneous action of “self-microcredit”, their initial capital reached 285 dollars in two years, enough to expand and begin lending to others. Their creativity has called their unchanging reality into question.

In an interview made by GVC, Nidia Castillo, an itinerant trader and former head of the Creciendo Juntos (Growing Together) Association, asserted with passion and awareness the new meaning that the word “poverty” has taken on for her and her community following their decision to take their destiny into their own hands, an act of will that has triggered new possibilities:

«In the past, my idea of poverty was different, but once I began on this journey, having people call me poor started to offend me. (...) Since we were children they would use the word “poor”, they educated us mentally and psychologically to be poor. But poverty is in our minds. (...) In our group we do not think of ourselves as poor. Of course we have little money, but still we manage to support our families, we have our job. Calling us poor means minimizing us, putting us in a corner. We do not want to be poor and we are not. The Devil is poor!». 
The word “microfinance” collects diverse experiences, good or bad, that can be classified according to a lot of different variables. The cultural, political, social and religious background of different countries certainly can affect their various experiences in microfinance, as we will later see, but the elements that distinguish them are many. Let’s take a look at some. The experiences of microfinance can, for example:

- be allocated to different groups of people, on the basis of their trade (agricultural credit or artisan’s cash boxes), their income (only for the poorest of the poor, or for those who already own some property), according to gender (for women only);
- offer loans for different purpose (to create productive activities, or for consumption, or both);
- be propriety of the borrowers or of a single person;
- be democratic or authoritarian;
- ask for concrete guarantees or be based on trust;
- be addressed to individuals or groups;
- provide training, support, monitoring or ignore all these aspects.

And many other distinctions can be identified if we observe things closely. Every experience in microcredit, in short, can have thousands of variables whose combination can determine the success or the failure of the experience.

The model used by Grameen Bank can be considered the one that applies the “original” identity of microcredit, which includes both elements of a relationship between groups and people and “tangible” values, such as an improvement in economic conditions.
For an extra dollar

The case of Bangladesh is an excellent example. The specific conditions that gave rise to Yunus’ Grameen Bank allowed for a large and extremely efficient diffusion of microcredit. Grameen Bank oversees organizational aspects in addition to providing credit: Yunus believes that granting credit is the first step towards development, in other words that the bank of the poor should “give you a dollar”. In addition to credit, savings is also very important to the Grameen Bank: the bank “requires” borrowers (those who receive the loan) to periodically deposit a small amount of money saved thanks to the productive activity they carry out.

In other instances, such as for Codesarollo Ecuadoregno (Cooperativa de Ahorro y Crédito Desarrollo de los Pueblos, Savings and Loan Cooperative for the Development of Peoples), the experience starts through savings. This form of people’s ethical finance has grass-roots origins and management. Groups, or sometimes even an individual, save some money to then be able to grant small loans to those who join the project. When one produces more than what they spend on the basic costs of daily life, their surplus will go to the community cooperative and serve to train local managers and thus give voice to people who have been excluded from the social context historically.

THE XITIQUE

In Mozambique and in several areas of Sub-Saharan Africa, the ‘Xitique’ has been used for centuries to help administer one’s own, generally scarce, resources. This informal arrangement is passed on by families, and consists in sharing part of one’s own money within small groups: friends, relatives, and fellow villagers contribute a small sum every month which will be used by one of the group members for his or her needs (generally for subsistence or small investments). The following month, the money will go to another member and so forth, rotating. A sort of mutually “forced” savings is created in name of the mutual trust.

This basic, often spontaneous and informal, microfinance practice, is very widespread not only among the poor, and is crucial to the subsistence of millions of people.

Mr. Homo oeconomicus is a man who acts rationally, calculating his every move out of self-interest to improve his social status and wealth without bothering himself as to whether this damages others. He trusts in his preferences, what is useful to him, on his ability to analyze and forecast. He has no morals. Mr. Homo oeconomicus is a theoretical hypothesis in traditional economics, he does not really exist (although some do fit this description), and even as theory it is not doing so well.

Traditional economic doctrine is mostly based on examining behaviour on the basis of the concept of homo oeconomicus. Without a doubt this figure possesses some of the characteristics found in each one of us, while others, crucial to understanding human relationships, are missing, including those economic.

THE GOALS OF HOMO HUMANUS

Microcredit, instead, often refers to an idea of economics whose main character is an evolved relative of the homo oeconomicus: the homo humanus.

The homo humanus is more complicated to study, even though he looks more like real men and women. He is not “good” by nature, but his decisions take account of the community he belongs to, and depend on a number of needs, emotions, and attention placed on his geographical, social, and anthropological context. The homo humanus possesses a cooperative spirit, and thanks to team work with the members of his group gains personal and collective advantage.

The homo humanus figure helps us understand why microcredit seems to work so well: the many different types of microcredit confer value to relations among people and strive for (not only economic) individual and collective development.
The measure of well-being

This time the proverb seems to be right, and many economists wrong: money does not make you happy. In 1974 Richard Easterlin, professor of Economics at the University of California, conducted a study known as “The Easterlin Paradox” which demonstrated that there is no relationship between a person’s income and their general well-being. It highlighted in particular how within the same country, rich people were not always happier, and how poor countries were not less happy than rich ones.

So what does happiness, intended as people’s level of satisfaction, depend on? What should a public affairs management that wishes to pursue the well-being of society aim for? Studies suggest that “the happiness” of a population is strictly related to their quality of intimate and social relations, that is, the relational conditions of each individual. This leads us back to the *homo humanus*. Among the various process that strongly stress the value of group relations, microcredit can contribute to creating a model where money exchange aimed toward tangible, material wealth interlaces (in a sort of “chain”) with the development of precious intangible psychological and social resources, such as self-perception (dignity and self-esteem), the capacity to take on risks and responsibilities, the perception of being protected and part of the community.

WHEN YOU POINT TO THE MOON, THE WISE MAN LOOKS AT YOUR INDEX FINGER

The estimate of a country’s development level is instrumental in determining the priorities and decisional lines of a government. Until not so long ago, the only tool used by most countries to measure their level of national development was the GDP, gross domestic product, or rather the monetary value of national production, that is, the sum of what the country produces and “owns”.

To calculate the average distribution of income, or how much every citizen “owns”, the per capita GDP was designed: a distorting lens that only accounts for overall tangible goods and services, and virtually attributes to many poor people the wealth that only a few affluent citizens actually enjoy.

Nowadays, many economists and organizations are realizing other measures to convey the complex reality of conditions that a population may experience. One of these is the Human Development Index (HDI), which measures the development of a country also taking into account life expectancy, health, and access to education in addition to economic wealth (GDP).
When we speak of the “last”, of the poorest of the poor, we often leave out one aspect: there are those who are even more “last” – women.

One of the most interesting aspects of microcredit regards the change in women’s status in some countries in which it has been applied.

In many cultures, the subdivision of labour assigns paid work outside the home (even when miserably paid) to men, and domestic chores with no pay at all and no recognition to women. Being in charge of the house and the children often prevents them from performing other income generating activities. If women want to work out of the home to earn something, they must simply sum the two activities up, along with all the consequences this implies: psycho-physical stress, health conditions that worsen (when there is little to eat, the husband eats first, then the children, and, lastly, the woman), and at times the family or community may even look upon the woman badly.

In launching its projects in the villages of Bangladesh, Grameen Bank soon realized that women were actually the ideal subjects for creating independent economic initiatives: they were enterprising, more motivated in learning to manage money and tiny businesses, much more reliable than their male counterparts in the timely return of loans. Studies in many countries throughout the world have confirmed these feminine “attitudes”. Today, almost all of Grameen’s microcredit is destined to women.
Empowerment and emancipation

The term empowerment is used when talking about individuals that come from socially discriminated groups. In the context of gender issues, it refers to a process of growth of women’s potential. Psychological potential: self-esteem and a sense of having control of one’s life; but also organizational: the ability to make aware conscious decisions and undertake economic actions; political actions, the possibility to acquire authority and be able to voice women’s issues.

MICROCREDIT GIVES STRENGTH

Microcredit has been, and in many cases still is, a powerful vehicle toward empowerment. It has helped transform the lives of women and their family members. Beyond mere economic subsistence, they have also obtained greater autonomy in decision-making, better educational possibilities, greater social status, and greater participation in public life. Additionally, and this aspect should not be overlooked, it has increased women’s awareness about the fact that they deserve this.

The pathway towards women’s empowerment through microcredit is long and may not always be successful: greater independence may result in “punishment” and resistance from male family members. For many Bengali women, though, even being able to leave home one day a month has perceivably improved their living conditions.

Not all countries have such marked gender differences and yet the different forms of microcredit continue to highlight the key role that women play within a truly “human” economy.

Microcredit in practice

What is microcredit in practice? There are various interpretations. The diverse experiences that exist in the world are evidence of methodical choices and priorities which are often quite distant from each other.

Here some of the elements that can make a microcredit program effective.

CREATING A GROUP

The relationship between individuals and the group is a key notion in microcredit.

The first step when launching a microcredit experience involves creating a small, socially homogeneous group, created on the basis of mutual trust. Those who are interested in the project will in turn find other people they trust, with similar interests, motivations, and social status. A supportive relationship of exchange is thus established among the members, which is in itself a positive factor. Within the group, everyone’s “I” turns into “we”, without cancelling individual diversity. Trust and assurance develop, one is no longer left alone to struggle, and as a sense of pride is felt for having attained and shared results.

Oftentimes, if a member of the group cannot pay back the weekly rate, for whatever reason, others can choose to step in, maybe using a tiny fund created for such cases (or in the Grameen model, it is possible to renegotiate the debt directly with the bank), but everyone will always do their best not to disappoint others. The results obtained by the group are greater than those reached adding up single actions.
TRAINING

As we have seen, it is not enough to obtain credit to be entrepreneur, even for a small enterprise.

Before initiating any project, a training period is needed to learn how to use money, what savings is, and how to plan. This learning process is essential and at the core of microcredit. The success of any given initiative is measured by the processes of inclusion and social participation that arise, closely tied to awareness of what one is doing, and not only by the results of the microenterprises.

MICROCREDIT

Group participants receive a loan. This loan is to be repaid periodically following pre-set deadlines. The great adventure of micro business can now begin.

SUPPORT-TUTORING-MONITORING

One characteristic element characterizing microcredit organizations is the fact that the person who obtains the loan is not left alone in managing the enterprise. Operators have a decisive role of support and mediation among the parties involved.

In the Grameen microcredit model, the group meets every week or two to support the entire process and the people involved.

The learning process never ends in microcredit institutions, nor do encouragement and the improvement of results.
Microcredit worldwide embodies some common principles: fighting against poverty, advocating for people’s emancipation (especially women’s), financial and social inclusion (the possibility to participate in economic life), and micro entrepreneurship.

An economic vision that is centred around the homo humanus must take all of the individuality and specificity this “humanity” includes into account. Where we were born, our culture, and the history and politics of our country all make up a specific context with its own characteristics that reflect on the methods and processes of microfinance.

Worlds of microcredit

In its original form, microcredit was conceived and developed in Bangladesh, with the experience of Muhammad Yunus and the Grameen Bank discussed above.

Over the years experiences inspired by that model were developed in many countries. However, original methods were created and developed in just as many countries, related to the specific history, geography, and culture of the country and the peoples inhabiting it.

MOZAMBIQUE

Mozambique, a Portuguese colony for a long time, obtained independence in 1975 after ten years of fighting. The revolution, guided by FRELIMO (Mozambique Liberation Front), led to a Soviet-style socialist government: Everything belonged to the state, which regulated and provided for everything. Gradually the country experienced a political transformation, opening to the free market system, while Mozambicans continue to live all economic practices based on this
legacy: there is profound acceptance to possess almost nothing, but the idea that loans have to be paid back is hard to accept, as Mozambicans are accustomed to a state that “takes care of the population”. In some local dialects there are no words to express the concepts of loan or repayment. For this reason, the NGOs that propose microcredit initiatives, while reaching and positively influencing the poorest segments of society, can only do so on the condition that they are ready to risk loans not being paid back.

TUNISIA AND ECUADOR

In Tunisia there are public loans called “solidarity loans” with 0% interest rates. They can be given out as money, seeds, or farming aid. They may appear as donations used to expand the consensus and influence of those promoting them.

Here microcredit operated by private microfinance institutions, cooperatives or solidarity associations face many difficulties in competing with the public sector.

In Ecuador, once they were freed by the owners, the communities that once worked on the latifundia, began to unite to form cooperatives. The tradition of collective self-help has ancient roots in the Andean people: the Minka, a Quechuan term, was already practised by the Incas and indicates a form of voluntary work for the benefit of the entire community. Work may entail building a school or helping with the harvest, and takes place only after a collective consultation. Today popular finance, managed by its users, is spreading compared to small loans that banks offer with high interest rates (as José Tonello, Fepp president, Fondo Ecuadoriano Populorum Progressio, states: “microcredit will become macro if everyone gets organized”).

People’s behaviour, desires, and expectations are closely related to their political and cultural background, and the pathway towards the “human” development of economic systems can never be kept distinct from the territories where it takes place.

Making politics (from the Greek polis: the community of citizens of the Greek state-city) literally means to be concerned with citizens, to speak up and debate for the public good. A political system creates a set of rules for all members of society which involves the relations among individuals, between individuals and the community, and between the community and institutions.

Microcredit programs must also face the rules that govern different political contexts: on the one hand, they should help build a polis, on the other they should manage relations with institutions and the reciprocal influence that this entails. Relations with the political and legislative situation of the states in which they operate constantly emerge.

Ecuador’s “buen vivir”

In 2008, Ecuador’s constitution established three types of economy: the private, public and the Economía Popular y Solidaria (Social Solidarity Economy). The last focuses on production, consumption, and the distribution of wealth for the purpose of human development, and it is so refined that it accounts for a notable part of the domestic economy. It’s clear how “microclimate” like this adapts well to the principles of microfinance (the constitution also foresees the principle of “buen vivir”- Sumak Kawsay, in the Quechua Language): do not lie, do not steal, do not idle about. A “good living” that effectively completes the Western idea of welfare and well-being). Challenges, however, are not lacking, and having to adapt to an institutionalized system of rules forces one to continuous trade-off in order to not distort the original idea of a social solidarity economy.
If microcredit goes macro

The immense success of Grameen Bank and of Yunus’s theories in Bangladesh has not only proven that microcredit is surprisingly efficient, but has also led to a redefinition of its relations with state power. When this phenomenon became so striking, the government did not want to be left out of its management, imposing its participation as a minority owner of part of the property. In this case, microcredit’s impact on the equilibrium of the entire society (for instance, working mostly with women caused much criticism at all levels) was such that it forced decision-makers to take it into account.

The Tunisian case, as already mentioned, is different. «When a loan is obtained and managed properly, wonderful things happen», says Aziza Sallemi, borrower who was able to set up a small business that produces carpets, but attention must always be placed on preventing microcredit organizations from being used for political purposes, and on making loans accessible to all those who truly need them, rather than on the basis of political, ethnic, or religious affinities.

In general, microcredit can influence the lives of communities and nations, but its chances to be successful are higher where there is a weaker welfare system: whenever the state decides its mission is to overcome poverty, microcredit can help, but it cannot replace government action.

MICROCREDIT AND POLIS

Microcredit by its nature acts on the community, the polis of citizens, and is constantly making politics. Individual capacity development within groups and the creation of a new (and often unexpected) working class have a positive effect on social inclusion. The establishment of any polis requires citizens. For every individual who escapes out of the limbo of non-existence, invisibility, or hopelessness, a citizen is born who can direct their new strength toward serving the entire community.
Microfinance has an undeniable appeal. It is an apparently simple idea that has won the hearts of many and given hope to millions of people who no one cared about. The entity of the issues it involves is, however, more complex, with many unanswered questions. Despite enthusiasm, it is best not to turn a blind eye to certain issues faced by the microcredit system. Both the theory and method of microcredit as well as its application must face challenges and necessities.

Credit or savings?

Does microfinance effectively reduce poverty? It certainly provides relief and helps improve the conditions of many impoverished people, but how effective is it really in boosting the local economy? Different microfinance researchers ask themselves about the origins of development through financial practices: the first step is credit, which allows for an initial investment, then the start-up of a productive activity, the profits and the accumulation of savings. Is this the winning scenario? Or is the first step to save a sum, even minimal, which marks the beginning of responsible behaviour and allows for the accumulation of one’s own resources, together with other members of the community, to then start up a business?

Too much hype?

How much of the worldwide success of microcredit is also due to the abundance of effective slogans and the spectacle created around successful experiences, how much of it is due to the enthusiastic support of celebrities, politicians, and various VIPs? There is probably a tendency to “romanticize” microcredit which can sometimes obscure its reality, which is always problematic and has unpredictable outcomes within the fight against poverty in difficult contexts.
Sustainability

The activities of microcredit organizations must be economically viable. A microcredit experience is never “automatic”, and people’s minds must be changed as a starting point. Assistance and training must be offered, there are many expenses and those working on the projects must be paid. Microcredit is not volunteer work, it is not philanthropy, it is not charity: it is a financial practice that aims to bring millions of people out of poverty, and therefore must be a responsible and sustainable process. Achieving economic sustainability is not at all easy, and often dependence on international donors can slow down or even block the development process even of the best practices. Sometimes the will to help the poor is faced with the reality of structures that cannot stand on “their own two feet”.

Fraudulent microcredit

Success in the media of the term microcredit has generated many imitators that abuse the “brand”. In various parts of the world there are cases of institutions that exploit the most vulnerable populations by providing small loans with interest rates that can reach unbelievable amounts, even more than 100% per annum, in the way of real crooks.

Starting from the initial success of Grameen Bank, many financial institutions have discovered that even the poor repay loans: a new and huge market segment for their own financial products.

Therefore, under the guise of microcredit, they have tricked and exploited those who needed guidance and support.

So, how can we protect those most vulnerable from these traps? Over the years, many organizations have attempted to establish criteria to give to microcredit a sort of “trademark”, a certification of authenticity. For example, the Microcredit Summit Campaign has instituted an international study group that is responsible for establishing the basic requirements in defining what is microcredit, to gather under a “Seal of Excellence”. The European Microfinance Network has also created the European Microfinance Good Practices Award, an award recognizing the best microfinance practices in Europe, testifying to the need for identifying “good” elements and moving away from mystifications.

Is the target right?

Let us consider a simplified example: if a lender had $100 (or any other currency) to allocate to the fight against poverty, what would be the best thing to do?

Option 1: Give a dollar to 100 people, who must set up a small business, just relying on their own strength, and probably competing against each other. Some will not make it.

Option 2: Give $100 to only one person who already has a business so that they can expand and offer more solid work, perhaps to 100 people. There are pros and cons, and important political implications in each of the two options.

The question is not simple and remains unanswered. These two options are not the only ones possible. For example, there are those who to resolve a series of social problems through a business, placing more attention on people’s needs than profit. This is what’s known as Social Business, and it is becoming more and more widespread...

For a Humane Economy

Can microcredit be the solution to all problems of poverty on the planet? Or it is only a soothing balm that can perhaps help relieve some people, but is ineffective from a broader perspective, and irrelevant compared to the manoeuvres of the global economy?

The idea has certainly managed to impose itself, changing some of the rules of the economic game that sends the poor off of the playing field. Microcredit proposes a humane economy, an Oikos Namos (more or less “good house rule”) that considers the need of every human being to live with dignity.

The powerful results, enthusiasm, and dignity of the people involved in microcredit have already influenced the policies of entire nations and major international organizations, and microcredit continues grow throughout the world.
GVC ONLUS – CIVIL VOLUNTEER GROUP
Is a non-governmental and independent organization founded in Bologna in 1971. GVC promotes and realizes development cooperation projects and emergency projects all over the world. Nowadays it works in 25 countries in Africa, Eastern Europe, Central Asia, Middle East, Southeast Asia, Latin and Central America. GVC realizes international development projects basing its action on complex strategies and integrated approach: GVC works for guaranteeing humanitarian aid to populations suffering from conflicts and natural disasters, it implements reconstruction, hygiene and food security projects; moreover, it is committed in rural development projects and in protecting women’s and children’s rights. GVC promotes local development programs especially in these areas: social health, education, agricultural and environmental strategies, microcredit, education and promotion of human rights, supporting institutions and civil society organizations. Moreover, GVC realizes in Italy and in Europe activities aimed at raising public awareness on development, integration, international cooperation, peace and solidarity issues. GVC collaborates with public institutions, cultural associations, cooperatives and Italian and European NGOs, organizing seminars, conferences, exhibitions and festivals, education activities in schools and training courses for teachers. GVC produces educational materials and carries out communication activities on sensitive issues such as human rights, women’s issues, sustainable trade and biodiversity.

GVC REALIZES IN ITALY AND IN EUROPE ACTIVITIES AIMED AT RAISING PUBLIC AWARENESS ON DEVELOPMENT, INTEGRATION, INTERNATIONAL COOPERATION, PEACE AND SOLIDARITY ISSUES. GVC COLLABORATES WITH PUBLIC INSTITUTIONS, CULTURAL ASSOCIATIONS, COOPERATIVES AND ITALIAN AND EUROPEAN NGOs, ORGANIZING SEMINARS, CONFERENCES, EXHIBITIONS AND FESTIVALS, EDUCATION ACTIVITIES IN SCHOOLS AND TRAINING COURSES FOR TEACHERS. GVC PRODUCES EDUCATIONAL MATERIALS AND CARRIES OUT COMMUNICATION ACTIVITIES ON SENSITIVE ISSUES SUCH AS HUMAN RIGHTS, WOMEN’S ISSUES, SUSTAINABLE TRADE AND BIODIVERSITY.

HBAILD - HUNGARIAN BAPTIST AID
Founded in 1996, HBAID is engaged in the development cooperation and it is one of the most important Hungarian NGOs. Its main sponsors are the EU Commission, OIM International Organization for Migration, ACT International and the Hungarian Ministry of Foreign Affairs.

HBAID implements projects in 18 countries, focusing on assistance in the context of emergency, research and development projects in different sectors (education, food security, water and sanitation).

It is active in raising awareness on development topics, both at national and European level, achieving international campaigns to communicate with other NGOs. Together with local partners, HBAID has implemented a large project to raise awareness on the problems of the countries in the developing world. As part of a project co-funded by the European Commission, took part in several action to raise awareness about migration in hundreds of public schools.

The fight against human trafficking has been one of the priority areas of HBAID actions; it has developed great skills in designing and implementing specific projects in development education. In fact, Hungary HBAID manages a community shelter for victims of trafficking, and in 2014/2015 has organized two international conferences on the subject, also participating in the International Organization for Migration Training of Trainers. HBAID has implemented a project to raise awareness in the schools of the municipality of Vienna, involving 8,000 secondary school students, tackling the issue of human trafficking from a global point of view. In close cooperation with the ESF and the European Baptist Federation, HBAID took part in the edition of the book “Anti-Trafficking Resource Book”. HBAID supports local organizations that are fighting human trafficking in Cambodia, Vietnam, Democratic Republic of the Congo, Romania and Ukraine.

HBAILD PROMOTES LOCAL DEVELOPMENT PROGRAMS ESPECIALLY IN THESE AREAS: SOCIAL HEALTH, EDUCATION, AGRICULTURAL AND ENVIRONMENTAL STRATEGIES, MICRO-CREDIT, EDUCATION AND PROMOTION OF HUMAN RIGHTS, SUPPORTING INSTITUTIONS AND CIVIL SOCIETY ORGANIZATIONS. HOWEVER, HVC REALIZES IN ITALY AND IN EUROPE ACTIVITIES AIMED AT RAISING PUBLIC AWARENESS ON DEVELOPMENT, INTEGRATION, INTERNATIONAL COOPERATION, PEACE AND SOLIDARITY ISSUES. GVC COLLABORATES WITH PUBLIC INSTITUTIONS, CULTURAL ASSOCIATIONS, COOPERATIVES AND ITALIAN AND EUROPEAN NGOs, ORGANIZING SEMINARS, CONFERENCES, EXHIBITIONS AND FESTIVALS, EDUCATION ACTIVITIES IN SCHOOLS AND TRAINING COURSES FOR TEACHERS. GVC PRODUCES EDUCATIONAL MATERIALS AND CARRIES OUT COMMUNICATION ACTIVITIES ON SENSITIVE ISSUES SUCH AS HUMAN RIGHTS, WOMEN’S ISSUES, SUSTAINABLE TRADE AND BIODIVERSITY.

CORVINUS UNIVERSITY OF BUDAPEST
Has more than 14,000 students and offers educational programmes in agricultural science, business administration, economics and social sciences, offering courses leading to degrees at the bachelor, master and doctoral level in many specializations taught in Hungarian, English, French and German languages. The University’s several organizational units participate in the large international interdisciplinary research projects and networks. In Spring 2009 the Corvinus University of Budapest was awarded the International Cooperation Prize for the high quality institutional coordination of the Erasmus Project within the Life Long Learning Programme of the European Union.

Corvinus University hosts various research centres, including “Corvinus Centre for Local Development Research” which has contributed to the research and education tasks of the EU-financed international Project “Teaching Microcredit”, funded by the European Commission. The purpose of the Center is to facilitate the economic and social development in developing countries through research, studies, training and advice on local development policies and aid, combating poverty and business development.

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AUTONOMOUS PROVINCE OF BOLZANO
Contributes to international aid with an annual budget of 2 millions Euros, supporting projects that immediately benefit the poor population groups in order to improve their living conditions in a sustainable way. Since 1991 the Province has funded 1506 international projects, also supporting local cooperatives in Ecuador, e.g. FEPP, that focus on microcredit, development of small entrepreneurship and food security. The Province is also sustaining every year 20 development education projects in the Province of Bolzano with the aim to inform and create awareness on development cooperation, to promote critical understanding of the interdependent world and a more sustainable development.

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