

Loans revive poor, urban societies

Special to the Univers - 10 Jan 1996

[E-mail](#) or [Print](#) this story

By THIRA SCHMID

Typically, a bank demands to know the value of your car, house and salary before loaning you any money. The bank, in effect, really wants to know if you already have a lot of money.

Grameen Banking, which means village banking, pioneered a different approach. It is a bank that lends only to the rural poor. Often its borrowers lack even a change of clothes or a roof sturdy enough to keep out the rain. And yet an astonishing 98 percent of them pay back their loans.

Many organizations have created and implemented similar programs.

Micro-loans, very small amounts of money that sometimes total no more than \$50, are loaned to people who cannot afford to offer banks property as collateral. They are of key importance in alleviating poverty, experts say.

James Mayfield, professor of political science and development at the University of Utah and chairman of the board of Center for Humanitarian Outreach and Inter-cultural Exchange, works on implementing the system of micro-loans in Mexico, Guatemala, India, Bolivia, Kenya, Indonesia and Vietnam.

"We identify a group of five to 10 women and train them to save money into a savings account, and we match their funds for them," Mayfield said.

"After they all have shown they are disciplined enough to save even only a few pennies every week, the group of women gets together and decides who will get the first loan, to help her finance her own enterprise," Mayfield said.

The person receiving the loan has to pay back the loan within three to six months.

"If the person receiving the loan did not make the payment for any reason, the entire group is responsible to make sure the loan will be paid back," Mayfield said.

Warner Woodworth, professor of organizational behavior at BYU, works with Enterprise Mentors, a U.S.-based organization with foundations in all the countries with which it works.

"Whenever the entire amount of one loan is paid off, the group can apply for the next loan," Woodworth said.

Geoff Davis, a senior from California, majoring in international relations, is working on a thesis

about self-sustaining micro-loans. He has experience as an intern at a consulting firm in Washington, D.C., that helps revitalize the economy through micro-enterprise development.

Davis said poor people only need to be given the opportunity, because they have the capability.

He also believes, "We have to have a different idea of poor people because poor people are still looked upon as if they have to be dependent on somebody's hand-out or charity, or somebody's mercy."