

# Microfinance

## BREAKING THE CYCLE OF POVERTY



Above: Microfinance seminar in Cebu, Philippines  
Below: Kouichi Kanbashi, deputy executive director of PlaNet Finance Japan

### MIKE KANERT

ACCORDING to the Food and Agriculture Organization of the United Nations (FAO), women account for an average of 43 percent of the agricultural labor force in developing countries. Yet women have less access than men to productive resources such as land and livestock, and also have less access to financial services, education and technology.

In 1976, Professor Muhammad Yunus, then Head of the Rural Economics Program at the University of Chittagong in Bangladesh, initiated an action-research project offering micro-loans to the rural poor. Using his own money and demanding no collateral, his first loan - \$27 - was given to a group of 42 villagers living near the university.

A year later, Yunus' concept was expanded into the Grameen Bank Project, which sought to extend banking facilities to poor rural women to create opportunities for self-employment. Yunus believed that since women traditionally eat last in Bangladeshi culture, and thus tend to feel scarcity most acutely, they are best prepared to be efficient resource managers in poor families. Providing microfinance services to women, he decided, would be the best method of helping entire households. While the program didn't entirely exclude men, it focused on bringing women from the poorest households into an organized financial system they could manage for themselves, harnessing injections of credit to break the cycle of poverty.

Since the Grameen Bank Project offered not charity,

but non-collateral microcredit loans that ultimately had to be repaid, applicants were required to provide assurances that they would be able to provide returns on their initial investments. Borrowers then used their loans to buy such things as milk-giving cows, bamboo for making stools or incense to sell in stalls. Experiencing excellent repayment rates, the project was transformed into the independent Grameen Bank by government legislation in 1983.

In 1988, Yunus was invited to become co-chairman of the Honorary Committee of the PlaNet Finance Group, a newly-minted NPO dedicated to spreading his principle of microfinance-based poverty relief to the world.

Yunus' work has now been credited with popularizing modern microfinance as a global anti-poverty strategy. In 2006, he and Grameen Bank were jointly awarded the Nobel Peace Prize for their efforts to promote social and economic development by directly targeting the poor. By 2011, Grameen Bank had established 2,564 branches serving over 8 million borrowers - 97 percent of them women - while boasting repayment rates consistently over 98 percent.

“We believe that undertaking a business and making money can change socioeconomic structures,” explains Kouichi Kanbashi, deputy executive director of PlaNet Finance Japan, established in 2006. “And there are many regions where this is particularly true for women.”

Since 2011, PlaNet Finance Japan has been working in the Philippines with the Japan International Cooperation Agency (JICA) to improve the financial access of small-scale farmers on the island of Mindanao. Mindanao is one of the Philippines' poorest regions but also the source of eight of the nation's top ten agricultural exports. To alleviate the situation, PlaNet Finance Japan aims to improve the organizational capacity of local microfinance institutions while also educating borrowers to more efficiently manage incomes that vary intensely with the season.

The FAO estimates that closing the gender gaps in agriculture in the developing world could increase yields of women's farms by 20 to 30 percent, which could in turn reduce the number of hungry people in the world by 12 to 17 percent. “I believe that

being able to contribute to the growth of developing nations through the establishment of their financial foundations is a truly great thing - a wonderful thing,” Kanbashi notes.

PlaNet Finance Japan continues to work to promote awareness of the benefits of microfinance inside Japan, where it is still not widely known, with the ongoing goal of alleviating poverty all over the world. “It's difficult to do from Japan,” Kanbashi says. “But with the nation supporting JICA and other organizations, it gives us a chance to do this together, which is a wonderful opportunity.” 



Microfinance seminar in Cebu, Philippines