During a brief visit to Singapore, Nobel Laureate and founder of the Grameen Bank—Professor Muhammad Yunus delivered a public lecture hosted by the Institute of Policy Studies and chaired by its Chairman, Professor Tommy Koh. Widely acclaimed for the application of microfinance to those too poor to qualify for traditional bank loans and consequently alleviating poverty in Bangladesh, Prof Yunus had defied ‘common wisdom’ of the traditional banking system which deemed the poor as credit-unworthy and microcredit as too small to generate capital for sustainable business ventures. During the lecture, he had challenged the current dictum of wage employment as the only means to survive and expressed his sincere belief for human beings to be explorers by nature. Consequently, entrepreneurship is within the ethos of the individual but as Prof Yunus claimed, it is social circumstances that hinder the uncovering of this human potential. These circumstances were not created by the poor, but the institutions we have built operating on the logic of money begetting more money.

One of the main issues discussed during the question and answer session were the gender-biased constitution of creditors towards women. Prof Yunus related how when he started Grameen with the goal of achieving a 50-50 gender ratio among its borrowers/depositors. It took a long time convincing the women to take the money and take charge of bringing change to their lives. When the Bank reached this milestone, Prof Yunus said they realised that the women made a much greater social impact on their families than the men with their loans and from there, the Bank decided to focus its effort on women. It was clear that there was positive investment that helped families escape the poverty trap. Professor Koh agreed, arousing much laughter from the audience, that men were generally unreliable and would spend the loan on personal gratification.

Regarding the applicability of microfinancing in an urban context of Singapore, Prof. Yunus cited the success of microcredit programmes implemented in American cities like Arkansas and Chicago as evidence. He related that in 1986, then-Governor of Arkansas, Bill Clinton had invited him to Arkansas for a visit. Speaking to bankers and economists there, they had dismissed microfinancing as a viable programme to alleviate poverty, reasoning that in urban economies, one needs at least US$100,000 to start a business. Unbelieving, Prof Yunus visited towns in Arkansas, wanting to find out how much and what the poor needed to start a business. He narrated a case of a beautician in Arkansas who asked him for US$375 to purchase a ‘nail sculpture’ set for the manicure business she had planned to run. A man who was recently fired from a position in an export company had asked Prof Yunus for a small amount of credit to buy a pick-up truck, a saw and a chain, which would be adequate materials for the man to go into the logging business. Surveying schools in Arkansas, he also met a storyteller who requested for microcredit to record her stories so she could sell the recorded version. Another student
also had plans to run a dog-walking business. Prof. Yunus claimed that not a single person he had visited in Arkansas had requested for an amount more than US$1,200. Currently, there are around 700 microcredit programmes established in the United States and the bulk of credit extended is between US$1,000 to 2,000, some less than a thousand but nothing more than US$5,000. He believed that regardless of how urban or how successful an economy is, there will always be the existence of small businesses.

Concluding the lecture, Prof. Yunus advised the importance of a mindset change to take place in a society for microfinancing and social entrepreneurship to succeed. On the ground level, the opportunities should be there for people to look beyond wage employment as means to survival. Microfinance may be a way to help them start small businesses where they could fill niches they find in their local context. Therefore, the traditional banking institutions need to be responsive to people who cannot afford collateral. Governments also have a role to play in looking at regulations relating to starting businesses. In addition, we need to reassess our income support or welfare systems from the eyes of the poor. Do they somehow keep people in poverty? Or do they truly empower the poor to do better and break out of their impoverished circumstances? Other regulations relating to how banking systems and microfinance systems operate also need to be appropriate in order for them to function and be sustainable. It is only through a holistic approach such as this that we can take the first step towards a utopian vision of making poverty history.

Prepared by Wong Meisen
Research Officer