Human Rights & Human Welfare

Volume 8 | Issue 1 Article 8

2008

Jessica Burley on The Poor Always Pay Back: The Grameen II Story by Asif Dowla and Dipal Barua. Bloomfield, CT: Kumarian Press, Inc. 2006. 320pp.

Jessica Burley
University of Denver

Jessica Burley on The Poor Always Pay Back: The Grameen II Story by Asif Dowla and Dipal Barua. Bloomfield, CT: Kumarian Press, Inc. 2006. 320pp.

Abstract

A review of:

The Poor Always Pay Back: The Grameen II Story by Asif Dowla and Dipal Barua. Bloomfield, CT: Kumarian Press, Inc. 2006. 320pp.

Keywords

Finance, Poor, Human rights, Banking

The Poor Always Pay Back: The Grameen II Story by Asif Dowla and Dipal Barua. Bloomfield, CT: Kumarian Press, Inc. 2006. 320pp.

Over two decades ago, Muhammed Yunus' vision for improving the creditworthiness of the world's poor came to fruition in Bangladesh. Yunus believed that "to make credit truly effective as a catalyst for poverty alleviation, large numbers of people should have access to it…" (16). Bestowed with the Bengali word for "village," Grameen Bank became the institutional manifestation of Yunus' vision, and focused its lending methods on group loans and collective repayment, relying on the premise that public collection and group reliance would demand honesty and would help the poor pay back their loans. This unprecedented new methodology soon became the basis for microcredit financing in many places throughout the developing world, and Yunus convinced many in the financial sector that "the poor always pay back"(6). So why, more than twenty years later, did the Grameen Bank redesign its model to focus on individual lending and savings, abandoning the very practices that underlined the original vision?

The Poor Always Pay Back: The Grameen II Story answers this question with thoughtfulness and commitment. The narrative is sensitive to those who supported the original Grameen methodology, but is convincing in its demonstration of the need for necessary change. It is a book written by two of Yunus' former students: Dipal Barua, who made a career with the Grameen Bank, and Asif Dowla, who pursued a life in academics, both of whom were committed to Yunus' vision and believers that the poor always pay back. The authors weave together the development of Grameen I with personal narratives from bank members who utilized group loans to improve their businesses and investments, as well as those who learned to save for the future. From this history, the book uncovers some of the problems experienced by the expanding institution, and investigates the massive repayment crises experienced by the bank following the devastating flood season of 1998. In this light, the book follows the period where the institution's management and staff came to the realization that the model needed to evolve if the bank were to continue to serve the poor and meet the needs of its members.

The book is divided up into six substantial chapters that "relate the unique and fascinating story of Grameen II using [the authors'] respective areas of expertise" (10). Chapter 2 is helpful for readers who are relatively unaware of the unique model of the Grameen Bank. It provides useful background information on Grameen I, as well as serving as a literature review of the studies conducted by independent researchers over the past two decades. It ends with a diagram that illustrates the sixteen principles that members are expected to follow in order to remain in good standing with the bank, a very distinctive characteristic of the Grameen I model. Chapter 3 provides the reader with the underlying philosophy of Grameen II, including the move from group loans to individual loans. Chapter 4 delves into the new savings aspect of Grameen II, which was introduced in order to help the poor cope with future uncertainty. One of the biggest problems faced by the poor is the need for day to day survival, which prohibits them from saving over long periods of time. This chapter illustrates how Grameen II tackles these obstacles to savings mobilization.

Chapter 5 describes how the management and staff came to the realization that evolution of the model was necessary in order to continue meeting the needs of the members. The progression was not sudden, although the devastating flood in 1998 brought the manifesting problems to a head when a payment crisis ensued after borrowers could not pay back loans. This chapter examines the institutional process through which these major changes were identified and implemented. Chapter 6 demonstrates how staff at the local branch level were trained and encouraged to implement the new changes. Because many of the staff were dedicated and partial to the Grameen I model, it was imperative that the bank provide incentives for branches to make the transition to the new model. Lastly, Chapter 7 adds to the discussion alternative programs that were instituted along with Grameen II, including programs for beggars and scholarships for the children of borrowers. Without being familiar with the details of the microcredit model, I learned a great deal from this book, as it provides insights into the ideas, methodology, institutional structure, and day-to-day operation of the Grameen Bank: the first, and arguably the most successful, bank of its kind.

On the other hand, this book is also useful for those readers who are largely familiar with microcredit institutions, and it illuminates the problems, solutions, and evolution experienced by Grameen. I agree with the authors when they write, "Students of development will be interested in finding out how Grameen II was established and learning about the fascinating process through which a huge development organization goes about restructuring and redesigning itself" (9). In addition, development practitioners, management theorists, and microcredit analysts will also benefit from this book.

Regardless of their connection to Yunus, and despite anticipation to the contrary, the authors have provided a balanced approach to the ideas surrounding the Grameen Bank. In addition, they have illuminated some of the drawbacks and problems experienced by the institution. Finally, they have investigated the methods undertaken by the bank to correct those inconsistencies in order to better serve Bangladesh's poor, and have done so in a way that development students, practitioners, and other interested parties can learn substantially from these methods.

Jessica Burley
University of Denver