

Microcredit

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Much of the world's violence can be traced back to the endless cycle of global poverty. While the death of 2995 civilians on September 11<sup>th</sup> is our prosperous nation's greatest tragedy, events comparable to 9/11 are commonplace on the African plains. Approximately 200 men, women and children have been killed every day since 1983, the beginning of the Civil War in Sudan. Gang-related crime, terrorism, and civil war are regular occurrences in this region. Rationality has largely been overtaken by survival instincts, and the deviation from the "normal way of life" is astounding. In order to provide a solution to the crisis at hand, one must see the link between poverty and violence, analyze the failed poverty reduction policies of the 20<sup>th</sup> century, and explore the economics of a microcredit based solution. The worst part of the violence isn't that we haven't stopped it. The real failure on our part is our naïve contribution to that violence in the name of misguided foreign policy and political greed.

In the words of Aristotle, "*Poverty is the parent of revolution and crime.*" The link between poverty and violence is undeniable, and the cycle is continuous. In Sudan, one of the world's poorest nations, the already impoverished rebels are suppressed through means much more disastrous than bullets, as governments set fire to farmlands and destroy food supplies resulting in the starvation of entire villages. The genocide that occurs there, where over 300,000 were killed, feeds into the cycle of continuous poverty. Conflict over food, water and resources has dominated Africa for centuries, and has not lessened in recent years despite the efforts of the west to support the continent.

Despite good intentions, the current approach to solving poverty is largely unsuccessful. Poverty, as defined by United Nations, is any person living on less than \$1.25 per day, meaning that many that are not technically impoverished still live extremely poor conditions. Contrary to popular belief, aid to impoverished nations isn't free, and instead puts developing countries in colossal debt. In fact, most of the funds that have gone to impoverished countries since the beginning in the 1940's has done nothing but pay off debt from previous aid. From 1970 to 1998, when aid was at its highest amount, poverty rates skyrocketed from 11% to 66%, rather than responding to the incoming flow of dollars positively. The result was a poorer, even more vulnerable Africa, as the developed west attempted to gain political favor with African leaders. Even today, as we move into the tenth year of the Millennium Development Goals set for 2015, the United Nations has humbly admitted that none of the goals will be reached, and that any progress made will be virtually insignificant. This is because of the aid-based policy that the western world is so reluctant to let go of. What the world can do to fix the tragedy of global poverty is pursue policies that promote the use of microcredit. Microcredit is a form of microfinance, which encourages entrepreneurship and free market economics among the poor by distributing surprisingly small loans (an average of 74\$ in India), to ambitious entrepreneurs. The number of microcredit institutions is estimated to be 7,000 or more, and repayment rates are about 97%, according to the World Bank, India's economic growth has risen rapidly over the past 20 years, and much of that success can be attributed to microcredit. According to a study done by Khandker over a 7-year period, extreme poverty in Bangladesh was reduced by an astonishing 13% in the test group, with poverty rates declining by 20% in the participating households. An old saying goes, "Give a man a fish, he will eat for a day. Teach a man to fish; he

will eat for a lifetime.” This is precisely why microcredit works. Rather than money being transferred from government to government, and placed in a cycle of corruption and mismanagement, microcredit gives loans that promote small business and a free market economy for long term growth. Locally, this is something that must be pursued. While funds are begun for the purpose of sending supplies to Africa such as mosquito nets, food and medicine, microcredit funds should be explored as public service projects. Schools, clubs and organizations can raise money to provide for entrepreneurship in impoverished areas. This approach more than anything else is what will truly stimulate growth in place of corruption, and success rather than repeated failures.

In a world so desensitized to violence, it is imperative that we look for solutions. Poverty, as an instigator of violent action, can and should be ended not through our current policies, but through the proven solution of microcredit. It is the only way to promote long term growth in impoverished nations and give the inhabitants the same opportunities to live, learn and love in a peaceful environment without the threat of civil war, violent crime or tyrannical government.

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