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MICROCREDIT'S VISION OF A POVERTY FREE WORLD

Abstract

In the current development discourse, critical controversies exist about the poverty-alleviating ability of microcredit programmes. While the proponents claim that they can create a poverty-free world by economically and socially empowering the rural poor, particularly poor women, the critics argue that these small loan programmes are unable to make a 'major dent' in the pervasive poverty situation prevailing in the third world countries. To inject some fresh inputs to this passionate debate, this paper reviewed historical development of the microcredit idea and policy, and conducted a conceptual analysis of its poverty-alleviating ability. The analysis agrees with the critics: Microcredit programmes, although unquestionably helping millions of rural women, are unable to achieve their vision of a poverty-free world, because poverty is fundamentally rooted in the social and political structures of a country.

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The year 1997 has been a milestone in the history of microcredit movement. In this year, microcredit NGOs earned worldwide recognition by organising the first Microcredit Summit in Washington, D.C., during 2-4 February, which gathered 2,900 delegates from 137 countries representing 1,500 organisations. Setting out its main objective to create poverty-free global community, the Summit launched a global movement to raise a fund of US$ 21.5 billions and outreach 100 million of the world's poorest families by the year 2005, the time of the next Summit (Microcredit Summit 2004).

While all experts and analysts appreciate microcredit NGOs' role in helping millions of poor women around the third world (TW) countries, many are sceptical about their claims and vision made public in the 1997 Summit: "We believe that poverty does not belong to civilised human society. It belongs to museums. This summit is about creating a process, which will send poverty to museums. Only sixty-six years after the 12-second flight of the Wright Brothers, man went to moon. Fifty-five years after this summit, we'll go to our moon. We'll create a poverty-free world (Yunus 1997). As Jonathan Morduch underlines in a survey article published in the *Journal of Economic Literature*: [...] Excitement is building about a set of unusual financial institutions prospering in distant corners of the world-especially Bolivia, Bangladesh, and Indonesia — that economic and social structures can be transformed fundamentally by providing financial services to low-income households. These institutions, united under the banner of microfinance, share a commitment to serving clients that have been excluded from the formal banking sector (Morduch, 1999, p 1569)."

This is not just rhetoric of some over-ambitious microcredit leaders; many academic scholars clearly share this enthusiasm. For example, a recent collected volume describes 'Microfinance for the Poor' as a proven alternative strategy to the paternalism of government welfare or private charity (Remenyi and Quinones Jr., 2000). Microfinance gives poor people access to resources in ways that enable them to identify their own economic opportunities and provide self-employment for themselves and their children. "Central to the concept of microfinance is the idea that poverty can be effectively and permanently reduced or eliminated within a reasonable period of time by providing the poor with access to such financial services" (Mike, Gibbons and Remenyi, 2000).

The second Microcredit Summit is due sometime in the 2005. In this context, it would be academically highly rewarding to investigate the controversy. This is particularly true given the fact that the conditions of the TW poverty have continued to worsen, although the microcredit programmes have substantially increased their coverage of poor families. In his opening address to the Annual Meetings of the World Bank Group, President James Wolfensohn cautions that the world is out of balance (Wolfensohn 2003). Out of six billion people, one billion own eighty percent of its GDP, while another one billion struggle to survive on less than a dollar a day. A recent report of the UN Human Settlements Programme (UN-HABITAT) predicts that in the next three decades, the world urban slum dwellers might increase from current one billion to two billion. Poverty is moving from rural to urban areas (United Nations, 2003).

This paper undertakes this investigation by reviewing the historical growth of microcredit idea and policy, and conducting a conceptual or hypothetical analysis. The next section discusses the concept of microcredit, which is followed by a discussion of the microcredit campaign. Sections III and IV discuss the key characteristics of demand- and supply-siders of microcredit-programmes. The abilities of the microcredit borrowers and suppliers to improve poverty situations are discussed in sections V and VI respectively. The paper is concluded in section VII.

I. Concept of Microcredit

Experimentations with the microcredit idea began in different parts of the TW during the first half of the 1970s. However, the idea became popular after the currently famous Grameen Bank established in Bangladesh in the early 1980s. In general, microcredit programmes have five key features that distinguish them from other forms of financing (Grameen Bank, 2004). First, the loan size is small, averaging about US$100, which differs depending upon country's socio-economic development. Second, the primary customers of these loans are rural poor, women in particular, who have little access to conventional banking facilities. Third, the purpose of these loans is to create income-generating activities in the rural non-formal sectors through self-employment. Fourth, these loans are collateral-free. Finally, the micro lenders have integrated the loaning and savings mobilisation functions. Unlike the conventional banks, regular saving is a precondition for getting loans from the micro financial enterprises.

Practices of meeting the poor's credit needs through private people are very old. In prehistoric times, credit probably existed before the development of common measures of value or mediums of credit, while in historical times, credit preceded the coining of money by more than two thousand years (Homer and Sylla, 1991). In our time, different kinds of informal creditors, including money lenders, mainly met the poor's credit needs before the international donor community helped the TW governments to intervene in the rural credit market.

There are, however, several features of the current microcredit movement that make them very different from the traditional informal credit agencies. First, the microcredit movement is an NGO approach to poverty alleviation. Current NGOs have their origin in the non-profit value-based voluntary organisations, which have been working throughout the world, particularly in the West, for centuries (Hall, 1987; Korten, 1987). This means that the NGOs do not have the profit motives like the traditional informal credit agencies. Second, there are charity organisations, which also help the poor with small loans under the assumption that their poverty was due to 'personal failings' (Robson, 1997). The current NGO approach is different from the personal failing theory in that it believes poverty is created through social processes by depriving the poor from their rightful access to social resources. One of these social resources is credit, which the microcredit leaders treat as a kind of human right. Finally, the microcredit leaders believe that they can inspire social and economic revolutions in the TW through organising the poor under the banner of the Grameen type microcredit organisations.

Tremendous success of the microcredit programmes in outreaching the poor, particularly the poor women, and recovering outstanding loans (95 per cent), soon attracted world attention. In this regard, the most significant event has been the Microcredit Summit of 1997 as mentioned above.

It should be, however, noted that this popularity, in turn, led the transformation of the microcredit idea into another similar one, called microfinance. Although the operational principles and practices of the two types of micro lending are not much different — they are fundamentally different concerning their motives and means of operations. First, if the nationalised commercial and specialised banks are excluded, the banking sector in the non-communist world is run by private enterprises, whose main motivation is profit making. In other words, the fundamental motive which guides the principles, policies and practices of private banking business, is earning profits. Microfinance, different specie of private banking, shares the same motive of operation. Second, unlike microcredit programmes, which depend upon external finance for their operations, microfinance enterprisers intend to become self-financed eventually because they are profit making financial ventures.

II. Microcredit Campaign

To achieve its 1997 objectives, the Microcredit Summit Secretariat organised fifteen councils representing both national and international organisations and institutions. Each council forms a 'forum for similar organisations to support one another in developing and implementing an Institutional Action Plan for contributing to the Summit's goal'. These 15 Councils are (1) Heads of States and Governments, (2) International Financial Institutions, (3) UN Agencies, (4) Donor Agencies, (5) Domestic Government Agencies, (6) Parliamentarians (7) Corporations, (8) Advocates, (9) Non-governmental Organisations, (10) Religious Institutions, (11) Practitioners, (12) Educational Institutions, (13) Bank and Commercial Financial Institutions, (14) Service Clubs, and (15) Foundations and Philanthropists.

There were quick responses to the Summit's call for help and support (United Nations, 1997). Shortly after the Washington Summit, the importance of the microcredit idea was attested by summits and conferences of major intergovernmental and international bodies including, Twelfth Ministerial Conference of the Non-Aligned Movement (New Delhi, 4-8 April 1997); Ninth Asian Association for Regional Cooperation Summit (Male, 12-14 May 1997); Organisation of African Unity Summit (Harare, 2-3 June 1997); UN's Economic and Social Council's substantive secession (Geneva, 30 June and 25 July 1997); Commonwealth Heads of Government Meeting (Edinburgh, 24-27 October 1997) and the Group of Seven (Denver, Colorado, 21 June 1997).

However, the most far-reaching global event was the microcredit resolution that the UN General Assembly passed on 18 December 1997 (Grameen Dialogue, 1998). Based on the Secretary-General's report, this resolution recognised the potential contribution of the microcredit programmes in poverty eradication, as well as in social and human development processes. It encouraged all involved in poverty eradication programmes to consider incorporating microcredit schemes in their strategies and to adopt policies that support the development of microcredit institutions and their capacities so that credit and related services may be made available to increasing numbers of people living in poverty. The resolution called upon (i) the international donor community to support the strengthening of existing and emerging microcredit institutions in the developing countries, especially the least developed and African countries; (ii) the relevant organs, organisations and bodies of the United Nations system, in particular its funds and programmes and the regional commissions, as well as relevant international and regional financial institutions and donor agencies involved in the eradication of poverty, to explore including the microcredit approach in their programme as a tool for the eradication of poverty and further developing, where appropriate, other microfinance instruments, and (iii) all concerned non-governmental organisations, other actors of civil society and the private sector to support and incorporate, and appropriate, microcredit and related services in their programmes for the eradication of poverty. The resolution ends by asking the Secretary-General to submit a report on the role of microcredit in the poverty eradication at its fifty-third session in follow-up to resolution 52/194 entitled 'First United Nations Decade for the Eradication of Poverty'.

The next important international event was the Comprehensive Development Framework (CDF) released by the World Bank in January 1999 (Wolfensohn, 1999; Stiglitz, 1999). The CDF is described as a 'balance sheet with two sides'. The left-hand side of the balance sheet presents macroeconomic variables, which the IMF customarily uses to measure the performance of an economy: National income accounts, the balance of payments and trade statistics and other financial and economic analyses. The right-hand side includes the structural, social and human aspects, which address fundamental long-term issues of the structure, scope and substance of social development. Traditionally, these two sides are managed independently — macroeconomic aspect by IMF and structural, social and human aspects by WB. The CDF proposes to integrate the two sides, by taking a broader approach to partnership and management of development process.

There are four key players in this integration process: (i) governments — national, state, city and municipal, (ii) multilateral and bilateral agencies, (iii) civil society, in all its forms, and (iv) private sector — both domestic and foreign. As the first and foremost important participant, governmental structures are responsible for formulating development programmes and strategies in all areas as well as their implementation. The multinational and bilateral participants are accountable for the articulation of overall development policy, projects and programmes. The civil society, which has extensive experiences in development issues and problems, has demonstrated capacity to produce better results in designing and implementing certain kind of development programmes. Finally, the private sector, traditionally excluded from the development forum, is now believed to possess good potentials to make important contributions to the development process. Domestic and foreign private investments are the key to economic growth and employment, which nowadays seem to be 'essential' for innovations in science and technology — something very critical for economic growth in all countries. Thus, the government has a responsibility to provide an appropriate climate for private investment. However, the business community also feels that 'it is not only morally good but good business to invest with a strong sense of social responsibility'. The areas where the private sector can perform this social responsibility include the traditionally regarded public utilities — water, power and communications — and, in some countries, privatised state-owned industries.

In brief, the microcredit NGOs have been assigned important roles and responsibilities in handling foreign aids meant for poverty alleviation. In a paper presented to the Microcredit Summit Meeting of Councils in Abidjan, Cote d'Ivoire, Yunus has suggested that donors should increase the NGO's share of the microcredit fund to 70 per cent and recommended for making procedural requirements more easier (Yunus, 1999).

The Microcredit Summit Secretariat also made significant strides toward achieving its 1997 objectives by 2005. It had organised five

Microcredit Summit Meeting of Councils. The first one was held in Abidjan, Cote d'Ivoire during 24-26 June 1999. The last one called, Microcredit Summit +5, was held in New York, USA, during 10-13 November 2002. As of December 31, 2001, 2,186 microcredit institutions reported reaching 54.9 million clients, 26.8 million of whom were among the poorest when they took their first loan. Nine hundred ninety-four institutions submitted 2002 Institutional Action Plans outlining their progress. Assuming five persons per family, the 26.8 million poorest clients reached by the end of 2001 helped some 134 million family members (Daley-Harris, 2004).

III. Demand-siders of Microcredit Services

Key characteristics of the poor people the microcredit-microfinance programmes intend to serve were defined in the 1997 Microcredit Summit. The Summit targeted to outreach 100 million of the world's poorest families, especially their women, by 2005. These families belong to the 50 per cent of those who live below the poverty line defined by their countries. According to the World Bank estimate, about one billion people live on less than US$ 1 per day, meaning that the microcredit programmes intend to serve families, which spend less than US$ 1 per day per person.

The nature and extent of miseries these people suffer may be better appreciated from stories used to underline the importance of microcredit programmes. Three of such stories are the following (Serageldin and Yunus, 2000; Microcredit Summit, 2004):

Nurjahan in Bangladesh: Nurjahan was abandoned by her parents when she was only three-months old; a family of the village in which she was born raised her. At twelve, she was married, only to be abandoned a year later at the stage of three-months pregnancy.

She returned to the family, which had raised her and worked for them for the survival of herself and her son.

Mary in Kenya: Mary became destitute in 1979 when her husband left her with their five children and refused to pay any alimony. She was thus compelled to move to Ahero Town with her children and pursued prostitution for their survival.

Rajamma in India: Rajamma is a 'lower-caste' Hindu. She did housework in an 'upper-caste' homes 'so that she could feed her daughters the leftover scraps of food'. At some points of time, she was compelled to borrow money from a rich landowner. Unable to repay him, she sent her daughters to work in his home as virtually slaves.

IV. Supply-siders of Microcredit Services

The suppliers of the microcredit services are NGOs, which are generally distinguished by two key characteristics: They are private organisations with no profit motive. The first feature distinguishes NGOs from government and semi-government agencies, while the second one separates them from private business ventures.

Based on geographical identities, these micro lenders are grouped into two basic categories — northern and southern. The northern NGOs, which primarily focus on delivering private contributions of relief assistance in war-torn Europe, originated after WW-I and gained prominence after WW-II. They moved to the TW countries and began both welfare and developmental activities, after their needs in Europe ended.

Now-a-days, their direct involvement in developmental activities is declining because of the policy called, capacity building (Hudock, 1999). This is the process by which the northern NGOs facilitate the activities of their southern counterparts to become more sustainable organisations. Thus, capacity building involves the provision of material and/or technical supports, which enable the southern NGOs to carry out the activities supposed to undertaken by the northern NGOs. For example, the large northern microcredit NGOs- like ACCION International, FINCA (Foundation for International Community Assistance) and WOCCU (World Council of Credit Unions) — provide financial and/or technical services to the southern NGOs.

Southern NGOs began to develop in the 1970s inspired by both northern NGOs and the policies of bilateral and multilateral donor agencies. As mentioned above, the northern NGOs helped the evolution of the southern NGOs by supporting their activities. The donor agencies encouraged the growth of both northern and southern NGOs by shifting their policies from the so-called 'top-down' to 'bottom-up' paradigm.

Thus, the supply-side of the microcredit programmes consists of both foreign and domestic nationals. This raises some interesting questions about the whole of theory of NGO approach to TW development. Microcredit providers are supposed to be inspired by humanitarian reasons or social consciousness, not by pecuniary motives. However, the circumstances in which the main organisers of the northern and southern NGOs live are so different that their objectives in getting involved with microcredit activities may not be necessarily the same. Then paid employees run these programmes. There is little reason to believe that these employees would share the motives of their employers. For example, young men and women in Bangladesh take NGO jobs after graduating from universities, mainly because they cannot find jobs in their own fields or the NGOs provide more lucrative service benefits.

V. Microcredit Borrowers' Ability to Escape Poverty

The question to be answered here is how much economic prosperity the micro-borrowers can achieve by using micro-loans. The question is clearly complicated. For the huge popularity of these programmes is a proof that they are offering beneficial services to the poor. These benefits, however, are of short-run nature while the microcredit scepticism underlines long-run effects of these programmes on the TW's poverty situation. This difference in understanding the short- and long-run effects seems to be one big source of confusion in the microcredit debate. Consequently, this paper conducts a conceptual or hypothetical analysis of the issue by first noting the achievements of the micro borrowers named above.

Nurjahan in Bangladesh: Before joining the bank, Nurjahan earned less than US$ 37.5 in a year and owned no land. By 1995, after five years as a borrower, her annual income was US$ 250 (just above the national average) and she owned two goats, one pregnant cow, ten hens, and two-thirds of an acre of land. The land cost — US$1,000 was more than four times the average annual income. Seasonally, she employs two farmhands to assist with her rice crop. In a country where only 46 per cent of the children reach grade five, Nurjahan's son is now in eighth grade.

Mary in Kenya: In 1992, Mary attended AFRICA NOW training programmes as a member of the Nyando Women's Group and a year later she received a loan of Ksh 200 (US$4). With this loan, she opened a shop on the roadside to sell chapattis and tea, and soon began to make a profit of Ksh 40 each day. Within six months, she started selling rice and beans along with chapattis and tea. She was soon able to buy a plot of land from the local county council and constructed a temporary kiosk. She also hired a young man to help her in the growing business, and by 1995 she was able to hire two more people. Today, Mary makes a profit of US$ 8 per day (twice the size of her original loan). She sends her two children schools, employs three people and plans to expand her business further.

Rajamma in India: Rajamma joined the local Bridge Foundation — an India-based self-help microcredit organisation — and took a loan equivalent to $196 to purchase a milk cow. Within 10 months, she repaid the loan and gained the release of her daughters from their bonds. With her savings she bought half acres of land and took another loan to irrigate it for groundnut cultivation. Rajamma's eldest daughter is learning tailoring, while the younger girls are in school.

Above stories describe both the original conditions of the micro borrowers mentioned above and their achievements: All three women were born in very poor families and were abandoned by their husbands. By becoming members of the microcredit programmes, they engaged themselves in traditional income-generating activities, bought lands and hired labour to help them in their businesses. In other words, these women were able to avoid extreme economic hardships by using the services provided by the microcredit-microfinance programmes. These are, however, short-run outcomes, which offer little hints about the prospects of their long run economic prosperity. By employing a simple scenario, the following hypothetical analysis sheds some light on this long-run question (Elahi and Danopoulos, 2004).

Consider a family of four — husband and wife and two children living in a village of Bangladesh. Call this family the Jamal family. Jamal family has no cultivable land or other tangible assets. The husband and wife have little formal education and have no special skills. Husband is an average agricultural labourer, while wife is an average housewife.

Mrs Jamal becomes a member of the Grameen Bank and receives a loan of US$200 for making bamboo stools at which she has good skills. The investment is expected to generate a monthly gross income of 10 per cent (annual 120 per cent), *i.e.*, US$20. The net monthly income from the investment of the loan is what remains after instalments, interests and other loan related charges are paid out. The net family income, usable for consumption and saving, is whatever Mr Jamal can add to his wife's net income.

Suppose the loan is US$2000 and generates the same monthly income of 10 per cent, which means that the gross monthly investment income is US$200. The disposable monthly family income is Mrs Jamal's net business income plus her husband's income from selling labour. The Jamal family should be able to save some of this income, given the conditions of rural Bangladesh, and gradually build up a capital base for buying land or investing in the business. This picture suggests that the Jamal family would live well in an island submerged in poverty.

Two problems, however, overshadow this picture. First, Grameen Bank cannot lend such kind of money to a woman, who has known only poverty all her life and has little educational or other qualifications. She is unable to handle this kind of money and therefore, Grameen Bank cannot extend such kind of loan to her. Second, there is even a bigger problem. Mrs Jamal cannot use the loan, even if it is provided, because the local market may not be big enough to consume her products. Thus, the Jamal family may not have the good fortune to secure and use the second type of loan.

These scenarios suggest two very different situations. First, with a loan of US$200, Jamal family might avoid extreme economic hardship, but this condition can hardly be described as an escape from the state of poverty. Second, neither Mrs Jamal is able to use a loan of US$2000 nor can the Grameen Bank consider extending such a loan. Accordingly, the microcredit movement does not seem the poor's pass to prosperity; it rather tends to perpetuate poverty situation in the TW countries.

This example also reveals some difficulties in the popular conception of poverty alleviation. The Jamal family would live well in rural Bangladesh if Mrs Jamal could use a loan of US$2000. The investment would generate a monthly gross income flow of US $200, which is a big amount of money in rural Bangladesh. But by the World Bank definition, people who live on a daily income of US$2, suffer an undesirable level of poverty. The Jamal family would suffer this level of poverty even if it could earn a monthly disposable income of US $240. Nurjahan's case, cited above, lends support to this inference. After investing loans taken from the Grameen Bank for fives years, Nurjahan was able to increase her annual income from $37.5 to 250. This success shows what loanees like Nurjahan can achieve in their lifetime. More specifically, no matter what the actual income is, the microcredit clients in the TW will live in the state of poverty.

Finally, this example highlights the real issues in the TW's poverty debate. Suppose the Jamal family luckily finds an opportunity to immigrate to a developed country, say Canada, and is allocated an apartment in a government financed housing complex in the city it decides to reside. Mr Jamal joins a factory and Mrs Jamal gets a small loan from a microcredit NGO operating in the area. Since the health and education systems are publicly funded, they need not worry about the problems of their health or education of their children. In other words, their basic-needs problem is solved.

Given the monthly income, the Jamal family now belong to the class of poor people in its new homeland. In spite of this fact, the members of this family will be enjoying standards of living that very few people in Bangladesh can afford. And the two children of Mr and Mrs Jamal will get ample opportunities to prepare themselves to achieve the ambitions of their lives. All these imply that the Jamal family, although poor, is not living in the state of poverty.

This scenario suggests that the terms, 'poor' and 'poverty' have different significations as they apply to analysing the TW's difficult problems. The word 'poor' used as an adjective, signifies inadequate economic ability of an individual to fulfil the basic necessities of life. However, the term is also used to qualify the economic conditions of different kinds of group. For example, a family is described as poor if its income is lower than the minimum determined by the state to maintain the basic standards of living. Similarly, a country is called poor when a great number inhibits it of people who do not have adequate economic means.

Poverty is, on the other hand, a noun that signifies the condition of being poor. Accordingly, the term is used to qualify both individuals and groups. This difference seems to be the spring of all confusions concerning microcredit's potential power in addressing the TW's pervasive and persistent poverty problems, because the means and measures of poverty alleviation differ depending upon their targets. If individuals are the targets of help, then the means and measures seem simple. Individuals' economic problems, whether short or long term, might be handled easily, since these problems are assumed to have been created by personal failings. To solve their economic problems, these individuals need helps to cure their personal failings. However, the same cannot be said about a group. The very formation of a group of poor people, suggests that these people suffer the conditions of poverty for factors beyond their control. Poverty is painful — physically, morally and socially — which means that few people suffer poverty voluntarily. Only the state can cause people suffer poverty involuntarily, because it is the sovereign authority, suggesting that only the state has the power to remove the factors causing involuntary poverty. In other words, the means and measures of addressing poverty of a group are substantially different from those of the individuals.

This analysis implies that the microcredit programmes are not suitable for addressing the poverty problems of a society or country, but are indeed suitable to address the economic problems of individuals — a job they are doing with remarkable success. It also follows that the microcredit programmes might help the poor people live with, and in the state or environment, of poverty; but they should never aspire to help them to leave the state or environment of poverty. For so long poverty prevails in society, some people must suffer its atrocities.

VI. Microcredit Suppliers' Ability to Help Their Clients

The demand-side discussion argues that the microcredit clients cannot escape the state of poverty by using these tiny loans, which suggests that the suppliers of these services cannot help them either. The multitude of the clients of the microcredit programmes, who are mostly women, share one common societal situation — they all suffer from deplorable social, political and economic plights. In terms of social position, they command little respects but only pity from some people, which is partly inspired by humane feelings and partly by business interests. Politically, they are the most powerless people in their countries. Finally, with respect to economic resources, they control little mental or material means to improve their ill fates. All these vital areas of social and political life complement one another to perpetuate their miserable conditions in society; their social position is the mere reflection of their political and economic situations.

Therefore, if the microcredit NGOs aspire to improve the plights of their clients, they must significantly strengthen their social and political power bases. There are good number of reasons to be sceptical about how far the microcredit NGOs can help in achieving this gigantic job. In other words, the notion of substantial contribution of the microcredit programmes to 'sustainable' poverty alleviation in the TW is fraught with ambiguity. They can certainly help some poor people to avoid extreme economic hardships, but their abilities to correct the factors responsible for creating these economic hardships are clearly questionable.

VII. Conclusion

The term, microcredit, was coined in the mid-1970s and was established as the main poverty-alleviating policy instrument by the end of 1980s. The reason is that the microcredit programmes, run by dedicated NGOs, made tremendous contributions in redressing the untold sufferings of millions of rural women in the TW countries. This success has inspired the development practitioners as well as many academic scholars to believe that these small-loan programmes can be used as a model to fundamentally transform the economic and social structures that create poverty in the TW. The hypothetical analysis performed in this paper shows that such an impression is utterly unjustified. The micro borrowers can certainly avoid extreme economic hardships by using these small loans, but they can hardly expect to cross the poverty border. In their turns, the micro lenders cannot help their clients either, because they are unable to attack the root causes of poverty, which make these people suffer undesirable miseries. Both the development practitioners and international donor agencies need to appreciate this truth, particularly because the next Microcredit Summit, to be held in 2005, is knocking at the door.

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