

You, Too, Can Be a Banker to the Poor



Nicholas D. Kristof/The New York Times

Abdul Satar, a Kabul baker.

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On the Ground

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For those readers who ask me what they can do to help fight poverty, one option is to sit down at your computer and become a microfinancier.

That's what I did recently. From my laptop in New York, I lent \$25 each to the owner of a TV repair shop in Afghanistan, a baker in Afghanistan, and a single mother running a clothing shop in the Dominican Republic. I did this through www.kiva.org, a Web site that provides information about entrepreneurs in poor countries — their photos, loan proposals and credit history — and allows people to make direct loans to them.

So on my arrival here in Afghanistan, I visited my new business partners to see how they were doing.

On a muddy street in Kabul, Abdul Satar, a bushy-bearded man of 64, was sitting in the window of his bakery selling loaves for 12 cents each. He was astonished when I introduced myself as his banker, but he allowed me to analyze his business plan by sampling his bread: It was delicious.

Mr. Abdul Satar had borrowed a total of \$425 from a variety of lenders on [Kiva.org](http://www.kiva.org), who besides me included Nathan in San Francisco, David in Rochester, N.Y., Sarah in Waltham, Mass., Nate in Fort Collins, Colo.; Cindy in Houston, and "Emily's family" in Santa Barbara, Calif.

With the loan, Mr. Abdul Satar opened a second bakery nearby, with four employees, and he now benefits from economies of scale when he buys flour and firewood for his oven. "If you come back in 10 years, maybe I will have six

more bakeries," he said.

Mr. Abdul Satar said he didn't know what the Internet was, and he had certainly never been online. But Kiva works with a local lender affiliated with Mercy Corps, and that group finds borrowers and vets them.

Video



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The local group, Ariana Financial Services, has only Afghan employees and is run by Storai Sadat, a dynamic young woman who was in her second year of medical school when the Taliban came to power and ended education for women. She ended up working for Mercy Corps and becoming a first-rate financier; some day she may take over Citigroup.

“Being a finance person is better than being a doctor,” Ms. Sadat said. “You can cure the whole family, not just one person. And it’s good medicine — you can see them get better day by day.”

Small loans to entrepreneurs are now widely recognized as an important tool against poverty. Muhammad Yunus won the Nobel Peace Prize last year for his pioneering work with microfinance in Bangladesh.

In poor countries, commercial money lenders routinely charge interest rates of several hundred percent per year. Thus people tend to borrow for health emergencies rather than to finance a new business. And partly because poor people tend to have no access to banks, they also often can't save money securely.

Microfinance institutions typically focusing on lending to women, to give them more status and more opportunities. Ms. Sadat's group does lend mostly to women, but it's been difficult to connect some female borrowers with donors on Kiva — because many Afghans would be horrified at the thought of taking a woman's photograph, let alone posting on the Internet.

My other partner in Kabul is Abdul Saboor, who runs a small TV repair business. He used the loan to open a second shop, employing two people, and to increase his inventory of spare parts. “I used to have to go to the market every day to buy parts,” he said, adding that it was a two-and-a-half-hour round trip. “Now I go once every two weeks.”

Web sites like Kiva are useful partly because they connect the donor directly to the beneficiary, without going through a bureaucratic and expensive layer of aid groups in between. Another terrific Web site in this area is www.globalgiving.com, which connects donors to would-be recipients. The main difference is that GlobalGiving is for donations, while Kiva is for loans.

A young American couple, Matthew and Jessica Flannery, founded Kiva after they worked in Africa and realized that a major impediment to economic development was the unavailability of credit at any reasonable cost.

“I believe the real solutions to poverty alleviation hinge on bringing capitalism and business to areas where there wasn't business or where it wasn't efficient,” Mr. Flannery said. He added: “This doesn't have to be charity. You can partner with someone who's halfway around the world.”

You are invited to comment on this column at Mr. Kristof's blog, www.nytimes.com/ontheground.