

By Elaina Loveland

Empowering the Poor

An interview with Muhammad Yunus,
Nobel Peace Prize Laureate

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MUHAMMAD YUNUS, the visionary founder of the Grameen Bank, leads a global network aimed at ending poverty around the world. Recognized alongside the bank “for their efforts to create economic and social development from below” with the 2006 Nobel Peace Prize, his ideas couple capitalism with social responsibility and have changed the face of rural economic and social development forever.

As a Fulbright scholar at Vanderbilt University, Yunus received his Ph.D. in economics in 1969. Later that year, he became an assistant professor of economics at Middle Tennessee State University before returning to Bangladesh where he joined the Department of Economics at Chittagong University.

Yunus is responsible for many innovative programs benefiting the rural poor. In 1974 he pioneered the idea of Gram Sarker as a form of local government based on the participation of rural people, which was adopted by the Bangladeshi government in 1980. In 1978 he received the President’s award for his work on Tebhaga Khamar, a system of cooperative three-share farming embraced by the Bangladeshi government in 1977. He received the Independence Day Award, Bangladesh’s highest honor, in 1987.

Yunus’s work has led to his appointment to several United Nations commissions and advisory groups, especially those dealing with women’s economic empowerment. Yunus has also many organizations dealing with education, population, health, disaster prevention, banking, and development programs. Yunus sits on the International Council of Ashoka Foundation, the global network of social entrepreneurs, and is a member of The Elders, a group of global peacemakers organized by Nelson Mandela.

An accomplished writer, Professor Yunus is the author of *Banker to the Poor: Micro-Lending and the Battle Against World Poverty* and *Creating a World*

Without Poverty: Social Business and the Future of Capitalism.

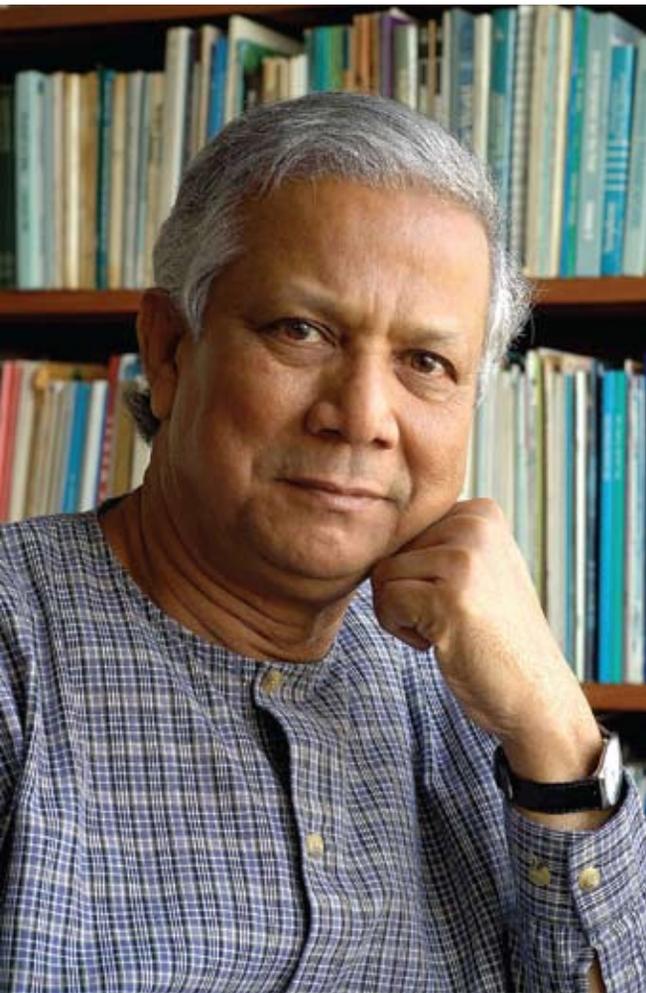
IE: How did being a Fulbright scholar in the United States shape your career?

YUNUS: Becoming a Fulbright Scholarship allowed me go study in the United States. It allowed me to meet a whole different place from Bangladesh. That helped in expanding my own thinking and knowledge of the world.

IE: You taught economics at Middle Tennessee State University and at Chittagong University in Bangladesh. How did teaching at a U.S. university as an international scholar influence your U.S. students? What did you learn from them?

YUNUS: Teaching in the United States was very unique experience for me. Students were critically thinking and asking questions more than I expected. They would really learn the subject rather than just memorize. They would question everything from what they did not understand to why they did not get one mark for an exam. This was very different from what I experienced in Bangladesh.

IE: After returning home to teach students in Bangladesh, how did your teaching experience in the United States affect how you taught Bangladeshi students? Did your experience in different



Muhammad Yunus

classrooms in each country contribute to your philosophy of learning?

YUNUS: After returning home, I tried to make my students also question me more, as my students in the United States did. I tried to promote more critical thinking instead of just memorization. Only when students ask questions do they really learn.

IE: What inspired you to help the rural and working poor to begin with?

YUNUS: I was teaching economics at Chittagong University after the war, which resulted in an independent Bangladesh in 1971. A terrible famine took place in 1974, and all of our hopes for a bright new Bangladesh were challenged.

I felt useless teaching theories of economics in the classroom when in the villages around my university people didn't have enough to eat, and people were dying in the streets of Dhaka. I decided to go outside the classroom to see how I could be useful to just one person. That is when I came across the phenomenon of loan sharking. I was shocked to discover that people in the villages were enslaved to loan sharks who lent to

them at exorbitant rates of interest. I decided to make a list. I found 42 people who were trapped in a terrible situation for having borrowed a total of \$27.00 (U.S.). Not knowing what to do, I offered them the money from my own pocket to free them from the clutches of the moneylenders. Those 42 people were overjoyed, and when they were able they repaid me every cent. I thought to myself, if I can make so many people so happy with so little, why shouldn't I do more of it? That was the birth of Grameen and microcredit.

IE: In 2006, the Nobel Peace Prize was divided into two parts—to you and to Grameen Bank—for efforts to reduce poverty. Can you explain how the Grameen Bank works? What makes it different from conventional banking?

YUNUS: Grameen Bank methodology is almost the reverse of the conventional banking methodology. Conventional banking is based on the principle that the more you have, the more you can get. In other words, if you have little or nothing, you get nothing. As a result, more than half the population of the world is deprived of the financial services of the conventional banks. Conventional banking is based on collateral; the Grameen system is collateral-free

Grameen Bank starts with the belief that credit should be accepted as a human right and builds a system where one who does not possess anything gets the highest priority in getting a loan. Grameen methodology is not based on assessing the material possession of a person; it is based on the potential of a person. Grameen believes that all human beings, including the poorest, are endowed with endless potential.

Conventional banks look at what has already been acquired by a person. Grameen looks at the potential that is waiting to be unleashed in a person. Conventional banks are owned by the rich, generally men. Grameen Bank is owned by poor women.

The overarching objective of the conventional banks is to maximize profit. Grameen Bank's objective is to bring financial services to the poor, particularly women and the poorest to help them fight poverty, stay profitable, and financially sound. It is a composite objective coming out of social and economic visions.

Conventional banks focus on men, Grameen gives high priority to women. Ninety-seven percent of Grameen Bank's borrowers are women. Grameen

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Bank works to raise the status of poor women in their families by giving them ownership of assets. It makes sure that the ownership of the houses built with Grameen Bank loans remain with the borrowers (i.e., these disadvantaged women).

Grameen Bank branches are located in rural areas unlike the branches of conventional banks that are located as close as possible to business districts and urban centers. The first principle of Grameen banking is that the clients should not go to the bank—it is the bank which should go to the people instead. Grameen Bank's 24,141 staff meet 7.71 million borrowers at their door-step in 83,744 villages spread out all over Bangladesh, every week, and deliver bank's service. Repayment of Grameen loans is also made very easy by splitting the loan amount in tiny weekly installments. Doing business this way means a lot of work for the bank, but it is a lot convenient for the borrowers.

There is no legal instrument between the lender and the borrower in the Grameen methodology. There is no stipulation that a client will be taken to the court of law to recover the loan, unlike in the conventional system. Conventional banks go into 'punishment' mode when a borrower is taking more time in repaying the loan than it was agreed upon. They call these borrowers "defaulters," Grameen methodology allows such borrowers to reschedule their loans without making them feel that they have done anything wrong (indeed, they have not done anything wrong).

When a client gets into difficulty, conventional banks get worried about their money, and make all efforts to recover the money, including taking over the collateral. With the Grameen system, in such cases, the bank works extra hard to assist the borrower in difficulty, and makes all efforts to help the borrower regain the strength and overcome these difficulties.

In conventional banks, charging interest does not stop unless specific exception is made to a particular defaulted loan. Interest charged on a loan can be multiple of the principal, depending on the length of the loan period. In Grameen Bank, under no circumstances can total interest on a loan can exceed the amount of the loan, no matter how long the loan remains unpaid. No interest is charged after the interest amount equals the principal. Interest on conventional bank loans are generally compounded quarterly; all interest is simple interest in the Grameen Bank model.

In case of death of a borrower, the Grameen system does not require the family of the deceased to pay back the loan. There is a built-in insurance program that pays off the entire outstanding amount with interest. No liability is transferred to the family.

The Grameen system encourages the borrowers to adopt some goals in social, educational, and health areas. These are known as "Sixteen Decisions" (no dowry, education for children, sanitary latrine, planting trees, eating vegetables to combat night-blindness among children, arranging

clean drinking water, etc.). Conventional banks do not see this as their business.

In Grameen, we see the poor people as human “bonsai.” If a healthy seed of a giant tree is planted in a flower-pot, the tree that will grow will be a miniature version of the giant tree. It is not because of any fault in the seed, because there is no fault in the seed. It is only because the seed has been denied of the real base to grow on. People are poor because society has denied them the real social and economic base to grow on. They are given only the “flower-pots” to grow on. Grameen’s effort is to move them from the “flower-pot” to the real soil of the society.

If we can succeed in doing that there will be no human “bonsai” in the world. We’ll have a poverty-free world.

IE: Why is an international perspective of social ills so important today?

YUNUS: The global economic crisis will hit the world’s poorest people the hardest and that there is no bailout package for them.

The ongoing worldwide downturn is an opportunity to build a more people-focused financial system, not one based in a fantasy economic world. The financial system has to be totally redesigned. This system didn’t work for the people anyway. It worked for the rich people, yes—for big business, yes—but not for people in general. A small number of people in one country can create such a disastrous situation for all the people of the world. This shows how fragile our system is and how weak the foundation of our system is. The real victims of the crisis are the people who have made no contribution whatsoever to this crisis—the bottom half of the world population. They will be the ones who will lose their jobs, the ones who will lose income and livelihood, and food. There is no bailout package for them.

IE: In your recent book, *Creating a World without Poverty: Social Business and the Future of Capitalism*, you advocate the idea of social business to combat problems

like poverty, inadequate health care and lack of education, among others. Can you define your vision of “social business”?

YUNUS: I talk about a basic fault in the system that we developed what is known as free-market economy or a capitalist economy. In the capitalist economic theoretical framework, you have only one kind of business—business to make money. There’s no other kind of business. Profit maximization is the sole goal of business. So if you are in business, you are concentrating on maximization of your profit. That’s what the theory says and that’s what you try to achieve. I think this is a very wrong way to interpret human beings. Human beings are not robots or money-making machines.

Human beings are much bigger than that. There are other aspects like the caring human being, the sharing human being. These are not included in this theory. So the theory is based on a very partial view of human being.

To accommodate the whole of human being, one first step would be to create another





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To accommodate the whole of human being, one first step would be to create another kind of business: business to do good to people without any expectation of any personal benefit out of it. Social business will be a new kind of business introduced in the market place with the objective of making a difference to the world.

kind of business: business to do good to people without any expectation of any personal benefit out of it. Social business will be a new kind of business introduced in the market place with the objective of making a difference to the world. Investors in the social business could get back their investment money, but would not take any dividend from the company. Profit would be reinvested in the company to expand its outreach and improve the quality of its product or service. A social business will be a non-loss, non-dividend company.

Grameen has also collaborated with Danone, a French food and beverage com-

pany, to bring fortified yogurt to under nourished children living in rural communities. Grameen and Danone have both committed not to take out any profits from this venture as dividends. We are also about to start Grameen Veolia Water which will provide clean drinking water in rural areas of Bangladesh where arsenic is prevalent in the ground water. We have now founded an additional social company, Grameen GC Eye hospitals, which is treating cataracts.

IE: What has been your greatest accomplishment in your career?

YUNUS: I believe it will be possible for us to build a poverty museum in Bangladesh by 2030. At the rate that poverty is being reduced in Bangladesh, it will be halved by 2015. I would like to see all countries to take the challenge of putting poverty in museums. Each country will have its own poverty museum where the children will go to see what poverty looked like and wonder how such a terrible thing was allowed to go on for so long. Rich countries face the same problem. If we do that, then will I only say I have accomplished my career to its full extent.

IE: How can the average citizens take steps to help end poverty in their community and abroad?

YUNUS: Dreaming about a better world is fun. But what can individuals do to help bring that world closer to reality? One practical step is to create a small organization to realize part of the goal—something I call a “social action forum.”

A social action forum can be as small as three people who band together to address a single, manageable, local problem. If others want to join, that is fine too. But if you feel comfortable with three, don't try to expand the number.

Once you have started your forum, define your action plan for this year. Keep it simple. It may be to help one unemployed person or a beggar to find an income-earning activity and begin the climb out of poverty. Select the poor person you want help, sit down with him or her to learn about his or her problem with earning an income then find a solution. Starting small can make a difference toward a better world for all. **IE**

ELAINA LOVELAND is managing editor of *IE*.

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