

Can you see the  
**mailstream?**

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**Global Development**



I was not a businessman, I was a teacher of Economics. I went back to Bangladesh, and I was hoping that we would get independent, but things went wrong, and that created a lot of tension. As a human being I can go out to the village next door and help people. This was my ambition, I started doing little things, and one thing led to another. Particularly, the loan sharks were making people in the village miserable. So I made a list of people who borrowed money from loan sharks, there were 42 names on the list, and the total money they borrowed was 27 dollars, I couldn't believe that anyone could suffer so much for so little. It came to my mind that the problem is difficult, but the solution is difficult. If I give the \$27 to these people and tell them to give the money to the loan sharks, they would be free. The next question came to my mind, if you can make so many people so happy with such a small amount of money, why shouldn't you do more of it. Why don't I lend the money to these people in the village, it will make such an enormous happiness in these people. So I went to the bank manager, he said no way, the bank cannot lend money to poor people. I said why not? Finally I offered myself as a guarantor, you protect your rules. This was in 1976, the bank manager said you can say goodbye to this money, it won't come back. And it worked. People ask me now, you must have worked very hard to come up with the Grameen bank system. I went to find out how the banks do it, and then I did the opposite. Today it works all over the world, still has a high repayment. Conventional banks want to go to the rich, the more rich the more attractive they are. They go to the rich men, we did the opposite, and went to the poorest. Today 97% are women borrowers. She promises to herself that if anyone could trust her with such an enormous amount of money, she makes sure it's paid back. The Grameen bank is based on trust. Conventional banks bring their lawyers to tie you up so you cannot get away. We said no guarantee, no lawyers, and it works. Conventional banks are owned by the rich people, ours is owned by the borrowers, they elected the representative to sit on the Board of Directors. So the largest bank in the country is owned by the poorest women in the country.

First principle we defined: the people should not go to the bank, bank should go to the people. We have 27,000 staff, within a week we must meet face to face all 7 ½ million borrowers on the doorstep of their village. Profit goes back to the people, it's generated internally. We take deposits locally and we lend money to the poor people, and each branch has to be successful so we can give the dividend to our shareholders. The next generation is becoming educated, right now more than 30,000 students on education loans going to universities. It's a fascinating situation. You see the woman who has changed her life, has a nice house from a housing loan, she has a daughter with her, who is a medical doctor and practices in the nearby town. What a difference, a mother changed her life and her daughter became a doctor. The question that comes to your mind, the mother could have become a doctor too but she never got the opportunity. Ask who creates poverty? Poverty is not created by the poor people, there is nothing wrong with them, it's created by the system we created. Who says bank cannot lend money to the poor people? Today after 32 years, with all the disasters in Bangladesh, and the floods, the return doesn't stop. We never complain that our borrowers lost everything, we don't go to the government. We do it on our own.

In order to let people get out of poverty, we have to fix the system, composed of institutions, policies and concepts. If we fix them no one would be a poor person. We started lending money to the beggars. We said give people options, you are going there anyway, let them buy something from you. Today we have over 100,000 beggars in the program, more than 11,000 stopped begging completely, and became successful door to door salesmen, and remaining are part time beggars, they can tell which house is good for begging and which is good for selling – they know market segmentation. We don't train them. My colleague says how long until they get out of begging? We can't push them, begging is their core business, let them go through the process.

Concept of business – everyone tells us business means making money. This says humans are one dimensional. People are multi-dimensional beings. Why doesn't economic theory allow that? A human being is not a machine, it's a wonderful creation. That's where the theoreticians misinterpreted the whole world. We should introduce another type of business to do good, what I call Social Business. We have a joint venture with Dannon, a multi-national company. We pick up all the nutrients missing in the children and put it in the yogurt and make it very cheap, once you get out of profit making, you don't need fills, a fancy container, marketing, nothing. We sell it to the poor children, and the company recovers its cost. Dannon has promised they will never take a dividend out of this company, just investment money. The company is a cause-giving company. In a social business you ask how many children got out of malnutrition, that's what we tell our shareholders. We created a joint venture with a water company. Our water is contaminated, so we created a small tiny water treatment plant producing clean water for the villages and everyone can afford it. We can then multiply. Difference between a charity and a social business is with a charity you achieve a social goal, your dollar never comes back. If you can convert it to a social business, your dollar recycles and becomes very powerful. As a business person, you bring your creativity into it. People will like to invest because it's in their heart. When I open the door many people will take it, and if they do a fantastic thing will happen. Many companies will like to invest in a social business company. The stock market is no place for social business, so I suggest creating a social stock market, people can go and find out where companies are helping people. With profit making companies I invest money, and take this money and invest in social business.

We are focusing on healthcare now. Neither the government run health care nor the private sector reaches the poor people. We are asking for advice for creating a social business for healthcare. If we can design it the right way, it is available to anybody, once you design it in a small way you can bring it all over the world. We can talk about water, housing programs, and once we bring this into an economic life, we'll have newspapers who will carry this information to readers. Soon we'll have a Social Wall Street Journal, so we'll all know what's happening. We'll create a world free from poverty, unnecessary diseases and free from misery.

Questions & Answers:

*Q: How does it work in Bangladesh and what lessons can we learn from your experience for this crisis here?*

A: Sub-prime prices were created not because they lent money, it's because of the extreme greed that got into it, people were misled into getting involved and then they couldn't carry it out. I see it described as a casino, or a tsunami. This is more irresponsible capitalism. In our case, we are not looking to make money, the focus is helping people get out of poverty, nothing for my pocket.

*Q: If you started to pay a dividend out would you attract more capital? For healthcare, and education?*

A: It's already there, but if you want to make money the focus goes to the top. There are many diseases in the world where vaccines are developed but nobody produces it, there are 6 orphan diseases but no one produces it. People will pay more money for fancy drugs. No one provides vaccines to the poor. I am not looking for that money. I will start with foundation money to begin with, you are giving billions of dollars as charity. There is corporate social responsibility money, most of it's used for public relations.

*Q: I write about companies that are now embracing idea of having a social mission as well as making a profit, how can we make a difference in the world?*

A: Your first goal is to maximize profit, your stock market price has to be up there, then we can think about these things. The moment it drops it's not your focus. That's why you create the social responsibility fund, use that money, this will be used not for company's benefit, instead of giving it away as a charity purpose, create a water company that brings water or health insurance for people in this area. This business will continue and never disappear. Start with that. Then have stock market and let people decide if they want to invest where they are not looking for profit but to make a difference in the world. We did it in France, a U.S. company, Intel, has already done it. There is enormous possibility, it works by itself, it's self-sustaining, once you have done that, the sky's the limit and you can address millions of people.

*Q: How far along are we in tackling problems in the world, you've made a difference with micro-finance, what about beyond that?*

A: Micro credit doesn't solve all the problems, it solves financial ability. If you are poor, you are poor in health, if you can improve health of your children you have a better future, that's why we want to give them education. You need education, healthcare, opportunities. Information technology is a powerful tool we can bring in a way that they can handle. To a woman in Bangladesh, her device would be completely different. Maybe design a digital genie lamp, with a voice command, so she doesn't have to type it in, and it helps solve a problem. This is possible. During the 90's poverty was declining 1%, the first years in 2000 it's declining at 2%. Our prediction will be more than 2%, providing the world economy doesn't mess up.

*Q: Emerging markets are being decoupled from the U.S., and they can survive without the U.S. economy.*

A: If the U.S. economy slows down how many orders will go down, from China and also in Bangladesh where the garment industry is. There are pockets of economic growth with China, Brazil, India, they are growing because of the U.S., because they are demanding the IT service and other things they do. If U.S. market slows down, European market slows down, and it impacts the poor.