the whole situation or because

they didn't do it and somebody

they don't see any political an-

gle to it. Politics in our country

is based on rhetoric, not on

concrete programmes.

Grameen Bank is a concrete

programme. If I convert it into

rhetoric, I say, "I will have

Grameen Bank in very village

in Bangladesh," which is not

possible. And I will not allow

will say, "I'll ask Grameen Bank

to do this or that," and I rush

in and ask them not to say this

kind of thing. Grameen Bank is

kind of imperialist, expansion-

ist conspiracy. Giving tiny

loans to poor people brings

only cosmetic changes; we are

stopping the Revolution. These

are the accusations. My usual

response to my leftist friends

is that we are operating in

8000 villages. There are

60,000 villages still around. Go

and have the Revolution

quickly or we will reach there

and you won't have any villages

ties with donors. They don't

understand how to deal with

us. They wanted to dictate. If

you want to be of any help to

us, we tell them, you have to

accept the way we do it, not

DS: It was once reported

the way you want us to do it.

We also had a lot of difficul-

Leftists considered us a

Sometimes a politicians

politicians to say that.

MY: I don't know. Probably

else did?

a business.

Conversation

Dr Mohammad Yunus of the Grameen Bank Talks about his Unique Institution to The Daily Star

The Daily Star (DS): If you look back on the start of the Grameen Bank what do you see as the most vital element that prompted you to launch the

Muhammad Yunus(MY): I guess it was frustration, frustration that came because of euphoria of the liberation that started eroding very quickly. Then in 1974, there was a famine and people died. You cannot cope with that kind of situation. You thought that we were free and now we could move on, but you saw a completely different picture in re-

In that frustration, I almost completely gave up formal economics, which I was teaching in Chittagong University. came back from the United States in 1972, and joined Chittagong University and became head of the department. So I thought there is something wrong with economics because it does not solve the problem. People still die of starvation.

What is the reality of these people? Why can't they overcome their problem? I started going to the people, in the village next door, trying to understand how they live everyday. This is how the whole thing started. That village, Jobra, became my real university. Education had taken me away from the real cycle of life. DS: Which year was this?

MY: This started in '74, and continued until '76. The story of Grameen Bank started in 1976. Among many things, I did in this period which are still around, is Nobojukti, the crop share programme. This later received the Rashtrapati Puroshkar. Those ideas are being used in what is known as Grameen Krishi Foundation. Everything is there, yet people don't see that the solution is there. People organized them-

welves to solve their problems. The first spark for Grameen Bank came in 1976 when I was talking to a woman in that village, Jobra. She used to make bamboo stools. She was earning 10 annas. I was shocked that anybody could spend so long making such a beautiful stool and make less than three-quarters of a taka.

The reason was that she didn't have the money to buy the bamboo. So she had to borrow from the trader. She had to sell the product to the trader. The trader always made sure that he pays her a price that only just covers the cost of raw materials. Her labour came almost free. I thought it was a form of bonded labour, of slavery. There was a very simple way to ease the situation, if only she had the money to buy the bamboo. So I thought of providing that money, but before that I checked whether there were other people in the village who needed that kind of money. I took a student of mine and went around.

We had a list of 42 such people, men and women. The total amount they needed was 856 taka. That was another shock for me. Here we talk about big theories, but we don't have the capacity to solve the problem of only 856 taka for 42 able-bodied, eager.

own pocket and told them that they had to pay me back, but they didn't have to pay me interest because I was not in the money business. But they could sell their product wherever they wanted.

So that was the beginning. Soon I realized this was not sufficient because this was a personal kind of solution. I was looking for an institutional solution - so I went to a bank.

And they said no. DS: When you face this kind

MY: First of all, I was not thinking of anything at all. I

When you teach at university, or you have a Ph.D. degree, you get a feeling that you know it all. That's what most of our experts have, a kind of arrogance. You tend to see the world with a bird's eye view. Later I realized that what you think you see you are actually

by the height. What I was doing in Jobra was trying to get rid of that hang-up and trying to acquire what I described later on as the worm's eye view. You face a thing and try to overcome that tiny problem. Maybe that's much more effective because that's real. There's no scope

get around, do you climb this wall, do you find a crack and

go through? That's how it happened. I didn't plan anything. I didn't have a solution to this woman's problem. I simply saw why she suffered. The cost of the bamboo was five taka. She didn't have that cash. Her life was miserable because she could live only in that cycle; borrowing from the trader and selling to him. She couldn't get out of that circle. It's such a simple issue. All you can do is lend her five taka and it's solved. Before I did that I saw that the this situation is common. Maybe some institution should be doing this. But the bank laughed at me. "You are crazy, they said. "This cannot be

DS: Was their question mainly of collateral, the ability to pay back the loan?

MY: "Ten taka loans!" That's not even worth the papers they have to fill out," they said. When I insisted, to throw me off completely, bank official asked me," What about collateral? These people cannot give collateral."

DS: Would you say that availability of credit seemed at that time to you, the most important issue?

MY: To me, nothing was most important. To me, at that time, that was what was needed. I was not thinking of Bangladesh. I promised to myself in 1974 that from now on I will not say anything about Bangladesh, because that's too big for me. If I can solve the problem of one person for one day. I'll be grateful that I have done something. If I can find Fighting rural poverty has been a major objective of development in most Third World countries. While this aim figures prominently in many national plans and serves as a condition in the aid programme offered by multilateral donor agencies, few can claim to have found the right approach to the problem. In this respect, the Grameen Bank has proved to be an exception, mainly because of its innovative rural credit system which has helped the poorest of the poor in Bangladesh in the field of self-employment. It is no wonder, therefore, that this unique institution. has earned recognition at home and abroad. Among international personalities who have commended the work of the bank — and of its founder and Managing Director, MOHAMMAD YUNUS — one can count US President-elect Bill Clinton, Malaysian Finance Minister Anwar Ibrahim and UNICEF Chief Jim Grant.

To give the readers of The Daily Star a comprehensive picture of the work of the Grameen Bank, of its origin, current problems and prospects and, indeed, of its future direction, there can be no one more qualified to do so than Dr Yunus himself. Last week, he found time from his busy schedule to sit down with a team from this paper for a two-hour long conversation to answer a whole range of questions not only about his institution but also on the development process in Bangladesh. A dedicated individual, he spoke with intense feelings, without mincing words, answering questions which were candid and often blunt.

The team of the Star was led by its editor, S M ALI who was assisted by the Executive Editor, MAHFUZ ANAM and feature writers, S BARI and AASHA MEHREEN AMIN. We publish here the text of the conversation.

five, ten villages, still nothing. One day in 1978, I was attending a seminar at the Bangladesh Bank. The topic of the seminar was financing the rural poor. I picked up a quarrel, saying,"You talk about financing the rural poor, but you never come around to them. We are doing it, and this is the way it works." They said that in order to make a point I had to show the results over a whole district. I agreed, provided they give me support. Due to

to meet Mr. A. K. Gangopadhyay, the Deputy Governor of Bangladesh Bank All the managing directors of

all the commercial banks were

there. It anyone asked me how

Grameen Bank came into be-

ing, if I had to mention one

Once secluded behind the veil and inhibited in public, these

Grameen Bank members now exercise together at centre

meetings and conduct successful businesses.

something that benefits the

person for a week or a month.

then all the better. It was a

person-to-person approach.

didn't think of most or more

important. I didn't even realize

what I was doing. I certainly

had no intention of starting a

hitting a wall with the bank?

this, I went to the bank. My

struggle with the bank became

so important in my mind l

didn't go back to see what

those 42 people were doing.

After a lot of debate with the

bank manager, he told me he

could not solve the problem.

He suggested I go to the re-

gional manager. A couple of

be a guarantor." I immediately

system ?

ting the loan.

DS: Would it be correct to

MY: I'm not going beyond a

bank. It's a banking system. I

said I would accept a guaran-

tor, but only if they made me

the guarantor. The maximum

needed would be 10,000 taka.

He agreed on condition that I

would never exceed that

amount. It took me another six

months answering questions

from the head office. At the

end of '76 I succeeded in get-

DS: At that time, there was

MY: None at all. When the

no thought of a Grameen

bank said it could be done, and

I did it, and people were pay

ing me back. I kept reminding

the bank that it worked. Their

answer was, 'One village is a

very tiny place. One professor

in one village can work any

mtracle. Unless it's a big oper-

ation, we wouldn't know how

real this is." I went from one

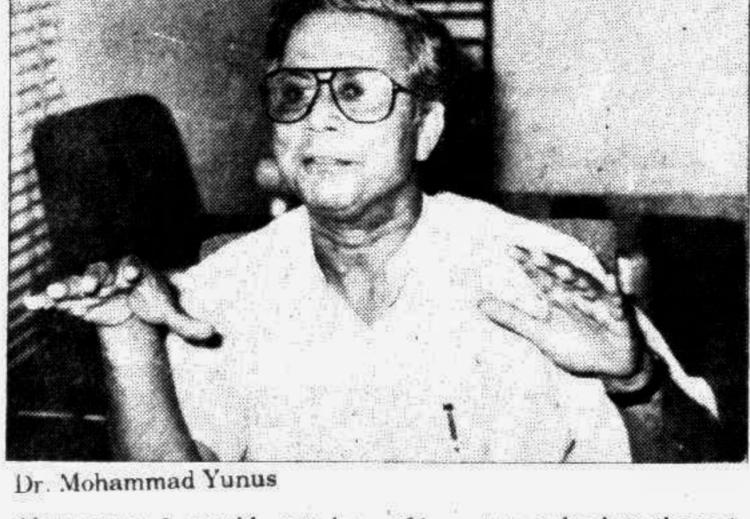
village to two, and still they

were not impressed. Three,

DS: What happened after

MY: In the first week after

this controversy. I was invited



Chittagong I would not be known as a teacher but as a banker. I took two year's leave. I did not want to be a banker, I enjoyed being a teacher. I told them I would go to any district of their choice and work as a full-time banker for two years.

If it works then you pick it up and you carry it on for the rest of the country, and I go back to the university, because my point is made. If it doesn't work, I go back to the university and I will apologize to ev-

The banks agreed, I took leave in 1979, June. They selected the district of Tangail. I knew nobody there. For two years, it worked very well. But the bankers said to me, "You must have worked too hard. With hard work, anything is possible." Now hard work is a penalty!

We then decided to work in

if I want to go back to the university, is to set up a separate

I wrote a paper giving the options: an NGO bank, a collaborating bank between government and an NGO. I presented this paper at a Commonwealth seminar in Comilla in 1982. The then Finance Secretary A M A Muhith was also attending this meeting. The second day of that meeting, martial law was declared. In a few days, Mr Muhith became the Finance Minister. I proposed to the Central Bank that we be al lowed to set up a separate bank. I was rejected. I brought the matter to the notice of

He had visited Grameen projects earlier and had been impressed. He helped me get it through the government. And that's how we became a

start. All I needed to do is to get it approved. Later, I'll disinvest the government shares." My colleagues advised me to go with it.

But Muhith left before he could charge the ownership structure. Syeduzzaman became the next Finance Minister. In '86, he changed the ordinances to bring the ownership to 75% borrowers and 25% government. It still retained elements of government control. I continued my struggle, and it went all the way to President Ershad.

He convened a meeting, I was also present to argue our are saying that banking can be done without collateral. The entire banking system has to be redesigned, not just in Bangladesh but throughout the world. That is the point which was made by Bill Clinton. The same thing happens all over the world: people will not be given credit without any collateral. Denying access to credit for a large section of the world's population is unfair.

That point is at least being examined, not brushed off. That is a success. Credit is a human right. It's not just banking; this is a human rights issue. If food, shelter, and literacy are human rights, I don't see how you can pass up credit. Credit allows a person to take command of resources and get things done so that you can start getting food and shelter and the rest. Our miseries come because of wrong concepts. We go on merrily discussing development without blinking our eyes at the poverty situation. Some successes are on the conceptual side, then.

And then, when you start in one village, you think the structure will collapse if it expands. We started in one village and now we work in 30,000 villages. People cannot say this is a freak case. We involve 1.4 million people.

This conversation is welltimed, because we just set up our thousandth branch. This is a celebration. We lend out 60 crore taka a month. Nearly the same amount is paid back. We are recycling 60 crore taka and changing people's lives. And they pay 20% interest.

that you had even refused a massive grant that was offered to you because you said," We cannot absorb it at this moment." Is this correct? MY: Yes it is, and it was offered by the World Bank and it was a soft loan, not a grant. At that time, Grameen Bank was not capable of handling that sum of money. We wanted to expand at our own pace.

DS: You are saying about the difficulty of having not enough political support - now you can continue on that. And my question would be, would you find a lobby in the national parliament which would speak up for Grameen Bank and help you to move forward?

MY: You see if we are talking about individuals in political parties there are lots of them who are very supportive of Grameen Bank. But as a party programme, they don't see how they can relate the bank to that party programme. What individual feeling is remains at one level, what the political platform is, remains completely on another. These two don't lie together. That's where the basic weakness of

But if you say that we don't

our politics lies.

have support from a political party, I also want to clarify that we always felt that government as an institution should leave us alone. Maybe this is our feeling that the government in a country like ours, is more like a machine that can do more harm than good to you. We couldn't change that machine into something that we feel comfortable with. Because that machine either was created to 'rule' - whatever that means. still that machine has the feeling of ruling, of telling you what we should be doing. It's not what is it that you're doing, how can I be helpful; that helpful mode is not in the government, and that's what

DS: Let me interrupt you, you have people in the system like Gongopadhaya, Syeduzzaman and others, were also part of the system now. I don't dismiss the possibility of your being in the system one day as a member of the parliament. Can one say that the government system cannot change or can we not change

we want to keep at a distance.

MY: Sure we can change it. A story would narrate some-

About three years back, an Indian, one Mr. Jetli, Secretary of local government came to visit us along with a colleague from Madhya Pradesh. Neither of them came to talk to me; they wanted to see Grameen Bank.

They visited a branch without any of our aides. So they spent the whole day walking in the village talking to people. It was a very hot day. At the end of the day they came looking for me. They explained why they came. "In India," Jetli said, "wherever we have any discussion about rural development, we come to talk about is a big Indian programme, Integrated Rural Development

Through IRDP, we credit



Repayment is 98%.

Grameen Bank has under-

success:

scored one point: this country

is not a basketcase. These 110

cause all our transactions are

done at the doorstep of our 1.4

million borrowers. That cash is

easy temptation. But even our

most bitter critic will not say

that Grameen Bank is corrupt.

Weaving stools: Where it all began.

your nose into a bank that you have not set up?" The president accepted the amendments I asked for, and now we are a private bank completely

case: "Why do you want to poke

million people can change their lives. They are not waiting for charity. Another Bangladesh is known as a pool of corruption, but Grameen Bank is a corruption-free organization. A young employee walks miles carrying cash, be-

> We have also proved that people can work hard. On the difficulties part, we have heard the village power structure is invincible. Nothing happened to us, not a single case where a Grameen worker was beaten up. And we have done a lot of audacious things, just by addressing the women. We didn't have difficulties with the power structure but with religion. People were suspicious that we were a Christian missionary organization. These are natural things to suspect about something unusual

But people became appreciative. People offered us their land if we would only start the programme in their village.

While this is going on inside the country, there is tremendous interest outside the country. I am amazed that the political leadership of our country never paid much attention to what we did: whether good or bad. It could have tickled their curiosity a bit, but it was never taken seriously. No one asked, how can we integrate this into our policies. We have heard from politicians abroad wanting to know how they can learn the programme, and official delegations keep coming from countries like China, Vietnam, Malaysia. A Malaysian Minister, Anwar Ibrahim, wants to go to his constituency taking me with him. The lack of interest of our politicians is not an obstacle as such, but I feel something is missing.

DS: Does the lack of interest of our political figures

The Grameen Bank logo on the wall behind her, a member cleans rice while her geese flock around.

name, it's Mr. Gangopadhyay He asked all the managing directors whether they would like to support me When the deputy governor of Bangladesh Bank wants to support you, everyone else wants to support you. But they gave certain conditions: One was that I had to resign from my job at Chittagong University to become a full-time banker; an other was that I not do this in Chittagong, because I am from Chittagong and I enjoy the support of students. Away from

far-flung districts, so that my presence was not a factor. We took Rangpur in the North. Patuakhall in the South. Chittagong in the south-east, and Dhaka and Tangati. For another year, people continued to take small loans, with no collateral, and paying very lit-

tle interest. In about '81, I had the first feeling - why am I running after all these banks? They are going to be persuaded.

They have made up their

minds. What I should be doing.

bank on the 2 October, 1983, through an ordinance. DS: The ordinance made it

MY: No, in fact I had a fight with Muhith over that. My proposal was to set up a bank which was 100% owned by the borrowers. But when Muhith finally got it approved by the cabinet, he had to turn it around. He kept 60% ownership for the government, 40% ownership for the borrowers. I was furious at this news. Muhith reassured me, "You can

owned by the poor people. DS: In all these years, looking back at the success story. what is your own assessment of areas of success, areas of difficulties, and areas of failures?

MY: In the beginning, we appeared to be a bunch of crazy people. At the end of these 16 years, we don't look like crazy people. We look like people with new ideas. We are taken seriously. That is one success

We have shaken the banking system of the world. We

come from their ignorance of

Programme (IRDP).

billions of dollars worth rupees Continued on page 10

hard-working people. days later I went to the regional office. The manager was I gave this money out of my Mr. Howladar, I explained to him what I needed. He said. "Governments are here to help the poor. But the only way I can do this is for every loance you have to find one well-to-do person in the village who will

rejected that because then the guarantor becomes a tyrant. say that you were not up against a bank but up against a

of situation, there are many options. Why is it that you hit on the idea of the bank?

came with a blank mind.

imagining, you don't see a thing. You are totally bitnded

for imagination. How do you