

The Daily Star WEEKEND MAGAZINE

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 bank?

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 reality.

In that frustration, I almost completely gave up formal economics, which I was teaching in Chittagong University. I 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 themselves 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, hard-working people.

I gave this money out of my 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 of situation, there are many options. Why is it that you hit on the idea of the bank?

MY: First of all, I was not thinking of anything at all. I came with a blank mind.

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 imagining, you don't see a thing. You are totally blinded 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 for imagination. How do you

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 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 done."

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

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 this controversy, I was invited to meet Mr. A. K. Gangopadhyay, the Deputy Governor of Bangladesh Bank. All the managing directors of

Chittagong I would not be known as a teacher but as a banker. I took two years' 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 everybody.

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 bank.

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 allowed to set up a separate bank. I was rejected. I brought the matter to the notice of Muhith.

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 well-timed, 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.

the whole situation or because they didn't do it and somebody else did?

MY: I don't know. Probably they don't see any political angle 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 every village in Bangladesh," which is not possible. And I will not allow politicians to say that.

Sometimes a politician 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 a business.

Leftists considered us a kind of imperialist, expansionist 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 left.

We also had a lot of difficulties 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 the way you want us to do it.

DS: It was once reported 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 our politics lies.

But if you say that we don't 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 we want to keep at a distance.

DS: Let me interrupt you, you have people in the system like Gongopadhyaya, 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 it?

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

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 Programme (IRDP)."

Through IRDP, we credit billions of dollars worth rupees



Dr. Mohammad Yunus



Once secluded behind the veil and inhibited in public, these Grameen Bank members now exercise together at centre meetings and conduct successful businesses.



Weaving stools: Where it all began.



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

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

In about '81, I had the first feeling — why am I running after all these banks? They are not going to be persuaded. They have made up their minds. What I should be doing,

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; another was that I not do this in Chittagong, because I am from Chittagong and I enjoy the support of students. Away from

bank on the 2 October, 1983, through an ordinance.

DS: The ordinance made it an NGO?

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