

EXCLUSIVE INTERVIEW OF PROFESSOR MUHAMMAD YUNUS

Leave Grameen Bank alone

Professor Muhammad Yunus talks with Arun Devnath and Md Fazlur Rahman of The Daily Star in an exclusive interview, the first after his resignation from Grameen Bank.

The Daily Star (DS): You have often said misconceptions float around Grameen Bank. What are they? Which misconceptions upset you the most?

Muhammad Yunus (MY): The very common misconception is, Grameen is an NGO, but it is not an NGO because it is a commercial organisation. It has owners and all the features of a business. Grameen Bank is a special organisation, not just another bank. But people like to see it in their own way and put a label on it.

Some think that Professor Yunus owns this bank and is earning a lot of money out of it. I do not own a single share in the bank. I was just an employee.

Now the government is promoting an idea that it is a government bank, which never existed in the minds of the people. Even the review committee report gives the impression that it is a government bank and their entire mental setup was based on the misconception that we are public servants.

To call it a government bank, it has to be owned by the government as the majority shareholder. Even in private banks, the government may have some shares. It does not make a private bank a government bank. In Grameen Bank, the government has effectively a 3.5 percent share, while 96.5 percent shares belong to the borrowers.

The only argument the government is using to try to justify its claim is that Grameen Bank is created under a special law of the government. Even Asian University for Women in Chittagong has been created under a special law. But it is not a government university. It is a private university. The vice-chancellor of the university is not a public servant. How come suddenly we have become public servants?

Grameen Bank is a bank under a charter. That the government created a charter does not mean it is a government bank. It is another misconception that is floating around.

The other misconception is this bank is run by foreign donations. People think that Professor Yunus goes around the world and brings in money, but that is a gross misunderstanding. Since 1995, GB has not received any money from outside. At that time, it was decided unilaterally not to receive money from outside. The money now comes from deposits and is lent to borrowers.

Grameen Bank has now more than Tk 10,000 crore in deposits. Of that, Tk 6,000 crore is coming from borrowers. GB does not take money from outside; rather, it is generated from internal sources. The bulk of the fund is the fund of the borrowers themselves. It is a self-reliant bank.

The other misconception is Grameen Bank charges a high rate of interest. I can say GB has the lowest among all MFIs (microfinance institutions) in Bangladesh. It has been repeatedly proven. Luckily, the review committee has endorsed our claims.

Some doubt whether microcredit activities have any impact on the lives of the poor. They claim that the poor are becoming poorer. GB has 83 lakh borrowers who constitute a major part of the total microcredit borrowers in the country. Whether we did it or someone else did it, the poor are definitely not getting poorer.

These poor people have Tk 6,000 crore in deposits in Grameen Bank. You cannot say there is no impact on their families. Their children are in schools, GB is giving them education and scholarships. So, a new generation is coming out of this.

If you are looking for the impact, there are many ways to see that. You can look at savings, loans, deposits,

children and the quality of housing.

It is not that everybody has gained from it. There might be some who could not. It is as following: You open a school, you take students and in the final exams, not everybody gets first class. Some get first class, some get second, some get third. People used the money in different ways -- under different circumstances. Some lost out, some gained a little bit while others gained a lot.

If you look at women's empowerment, you have to see they own the bank. They have got their own money in the bank. They can deal with an institution. It is a big thing.

DS: How do you define the relationships between Grameen Bank and its associated organisations or companies? How were the associated organisations formed? Explain the shareholding pattern, sources of funds and revenue/profit sharing.

MY: Grameen Bank was set up to help the poor, particularly women, in income generating activities by providing collateral-free loans. Along the way, I saw many other problems of the poor. How to get them out of the poverty trap was always on my mind. I started reacting to each problem.

When I saw a problem, my instinctive reaction to solve the problem was to create a business. So I created a company. I went on and set up company after company. Whenever I created an organisation, I used the "Grameen" name for it -- to make it known that it was part of a series.

The word, Grameen, came from me, not from the bank. It was like a pet name from me. I like it. People know that I am involved with it. The Grameen name does not have a trademark right. You cannot register this word as a trademark, as it is an adjective.

I liked the word Grameen as it carries my association with it when I set up any company. None of them has any link, legally, with Grameen Bank. Each one is an independent organisation. Even the review committee was confused about it. They arrived at the idea that all these belong to Grameen Bank and we must do something about it as Prof. Yunus is making a mess of it. They have made strong recommendations about them, without trying to understand what these organisations are.

They are all legally independent and registered with the Office of the Registrar of Joint Stock Companies and Firms. The Grameen Bank Ordinance does not allow Grameen Bank to create any other organisation. The review committee says Grameen Bank has violated rules by creating companies, but we have not violated any rule because Grameen Bank has not created any organisation.

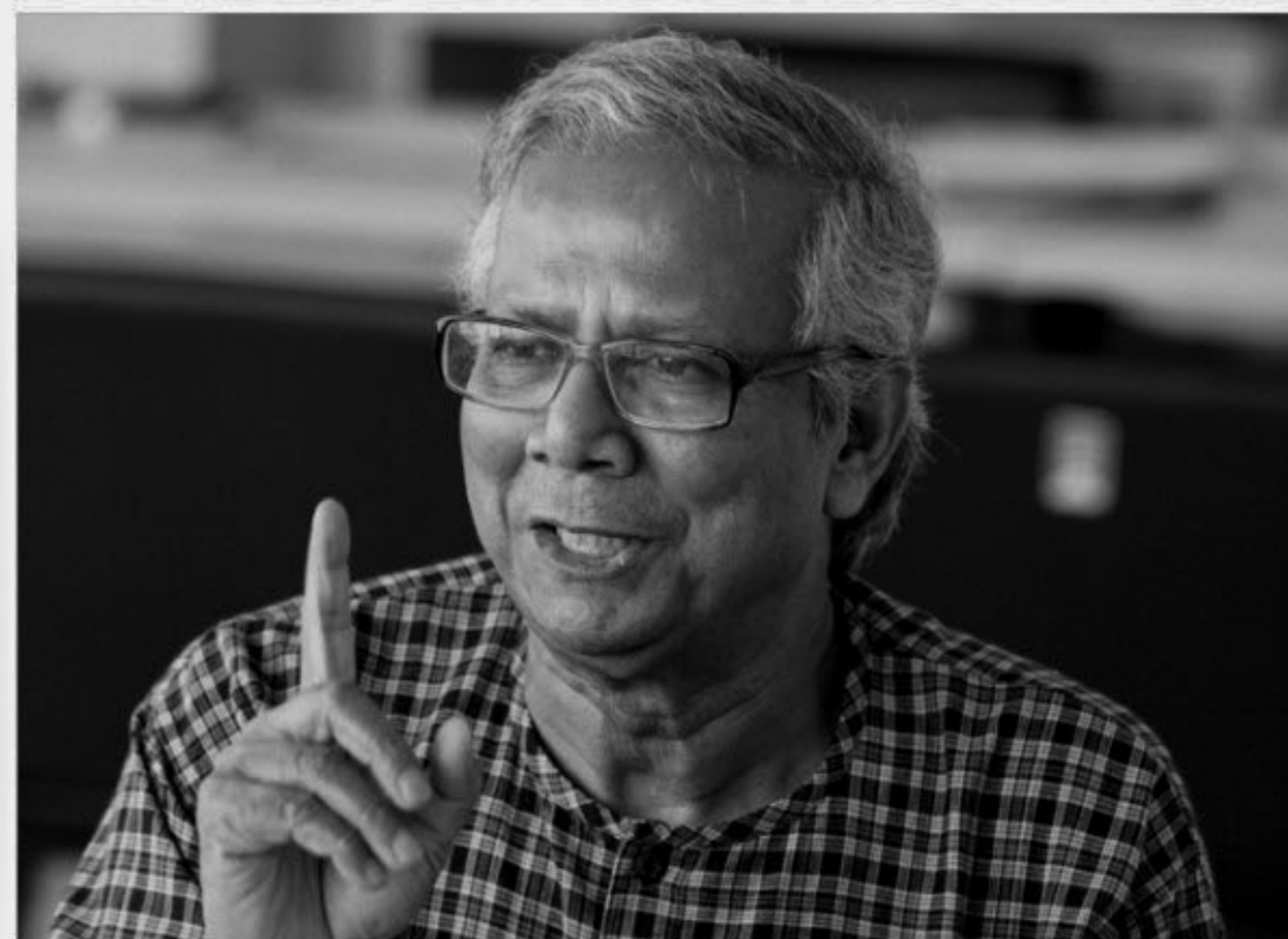
I have created all these organisations in my personal capacity and as a volunteer, not as the managing director [of Grameen Bank].

I do not think becoming members of many boards while working as an employee of Grameen Bank creates any conflict of interest. Most of them are non-profit organisations, so there is no conflict in that sense, as the board members do not gain personally from these. It is not a conflict of interest. It is rather about supplementing each other, as we are trying to address certain problems, not make personal gains out of it.

Most of the companies are non-profit. A few of them are for-profit. All the for-profit companies are owned by non-profit companies. So, there is no way anybody can gain personally from them.

Nobody, including me, owns shares in these companies personally. Our colleagues on board do not get any honorarium or financial benefits or fees for sitting on the board.

Once a non-profit owns a for-



Professor Muhammad Yunus

profit, the money goes to the non-profit. Individuals do not get it; rather the non-profits get it to promote their objectives, reaching out to the goals they have set for themselves. Many charity organisations rent out places and do other thing to earn money so that they can run their charity organisations. There is nothing unusual about it.

When I created these companies I needed money to start them. Sometimes it came as a donation. In many cases, I created the business so that it continuously brought in money itself and could grow. Grameen Shakti, a good example, has grown big. It started in a small way and then we started selling solar home systems, which made revenues. We reinvested and made more. Luckily, the government created IDCOL, which was looking for this type of an organisation to finance. We borrowed money from IDCOL and continued to grow.

The seed money for these companies did not come from Grameen Bank. There are two entities which received seed money from Grameen Bank: Grameen Kalyan and Grameen Fund. The seed money for these two companies came from donor money. Donors gave the money for special purpose activities, not for regular Grameen Bank activities. One is called Social Advancement Fund and the other is Social Venture Capital Fund.

These funds were created inside Grameen Bank. What we did was, we created independent companies and put the money into these independent companies as loans and purpose oriented grants. This money was not given to Grameen Bank to carry out its core activities.

Each of the companies, such as Grameen Healthcare Services, which was set up later, found a donor or an investor, or took a loan to start the business. One thing must be clear that these are independent creations and are not legally connected with Grameen Bank. There may be institutional connections. For example, Grameen Kalyan provides healthcare services and has a focus on Grameen Bank borrowers. Grameen Shikha looks after the educational programmes for Grameen and non-Grameen families. They supplement each other.

DS: The review committee suggested that the government merge all associated companies under Grameen Bank. What's your reaction?

MY: The proposal to merge all associated companies bearing a Grameen name or related to Grameen Bank in some way came from a big misconception. The misconception is that all these companies are part of a conglomerate, meaning that Grameen Bank is the mother of all these organisations.

Once you know that they are not, the recommendations become meaningless. And that is what it is. I am sorry that the review committee did not have enough time to study and understand what these organisations are.

The review committee had a very limited time and had no prior experience of Grameen Bank. Grameen Bank is not an ordinary organisation. It is a very originally designed organisation with an innovative character. It is not only an innovative and unique organisation. It is an impor-

tant organisation -- locally and globally.

You do not see any parallel to it in any other country. Members of the Review Committee had no experience with Grameen through their professional exposure. You are inviting people to do a job they are not prepared for. I feel sorry for them that they had to undertake such an assignment.

DS: Did the review committee visit the Grameen Bank headquarters?

MY: During the review, the committee members did not visit Grameen Bank. They did not visit branches of Grameen Bank. They did not meet the borrowers of Grameen Bank. Maybe some of them individually met some borrowers in the past, but as a body, as part of the committee work, it never went on site to see what Grameen Bank really is.

They did not talk to the staff of Grameen Bank. The committee talked to me for an hour when I went to them and answered a few questions. Additionally, they talked to the deputy managing director for a few minutes.

For an organisation that has been running for 34 years and working all over the country and which won a Nobel Peace Prize, a one hour discussion with the CEO of the company does not give you the feel of the company, nor does it give the sense of what it is all about.

The committee had preconceived notions and perceptions about Grameen Bank. Based on their perceptions, they made the recommendations. It was very unkind to give such a big task to them. It is extremely unkind for Grameen Bank to receive those recommendations. After all, we should not take Grameen Bank so lightly.

I think they have studied books and papers on GB but the physical contact, when you are making such important recommendations, is important. It is like you are asking someone who is living in Sierra Leone to amend the constitution of Bangladesh. Would you do that when you did not know the society and their aspirations?

The report said the committee depended highly on one person on legal matters. That person is a highly biased person. I do not know whether he had ever visited Grameen Bank, had a chance to see and understand how it works, or checked through the legal structure of one of the organisations with the Grameen name.

They even recommended that these two organisations [Grameen Kalyan and Grameen Fund] should become "departments" of Grameen Bank. Both are independent companies. How could any one make a recommendation like that? They were so innocent about the legal issues.

The committee could have taken help from other lawyers, sit down and spent a day with them to understand the legal issues, before they made recommendations about a nationally and internationally important institution.

They could have invited the board members -- all board members of Grameen Bank, or at least nine of them who came from villages. They could see their faces, they could have had a conversation with them. After all, they represent millions of bor-

rowers. It is their bank. The committee never consulted the representatives of the people who own 96.5 percent of the bank. Then the committee stated that they are illiterate women!

By meeting the borrower representatives in the board, the committee could assess whether they have any understanding of their bank. This would have given the committee an understanding of what type of a board Grameen Bank has.

DS: According to one observation, Grameen Bank has a rubber-stamp board of directors and women directors don't have an independent voice in the state of affairs. What's your response?

MY: It is not a rubber-stamp board. Grameen Bank has nine seats in the board for the elected borrowers and they come from around the country, which is divided into nine constituencies. A borrower who has a board membership has to be elected at centre level, branch level, area level and zonal level to finally make it to the board. She has to be an outstanding person.

DS: The report said it is a personality-based organisation -- one person decides everything. What's your take on it?

MY: I think this is a very humiliating remark for the board. If the committee had met the board, they probably would not have said such an offensive thing. The Grameen Bank board from the beginning has been headed by the chairmen, who are very distinguished persons of the country. It started with Professor Iqbal Mahmud, then came Professor Kaiser Hossain, Dr Akbar Ali Khan, Professor Rehman Sobhan and Mr Tabarak Hossain.

They are outstanding people of the country. The government has two other nominated board members because they have 25 percent shares in the bank. They were always at the level of secretaries -- active secretaries, not retired ones. Currently, the defence and cultural affairs secretaries are on GB's board.

We always tried to make decisions on the basis of consensus. If there was serious opposition and one was not yielding and insisted that it should not be done in a certain way, then we withdrew that item from the agenda.

We came back to the next board meeting after redesigning the proposal. The board paid attention to all views. Now we are told that it is a rubber-stamp board. It is again a misconception.

It is not that Professor Yunus (or the chairman) dictates everything. It is because what the management proposes is so reasonable and simple. Grameen Bank is not giving loans to big companies that could be debated. It was a routine process. There are not too many things that needed to be strongly debated.

DS: What's your view on the educational level of the nine women board members?

MY: Some of them have some level of education but not higher level. But the important thing is that they bring the reality to the board. If the review committee had sat with them, their recommendations would have been completely different. Then I can guarantee that they would not have made the unfortunate comments about them in the review report, as they have done now.

They bring the reality of life, and the ground realities are reflected in the board. Sitting face to face with them, the tone and the attention level of the seasoned secretaries change. Every time we meet, we talk about how their life is, how the centre is doing, any important news from their centre and how the beggars in their centre, who are also the borrowers, are doing.

When the women board members come to the meeting, they come with many ideas. They suggest things to do because it is their life. They say our husbands suffer so much and our children suffer so much. 'Can you do

something about this?' So, passing remarks such as -- 'they are illiterate and what can they contribute? Do they know about banking?' -- is very sad.

DS: What's your reaction to another recommendation that the Grameen Bank Ordinance should be amended? What do you fear the most about any amendment to the ordinance?

MY: We have an ordinance. We needed some amendments to improve it. These amendments were done during the caretaker government's rule. When this government came, it did not present these amendments to the parliament for approval. So we were back to the pre-amendment ordinance. But this ordinance has worked well for us. This ordinance has created the winning institution, which brought the nation global recognition, brought us the Nobel Peace Prize. This ordinance has created the winning management team to make all these happen.

Should we now rush to change the law that produced a winning team and a winning institution? Even the age-old advice says: "Don't fix it, if it is not broken". In the case of Grameen Bank, it is not only not broken, it just got its Nobel Peace Prize. It is in its best shape.

Definitely, I will not take review committee's words seriously. They were time constrained, expertise constrained and biased. Maybe they want to amend it to make it more government-controlled, which will be terrible, simply disastrous.

Who would want an organisation that is running and winning to be handed to the government? While the government is trying to privatise banks, why should we now take a private bank and nationalise it? The moment the government influence comes into an institution like this, it gets caught in political in-fighting, the kind of thing we had seen. That is the end of the story. It will never be the same bank again.

It is a private organisation. Right from the beginning, I was saying that it should be owned by the poor people.

The original ordinance kept 60 percent ownership to the government and gave 40 percent to the borrowers. That's not the ownership pattern I was lobbying for. At that time, the finance minister assured me that he will change it to make the borrowers the majority shareholders. His successor picked it up and amended the ordinance to make it 75 percent for borrowers and 25 percent for the government. But in reality today, the government only has a 3.5 percent share; the remaining 96.5 percent is with the borrowers.

A few amendments that we have been pleading for many years was to have the chairman elected by the board, instead of being appointed by the government, to allow Grameen Bank to operate in urban areas (which is not allowed now), and reduce government ownership to a token amount of under 5 percent. The caretaker government accepted and introduced the first two amendments. The selection of a chairman by the government remains as an opening for politics to creep in. If the chairman is appointed by the board of Grameen Bank, it will be protected from political intervention.

DS: The review report claims that Grameen Bank has a tendency not to follow rules and regulations. How do you respond?

MY: It's again based on a basic misconception. The committee thought all these Grameen companies belong to Grameen Bank. Once you think that way, you start seeing violations, such as, the violation of creating companies that was not allowed by law, and violations of allowing business with each other. The review committee never had a chance to interact with these companies, but they guessed that there must be a chaotic situation out there.