



(photo credit: Grameen Bank)

## Interview with Professor Muhammad Yunus, Founder of Grameen Bank

By Dr Toh Han Chong, SMA News Editor

**P**rofessor Muhammad Yunus is the Managing Director of Grameen Bank, Dhaka, Bangladesh. He was awarded the Fulbright Fellowship in 1965, the Vanderbilt University research and teaching fellowships during 1966 to 1969, the Eisenhower Exchange Fellowship in 1984 and is a Senior Fellow at the Institute of Mediterranean Studies, Switzerland.

Professor Yunus is presently Co-Chairman in the Ambassador's Council for Freedom from Hunger (USA) and in the Women's World Forum (Republic of Korea), member of the Africa Progress Panel (UK), member in the Elders Project (South Africa) and on the Foundation Board of the Global Humanitarian Forum (Switzerland). He is also a member on numerous advisory boards, ranging from the

UNESCO International Council on the Future to the Mahatma Gandhi Centre for Global Nonviolence.

Professor Yunus is member on the Board of Directors for both Bangladeshi and international organisations. He has received many awards, most notably the Nobel Peace Prize in 2006 for his exemplary efforts towards humanity and the environment, both within and outside Bangladesh. In April 2008, his efforts were awarded with the highest honour of the National Taras Shevchenko University in Kiev, Ukraine.



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**Dr Toh Han Chong:** Microfinancing has been a socio-economic revolution in bringing the poor in Bangladesh towards a better and more meaningful life. Briefly, how did this revolution begin?

**Professor Muhammad 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 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 money to them at exorbitant rates of interest. I decided to make a list, and found 42 people who were trapped in a terrible situation for having borrowed a total of US\$27. Not knowing what to do, I offered US\$27 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.

**THC:** It seems that even among the urban poor in the United States, the Grameen model has been transformational. How can such a microcredit system be sustainable outside a society that is homogenous in religion, ethnicity and culture such as Bangladesh?

**MY:** The Grameen system has been implemented in many contexts around the world including the United States, and has proved to be effective in very different cultural, ethnic and socio-economic settings. The issue is that if you can design a user-friendly system of affordable finance for people who currently don't have access, then there is no reason it should not work. As you mentioned, we have a very successful Grameen-type microcredit program operating in Jackson Heights, New York which is working very well.

**THC:** Why the focus on women, especially in traditionally Asian societies where men are meant to be the key providers?



Professor Muhammad Yunus in his youth.  
(Photo credit: [www.muhammadyunus.org](http://www.muhammadyunus.org))

**MY:** When we started out, we lent to both men and women equally. Over time we noticed something interesting. The loans that went to the families through the women appeared to have a greater developmental impact on the family. They tended to use the increased income towards the welfare of the family; such as on their children's education, food and health. We then shifted our focus to women, and today 97% of our borrowers are women. Because of our experience in Bangladesh, microcredit programmes all around the world have given priority to women.

**THC:** I hear that the then-Governor of Arkansas, Bill Clinton, was a huge supporter of bringing the Grameen movement to the United States?

**MY:** Bill and Hillary Clinton were early supporters of our work. When he was Governor of Arkansas, Bill Clinton set up a Grameen-type programme in his state called the Good Faith Fund which still exists today. He and Hillary remain strong supporters of our work, and both came to Bangladesh to see our work first-hand.

**THC:** Surely the poorest in society would use borrowed money to buy more food, clothing and other consumer goods than to use it for micro-enterprise?



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Professor Muhammed Yunus with the borrowers and their children. (Photo credit: Grameen Bank)

**MY:** The pre-condition to receive Grameen's loan is to use it for income generating purposes, and our outreach workers check onsite that the loan is invested for the purpose it was taken. That will ensure that borrowers will be able to repay the loans and increase their income. Microcredit has been shown to help households manage their finances better.

**THC:** Is the Grameen philosophy one of "greedless Capitalism" or "Socialism with individual empowerment"?

**MY:** I would not say the Grameen philosophy falls into either of the above. I have described capitalism as it exists today as being incomplete; meaning it now only has space for profit-maximising businesses. I argue that if the capitalist world could also accommodate social businesses, then we would not see the problems that we see today. I define social business as non-loss, non-dividend companies designed to address a social goal. We have created a few in Bangladesh to address malnutrition in children, safe drinking water for rural areas, and others. There are many people who want to change the world, but the marketplace is not open to them. They have to do good things for society through charities or non-profit organisations. If we bring

the dynamism of the market in to solve social problems, I think the world would move in the right direction. I discuss these ideas in my book "Creating a World Without Poverty" which came out early this year.

**THC:** One criticism of some microfinancing organisations is the high interest rates they are charging as lenders. For example, Mexico's Compartamos is run as a sophisticated for-profit market-driven bank. Is this antithetical to the spirit of microfinancing or a natural shift towards a more efficient, realistic and workable model?

**MY:** For Grameen Bank, microcredit is intended to help poor people work their way out of poverty. We set out to replace the moneylenders profiting off poor people's misery. I have spoken out against high-interest microfinance programmes which are just new generation of moneylenders. You can have healthy and sustainable microcredit programmes without being exploitative.

**THC:** Who have been your influences in shaping your beliefs and passion in social enterprise and working for others?

**MY:** My inspirations are the women I have met in the villages, who despite all the odds against



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them, struggle daily for dignity and to create a good life for themselves and their families. I discovered through my work about the hard work and creativity of the poorest people, who only find themselves in the situation they are in for a lack of opportunity. I believe that if we can just provide the opportunity to poor people, there is no reason for poverty to remain a part of our societies.

**THC:** Some of the challenges that will rip through the poor and lower middle classes will be health and natural disasters. How did the Grameen model overcome these obstacles?

**MY:** The poor people of Bangladesh have to face natural disasters regularly because our country is particularly vulnerable to cyclones, tidal waves and floods. But over the years, they have developed the capacity to cope with these disasters. For example Cyclone Sidr which struck southern Bangladesh in November 2007 resulted in much less loss of life than expected. Grameen Bank as I mentioned before is an organisation dedicated to the welfare of its members. In times of disaster we turn ourselves into a humanitarian organisation dedicated to help the families of our borrowers overcome the disaster.

You are right to mention healthcare as being the most important challenge for us. Studies have shown that it is healthcare issues that can erode the gains that borrowers make through the microcredit activities. For this reason, Grameen is now embarking on some major healthcare initiatives in Bangladesh whose primary goal will be to improve access to healthcare for the rural poor.

**THC:** Healthcare and pharmaceutical companies are largely profit-driven, and free market forces and competition seem to be key drivers of progress and innovation in healthcare. How then do we address access to health across social classes?

**MY:** If healthcare and pharmaceutical companies were designed as social businesses which I described before, I am sure this could be

addressed to a large degree. The main outcome would be drugs being available at a price close to its costs instead of the high prices that they are currently available at.

**THC:** Do you feel that it is right to trade in live human organs like kidneys at all, or should it be endorsed within a regulated marketplace to reduce exploitation?

**MY:** I oppose the trading of human organs. While it may bring some income for the poor people, I think it will be difficult to prevent exploitation. Sometimes people are moved on humanitarian grounds to donate organs. If organs are turned into commodities, this will bring disastrous results to the poor people. Out of necessity, exchange of human organs will continue to take place. Instead of banning it, it should be done under government supervision in very specific places and in transparent ways.

**THC:** What is the mission and vision of Grameen Healthcare?

**MY:** Grameen Healthcare's mission and vision is to deliver radically affordable, sustainable and world class quality healthcare for all.

**THC:** Can you describe Grameen's health care plans?

**MY:** We are establishing Grameen Health (GH) with the aim to extend the success of microfinance to healthcare. The mission of GH is to establish sustainable best practices in a broad range of healthcare services for a broad



*Dr Toh Han Chong and Professor Muhammad Yuus (second and third from left) discussing socially responsible healthcare over breakfast in Dhaka.*



Professor Muhammad Yunus talking to borrowers at one of the Grameen Bank Centres in Bangladesh. (Photo credit: Grameen Bank)

market including the poor. GH will enable the poor to be self-sufficient in addressing their healthcare needs such that they can accept but not require outside assistance. This mission will be developed in a number of ways that complement one another:

Firstly, GH will design and develop a bottom-up healthcare infrastructure that takes lessons from successful efforts around the world and improve upon them to deliver the highest quality health care in an efficient and sustainable manner, primarily to the poorest of the poor but also to the non-poor, who may pay a little more than the target population.

We plan to create an integrated health network, combining a leading academic university and hospital center "hub" including a nursing college, with a network of primary and specialist clinics such as a Mother and Child Clinic that provides care in critical focused areas and rural clinics that bring health care to the doorsteps of patients. These clinics will be modular so that they can be built step by step once sustainability has been demonstrated.

In addition, we would like this integrated health network to include information architecture such as

electronic medical records, telemedicine, decision support and other IT tools for physicians, nurses, technicians, other health professionals and patients at the point of care. This information architecture will feed into existing public health education programme, including formal health training and informal education opportunities designed like the regular weekly meetings between microfinance banks like Grameen and their borrowers.

Everyone will pay something for their care at the point of service, but no one will be turned away because of an inability to pay. Payment at the point of service is important because it establishes the value and sustainability of the service and affirms the rights and self-respect of patients and providers. Those who are unable to pay will be asked to promise some payment at a future date, but no one will be turned away. There will be tiered pay schemes, catering to several levels of income.

We are currently looking for local and international partners to work with us on the Grameen Health initiatives.

**THC:** Operating costs of setting up medical centres fully loaded with medical specialists and technology in rural areas must be more difficult than even rural banking systems?

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**MY:** While it is challenging to set up a sustainable healthcare system at the grassroots level, it is not impossible. We already have 38 rural healthcare clinics that are operating on an increasingly sustainable basis. We hope to extend this system to other parts of Bangladesh and to link to a system of other hospitals and medical centres at the urban level.

**THC:** Is globalisation good for the world's poor?

**MY:** Globalisation, if steered properly, can bring more benefits to the poor than its alternative. We have to create a level playing field so that the poor, and not just the rich and well-connected, can benefit from globalisation.

**THC:** What is most rewarding so far as a pioneer of the global microlending revolution and socio-economic development?

**MY:** It is rewarding to see work we have done recognised by the Nobel Peace Prize, which has given even greater visibility to our work and message. There are now Grameen-type programmes in nearly every country of the world. We are contacted by people from many countries and fields wanting to work with us to change the world. This, to me, is most rewarding.

**THC:** In these uncertain times when the world's financial system is facing its deepest crisis after a series of poorly regulated financial and banking practices, does the free market capitalism model of today need more or less government intervention?

**MY:** Right now I don't see any alternative to a government bailout of these banks. But bailouts and government intervention is not a long term solution for market problems. A market must have built-in mechanisms to protect itself from the occurrences of such crises. A market must be developed as a self-correcting system. It cannot be left as a wild party of some money-hungry people and organisations.

I am not a big supporter of over-regulation, but clearly there is something wrong with the regulatory system as it is today. The regulatory system could not grow in step with the market; while the businesses in the financial market became more complex and opaque, regulators remained helpless in bringing transparency into the system. The market turned into a casino. I am not arguing for more regulation, I am insisting on devising appropriate, efficient and focused regulation.

**THC:** Thank you for your time. ■

