

PROF. MOHAMMAD YUNUS NARRATES THE GRAMEEN EXPERIENCES

What a great honor to have Hon'ble Governor, Reserve Bank of India, Chairman of NABARD, Managing Director of NABARD, Members of the Board of Directors of RBI and distinguished bankers, all here, to hear about something that a non banker did in a kind of fumbling manner, what it was, then, we were not sure.

I am very happy that I could get this opportunity to talk about some of the aspects of our work.

Dr. Thorat made the presentation on Grameen Bank in very glowing terms. I wish the words he said are true and it is as strong and effective as he describes. But we definitely draw a lot of inspiration in the work itself. We didn't know at the beginning what it was that we were heading for. Always the story comes that it was a famine, (as Dr. Thorat just mentioned the circumstances) which pushed me in to it. I was just a teacher in the Economics department in the neighboring university. I was watching this famine revealing itself in the next door village and feeling helpless. I wanted to respond to it not as an academician; (because I thought academically I was not fit for coping with the famine.) But as a human being, I thought, I have the capacity to stand next to another human there and share his despair.

So that was the beginning and I got involved with it, not knowing what exactly I should be doing. Each day, it was something new and I did that. And finally, tried to delink the people in the village from the moneylenders because that thing kept appearing before me repeatedly and in a very ugly way. I saw the ugliness of money lending in a very close quarter. It was not just reading the book; it was person saying how terribly one was exploited. I wanted to know more about it so I made a list of people and the amount of money they borrowed. Then I realized that it was very ugly but it is very easy to solve. That excited me. I was shocked by the smallness of it. 42 people borrowing total of 27dollars, less than a dollar a person.

I could not believe that this could make such a horror story for those 42 families. So I thought I was capable of solving this, anyway. All it needed was 27 dollars from my pocket and it was over. I thought that was it and I would still keep on doing little things but I couldn't, because of the excitement it generated in those 42 families.

They thought I was a saint from heaven or something. I thought if you could make so many people so happy with such a small amount of money why shouldn't you do more of it. A very simple thought. But that pushed me forward. I wanted to continue with it. So one thought I toyed with was, may be I should connect the bank with the people then it is always off. I don't have to do anything. I went to the bank and the rest of the story is history. Bank refused. So I kept on insisting and found the resolution again. Since I could not find it in any other way of months of trying at all levels of banking hierarchy I thought this simple thing I can do. Since in the mean time I had learnt some of their rules I used one of their rules. I said, "why don't you take me as their guarantor. So you resolve all your problems. I become the guarantor. I sign all your papers. And you give the loan". This time I spoke their language, they couldn't throw me out. It took me another couple of months to get it processed, submission of documents and so on. Finally it was accepted. And I started signing papers, take loans to give it to the people.

Bank Manager said "you can say good-bye to your money; because you will never see them again". I said "I will take a chance. I have no idea what happens". I was thinking how to help people to pay back. I had no idea how banks do all these kind of things. I was a strong critique of cooperatives in Bangladesh. I said one reason for the failure of the cooperatives in Bangladesh was that they wanted to make it in a big way with big loans/govt. money to organizations. I wanted to avoid those things in this. I thought, I would make repayments very easy. Instead of one shot repayment I will make a very tiny repayment. So that it is very easy for people. As

someone who had no idea about banking I thought, why not let him or her pay back in daily installment. Every day they pay little bit and it doesn't hurt them and they feel that they can pay. And that is how I began daily repayment. It was very good except we couldn't keep track of who paid and who did not pay, everyday, because there was no office.

There was a shop in the corner of the road in the village. I asked the guy to keep the box in his shop for money (repayment) so every body passing that box will pay the money. Soon the problem began, quarrel began. One would say, I paid. The shopkeeper would say, no he didn't pay. All kinds of problems. So that is when we said, this was too complicated to make it daily. We can't make it on daily basis. So we decided, why don't we meet together at one place and collect the money at once. Then we realized, meeting everyday is very complicated. It is difficult for everybody to meet everyday. So we made it once a week. And that was the beginning of the once a week meetings, we all have today. And then more and more borrowers started coming and it was becoming a bigger and a bigger meeting, and chaotic. We decided to split the whole thing into two sections; one meeting on Sunday and one meeting on Monday. So we have the Sunday group and Monday group and the group system started coming in. Gradually those things took shape in numbers, five to ten so on and so forth.

I am describing these things because it was just a pragmatic thing to do. There was no theory, nothing. And I was doing because I thought something would be helpful. And I had no idea about how day-to-day banking is done, what is good and what is bad. And I am, now, designing a banking myself without knowing about it. Looking back, I thought that was the best thing I had - Being ignorant about banking. If I had known banking probably I would have followed them and fall into the same routine work that everybody else does. Since I did not know anything I had to do it in my own way. So ignorance in this case came in very handy. And I used that ignorance to my advantage. So it worked. And then before I began I got into another trouble because I was criticizing the banks in very strong languages. Every time I got a chance I lashed out at them saying that they were unjust, and unfair in their way of treating people, because they rejected poor people. And there was absolutely no reason why they should reject poor people and why they should only give to people with wealth. Of course, no banker took it seriously because it made no difference to them. Then to hurt them, I came with another objection and criticism. I said, "they not only reject poor people, they also reject women". This time it hurt them because they claimed that they were fair and they gave loans to women as well as men and they even had special branches, ladies branches, to prove their point. That gave me advantage and I said "yes, you have ladies branches to get their money, not to give them money". Then, I made it more focused. I said "you not only reject women, you cannot even show against the whole operation even one percent of your borrowers happen to be women. If you can show me you have at least one percent (women borrowers) then I will stop accusing you for being unfair". Of course, they couldn't show me. That was mid seventies when this debate went on between the bankers and me. Today it is 2007 and probably I can do the same allegation as strongly as I did then and still they can not show me one percent of their borrowers happen to be women. So when I began, I wanted to make sure this allegation does not turn around to me. I wanted to make sure that half the borrowers in my programme are women.

I thought this would be easy. I had to go and persuade the women to join the Grameen Bank and lend them money. It became the biggest trouble that I invited myself into. When we used to go to talk to women they would say, please do not give it to me, I am afraid of money. Please don't give it to me, because I am scared to death looking at money, I have never touched money in my life. Please don't give it to me. Some would say give it to my husband because he is the one who handles money, not me; I never handle money. Some said, you know, my mother said when she died, "my daughter, no matter what comes in life never borrow from anybody". So this was the

environment I was trying for 50-50 participation of women. But they would enmass say, they did not want to take money. Trying to persuade, I would say, "if your mother was alive today and if I had explained what Grameen bank is, she would have definitely recommended you, to join Grameen Bank, because your mother was a very wise person. There was a reason why she advised you not to take money. As at her time, only way she could borrow was from the money lender. Your life is finished if you borrow from the money lender. Had there Grameen Bank then, she would have recognized the difference and advised you to join the Grameen bank. So we tried every way and it took us six years to have fifty percent of our borrowers as women. We were very happy, we celebrated. We finally made it. What everybody said cannot be done. Even our staff said "let us forget about 50 % because you can not move. They are not willing why are you forcing". I said "when they say no, it is not their voice. This is a voice of our history, the way we treated them, took away all their confidence. So that is their way of expressing what we have made out of them. So it is our job to keep on generating some confidence in them. One day, after we peel off the crust of fear, layers and layers of fear that we have put around them. When we finish, exhaust all the layers, finally she may say may be I should try and that will be our success. If one of them takes it two of them take it, others will feel encouraged. They will start coming one by one". So it took six years to have that.

Then we noticed something remarkable. Money that is going to the family through women brought much more benefit to the family than the same amount of money going through the man. Children were immediately benefited if the mother was borrower. Women took good care of money. They had longer vision. They didn't spell it out but you could see her calculating what would happen in future. Man, on the other hand was very impatient. He wanted to enjoy whatever he had now. He prioritized himself more than anybody else in his family. He did not particularly pay attention to the children. I said, if that was so what was so good about fifty fifty. So we changed it. We quickly moved in to higher percentage of women. We prioritized women.

In 1986, ten years later, Bangladesh Institute of Bank Management (BIBM) which was located right next to our office, wanted to have a kind of seminar for bankers, on the 10 year celebration of the Grameen Bank. I knew they were organizing themselves to attack me. I said, "okay if they want to talk let us go and talk". So I attended. Many bankers came to talk about the Grameen Bank. They criticized us for many things. One criticism kept on repeatedly mentioned. As we had seventy percent women borrowers suggestion came from the floor "Pro. Yunus, you should change the name of your bank. You should call it Grameen Women's Bank because majority of your borrowers are women". Several persons repeated this proposal. In my response I said "yes, I am perfectly agreeable to do that. I would like to change the name of the Grameen Bank. But before that you have to do something. You have to change names of your banks. Janata Men's Bank, Rupali Men's Bank Sonali Men's bank because you have 99.99 % men borrowers. With your logic, it is your turn first to change. When you have completed, I will follow". Of course, they never came back with the proposal again. The point I am making when you do something related to women, certainly you are doing something different and not proper. Everybody is after you. I get this question, why so many women in your bank even today. This is one question you can always rest assured people will ask. And I ask "Why so many men in their bank? Why you ask me why so many women. As if I have done something terrible, something unusual, something not quite right". So you are operating in that kind of environment. In Muslim society, it becomes more difficult because some how religious leaders in the villages convince everybody that women should stay at home. They should not get involved in these things. They are very vocal saying that it is wrong to give money to women. We have gone through that process and come all the way. Grameen Bank is a nation wide bank. We have presence in every single village in Bangladesh. And our effort is to make sure now to be present in every

household of Bangladesh. We now cover 80 % of the poor household in Bangladesh. Our objective is that we want to have 100% of the families under Grameen by 2010.

In 1981 when we wanted to have a separate bank with 100% ownership of the bank to the poor. So we created a proposal, submitted it to the government to allow us to create a separate bank for the poor people, particularly poor women. Government thought this was something ridiculous to create a bank for the poor people. We kept on arguing and kept on providing all the information that we had and all the statistics that we had. We were lucky, we got some sympathetic people inside the government. Finally we got this approved after two years. Our proposal was to make it 100% owned by the borrowers. But when the law was made, it was made 60% owned by the government and 40% owned by the borrowers. I was furious. I said "I have worked so hard to make it happen. When you create it, you get a law passed and end up with a government bank". I didn't want a government bank. I wanted a bank owned by the borrowers. So the Finance Minister who was sympathetic to my idea was puzzled. He said "you wanted permission. We got you the permission. Now you are complaining about this". I said but this was not what I wanted. I was so angry, I stopped even talking to him. Then he called me up. He said, "well, I understand your position. But let us do it this way. Let us proceed. Let us start this according to the law. And I give you my word, in a couple of years, I will change the ownership pattern to make it owned by the borrowers. I need to get it cleared by the cabinet and if I say it is owned by the poor people, nobody will agree in the government. So this was the best I could do". So with his assurance, I started. But I never forgot that this was 60% owned by the government. When two years were about to be completed, the minister resigned because of the political problems and we were in a fix. The person who promised us had gone. So again it was very difficult. Incidentally, the Secretary of the Minister became the Minister. So I went to him, reminded him of the promise made. Anyway he knew about it. Finally, it was changed. As a result today 94% of the bank is owned by the borrowers and 6% by the government.

And that makes all the difference. They take lot of pride that this is their own bank and this bank is part of their family, part of their life and part of their future. And that we also want to carry it out. That is why we pay attention to their children. They should grow up with education so we have education loan. We also introduced pension fund. This was available in the market from the commercial banks. But although in the brochures they talked of pension fund, pension deposit scheme, etc. they will not offer it to you saying that it was too expensive. We took special permission from the govt. to start it and we had lot of debate, people saying whether the borrowers in Grameen bank will understand, what pension fund was and so on. Why they should put money into it. So we came up with the ideas on how to make them understand. We thought some of them will at least do it. It became a roaring success. Every borrower of Grameen Bank wants to have one pension fund a/c. Today, it has become the no.1 source of fund for Bank because everybody wants to put in some money for their safety, for their security. Idea is very simple, the way we explain it. Every week you put some money, some amount of money may be 50 taka, 100 taka, 200 taka, whatever it is, you do it over a period of 10 years. Whatever money that you have put in, bank will match it with equal money when you are going to withdraw.

To them, it is a fantastic deal. Everybody wants to save the money so that they can make it double by that period. It all translates into 12% interest and as for us we can afford 12% interest. But to them it looked like we have done a tremendous favour. It is limited to our borrowers. The villagers come around and plead with us for allowing them to open an a/c and pension fund a/c. So we debated among ourselves. whether we should do it or not. Then at one point we decided not to do that because we had so much money already and we wanted to use this money to lend to the poor people. We did not want to have excess money and invest it somewhere else.

That is not our business. So we concentrated on this one, made sure that we do that so far as the source of fund is concerned. I am putting this as an example. It is not shortage of money that you worry about. It's excess of money that your worry about. We open branches all the time because we don't want to leave any pocket unserved. In 2005, we opened 1 branch everyday of the year. So we had 380 branches added to the existing branches. In 2006 we added, on an average, two branches every day. Today, we have more than 2,300 branches. And How do we do that? Very simple we send the Branch Manager designated to open a branch. Give him the licence. So all he carries is licence, nothing else. We don't give him money or anything. We tell him "you start your Branch, mobilize the deposits first and then start lending to the people. And then you have to reach the break even point for your branch in the first twelve months. That is your task". And they do it. So empty handed person goes to a place, builds a branch, find the money there, local money going to the local poor people, building up whatever contribution he can make in the local economy, and that becomes the Grameen Bank Branch. That is the story of every branch. Some branches, may be 20% of these new branches may take a little longer time. 80% of the branches make it happen within twelve months, others may take two months more, three months more, five months more. It depends. But they feel all comfortable. People are happy. Money is available, nobody complains. Excess money is sent to Head Office so that they have some income coming from that money because they get 12% interest on money sent to HO.

Then we have evaluation of the branches grading the branches, how do you position which branch is good which is not as good. So we came up with an idea of star hotels. We thought, this they will understand quickly. So we started star system. If a branch maintains 100% repayment, (not 99% or 99.99%), all through the year, then you get a star. Blue star. Stars are color coded, so that the moment you see the star, you know why you got it. And if a branch makes profit, which it is supposed to make within 12 months, it gets another star, brown star. So if you have blue star and brown star, you are profitable and you have 100% recovery. If a branch is generating surplus money by taking deposits, and it doesn't need it and sending to HO, so it gets another star, another color. A typical branch has about 5000 or 4500 borrowers, so whatever number of borrowers it has, if all the children of all the families within a branch are in school, not a single child is missed, then it gets another star. When time comes later on, when it is a mature branch, because its mission is to help people to get out of poverty and all the while it is trying lending money and helping them to get out of poverty, when that mission is accomplished, when all those 4500 are out of poverty and this is very vital - audited by external auditors verifying people and certified that yes all the people have crossed the poverty line, then it gets another star, and the color.

So imagine a Grameen Bank Branch with five stars, it has accomplished all the things. You would like them to accomplish all the social objectives. I said, "if I was the head of the government I would have given you national award. That is what the whole country is trying to do. And you have done it yourselves. It does not cost anybody anything. And everybody is happy and you have got people out of poverty". Measuring how to recognize that a family has moved out of poverty we came out with a checklist. So we go through the check list every year to see how far one family is on the way to getting out of poverty. If you have a solid roof over your head then you get a tick mark on that item that you have completed that. If you have sanitary latrines in the house, then you have another point that you made that. If you have access to safe drinking water at your disposal, then you have another point. If you have more than five thousand *Takas* in your savings account and you have maintained over a long period, you have another point meaning that you have a cushion that you can fall back upon. If you have warm clothing for winter, for every member of your family, you get another tick mark. If all your family members sleep on the bed, not on the floor, then you get another point. So there are ten of them. If five of them are done,

five of them are not done, we see which are the areas which can be done this year or this month and do what is needed, how to get about it. This is the job that we have to perform and there are nine of them completed, one is missing, the whole branch gets organised so that if you get this one, one family is out. We got one family out of the poverty. So that is the tremendous excitement about it. And they take these stars very serious for good reasons, if I or any other senior official in the bank visiting their areas, all the branch managers or all the staff attending that meeting, will be wearing their stars. And the sitting position is already established. Five stars sit in the front, four stars in the back, three, two, one or no star behind them. So you often hear the remarks that somebody is sitting in the back and envying the guy sitting in the front. You find out next year I will be sitting there, don't worry I am coming. Because he wants to take pride that he sits in the front that he has five stars. It's a tremendous amount of pride attached to each one of the stars they have. We have annual competition. We are divided in 36 zones. We have competition in terms of the quality of the performance in a very elaborate procedure, how to evaluate each zone. Topmost zones with all that evaluation procedure completed gets the gold cup. This will be a big celebration. They will celebrate like they have won gold cup in the football match. It's a huge ceremony for the whole city. Whole town gets rocked because they won the gold cup in the Grameen Bank. They take it so seriously sometimes as one who just misses it and becomes number two would be all in tears.

This creates an environment where they take it as fun as much as a pride as much as hard work. It is hard work, Grameen Bank is not easy work. It's a very hard work. We try to combine it with emotions, feelings that we are accomplishing something which no one else could do. We have 21000 staff, they are not much different from the people, they serve. They are from the lower middle class family themselves. And when one of the students who gets a student loan, it brings tears to the whole staff of the branch that we got him student loan, how he got into the medical college. This kid, we saw little kid he grew, we help him go to the school, now today we got this student loan for him/her, now she will become the doctor, she will be the first doctor in this area, there was no doctor from this area, so it is our turn that we could bring that family or the child to the level that she becomes the doctor. So these are kind of thoughts that keep them alert of what they are doing, what they accomplish. When they heard, that they got a Nobel prize, you can imagine their reaction that whole world kind of applauded you that you have done something great and that has not been unnoticed. It has been noticed.

What I see is helping them in a small way, this is not a big thing, just lending money, charging interest and popularly, we are accused in the press in Bangladesh that we are charging high interest rate, that we are killing poor people. Very common allegation. And those who accuse us don't even know, I turn around and ask what is the interest rate in Grameen Bank? They don't know. But they keep on saying that interest rate is high and so on. So this kind of thing goes on. In the process people gradually move from level one to level two to level three, so that they can come out of poverty. Today, according to internal survey, 58% of borrowers of Grameen Bank have moved out of poverty. And every day every month more and more families are getting out of it.

Our goal is to make sure, absolutely sure, that all the families connected with Grameen Bank get out of poverty by 2015, when the rest of the country or rest of the world is talking about removing poverty of half the number of poor people by 2015. We say while world is trying to get it to half, we will do it full and create a demonstration that we can do it ahead of them. This will inspire everybody else. It is something that makes us believe that removal of poverty is not an impossible task. It is possible, it is doable because we are talking about human beings with a driving force, with emotions and with fantastic creativity. Enormous creativity is hidden inside each one of us. Somebody has been lucky to use part of it, more of it or less of it. Some of them

never got an opportunity to use it, because we didn't give them a chance, society didn't give them a chance. It is our responsibility as a society to create such opportunity.

The last point I want to make is about the social business. I would like to mention that in addition to the business that we know, business to make money, business for profit maximization, we can create a different kind of business in a broad sense beyond micro credit - business to do good to people. We can define social goal ourselves without any intention of profiteering or any personal gain out of it. Entirely devoted to achieve a social goal. And we can define a social goal ourselves, social goal such as helping people get out of poverty.

Getting beggars out of the street providing them dignified means of livelihood could be another goal. We created a social business outfit and decided to lend money to beggars. It was very interesting experience for us. In fact, now we have 85000 beggars in our programme. All we tell them is "as you go from house to house begging, would you care to carry some merchandise like toys, sweets, something that people would like to buy. It is easy to sell. And if you want to do that we will provide you the money as an interest free loan. Many of them have completely closed down their begging activity although we never told them to close it down. We said "do both, find out whichever works better. They found out that in some areas begging is good and in some areas selling is good. Friday is good for begging. Now have two divisions - begging division and selling division.

Everybody has feeling that human being thrives on challenges. Put challenge in the right shape and you can take the step forward to make it. And we can in a process create a society, create a community totally free from poverty. Nobody should suffer from poverty because he does not have to. It is not part of human condition, human civilization. It is simply imposed on us. It is artificial thing imposed on us and we can throw it out. Only place where poverty should be is the poverty museum. We should be ready to build this poverty museum all over the world. So everybody says "ah! this was the poverty".