

We can all use a prod now and then . . .

"You walk out of the classroom and you see people dying around you . . ."

He was seven when the British retreated from his homeland, received his doctorate at Vanderbilt in 1971, and eventually became head of the economics department at Chittigong University in Bangladesh. But as he moved through the city and the surrounding countryside, he began to suspect there was something terribly wrong with the theories he was teaching.

A devastating famine in 1974 nearly destroyed his three-year-old country, so he led his students on a field trip to a poor village. They interviewed a woman who made bamboo stools and learned she had to borrow at predatory rates to buy raw bamboo for each stool she made. After repaying the middleman, sometimes at rates as high as 10% per week, her profit margin disappeared. If she'd been able to borrow at a reasonable rate, she could have built an economic safety net and improved her family's standard of living. But traditional banks shied away from tiny loans because they feared an avalanche of defaults. Loan sharks were the only option.



The rest is history. Dr. Muhammad Yunus challenged traditional wisdom by lending a total of \$27 to 42 women -- and 30 years later received the Nobel Peace Prize. Grameen Bank, with its heretical business model, now operates in more than 60 countries.

But even the most innovative pioneer can be prodded . . .

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. . . as Dr. Yunus reminded us during his keynote speech at the first Skoll World Forum on Social Entrepreneurship in Oxford nine years ago.

Dr. Yunus and his co-workers were besieged from every side when they first began loaning money to female entrepreneurs -- threatened with violence by the radical left and hounded on the right by conservative clergy who told women they'd be denied a proper Muslim burial if they borrowed money.

But a more benign type of critic also began troubling Dr. Yunus as time went by and the Grameen Bank became world-renowned. He told his audience in Oxford, "there are always people out there who *still* tell me, 'Yes, but you're not working with the *poorest* of the poor.'"

So, starting in 2002, he decided to prove them wrong by launching a "Struggling Members Program" exclusively for beggars.

In Bangladesh villages, and throughout the Hindu world, beggars traipse daily from door to door collecting handfuls of rice. By the end of the day, they've usually collected enough for a meal.

Dr. Yunus went to a few beggars and said, "I don't want to interfere with your lives. You can make whatever choices you wish. But it seems to me that since you're going door-to-door every day anyway, maybe you'd like to try selling these beads . . . these bolts of cloth . . . these kitchen utensils?"

His new recruits weren't required to give up begging, but simply to add an entrepreneurial element to their lives. The Grameen Bank gave the beggars interest-free loans, with very long terms, plus free life insurance policies and badges with their photos. As a result, their self-image began to change, as did the perceptions of the householders. No longer were they seen as beggars, but as itinerant entrepreneurs.

But the critics came back to Dr. Yunus and said, "You're *still* not dealing with those who are the *worst* off. What about the beggars who've lost limbs or are just too infirm to go from house to house? They just sit by the roadside all day long."

So Dr. Yunus approached some of those individuals and said, "Look, I don't want to interfere with your life. You can make whatever choices you wish. But as long as you're sitting here anyway, wouldn't you like to sell some Coca-Cola to the people passing by? Or some tea? We'll give you a loan to buy whatever you need and . . ."



As of October 2013:

- There were more than 80,000 beggars in the "struggling members" program
- More than 20,000 others had ceased begging and were making a living as door-to-door salespersons
- And more than 10,000 had also joined Grameen as mainstream borrowers

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Back in 1976, when Dr. Yunus decided to subvert tradition, he chose to focus on the poorest of the poor rather than adopting a more inclusive rural development approach. He believed individual entrepreneurs living in poverty would repay the loans they needed to start their businesses and he set out to prove it.

He began testing his new business model by giving each of the 42 women in the village of Jobra 30 Taka to help them start very small businesses: Selling rice from the back of a donkey door-to-door, weaving baskets or charpoi mats, cooking vegetables. He didn't ask for collateral and he did it in a male-dominated Muslim society. The women used the money to buy the raw materials they needed, sold their products . . .

Repaid the loans . . .

And made a profit . . .

Inspired by their example, Dr. Yunus came to believe making such loans available to a larger population could help reduce the widespread rural poverty plaguing Bangladesh. Later that year, buoyed by the success of the Jobra project, he convinced the country's national bank to lend him money for indigent women entrepreneurs in Jobra and other, nearby villages. Additional banks joined the consortium and within six years 28,000 villagers were in the program.



Finally, on October 1, 1983, the project morphed into a full-fledged bank for poor Bangladeshis and took the name Grameen Bank ("Village Bank"). Today the bank is owned by its borrowers, most of whom are poor women. Of the total equity, the borrowers own 94% and the Government of Bangladesh owns the rest. Dr. Yunus also encourages all borrowers to become savers so their local capital can be converted into new loans for others. Since 1995, Grameen has funded 90 percent of its loans with interest income and deposits.

During October 2013, the bank lent more than nearly \$4 million per day worldwide and served 8.48 million borrowers, 96.2% of them women, in 81,388 villages. The bank had 2,567 branches and a staff of more than 22,000. The total amount of loan disbursements since inception had reached \$14.35 billion, with a default rate of only 2.74%. The Bank has been profitable in all but three years during its 30-year history and has not accepted any donor funds since 1995.

Sadly, Dr. Yunus is no longer associated with Grameen. The current government of Bangladesh considers him a political threat and has taken a number of dubious measures to force his resignation from the Board. But that's a story for another day . . . and it hasn't stilled his voice. In the minds and hearts of millions, he remains the world's "banker to the poor" . . .

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In April of this year, House Speaker John Boehner (R-OH), House Minority Leader Nancy Pelosi (D-CA), Senate Majority Leader Harry Reid (D-NV), and Senate Minority Leader Mitch McConnell (R-KY) presented Dr. Yunus with a Congressional Gold Medal in recognition of his efforts to alleviate poverty. More than 100 other Senators and Representatives from both parties attended the ceremony.

A few days later, Bob Harris (author of The International Bank of Bob: Connecting Our Worlds One \$25 Kiva Loan at a Time), suggested politicians could better honor him by actually "paying attention to him" and supporting what Dr. Yunus calls the "social business" concept. Harris's Huffington Post blog can be found here: http://www.huffingtonpost.com/bob-harris/yunus-congress_b_3114171.html