

国総研セミナー・シリーズ

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「参加型開発—貧困層のための小口金融—  
グラミンバンクの事例より」

平成5年9月

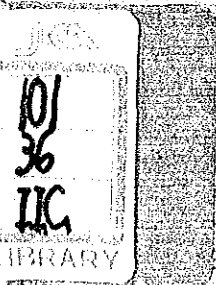
国際協力事業団  
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国総研セミナー

テーマ：「参加型開発－貧困層のための小口金融グラミンバンクの事例より」

日時：平成5年9月2日 10:00～12:00

場所：国際協力総合研修所 2階 大会議室

講師：Dr. Muhammad Yunus  
Managing Director  
Grameen Bank

(講師略歴)

- アメリカ合衆国バンダービルト大学博士号（経済学）取得
- 1969～72 テネシー州立大学経済学部助教授
- 1972～89 バングラデシュチッタゴン大学経済学部助教授、教授
- 1983～ グラミンバンク創設者兼代表

マグサイサイ賞他多くの賞を受賞



## 国総研セミナー

### 「参加型開発 - 貧困層のための小口金融グラミンバンクの事例より」

平成5年9月2日（木）、国際協力総合研修所にて、グラミンバンクの創設者であり、代表であるモハマッド・ユヌス博士をお招きして、標記セミナーが開催された。

グラミンバンクは、1983年、貧民層に小口融資を行うことを目的として、バングラデシュで設立された。貧困層の人々は、最底辺の生活を余儀なくされている上に、担保にする財産をほとんど持っていないため一般銀行から融資を受けることができず、高利貸しから金を借りる等、貧困状態から抜け出すことがほとんど不可能な状態におかれている。グラミンバンクは、こうした人々の生活を少しでも改善するために、貧困層の人々による貧困層のための銀行として、ユヌス博士を中心にその活動をスタートした。

チッタゴンの一つの村から始まったグラミンバンクの活動は、現在バングラデシュの68,000の村のうち、約半分の33,000の村に広まり、1,030の支店と12,000人の銀行職員を通じ、おおよそ160万人に利用されている。また、活動も単に貧困層の人々への小口融資に留まらず、保健衛生や栄養、子供の教育についての啓蒙活動など幅広い範囲の活動がなされている。

グラミンバンクのメンバーになれるのは、土地所有が0.5エーカー以下の零細土地所有者や土地なし農民に限られる。貸し付けは収入向上活動を目的とする場合には、年利子率が20%で、また、住宅建設の場合には、年8%となっているが、原則として毎週分割返済することになっている。

このように、グラミンバンクの活動が、多くの貧困層に受け入れられ拡大していったのは、貧困層とのコミュニケーションを重視し、貧困層の置かれている状況をよく理解し、かれらのニーズや能力にあったプログラムを作りあげていったことにある。そのことは以下のような銀行運営の原則にもみて取れる。第一に融資につ

いての話合いをするのに、貧困層が銀行に出向くのではなく、銀行の職員が定期的に村に足を運び、貧困層の人々が置かれた状況の中で話合いを持つこと。こうすることによって、貧困層の置かれている状況をよりよく把握する事ができる。第二に、融資を受けたいと思う貧しい人々は、5人組を作らなければならない。これは、連帯責任を負わせるという意味でもある。第三に、融資を受ける前に、5人組は、グラミンバンクの融資条件、返済方法等について研修を受けるとともに、最後に行われる理解力テストに合格しなければならない。第四に、融資を受けようと思う者は、自分で資金の用途を考え、かつ自分の名前を書けるようにならなければならない。これは、confidence building で、貧しくても、何かを達成できるという自信をつけさせることが目的である。第五に、銀行の運営そのものが、5から8の5人組グループからなる「センター」により、最終承認が行われるといった参加型になっていることである。グラミンバンクの活動は、貧困層とのコミュニケーションを重視し、貧困層の状況をより深く理解し、貧困層とともに問題の解決を図っていこうとするところにその成功の鍵があると言えるだろう。



September 2, 1993

**PARTICIPATORY DEVELOPMENT—  
CASE STUDY OF GRAMEEN BANK**

Dr. Muhammad Yunus  
Managing Director,  
Grameen Bank, Bangladesh

**INTRODUCTORY SPEAKER**

It is a great pleasure to introduce today's guest speaker, Dr. Muhammad Yunus, Founder and Managing Director of Grameen Bank. Today's seminar's title is "Participatory Development—Case Study of Grameen Bank." Dr. Yunus received a PhD. in economics from Vanderbilt University in the U.S.A., and he served as a professor of economics at Tennessee State University in the U.S.A. from 1969 to 1972. In 1972, Dr. Yunus returned back to Bangladesh, and he had been serving as a professor of economics at Chittagong University from 1972 to 1989. In 1967, Dr. Yunus started a project to extend credit to the poor. That was a famous project. It evolved into a famous credit institution, Grameen Bank.

Although you may know about Dr. Yunus and the Grameen Bank, let me give a brief introduction of Grameen Bank before Dr. Yunus will tell us the whole story in much more detail later. Grameen Bank was originally established to extend credit to the poor, whose access to credit is usually limited because of the lack of assets to mortgage. As far as we know, it has been successful in reaching out to the poor, and currently 1,019 branch offices are operating in 30,000 villages serving one and a half million poor people in Bangladesh. And Grameen Bank is not only providing credit, but it's also providing BHN services to the poor, such as literacy activities and health services. Therefore, it is proving itself in providing effective anti-poverty measures. It is often said that one of the key factors for the success of Grameen Bank is its belief in and adoption of participatory approach, whereby the poor people's needs, capacities and situations are more sensitively assessed and reflected in the program more explicitly.

Before asking Dr. Yunus to give a speech on Grameen Bank, let me

introduce Mr. Watanabe, who arranged Dr. Yunus' trip to Japan. Could you explain a little bit about the purpose of his visit?

**WATANABE [IN JAPANESE]**

**INTRODUCTORY SPEAKER**

Thank you very much. Maybe we don't have to take much time before having the speech from Dr. Yunus. We think it will be very useful to learn from the experience of the Grameen Bank. So could we have your speech, especially on the side of the participatory approach to reach the poor of the Grameen Bank project? Thank you.

**Dr. YUNUS**

Thank you. Good morning. I'm very honored to be here to be talking about something that we do in Bangladesh, and feel happy about it because it works. Bangladesh is not a country where things normally work. Most of the things don't work. So when somebody can say, this one works, that creates a lot of excitement. Bangladesh as a political entity is a new country. We were part of Pakistan when the British left the subcontinent of India. The subcontinent was basically divided into two countries: Pakistan and India, in 1947. And Pakistan was physically divided into two parts, one in the eastern part of India, and one in the western part of India, one thousand miles apart from each other.

Besides the physical distances, there are lot of political distances, cultural distances, linguistic distances. And that caused problems along the way, which led to civil war in 1971. The entire year of 1971 was devoted to that war. It was a very bloody war, a lot of people got killed. At the end of 1971, Bangladesh, or east Pakistan, became independent and named itself Bangladesh. At that time, I was teaching in the United States, and when the war began, I became very active in supporting the war efforts for Bangladesh, trying to mobilize support within the United States through its Congress and Senate to stop military aid to Pakistan, which was being used to kill people in east Pakistan at that time.

Immediately after it became independent, I resigned my job and quickly came back to Bangladesh because it was a really exciting time. We became

independent, and we thought we could build our nation in the images of our dreams, that we could have a happy nation for ourselves. We don't have to worry about the army of Pakistan, we don't have to worry about all the things that we thought were wrong under Pakistan. Bangladesh is a tiny country, in a sense, because it's a flat piece of land of 55,000 square miles. But a lot of people. Right now, we have 115 million people. And that too is subjected to disaster very frequently. So frequently that the very word Bangladesh has become synonymous with disaster. If you hear something about Bangladesh in the electronic media, at the moment it is mentioned you say, "Ah, another flood." Or many thousand people got killed by a cyclone, or something. You remember the 1991 cyclone? 139,000 people got killed overnight by a tidal wave, just washed away. So that's Bangladesh.

And the population keeps increasing. In the last 21 years, we nearly doubled ourselves. So when we achieved independence, we became free from Pakistan, and we were just about half the population of today. Predictions are that we'll double ourselves from today within another 30 years. Imagine double this population living in that little mass of land. Density of population today in Bangladesh, to give you an idea what it is: if you take the entire population of the world and put it in the United States, the density that would create in the United States is exactly the density we now have in Bangladesh. The more you describe Bangladesh, the more frightening it looks. The only thing we have is agriculture. The land is very fertile. The average height of the entire country over the sea level is just one meter. So when you talk about global warming and the sea level rising, we worry about where we'll go, 115 million people, because it will be entirely under the sea.

And things are getting worse because our river system—Bangladesh is crisscrossed by hundreds, and hundreds of rivers—is getting clogged up by the silts which are coming from Nepal and India through the big river system which goes through Bangladesh all the way to the Bay of Bengal. So the river system is not carrying as much water as it did in the past. And it's all happening because hills in Nepal are getting denuded, it's getting barren because people are going into the hills, chipping up trees, and opening up the hills. So when the monsoon rains come, silts come in and clog up the river. All this is bad news.

And then countries all over the world which are friendly to Bangladesh try to help Bangladesh. Bangladesh received quite a lot of foreign assistance, and Japan is the largest donor to Bangladesh, and has been so for a long time. Together, Bangladesh has received so far more than \$25 billion in external aid in the last 21 years. \$25 billion in Bangladesh is a whole lot of money. In any country it's a whole lot of money. But if you go to Bangladesh and ask yourself—you will ask yourself—where did all this money go? Because you hardly see the trace of all this money. One can describe, and I do on many occasions, Bangladesh is a graveyard of projects funded by donors. You can go and almost see a tombstone: here lies project number such-and-such, never completed, never worked. So many millions of dollars are spent. And people don't look back into those graves anymore. They just go ahead and explain it away, or they don't even explain it away, they prepare another project, which will have the same fate in some other time. So this year alone, Bangladesh will receive more than \$2 billion, and this is what has been happening in the last few years—more than \$2 billion each year. The same thing will happen.

So going back to my story. I came back to Bangladesh and started teaching in one of the universities in Bangladesh, teaching economics, and that's what my specialization is. And soon afterwards, we had a famine in the country. Many of you may remember the famine of 1974 in Bangladesh. I'm sure Japan helped us a lot to overcome that famine, but many people died in the famine. When you have a famine and you have the bad luck of teaching economics in the classroom, all those elegant theories of economics, telling that everything will work out fine if you follow this or follow that, that everything has a solution—you feel empty. You question yourself: who are you fooling? And those elegant theories appear to you like cruel jokes, which you can laugh at. People die all around you, and you tell the beautiful stories about your theories. So I became a kind of dropout from formal economics. I thought those things are just good for classroom, not for people. I tried to understand what a person can do in a situation like that, what is there to be done? In my frustration, I tried to understand how poorly people live. Of the 115 million people today Bangladesh has, half of them live in utter poverty. Poverty, if you want to spell it out, means you don't know what will happen tomorrow to you. It's uncertainty, it's hopelessness, it's a world of

darkness, you don't see your way out. How do they live? And it was lucky for me that I was teaching in a university which is surrounded by villages, unlike many universities which are located in urban centers. The university in which I was teaching, Chittagong University, was located in the rural area. And that, too, was because of a decision of an earlier military ruler of Pakistan who figured out that if you have a university in an urban center, they create trouble. Students create trouble. So to avoid trouble, from now on any new university which will be established should be in the village, so that they cannot march toward the city and create trouble. Chittagong University was one of those universities which came after that decision.

The advantage for me was that I could just walk out of the university campus and be in the real Bangladesh. The university campus in Bangladesh is an artificial world: you have beautiful classrooms, beautiful everything. And right outside, all of a sudden, things change. So I would go out of the campus everyday and spend the time in the village talking to people and trying to understand what happens, what's wrong, what can be done. I was trying to understand if I could make myself useful in any way to anybody's life, even for a day. I thought that would be the greatest thing, the greatest achievement for me.

I wondered around trying to understand. And I learned many things which I never learned from classrooms, never learned from my textbooks. One particular event took time for a series of event, and that event was, I was talking to a woman in the village. She was making bamboo stools. And after discussion I found out that she was making a very small amount of money by doing that. A couple of pennies or something like that. So small that you wonder, why does she do that? And the reason for that was, she explained, that she didn't have the money to buy the bamboo which goes into that product. Bamboo cost about 20 cents or 25 cents, but she didn't have that money. So she had to borrow from the trader who buys that final product. Because she borrows from the trader, the trader made sure that he offers a price for the product in such a way that that price covered only the cost of the raw materials. Her labor came free. So she was almost a bonded labor. So I tried to calculate in many ways to figure out how much she really earns, and every time it came out to a really tiny amount. And

I couldn't understand how this thing can go on, how people can survive in a situation like that. And I thought it was such an easy thing to solve that problem. If somebody could lend that 20 cents to that woman, she could buy her own bamboo, she could sell the product wherever she got a good price. But now that she doesn't have that money, nobody gives her that 20 cents, she has to borrow from the trader and the trader takes advantage of her.

I took a student of mine to see if there are other people like her in the village. We went around for a week in the village, house-to-house, trying to find out how much money one would need or one would have borrowed in a situation like that. We ended up with a list of 42 people in that village who actually borrowed from traders. The surprising thing was that all these 42 people together needed a total of the equivalent of US\$30. So that was the shock of my life, that people suffered because they don't have this small amount of money. My first reaction was to take this money out of my own pocket and give it to my student to take it around to give it to these people as a loan. They could pay me back whenever they felt like. But now they could sell it whenever they got a good price.

I thought I found a solution to the problem by doing that. But in a couple of days I started realizing that this was not a solution, it was only an emotional response to the situation. Because to become a solution, one has to have an institutional element so that people can come up anytime they want to. Being a professor, living in that university campus in a beautiful house designated for a professor, I don't think any villager would ever dare to come up to the campus and go to the professor's house to borrow one dollar. I thought that could not be a solution. I was thinking, what could be a solution? And soon it came to my mind that it is the job of a bank to do it, not my job. They should go to the bank to borrow money. Before I could tell them to go to the bank, I went to check with the bank to see whether the bank would actually lend money to these people. I went to the bank branch which was located in the university campus. I talked to the manager. When I proposed to him, he fell from the sky. He probably thought, "here's a crazy guy, how did he come to the university?" He tried to explain to me how banks cannot lend money to the poor people. And I tried to understand what was wrong with the poor people, why couldn't he lend money to the poor people. He kept on explaining that the bank's rule does not

permit it because poor people cannot offer collateral and banks cannot lend money without collateral. I said, "Why do you need collateral? All you should be worrying about is whether that money gets paid back or not. As long as you get your money back, you should be happy." He said, "no, no, no, I have to worry about my rules. The rules say that they must give collateral." The second point he made, that all the paperwork he has to do for this tiny loan is not even worth the cost of the papers, so why should he give money like that? I said, "Why do you need all that paperwork? Why don't you get rid of that paperwork? Make it simple, so it doesn't cost you anything." He said, "No, we can't do that."

Being as stupid as I was, I couldn't understand. And he couldn't get rid of me. I kept on pestering him. So he finally said, "Why don't you go and talk to my boss in the city office? He's the regional manager, and he can explain to you better." I took his advice and went to the city office, talked to the regional manager, who said the same thing. I kept on seeing many different people in the hierarchy of the bank, and everybody told me the same thing: they could not lend money to the poor. But I wouldn't give up, because I thought this was such an important thing, that there must be a way. To make a long story short, I offered myself as a guarantor. I would sign every single piece of paper they gave me, the green piece, the yellow one, the red one, I'd sign every one of them, and they would give the money. Finally, just to get rid of me, they agreed. And they put a condition. The total money that you can take from the bank, maximum, would be \$300, nothing more. I was so happy, because \$300 was a lot of money, and all I needed was \$30, \$40, \$50 in total. But as happy as I was, it didn't come through very quickly. It took another six months to do the writing of the proposal for his head office, because the head office refused to believe that somebody could do things like that. So they kept asking more and more questions, and I had to answer every single question. They asked what they'd be doing with the money that I'd be giving, and what will be the rate of return on each one of them. So I calculated. Well, being an economist has an advantage—I can always make up stories. So I made up all kinds of stories to satisfy them. And they were impressed. This guy is serious, they thought. After six months, they finally approved, and I took the money from the bank and gave it to the people in the village. The surprise was that people were paying back the money.

I came up with very stringent rules so people would be paying back the money. I didn't have to end up with a disaster. And I wanted to make sure the bank didn't stop this facility. If people didn't pay, they would be sorry. People are not paying, so I can't give you any more loans. But people were paying every penny that they got. I got encouraged. I got more money from the bank, gave it to the people, and collected back the money, and gave it back to the bank. Gradually, I got very convinced. 100% repayment, it was good news for the bank—I thought the manager would be excited to hear about it—but the manager remained completely indifferent to what I was doing. I said, "Why don't you do it yourself? Why do you need me to sign all those papers?" He said, "Look, if you want to do it, you do it. We don't care. Because if you do it in one village, that doesn't show anything. One professor can show all kinds of miracles in one village. That doesn't change the world." I thought maybe so, maybe he was right.

So I tried to expand it to a second village. It worked in two villages. But the manager was totally indifferent. I did it in three villages, five villages—that indifference didn't break. And when I started talking about it in broader forums in the country, bankers became very irritated with me. At a bankers' forum, I was challenged into doing it over a whole district. They said, "Doing it in a few villages doesn't show anything. If you can do it over a whole district, then maybe we should pay attention." Immediately I took challenge and agreed to do it. So we sat down and detailed how to do it. And finally, in 1979—this whole thing began in 1976—I took the responsibility for doing it over a whole district.

And to my surprise, even in the whole district it still worked; there was no problem. People were taking tiny loans, paying back every penny with interest, no problem. But the bankers remained unconvinced. They challenged me to do it over five districts. So I took that challenge and did it over five districts. Still it worked. But their interest level didn't increase. Then I asked myself, "Why am I running after the banks, because there's no way I can change their minds." I was all fixed up in their minds. I should rather set up a different bank, a bank which will be working only for the poor. And then I thought this bank should be owned by the poor, not by the rich. So when I proposed it to the government, because I needed permission from the government to set up the bank, everybody thought that this was not something they were going to support. Because it's bad



enough to give loans to the poor people, and now this guy was suggesting that it should be owned by the poor people—what a bad thing to do. But I wouldn't budge from my position. It took me two years of continuous prodding, continuous lobbying, continuous knocking at the doors of the powerful people in the finance ministry. Finally, I got the permission from the government, and we set up Grameen Bank in 1983 as a formal bank. We took over all the things we were doing previously, and that became the nucleus of our work. Since then, now that we became an independent bank it became easy for us to make our own decisions. We continued to expand our work. As the information and statistics on Grameen Bank was mentioned—our statistics kept changing, so whatever information was given I was just updated, by the time I went out I'd be outdated. Today we work in nearly 33,000 villages. We have 1.6 million borrowers spread out over these villages. Bangladesh has a total of 68,000 villages, which means we are almost in every second village across Bangladesh. Of the 1.6 million borrowers, 94% are women. We have 1,030 branches. We have a staff of over 12,000. Each month, we lend out more than US\$20 million worth of Bangladeshi money. And all our loans are paid back in weekly installments. The loans are to be paid back within one year in weekly installments. Our current interest rate is 20%. All loans are given for income-generating activities.

There is another kind of loan, which is a housing loan. Housing for the poor is extremely pitiable. You can hardly call them houses, the way they live with the jute stick on the roof and as a wall. Jute stick is a very brittle, flimsy kind of thing, but that is the only material they can afford. In a monsoon country, when the rain pours in everything is muddy and dirty and everything. But that's how they live because they cannot afford anything else. From Grameen Bank, we offer them housing loans. A typical housing loan is \$300. With a \$300 housing loan, they build a house which is almost a dream house for them. It's a tin-roofed house with four concrete pillars and bamboo walls and a sanitary latrine to go with it. Housing loans are paid back in 10 years in weekly installments with interest rates of 8%. This is basically where we are right now.

Going back to it, how does it work? How do we interact with each other in the bank? One of the things we decided right from the beginning, from the very day we started in 1976: the principle was that the people should not come to the

bank, but the bank should go to the people. And we still follow the same principle. All those 33,000 villages that we work in, it is us, the 12,000 staff of the bank, who go to those 33,000 villages every week. And we do the business at the doorstep of our borrowers. None of these 1.6 million borrowers has to come to our office to do the business. This is our first principle: we go to the people. If you go to the people, everything changes. In Bangladesh, you can almost say an office is a torture chamber for people. You create problems for people if you have an office, because offices are places where people become smaller than what they are. The person who sits behind the desk becomes bigger than what he or she is. And that creates the kind of distance, kind of impersonality. And then the office creates all kinds of misinformation. Because when you come to the office, you can get away with saying anything you want, because the guy behind the desk doesn't know who you are. So you create some problems which will impress him or her sitting behind the desk. In that way the "smart people," operators, who can take advantage and knows how to use words cleverly—they get the benefit, they twist the system and get away with doing things that they're entitled to do. But if you go to the people, there's no way the people can give you a wrong impression about what you are and what you do.

For example, Grameen insists that it will lend money only to the poor. But who is poor? Anybody can come to the office and say, "I'm a very poor person, give me a loan." But under Grameen's rule, we will never give a loan to a nonpoor person. But how do we decide that? He says, "Sorry, I don't have anything. I don't have a house, I don't have land, nothing." Because he's in my office, he can say anything he wants. I cannot check it out. So what I can do is to send my colleague, say, "Why don't you go to his house and find out whether he's poor or not." If I do that, if he goes along, probably he will go halfway and bribe him, "You go back and tell him that I'm a poor person." So he comes back and reports that he is a poor person, but he is not. So you can create all these scenarios. But if your work requires you to go everyday, every week, to the person's place because that's where the business is, then the whole neighborhood knows that this is what you're doing every week. If you're giving the loan to a nonpoor person, the whole village will say, "You're not supposed to give it to him, you're supposed to give to him." Because this way is so transparent, you

can see everything. And then suppose I go to his or her house and ask, how much land do you have, because this is one of the ways you measure whether a person is poor or not. A poor person in Bangladesh is a landless person; he or she doesn't own any land, or owning land up to say half an acre. If the person is telling lies to me, it is his or her children who will say, "Mom, why are you saying that? We have land, don't you know we have land there." Because everybody is there. And when an outsider comes to a village and visits somebody's house, almost the whole neighborhood comes to the house to listen to what's going on. So you cannot say lies like that. Your friendly neighbor will say, "Aw, c'mon, that's not true." So you get the information much more clearly. Even if someone has succeeded in getting through the first interview or discussion, someone will always follow you to the office and say, "Well, what he said, you'd better be careful." He will give you a hint that things are not right. And people in the village can't keep secrets. Somebody will spill it out. It's much easier.

So we got rid of this misinformation by going to the people, and going very regularly, every week. We know exactly which day and what time we'll be coming to the village, and they know what time the bank will come to their village. So everybody's there, timely, all the business is done. So this is one area where I think we have overcome lots of problems by going to them instead of them coming to us. When you come to the office you wait in line, you don't know where to go, you don't read the sign, and somebody shouts at you. And then when you come to the counter, sorry, business is closed, and you have to walk back four miles again. Or the guy you're looking for is not in the office today, he's on leave. You can't do the business, though you had to spend all this time and money coming here and wasting your time. We say, "No, you don't waste your time, it's our job, we'll come to you. You just tell us what will be the most convenient time of the day for you, and we come to you. If it is 5 o'clock in the morning, we come then. That's our job." We don't say that we work between 9 and 5. We work to suit your time. Your day starts at 4 o'clock in the morning, OK, we come before 4 o'clock in the morning so that your day is not disturbed. So this is how we designed it right from the beginning.

To find the poor person is the real tricky problem. Anybody in Bangladesh would come and claim that he's the poorest person. And you have to eliminate

that. One of the things we train our staff—our training part is a very rigorous part, because that's where Grameen Bank begins, really. So when you go to the village to set up a bank the first time, nobody has heard about you before, you go the first time and say, "We are Grameen Bank and this is what we do," remember, a lot of people will come to you and say, "I'm a poor person, give me a loan." And you keep listening but don't respond to them, you say "Yes, yes, we'll figure it out, but wait for a while before we start business." Don't commit anything yet. Because every person who will say, "I am a poor person," you know for sure that he or she is not a poor person. So you can immediately eliminate from your mind this person as getting a loan. Then who am I going to give the loan to?

We send a manager to a village first. We don't give him any staff or office. Grameen Bank doesn't live in an office, so we don't need an office. Grameen Bank is the person, so you are the Grameen Bank, and you go there. Where do I live? I say, I don't know, you find a place. Then we put a restriction. Don't you ever live with any person who is well-to-do. Because if you live in a well-to-do person's house, then he will always try to use you to do the things that he wants you to do. Give the loans to his henchmen, his supporters, or his neighbors or relatives. So never live in a well-to-do person's house. Where do I live? Anywhere else. You figure it out, because that's your job. I don't know. So each will end up sleeping in a schoolhouse, on the benches, or in a rundown house built by some donor years ago, never used, and now cows come and sleep there. So he cleans out a corner of it and sleeps there. So this is how he begins his life. And then your job is to go around and figure out what will be the territory that you will serve when the whole bank will be established in full capacity. You have to kind of draw a boundary for yourself. Within that boundary, you have to know every single detail. You have to draw the map from memory by walking back and forth everywhere, so that you become familiar with the terrain.

We have 1,030 branches and 33,000 villages that we cover. At most you can say each branch covers an average of 30 villages. That means the manager who's going there has to survey all these 30 villages by walking on foot, drawing the map of that territory, and then writing a kind of directory for that territory. Who is who? Where is the marketplace, where is the road, where is the pond, where

is the canal? So it becomes very clear to you. And along the way you talk to people to find out who the poor people are. Then finally you find a family which doesn't have a roof over its head, or which doesn't have any furniture in the house. All they have is two pots and pans and a couple of bottles where she's supposed to keep oil but she cannot afford to buy any kind of oil. This is her life: she has two children and her husband doesn't work, and she doesn't know where the meal comes from. So you go and talk to her. Is she interested to borrow money from Grameen Bank? If you explain Grameen Bank to her and tell her that you are going to lend money to her, her first response will be, "No, thank you, I don't need any money. I can't borrow any money." If she says that, you know for sure that the person who is going to borrow from you and you must put all your efforts to persuade her to take a loan from you, because Grameen Bank is created for her, and it's your job now to make it happen. The more you try to explain to her how important it is or how good it is to borrow and make use of it and earn money, the more she will say, "Sorry, I don't need money, please, maybe you should talk to somebody else, but I don't need money." When she says, "I don't need money," don't take it literally. All she's trying to tell you is that she's afraid to take money. Everybody needs money, and she needs it most. But she's afraid to take money. Because nobody ever in her life gave her any money on their own. She had to run, to pester, to persuade to get a very tiny amount of money. Now you come all the way and offer to give her money, and she gets really suspicious. She doesn't want to get into trouble, so she says, "I don't need money." And then she'll say, "Well, what can I do with money? I don't know anything about money, so please go to somebody else." All she will say is, "Well I can't take any money from you because when my mother died she advised me at her deathbed to never borrow from anybody, even if you have to die, don't borrow money from anybody."

We have heard this thing so many times in our work. We have now almost standardized the reply to that kind of statement. Now, we say, "Yes, she said the right thing. Your mother is a very wise person, she gave you very wise advice. At that time, the only way you could borrow was from a money lender. If anybody borrows money from a money lender, he or she is finished, destroyed totally. So she advised you not to borrow money. But if your mother was alive

today, she would have advised you to join Grameen Bank, because this is a different thing. This is a bank that is created for the poor people like you, so that you can do your things and change your life. So think about it.”

Anyway, it doesn't change in one discussion. It goes on in a series of discussions. One of such persons will finally soften and think of trying it out. She is the desperate one. She says, “What can go wrong? I cannot live anymore, I don't have any food to feed my children, I work so hard, I get nothing. So let me do it. Maybe it will change my life.” Then Grameen Bank advises her to find four other friends like her to form a group of five people. Grameen Bank doesn't create a group. Grameen Bank only asks people to form a group, and it's her choice, it's not Grameen Bank's choice. She has to choose four other persons to form a group of five people. The entire Grameen Bank system works on the basis of those five people. And this is a very important thing. But that important thing has to be created by people themselves. So she will say, “Where am I going to get the persons?” I say, “I don't know, you find out. The only way we can do business with you is for you to come up with a group of five people.” She will think a lot about who will be the next person for her to invite to join the group. So she will go and knock on the door of her friends that she knows. “Would you like to join me in a group to borrow from Grameen Bank?” The same response will come from her friend, “No, no, I don't need money, you go to somebody else.” Because she's afraid that maybe she'll get into trouble. She goes around explaining to everybody what she wants, and after a long searching, finally a second person will agree to join her. It was a long negotiation between the two of them, but now they are two. The two of them will go ahead and try to find a third person. It's a very hard job, but finally they will find a third person, and they will look for a fourth person. By the time they got the fourth person, the second left. She said, “No, my husband is mad at me because he thinks they are fooling us. They will take our money and disappear.” This is not a real thing. So they'll start all over again. It goes. It's a long process, it's not just an overnight thing. Finally they will come with five and then they will find out the Grameen Bank and say, “Now we are five people, can we start business?” He says, “OK, I'll come to you.” So the Grameen Bank person comes to them and explains what Grameen Bank is and says, “From now on everyday I'll come to you. I'll spend

one hour, an hour and a half with you explaining every single thing there is to know about Grameen Bank, so that you don't feel that you got into it without knowing about it. I'll explain every single rule about Grameen Bank for one week or 10 days, and then when you all feel that you know everything, then I will invite a higher official from Grameen Bank to come and test you. In that test, he will quiz you. What happens if you do this, what happens if it doesn't happen this way? What can you do with the money you take? How much time can you take to pay back? All kinds of things we already discussed. If you pass that test, then your group will be formally recognized by Grameen Bank for business. And then only will we be in business."

To form the group itself it takes a month, or six months, even a year. It's not an easy task. But we feel the more hard work goes into a group, the stronger the group becomes. If the group is weak, the whole Grameen Bank is weak, it will collapse. Because as soon as they get the money, one will run this way, another will run that way, the whole thing will disintegrate. So they have to go through a very hard way. I'm not giving the details of what the elements needed are for forming the group and also getting the recognition from the bank. To give just an idea, one of the requirements for becoming a formal group of Grameen Bank: see, in Bangladesh, the literacy rate is very low, about 25%. 75% of the people do not read and write. When you talk about the poor, it comes nearly to 100%. They do not read and write. Women, you forget about. But the Grameen Bank comes and says, "Well, to become a Grameen Bank member, one of the first things you have to do, you have to learn how to write your names." They say, "Why? You give me the money, that's all." "No, no, no. You get the money, but still it's our pleasure to help you to learn how to write your name."

Many people say, "Look, I'm 50 years old. For the last 50 years I have spent my life without learning how to write my name. You want me to write it now? OK, it doesn't matter." This takes only a couple of days. All learn about it, but a long debate goes on about whether they will learn or not. But Grameen insists that if you are a Grameen Bank member, you must know how to write your name. We don't need your name, but you must know. You must feel that you are worth something. So goes the process of how to write the name. When you're trying to teach an illiterate person who never held a pen in her hand to write the

name, it's not an easy task. You spend hours and hours and hours. What you do is write on the dirt with a piece of stick, over and over again. She will try day and night until she can write it herself. And all five of them have to be able to write their names. It's a task we deliberately put there because poor people are the people who never had any taste of success. They kind of write themselves off: we are nothing. In order for you to create the feeling of something, they need something to hang onto. And this is one. An old lady or a young lady, whoever, has just learned how to write her name, and she gets so excited. She cannot believe that something she scribbled on the dirt means her name. Somebody says, "Oh, your name is Salia." "Yes, my name is Salia." "How did you pick it up?" She has a big excitement. We saw after that many women carrying a tiny piece of paper just to show off and to say, "I can write my name. This is a great thing. It came from Grameen Bank." They never knew how to write their name, and here they join the Grameen Bank group and they sign their name. They take a lot of pride in this, and we have learned this. This is the confidence-building process that goes on. And then other things that, to shorten the time, I'm not going to elaborate. And then they feel that, "Yes, I can do it." Because many of them feel they can't do it. "I don't know how to run a business, what am I going to do?" When she learns how to do it, she says, "Yes, maybe I can do this." Then comes the time when the money is coming. We never tell any of our borrowers for what purpose she should borrow from Grameen Bank. We say, people know the best, the bank doesn't know anything. If somebody says, "Well, I would like to borrow money but I can't figure out what I should do with that money," we say, "Sorry, we don't know it either. You have to figure it out. We have the money, but you have to come up with the idea, what you want to do. We can't give you an idea." We even make jokes with them, and the joke will go like this, "You are asking me for the idea? Look, we have the money. If we had the idea, too, do you think we'll give the money to you? We'll use it ourselves. We are dump people. We don't know anything, but we just have the money. So we're looking for smart people like you who can make good use of this money and who can make a living out of it. You make a living, I make a living, and this is what it is." And they're really serious looking. "Yes, if they have the idea they will not come to us. So they just have the money, and they come to us for the idea. They



think very seriously, yes, we must figure out what to do." And the ideas come, they keep thinking. Ideas come not from thinking; most often ideas come from seeing somebody doing something. And if your neighbor took the money from the bank and she is now husking rice, and you say, "Oh, I always thought she is dumber than I am. Now I feel that I'm smarter than her, I can do a much better job than she's doing." If you compare yourself with your neighbor, you're always smarter, and that itches you to do something to demonstrate to her that you can do better and earn better. And the ideas start flooding into your brain. And that's how ideas come. And she says, "I want to do this." She doesn't have to persuade me. In the entire Grameen system, the five-member group is the loan committee. The loan committee is not in the bank. She, one of the members of the group, has to get it approved by the group. It's much easier to face a loans committee in the bank than facing your own friends, because your friends says, "Why do you want to spend so much money on this one? It's not that good." She says, "No, I have calculated. Are you kidding me? I have done this so many times, it works." She says, "No, you should take half of that money and try it out. We don't want you to fail. Don't take me otherwise, I'm just trying to help you." She says, "No, I can use the whole money. Maybe, but why don't you take in the first instance a smaller amount of money so that you're sure and we don't get into trouble with anybody." They are very rigorous about approving your loan because you happen to be a member of the group, and they don't want any trouble for themselves. Trouble means you won't be able to pay the money, and then as a group we disqualify ourselves to get fresh loans. This is the only thing we say: if one of your group members is not able to pay back, until that is sorted out and you help her to pay it back, we will suspend issuing new loans to this group. Everything is OK. So then everybody rushes around to get her out of the situation she is in, because everybody wants it cleared up.

So they have to get the approval from the group. Several groups together form what we call a center. A center will have three or five or eight groups, and each center has a chairperson and a secretary. To choose a chairperson and a secretary for each centre, elections will be held once per year on a specified date throughout Grameen Bank. A new election will be held, and on a specified date a new chairperson and secretary will take over, and nobody can get reelected.

It's a rule. So a woman who was always considered good for nothing—a girl in Bangladesh, the moment she's born, it's almost whispered in her ear that she's no good. You brought bad luck to the family because you're a girl. Ever since she's born, everybody around is telling her she's no good, that she brought bad luck to the family, and that she will cost a bundle when she is about to be married off because of the dowry system in the country. The dowry system ruins families. Whenever a girl is born the parents get so scared, because that means they have to spend a lot of money to get that girl married off someday.

So ever since she's born she's taught all kinds of negative things. She cannot believe something positive can happen to her. She doesn't believe in that ability. So you try to build that up. And then it's a Muslim society, Bangladesh. We have interpreted our religion in such a way that women should stay home, they shouldn't get involved with any business or activity. It is the job of the man to earn the bread for the family, not the task of the woman. She's always the one who never had any opportunity to show her worth. Now in that group, all of a sudden she is asked to become the chairperson. She doesn't understand what that is. She said, "No, no, not me, why me? I don't know anything." And everybody says, "No, you'll be the chairperson, who else?" "We are it, just the five of us." She says, "Please, not me, I don't know what it is to be a chairperson." The others say, "We don't know, either. So you are our chairperson." And finally after a lot of negotiations she said, "Well, I will agree to become chairperson, provided you become the secretary." So they make a deal in the group. "If I become the chairperson, you become the secretary, and we agree." And the funny thing about all elective offices: once you start holding it, you start liking it. You start enjoying it. It's a very sad moment after the end of the year when a new election takes place. And under Grameen rules, you cannot get reelected. You have to handover your responsibility to the next person who just became the chairperson. And you're the one, one year back, who almost cried because you thought you were no good for a chairperson. Why should you become the chairperson, why were your friends making you a chairperson? Now you realize that you are a good chairperson. And she introduces herself that I am the chairperson of group number such and such. And she takes so much pride in herself. It builds up her ego, it builds the confidence in her that she can do

it. And the secretary does the same thing, and another person becomes secretary.

In a center, they have to elect a center chief. In the beginning, nobody wants to become the center chief. It's such a big responsibility—you are the head of 50 people, and this is a large number. You cannot imagine that you're becoming a center chief, to hold the respect of all these 50 people. You can't believe that you who were always told was a good for nothing will become the center chief, because they are all the same, anyway. So one of them will become the center chief, another will become the deputy center chief, and from then on she's such an important person, the center chief, who leads 50 people in the village. The Bank will always introduce himself or herself to that chairperson first, will report to her if I'm ready for person. And she's the one who conducts the weekly meetings. And with her command, everything takes place. She's the final authority to approve the loan. The group approves the loan and the group presents the loan approval when the weekly meeting takes place at the center. The center is the final authority to approve the loan. So the debate will go on whether she should have this, and the group will put its recommendation and stick to it. "No, this is a good idea, she deserves it, she can handle it, we have just criticized it, please approve this." And they say, "Well, we are not so sure. How does she raise a cow? Just what does she know about a cow?" And some will make even jokes. "Can she tell how many legs a cow has? She doesn't even know. You want to give a loan for her to buy a cow?" And after all those debates, finally a loan for a cow is approved, and everybody's happy, she's happy now, with her loan for a cow.

When the day come to get that loan, the person who after all these procedures—forming a group, learning all the procedures, and so on—for the first time in her life is now receiving 3,000 taka to buy a cow. She spends the night before tossing and turning and asking the question, "Should I really take this money?" She got scared again. 3,000 taka is such a lot of money. She cannot believe that she'll really be able to handle that kind of money. She thinks maybe still there is time, that she should quit. "Maybe I should let somebody else take the money," because in the beginning we'll give loans only to two persons in the five. So she says, "Why me? Maybe somebody else will take the loan, let me watch for awhile." By the time, morning comes she almost decides that she won't

take the money. She'll let somebody else take the money, after all those procedures have been completed. Then her friends will come in the morning to go with her to take the money, because you never receive your money alone, you're always accompanied by your group members so that you're supported by them. She tells them that maybe she shouldn't take the money. "You take it, I should wait. I'm not in a hurry." Everybody says, "No, no, how can you do that? We have already approved a loan, and we had so much fight at the center meeting to get it approved. You can't just back out." She says, "I don't think I can handle." They say, "Don't worry, we'll support you, we'll help you. We are for you. We don't know, either." So she prays to god all the while. "God, please help me. Let me go through it safely, and I'll do anything you want me to do." And finally she takes the money. The usual scene of taking the money, when she holds this money she shakes, literally, because she's never held this much money in her hand in her life. She doesn't know how to count all this money. She doesn't know where to hide this money, so much money. So this is the process she goes on. And these women whose first loan I was describing gradually will become very tough women, tough business people, asking for more money. "Why don't you give me 5,000, 10,000? I did this business, I need more money." A transformation will begin. Confidence will soar, and she will ask for a housing loan, which is \$300 dollars, a lot of money, 12,000 taka in Bangladeshi currency. The person who is afraid to take 3,000, she'll be lobbying around to get a housing loan approved by her group, by her center, so that she can build her house. She is not afraid of paying that 12,000 taka in weekly installments. She said she will try to persuade everybody that I can do it. Look, I'm earning this, I'm doing this. So I can pay back this installment. Give me a chance, look at my house, how I live. So this is the process.

And then the Grameen Bank itself is owned by the borrowers. It's not owned by somebody else. 90% of the shares of Grameen Bank are owned by the borrowers themselves, 10% is owned by the government. So we have a board of directors in the head office in Dhaka. There are 13 members of the board. Three of them are nominated by the government. They are very high officials of the government. And nine of them are elected by all the members of Grameen Bank, the shareholders. When the new nine members come to sit at the first board

meeting, they feel so strange. And when the government nominee for the first time comes to attend a Grameen Bank board meeting, he or she feels so strange. They've come from the lowest rank of the society. They're not supposed to sit with this big guy who runs the country at his will. At first he looks very suspicious, why is she sitting here, and so on. And chemistry works very quickly. All of a sudden the guy who had this mask of a big guy, it starts to melt and he becomes a human being, starts softening and talks to her about her life, about what happens, what was the impact of the new rice policy? Was it causing any trouble to you? He's talking about his ministry now, checking up with the common citizen of Bangladesh who's at the lowest point of the ladder. And then when the discussion begins all of a sudden he tries to explain why he's taking the position that he is. He worries whether she's understanding his technical words that he's using. After that second and third meeting, it's all friendly people sitting together. This woman who came all the way from the village never saw in her life the electricity. She wonders how this thing flashes all of a sudden, the light is there. She's never been to a two-story building, so she doesn't know how to go up the stairs and looks at how everything is down there. She wants to go to the roof, but she says, "I don't know how to get to the roof, I never saw a roof before." And this is the woman who runs Grameen Bank, she makes decisions about Grameen Bank.

And then this year in May, it was announced earlier, we got the award for King Bedouin Foundation Award for International Development. So we got asked to send a three-member delegation from Grameen Bank to the ceremony. So I thought I should take one of the board members, because after all Grameen Bank is hers, not me, I'm just an employee of the bank. So I put it to the board. I said we should take one of the elected board members, not the government board members, because they are the majority shareholders. Then I proposed that the nine of them sit together and decide who should represent Grameen Bank at the palace of the king. So they discussed and finally they came up with one. So we briefed her. She had never seen electricity in her life before she got elected to the board. Now she'll be flying in the plane. She never saw a plane, does not know how to get into a plane, and so on. So we briefed her. She took it gallantly the day she went. When she went to Brussels, and she was invited by

the king before the ceremony to have a discussion with him. She was just like any other human being, and the king was so touched by her and about her life history. She went on talking and being translated. At one stage she says, "Oh, you are a king, you must be a very happy man being a king." King Bedouin said, "Being a king is not a very happy thing. I wish I was not a king, but just a common citizen. It's a lot of responsibility here and I wonder why I got into this position." She said, "I've always thought kings were very happy men. He can order around people and he has princesses and princes and everything." So he kept on explaining to her that look, he shows her around his palace and so on. He introduces her to the queen, and the queen embraces her then. She says, "Oh, I'm so lucky I've met a queen." She said, "Well, I'm so lucky I met you." So next day all over Brussels the picture of Manzila Kadoum, the lady who went. And she addresses a press conference. She keeps on talking in her rural dialect. The interpreter and the press asked her questions and so on.

The change was almost like going to the moon or something. But not for a second did the events overwhelm her. She explained why Grameen Bank is so important for her, what she was and that she didn't have enough to eat for herself, and now what she has built up: the house and everything that she has. She sends her children to school. I'm telling this to explain the transformation which comes from it. That is the process. Grameen Bank is not just giving the money and walking out. It tries to create the process of transformation of the people. Because it believes in the basic principle, basic truth. The truth that Grameen Bank believes in is that every human being, no matter where or how she or he lives, has a great potential buried inside her or him. Only society has denied the opportunity to her or him to explore those potentials. So she remains the way she is, thinking the way she thinks, because she never discovered herself. Grameen Bank tries to create an environment so that each one can explore the potential that is in them. Once you let it come out, people can take care of themselves. Grameen Bank doesn't give money, saying just, take this money. Grameen Bank says, "Look, this is the way you have to do it and these are the processes you have to go through." And you have to pay 20% interest. And each loan Grameen Bank gives is a challenge to a human being. A challenge that one has to say, "Yes, I can take that loan, I can pay you back with 20% interest, and

in the process I'll change my life." And they do. They change their lives. And in the process, we hold annual meetings, group discussions, what we call a workshop, at each branch.

We take the center leaders and let them sit through for a whole week discussing what mistakes they have made in running their centers, what positive things they have achieved in running their centers, what achievements they would like to report to each other. When you talk about achievement, everybody is trying to report what she has done and so on. There are what we call 16 decisions. One of the decisions, which is the hardest one I guess—everybody says it's the hardest one, anyway—the principle of the decision is we shall not take any dowry at the time of the marriage of our sons, and we shall not give any dowry at the time of marriage of our daughters. And this is almost challenging the religion itself. Because dowry, although it's not a religious injunction, has achieved the status of a religious injunction. When you can announce things like that, that we shall not take any dowry at the time of the marriage of our son, which is an opportunity every poor family looks forward to when a son is born, because they know they'll get some money when the marriage times come. But at the same time, they worry when the daughter is born. So through these discussions, a principle emerged, and that became a principle for all of Grameen Bank. This is their decision, it's not a decision coming from Grameen Bank staff like us. They have discussed hours and hours the problems they're facing. One of the problems they're facing is that they're earning income with Grameen Bank loans and improving their situations, and then comes the time for the marriage of the daughter, and that pushes them back to square one all over again, because they have to dispose of everything to get the dowry. She says, we can't change our life like this. One dowry and we are finished. Then the question, why do we need the dowry? Do we need it, who asked to give the dowry? We are the mothers of sons and of daughters, also. As mother of son I'm not taking dowry, as mother of daughter I don't have to give dowry. And that's a great revolution. It's so simple. It's all among us. It's not dependent on the government, not on god, just us. We decide and it's finished. So in that meeting, discussions in my center. There were three marriages, and all three of them are dowry free. And we made sure nobody can take dowry. All three daughters were married off without

intervention. And the center chief takes pride because she played a very active role to make sure they were dowry free. Because sometimes you're marrying your daughter to a non-Grameen family, and they don't understand your principle. They say, "Look, you have to give dowry, otherwise the marriage doesn't get through." And the center chief says, "Look, we are Grameen Bank people, we cannot violate our principles. If you don't like it, we don't have a marriage. But if you want to have this marriage go through, you have to accept this. This is our rule." And the family is in a very weak position. The family kind of swings back and forth about what to do. But the center chief takes a very staunch position: we cannot violate our own principle. And finally they see how strong they are and they yield. OK, it's dowry free. Then they discuss. And other centers report some failures. In one case, we tried, but we failed, we couldn't do it, because of the insistence of the groom's family and so on. He was such a nice groom that we couldn't let him go, so this bride's family accepted it and so on. And how to protect yourself from such a thing, and a big discussion will ensue.

All of these things will happen in a workshop, and they will come up with other decisions, other subsidiary decisions to support the decisions they have already taken. One of the decisions, to give an example again, is that we shall grow vegetables all year round and eat plenty of them and sell the surplus. It's a very funny country, Bangladesh. A lot of crises about food and nutrition, but people are not used to eating vegetables. You can grow vegetables any time you want, and the land is very fertile. But people are not used to it. In Grameen Bank, the principle became every single Grameen Bank member will grow vegetables all year round and plenty of it. One of the major diseases in Bangladesh among the poor families for the children is night blindness, and you're familiar with the night blindness, which comes from a vitamin A deficiency due to not eating enough vegetables and so on. And a lot of children you'll see becoming from night blindness to permanent blindness. There's a very simple cure. So it became part of Grameen life that we eat vegetables. So Grameen makes vegetable seeds available year-round. Good quality vegetable seeds at the cost price—for a two taka a packet, you can buy any kind of vegetable seed and grow whatever you want. It's such a tiny amount that you will spend. And you can eat the fresh vegetable. You eat and you sell, you make money. One of the decisions is that



we shall educate our children and help the children to earn enough money to pay for their education. Because the series of discussions that went on at the center meetings and also in the workshops discussed what the impediments are to send our children to schools. And some will say, "Well, we are poor people and we don't have enough money to send our children to school." So the question will be asked, how much money does it cost to send a child to school? And then it will be explained or somebody will report that it doesn't cost anything because education is free. Government gives the books, so there is no cost for the books, there's no cost for fees, nothing. So then what is the cost? The cost is the pencil, the paper, the notebook. How much does it cost in a year? Ultimately the idea came that if you plant two seeds of squash or pumpkin, the fruits and vegetables you'll get out of those two seeds earn more than enough to pay for all the stationery you'll need to send your child to school. And the decision was, we'll bring these two seeds to the child, ask him or her to plant this and take care of these two seeds, and whatever comes is for his or her education. So we'll not touch that money. Or buy a few chickens so that the children in the family can look after these chickens and raise them. So buy her a few chickens so that she will grow them and whatever income comes it's her education money. So that's how the decision came. One of the 16 decisions is that we should educate our children and help them to earn enough to pay for their education.

This is how we try to continuously listen to them. What their life is all about and how Grameen can be of assistance to them in the way they would like to carry forward the implementation of their dreams. It's not something that we've packaged and say, "Here it is." It is something which comes from the interaction and the process itself. So we emphasize the process part of it rather than the packaged part of it, the here's the loan, take it, and give me back my money. We try to see. Institutional designs, in most cases, are in a confrontational relationship—the people on one side and the institution on the other side. They are facing each other. When you face each other, it gradually turns into a confrontational situation. You try to do something, push something, they try to protect themselves and push you back, and so on. So we tried to imagine a system where it is not facing each other. It is standing side-by-side. So that always we feel we are on the same side. Imagine again, going back to the imagery

of the office, we are not behind the desk. There is no desk. We are together. So if it is a problem for you, it's a problem for us. We don't say, "Oh, you have created a problem for me." No, she has not created a problem for me. There is a problem for all of us to solve. And she works as much as I work to solve that problem because it's a problem waiting to be resolved in a joint way. It's not that, "Oh, you must solve this problem, otherwise I'm not going to give you the money." It's not like that.

This is the way we try to design it, bring up the whole mechanism. And we try to get our staff to understand what we are trying to achieve. But running a big organization gets bureaucratic, and this is one thing we try to fight all the time. When you have to run a bank with 12,000 staff, you end up spending a lot of your time on worrying about your staff benefits or problems coming forward, or management problems with the staff. Gradually you move out of the service part of it and you start worrying more about yourself and your organization. We are continually going through how to avoid that. At the same time, all of us feel happy about working in the place where we work. So we have not come up with all the answers. And we never claim that at any point we will. But what we try to do, we always try to find solutions to the problems as they come by, remembering what the initial idea of the organization is all about. We never deviate from that original intention. So I will stop here, and thank you for giving me your patience here. Thank you.

## **QUESTION-AND-ANSWER SESSION**

### **MODERATOR**

Thank you very much for a very impressive story about your experiences. Now I would like to open the floor for the question-and-answer session. Could you tell us your name and position before asking the question? And please use the microphone.

### **QUESTION**

Excuse me. My name is Sakai of the JICA Headquarters, I'm working in the

finance department. I'm the busiest man in JICA because I'm asking for money from the Ministry of Finance through the Ministry of Foreign Affairs, and because I'm fighting with them. So last night I worked with them up to 3 o'clock a.m. And then I talked with my friend over drink, not hashish, not ganja. So I can say I'm a little bit high or excited or sensitive now. So let me ask three questions. One question is the concept of your word, and you say many words, of course, because you are giving a lecture. But something I noticed is, you say chief center, but you change that word to deputy center chief, consciously or unconsciously. What is the difference, or what is the concept of the chief, or what is the concept of center, or what is the concept of deputy? That is my first question.

Second one is that I cannot understand who are you. Your talking is so interesting but so difficult. So what is your profession? That is my second question. The third one is maybe most difficult one. Please give me some advice. That's all. Thank you very much.

#### YUNUS

I'm sorry I couldn't explain the center idea. The whole Grameen Bank runs on the basis of five-member groups. All the borrowers are organized into five-member groups. And several groups in the same village form what we call a center. It's just a name of a bigger group or a federation of groups. Usually, a center would be eight groups, 40 people. But there are some centers, for convenience sake, maybe 50 people, or 10 groups. In the beginning, a center may start with just one group, and then later on adding more and more groups as they go on. But after we have reached eight groups, we think it has come to a level where organizationally that should be enough. There should be another center somewhere else. It is more of an organizational pattern. When Grameen has the weekly meeting of the groups, it is always held in the form of a center. So a group doesn't have a weekly meeting of its own, but the center has. That's where all the business transaction takes place from the Bank. The Bank will come to the center meeting of the village and do all the banking transaction. Each group is managed by two elected officials. One is group chairperson and the other is called secretary, out of the five. Each center is run by two elected officials. One

is called center chief, elected by the chairmen of all the groups, and the other is deputy center chief, the number 2 person. One is the center chief and the other is the deputy center chief. The center chief presides over the weekly meetings. He or she is the head of the center. And the deputy is just a number two in case of absence of the center chief. He or she can take over as the center chief. Or just in a normal day-to-day business, she will help the center chief in discharging her responsibility. So that's the idea of center chief and the deputy center chief.

As I tried to explain in the beginning to remove those difficulties about who I am, I'm not a professional banker. I don't really understand what banking is. I used to teach in the university. But through a process of events, I was drawn into this and gradually found myself running a bank. Officially, I'm the managing director of this bank called Grameen Bank, and that's my full-time job right now. So if I have to describe who I am, officially I would say I'm the managing director of Grameen Bank. And managing director is the chief executive officer of the Bank.

The last one, you want my advice. Don't work too hard until 3 o'clock in the morning.

#### **QUESTIONER**

Excuse me, if I may have some comment. You, how to say, using the same meaning, home and center. So where is the center located?

#### **YUNUS**

They decide. Wherever they want to sit. The center is not a place, that's what I should explain. The center is a concept. So they can sit under a tree and hold a meeting. That location is the meeting place of the center. Usually we use the word center as a location in the usual sense of the word. But in our case, we use it like a group. A group is not a place, it's an organization. We use the word center as an organization. They can find their own location where they want to hold the meeting and which day at what time, and that becomes their weekly meeting time. Thank you.

## QUESTION

My name is Morita. I'm a researcher of Engineering Consulting Firms' Association. I have two questions. One is the so-called we go to people policy. As you explain, this requires a lot of effort and time of the staff of Grameen Bank, I believe. How many people are working for Grameen Bank as staff? I think it's a significant amount of administrative costs required. And how is that cost squeezed? All of that cost is covered by 20% interest rate or some other source you use to cover that cost? That is the first question. And second question is what is the midterm or long-term objective or purpose or goal of Grameen Bank now, and what kind of cooperation, if Japan could, you expect from Japan to Grameen Bank?

## YUNUS

We have 12,000 staff right now, plus or minus. It's a very labor-intensive program. That labor intensity comes from our basic organizational design. We have taken on ourselves to deliver our services on the doorstep of our borrowers. So we have to go every week to all the 1.5 million borrowers we have in 33,000 villages. That means a lot of people going to those 33,000 villages. That is our strength, because we can keep contact with our people physically. At the same time, it's very expensive. When you have to employ 12,000 people and pay, it becomes expensive, 55% of our operational cost is the salary component. But with 20% interest, we can cover all our costs. Grameen is a profit-making bank. One of the worries that we have all along is that we don't want to run an enterprise of the poor, owned by the poor, which loses money. Because then the poor won't have anything in the end. We want to make sure we cover our costs, at least, and have some surplus. Ever since Grameen went into business as a bank in 1983, we always made profit—small profit, not big profit—except for two years, 1991 and 1992. These are the two years we made losses. And that created a lot of soul searching for us. That happened not because something went wrong with the bank itself. It happened from external sources. The government of Bangladesh raised the salary, because a new government came into power, in order to make itself popular to the people, popular to at least government officials, they raised the salary of all the staff by 35%. And we always committed

ourselves at Grameen Bank that our salary will match government salary so that we have a reference point, what would be our benefits. All the benefits that government gives to their employees, Grameen Bank will give the same benefits and salaries. The moment government raised the salary, it became obligatory on our part to keep our promise and raise the salary. Our interest rate until then used to be 16%. We couldn't find a way to cover this cost, so we had a series of meetings, calculations, estimations and all that, and finally we decided the only way to do it was to raise the interest rate. So we raised it to 20%. And we made a promise to ourselves that as soon as possible we'd raise our productivity, each one of us, because we're now getting higher salaries. Each one of us would work harder, raise our productivity, so that the increased salary may be received from the productivity increase, not by raising the price of the service, which is raised by 4%. And we did that. We worked very hard, all of us. 1993 will be a year where we'll be making a big profit. And now at the end of the year it will be decided to go back to the 16% so that borrowers don't have to pay to raise our salaries. We pay ourselves by working harder. This is the fact about covering costs.

But there is a point that I should add. We receive funds at a very cheap rate, at 2% interest. So this is a subsidized money that we receive from international sources. We have borrowed from Germany, GTZ, from IFAD, from NORAD, Norwegian aid agency, Swedish SIDA, Canadian CIDA, Ford Foundation. So the money is cheap for us. So 2% money and 20% interest rate, we have a spread of 18%, so we can cover our costs. But at the same time, whatever benefit of low interest rate that we get we keep it only to the head office of Grameen Bank, we don't pass it on to our branches. We lend money to our branches at 12% interest, which is more than the market rate in Bangladesh right now. So they have to borrow from the head office of Bangladesh at a higher rate than the market rate and sell it at 20%. And with that, they have to make profit by themselves. Each branch must be profitable. This year, 1993, almost half of Grameen Bank branches will earn profit, which is good news. As we go on, more and more branches will become profitable. The branches that are making losses are covered by the profits made by the head office, so that as a whole the Bank itself makes profit. So this is the scenario on that one.

On the mid-term and long-term plan, we began all these things narrating the

story about poverty situation in Bangladesh. And we are trying to find a way to get people out of the poverty. That's our immediate goal. And we are seeing that by people borrowing money, by doing things for themselves, they can pull themselves out of poverty. They don't need some external thing to come and do it for them. They can do it. All you have to do is to remove the obstacles that are in front of them. The people who join Grameen Bank, we have the studies show, it takes about 10 to 15 years or loan cycles by which they get out of the poverty level. Our goal is to see all these 1.6 million families that are with Grameen Bank cross the poverty line when they complete their 10th or 15th year. We are now trying, now that we have learned a lot in the process, our effort is to shorten that period. Instead of waiting 10 to 15 years, we are trying between seven and 10 years so that people can cross the poverty line. So this is our immediate target, mid-term, long-term goal, everything: to make it faster for them to get out of the poverty situation. This is what we look forward to. And the process is there, and we can see the signs. All the studies made on Grameen Bank, everybody comes up with these positive indications that this is happening. Nutrition level in Grameen families is much higher than the nutrition levels in similar families outside of Grameen Bank. Child mortality is much lower in Grameen families than that of outside Grameen families. Education levels of children in Grameen families are much higher than education levels of non-Grameen families. The housing conditions in Grameen families are much better than in non-Grameen families. Family planning adoption rate is much higher than the national average for Grameen families. So this is not what we have deliberately introduced, but it came because people became conscious in the process about what they should be doing to have a better life for themselves. And also encouragement came through those workshops, decision-making about their lives, and so on. About the cooperation from Japan, so far we've never had any contact with Japan. Japan always worked, at least the way we saw it in Bangladesh, with the government. So there was no room for us to have any contact, neither with JICA contacts nor did we contact them. And always money was available, so we didn't go around. Grameen received support from everybody, because they saw it was happening. Now we are moving from this period to the next period of expansion and development of Grameen Bank, from

1994 to 1997. During this period, we are calculating our fund requirements. In the meantime we have contact OECF, and if they would be interested in funding us. The initial response is positive. So maybe in the future, we will have contact with Japan in that sense. Also, my visit here allowed me to meet people, to talk to people, to explain what we are doing. I'm also surprised that many people are aware of Grameen Bank. My idea was that somehow Grameen is not known in Japan. It's known in many other countries but not in Japan. My visit shows that Grameen is not an unfamiliar name to people when I talk to them. So that is very encouraging for me, that I don't have to tell the story from scratch. So this is one part. Another part is that we have another organization, again built by the same people who built Grameen Bank, and it's called Grameen Trust came into being to help people who are trying to replicate Grameen in other countries. There is a lot of interest in many countries to start similar programs. Right now, more than 50 different countries have Grameen programs. Five zero, 50. Many countries in Africa, Latin America, Asian countries, and so on. Also in advanced countries like the United States. Lots of Grameen programs, in the United States, and in Canada several programs. In France, in Norway. And there's a lot of interest to see how it works. Many people come to live with us, see us work, and live with our staff in the villages. They learn as it happens, and they try to find the answers to their questions. So the Grameen Trust facilitates this, and we print a newsletter keeping touch with each other. And we see that when in one country, an NGO or somebody wants to start a Grameen program in their own country, it's very difficult to find that small amount of money which is initially needed. Because donor money easily goes into big project, but it's very hard to go into the small projects. So Grameen is always a small project when it begins. Gradually it becomes very big, but nobody wants to touch that tiny project. We have been explaining to donors, "Look, you cannot touch this little one but you know that this is a good thing. What you can do is give a lump amount to Grameen Trust, and Grameen Trust can do the retailing to all these little programs around the world." And several donors have responded very positively. We have received funds from the MacArthur Foundation from the U.S., Rockefeller Foundation from the U.S., from the United Nations Capital Development Fund from the U.N., and in all we have gotten about \$3 million



dollars from them. GTZ provided us some money for this purpose. So we have been doing that. We are supporting that initial fund seed money. After we see that the project is successful at the initial level and they want to scale up, again the scaling money is also not available, because it still is too small for donors to touch. So we now have circulated another proposal around the world to raise \$100 million to support this program over the next five yaers. Both the seed capital and the scaling-up money. So we have also presented this to Japan. Several countries have responded very positively. We hope that we can do that. It's not our intention to become a donor ourselves. We are always saying, "If you can do it yourselves, this would be the best. In case your formalities and requirements are so complicated that it's not possible, we'll be willing to do it for you." This is where we are. So there are two ways Japan could become a partner with us.

#### **INAUDIBLE QUESTION**

That means, the Grameen Trust is functioning as a liaison office?

#### **YUNUS**

You can say liaison, you can say mediator, you can say retailer. We get the wholesale and we retail.

#### **QUESTION**

My name is Yamamoto. I'm very happy to be here and have your talk on the Bank's activity, which Mr. Watanabe highly talked about. I have two questions. I wonder if there is any change in women's positions in the villages and in the household, especially considering that 94% of women are the main borrowers of your bank. The second question is, since you've been focusing on nutrition and other activities besides lending money and income-generating projects, since people become very conscious about why things are what they are, I wonder if it could lead to very political action, and if there is any possibility that your Bank's activity could lead to a very political movement. That's my second question. Thank you.

## YUNUS

Yes, there are a lot of changes in women. If you follow through what I was trying to describe, especially the personality changes. The person herself becomes a different person. You can see it immediately. If you go to Bangladesh and see the villages and visit Grameen borrowers and talk to them, and the same day you visit another village and see only those who have not joined Grameen Bank, you'll see the difference. When you go to non-Grameen Bank women, they will shy away, they will hide in their house, they will not come up to talk to you. You are woman, but they will treat you as a man because you're an outsider. So she will not become very friendly with you, she will run away from you. She will go back to her own little corner. But you come to Grameen, even if you are a man she'll hold you by hand, drag you to her house, show you what she is doing, and talk to you about her family-planning programs and what she has done about the family planning and everything. She is a very open person. So this is a change in her own personality. And the relationship between the husbands and women has undergone a tremendous change. We don't have time, otherwise I would mention some stories about it. One of the first problems we faced when we tried to reach out to women was not the rich people in the village, not the religious people, but it is the man in the house. He became the first enemy of Grameen Bank. He hated Grameen Bank, because we give money to his wife, not to him. And he thought his authority has been challenged, because he was the sole authority in the house. To overcome that, we have to come out with different ways to soften him, how to make him feel easy. The first year is a very critical year, because formation happens very quickly in the first year. After we have gone through the first year—you see, in the beginning, before Grameen Bank comes into the house, there is an equilibrium in the relationship of the husband and the wife. It is an equilibrium where the woman is way down and the man is way up. But after Grameen Bank comes in, that relationship is threatened, because you hold the money. Because in Grameen Bank, one particular instruction goes on: you have to hold your own money. Never hand it over to your husband. You are responsible for your money. And you are the owner of the things that you bought with this money. Not the husband. Because the usual traditional thing is that anything in the family belongs to the husband. So for

the first time she challenges, "This is my thing. I bought this cow, it is mine." So to insist on that kind of situation, when the crisis comes, not in a normal, everyday life—that's very challenging. Anyway, after one year gradually the crisis is over, the man understands what's going on, a new kind of relationship and equilibrium is established. Here man has come down and woman has come up. It's nearer to equality than ever before. In many places where Grameen has been going on for five or 10 years or so, even the wife will introduce the husband and say, "He's my manager, talk to him." The wife saying that he's her manager, it's inconceivable in Bangladesh. But she's the owner, he's the manager. "He does the marketing for me. I cannot go out to the market, I send him." That's quite a change.

On the political side, yes, it's very political. It could turn into a political thing. We have encouraged people to become political. In the last general election, it was a Grameen Bank policy that all Grameen members should participate in the election, and to make 100% of Grameen Bank family members voted in the election, because poor people don't go to vote. They think, what is the use? When we tried to first convince them, we were just rejected. They simply said, "Well, what is the use? They are devils anyway, no matter which one you choose. Why vote?" We were turned off. We thought for awhile, and then we came up with a lot of discussion. We came up with another idea and tried that, and it worked. We've spread the word throughout Grameen Bank that if you don't vote, the worst of the devils will get elected. So you may try to find the least of the devils—that choice you have. Otherwise, you'll be in trouble. And that message was caught right away. Everybody understood what it meant. And we organized in a very meticulous way to make sure that 100% of the Grameen Bank families went to the polling booth and voted for the candidate of their choice. And it happened. And we did it in a very organized way. All Grameen families had to wake up early in the morning, assemble at the center, and go as a body into the polling center before anybody else in the village has gone there, and wait for the polling booth to open. And you should take pride that the Grameen families were the first to vote. And that created a big stir, because a lot of people in every village when they assemble all the family members is a big crowd. When they start moving toward the polling booth, it's quite a scene. So

the press was reporting all these things, and politicians became very upset with us. They said, "You want to get into politics? This is not your job." I said, "I'm not doing any politics. This is our civil right. We are only exercising our civil rights." Grameen goes around publicizing in the newspaper and the television and the radio urging people to vote. We are just following what the government says. We are mobilizing our people to vote. Then we went around before that saying that if you spread your votes to all the candidates—say there are 10 candidates for one position in the parliament—then your influence will be divided up. If you can reduce the number to five then your weight will be more felt than over 10. If you can shortlist to two candidates, then it will be more felt. And if you are lucky to come up with one candidate for whom you all agree to vote after your discussions, then your influence will be much felt. And in many places, they came up with one candidate of their choice. And that created a lot of political tension. And we started receiving telephone calls from the political parties' big leaders. "Why are you supporting my opposition party, why are you doing this?" I said, "I'm not supporting anybody. All I have done is written this, I have released it to the press, I release it to everybody. So our staff is just following this instruction. If you see anything different, you can come and talk to me and I'll take the responsibility. We do not tell who to vote. We say how to vote. And we are entitled to say that. And this is what democracy is all about. You want people to sleep on the polling date? That we don't want. We want them to vote and make sure they choose their own candidates." That part went well. We have survived that.

The next year, 1992, there was a local level election, so we sent out the same instruction, it went the same way. Much more organized, because we had the experience of it. But something happened which we didn't expect. When the election was over, we started getting information from all over Grameen Bank, not only did they choose candidates, but they became candidates in the local elections. More than 400 Grameen family members got elected to the local parties. Two of them became chiefs of two local bodies. So we said, "Why not? If you don't find good candidates to vote for, become candidates yourself." That's what democracy is all about. We made it very open. It's not a secret thing. We said, "This is a civil right of people. People should know how to vote, how

to get elected, how to participate in it. It's their responsibility." But we are not running a party. We are simply saying, "You choose the candidate or choose the party of your choice. But do choose. Do influence the political process. Don't shy away from it. The process is for you. If you don't participate, you don't influence."

#### **INTRODUCTORY SPEAKER**

I think we've learned a lot from your story, and we get a lot of information and hints of institution building and the participatory approach, or people-centered approach, and the way to make people get out of their poverty. Once again, I'd like to express our heartiest thanks to Dr. Yunus for this kind of useful lecture.

#### **YUNUS**

Thank you.





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