



Muhammad Yunus: Helping the less privileged unleash their entrepreneurial skills

Some thirty years ago, economics professor Muhammad Yunus made his first loan of \$27 to a group of 42 women so they could expand their bamboo furniture making business.

After the success of his initial loan, Yunus saw that such a small amount of money could change the lives of the people and thought why not do more? Since then, small collateral-free loans known as microcredit have been provided to 100 million people across all continents. With 94 per cent of the world's income going to just 40 per cent of the population, Yunus decided it was time to do something for the remaining 60 per cent. Commercial banks did not provide such loans to the poor and women only accounted for one per cent of borrowers in Bangladesh at the time.

Yunus founded the Grameen Bank (Village Bank) with half the borrowers being women. Initially, Yunus says many women were afraid of borrowing and would say they did not understand money. To Yunus, it was not their voice he was hearing, it was the voice of a history of neglect. He was determined to peel away this fear layer by layer and eventually he began to notice something remarkable. When money was lent to women, they were not only better borrowers, but also invested more of their earnings into their households. Today 97 per cent of the 7.5 million borrowers at the Grameen Bank are women. Yunus disagrees with those that say microcredit is good, but only works for those with entrepreneurial instincts. He believes all people are entrepreneurs but societies are created in a way that not everyone gets the opportunity to unleash their talents –

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everyone has the gift but not everyone is fortunate enough to be able to unwrap it.

In February 2008, Grameen Bank opened a branch in New York City, its first in a developed country. The bank plans to provide \$176 million dollars in loans over the next five years, targeting the 28 million Americans who have no bank accounts and another 44.7 million who have limited access to financial institutions.

In business, Yunus says there is only one concept and this is how to make money. But he adds that humans are multi-dimensional, they enjoy making money but also helping others. Yunus's next big idea is social business and one of his first ventures is to produce yogurt for millions of impoverished people in Bangladesh through the Grameen-Danone partnership formed in 2006. Yunus says a dollar given to charity can be used only once but the beauty of a social business is that it extends the life of the dollar, while creating much needed institutions and efficiency.

Recently while in New York City, the Nobel Peace Prize winner, Fulbright Scholar and author of *Creating a World Without Poverty* spoke to INSEAD Knowledge.

Have you been surprised by how far microcredit has

come, even being successful in places drastically different than Bangladesh?

Yes and no. It has come a long way since we began. At that time my students and I had no idea how far it would grow, it was beyond our imagination. But at the same time, it has not gone far enough. After all, 31 years have gone by and it has been demonstrated that it can be done and is important for people's lives. It can work in all circumstances, environments, national situations but still has not been institutionalized; it is still done by NGOs (non-governmental organisations) and not as part of a formal financial system. So that has been a very frustrating experience at the same time.

How do you foresee microcredit when practised in a place like New York City?

It is still the same concept: tiny loans for income-generating activity in a sustainable way so that people can get a chance to create self employment and income using their own talents. So those basic things remain no matter where you go, whether it is New York City or a remote village in a poor country, it doesn't matter. People need money and it brings money to them and provides a service.

With stores such as Wal-Mart, will borrowers in the United States have to produce different kinds of products than those in developing countries?

People do things which have nothing to do with Wal-Mart. For example somebody does fashion design, she knows how to do the designing, people like her so she gets orders. She makes wedding or party dresses. So that has nothing to do with anybody, it is more of personal thing. Someone takes care of flowers, people like their flower setting and want to hire her.

Do you foresee microinsurance becoming more widely available, especially in places where microcredit has been such a success?

Everything is a necessity, whatever the rich person can get, the same service the poor person can get too. There is no distinction between something for the rich and something for the poor. Only the sizes will be different. The rich borrow a million dollars while the poor borrow anywhere from \$100 to \$1,000 and that's about it. Insurance is the same, health insurance is the same and whatever programs you can think of. But it has to be brought to poor people since it's not available to them.

In the future, will we continue to see more ventures like the Grameen-Danone partnership?

Absolutely, this is a whole new world to open so everybody can participate. It can happen anywhere;

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there are lots of problems you need to address in a business way. For example, 50 million people in the United States don't have health insurance. So helping them could be a social business.

In Bangladesh, millions are malnourished and the yogurt provides vital nutrients they lack in their everyday diet. Grameen-Danone agreed to take back their investment but receive no dividends. The yogurt is sold at a nominal charge; the goal is about having a large social impact and not making a profit. This can be created all over the world to address issues like poverty, housing, safe drinking water, you name it.

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