

Muhammad Yunus

SPEAKING TRUTH

Watershed Moments
in Global Leadership

High School Curriculum for Young Leaders



“Without the human side, economics is just as hard and dry as stone.” – Muhammad Yunus¹

Dr. Muhammad Yunus was born in Chittagong, Bangladesh, in 1940. Yunus is an advocate for social entrepreneurship, a business approach to find solutions to social, cultural, or environmental problems. Throughout his life, he has been a part of programs seeking to diminish poverty in Bangladesh, especially through microlending.

Background

Microlending is: *“The lending of small amounts of money at low interest to new businesses in the developing world.”²*

Yunus established the Grameen Bank, which focuses on giving small, daily loans to rural business women. The goal of microlending is to provide low-interest loans that relieve the poor from the cycle of debt. Grameen started with various branches in Bangladesh. For each of Grameen’s branches, the bank manager would inform the community about Grameen and the idea of microlending through “projection meetings.” The project was so successful that, in 1985, Yunus spread the concept internationally, after successfully pitching his idea to Hillary and Bill Clinton.

Yunus’s microlending banks have now spread to 30 countries, making these banks the leading microlenders worldwide.³ In 2011, 8.4 million borrowers, 97% of whom were women, were lent over \$1 billion.⁴ The Grameen allows members to profit as well as gain “water-pumps, latrine, housing, education, access to health care, and so on.” The bank is owned and governed by its borrowers—not “some rich guy.”

For his work in microlending, Yunus was the first Muslim ever to be awarded the highest U.S. congressional award, the Gold Medal. His fight against poverty, specifically on behalf of women, gained him prestigious recognition.

Since childhood, Yunus’ mother, Sofia Khatun, influenced his commitment to eliminate poverty. Her concern for the poor motivated Yunus to use economics and social reform to create change.⁵

¹ Yunus, Muhammad. 2007. *Banker to the Poor*. Penguin Books India.

² Oxford Dictionaries. N.d. “Microcredit/microedit.” http://www.oxforddictionaries.com/us/definition/american_english/microcredit.

³ Drexler, Kateri M. *Icons of Business: Jeff Bezos*. Vol. 1. Greenwood Publishing Group, 2007.

⁴ Bornstein, David. 2011. “Microfinance Under Fire.” March 11. *New York Times*. http://opinionator.blogs.nytimes.com/2011/03/21/microfinance-under-fire/?_r=0

⁵ Yunus, Muhammad. 2007. *Banker to the Poor*. Penguin Books India.

Role Models

As a child, Yunus was passionate about reading; his curiosity allowed him to excel in school. In 1965, Yunus received a Fulbright scholarship to do a PhD



Marcellesi, Florent. 2008. "Nicholas Georgescu-Roegen, padre de la bioeconomía. *EcoPolítica*. June 25. <https://ecopolitica.org/nicholas-georgescu-roegen-padre-de-la-bioeconom/>

in Economics at Vanderbilt University. There, he met Professor Nicholas Georgescu-Roegen, a renowned Romanian professor.

Georgescu-Roegen pushed his students and many failed his courses. Yunus, however, succeeded and internalized his professor's ideas. Eventually, he used these ideas to found the Grameen Bank.⁶

Role Models and Faith

Faith

Yunus has a strong Muslim identity. From an early age, Yunus understood the importance of supporting the poor in Islam. During the holy month of Ramadan, Muslims are required to pay a religious tax (Zakat). First, they must give to family members in need, then to poor neighbors and then to the poor at large. Yunus followed the rules of this tax by helping the poor of Bangladesh. Even though Yunus was never religiously conservative, he honors the Prophet Muhammad and feels at home when he prays.

However, his ideas about Islam sometimes come into conflict with the ideas of other Bangladeshis. Some people in Bangladesh think that Islam does not support working women. Yunus and his team were blamed for "destroying Islam."⁷ Some religious leaders in Bangladesh told women who wanted to take out loans they would be ex-communicated.⁸ Yunus never understood this perspective, noting that neither the Qu'ran nor the Hadith (the statements of the prophet) state that women should be prevented from making their own living.

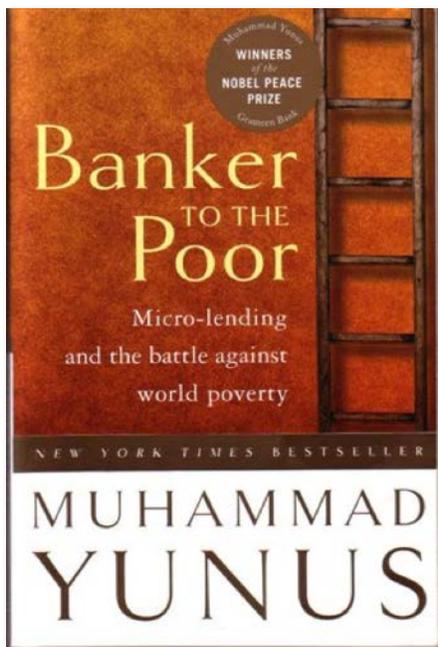
⁶ Grameen Fund. "History of Grameen Bank." Grameen Research, Inc. <http://grameenresearch.org/history-of-grameen-bank/>.

⁷ Whitney, Jack. 2011. "Social Business." *Guernica*. August 1. https://www.guernicamag.com/interviews/muhammad_yunus_8_1_11/.

⁸ Ibid

Muhammad Yunus's autobiography, *Banker to the Poor*, tells the story how he first attempted to help the poorest people of Bangladesh during the famine of 1974. Yunus recalled seeing emaciated people in railway stations and bus stations. Even though Yunus, as a professor at University of Chittagong, gave lectures on economic theories that should have solved the problem of poverty, the people in Bangladesh were dying of starvation across from his lecture hall. He dreaded his lectures.

Watershed Moments



He visited the nearby rural village of Jobra in order to understand how economics could help the poorest people in Bangladesh. He realized his lectures were only good in theory (from a “bird’s eye view”).⁹ Yunus taught his students through the lives of individuals. He coined the term “worm’s eye view” because he believed studying poverty from a closer personal viewpoint would be relatable and productive.¹⁰

Smithsonian Asian Pacific American Center. N.d. “Banker to the Poor: Micro-Lending and the Battle against World Poverty by Muhammad Yunus.” *Book Dragon*.

⁹Yunus, Muhammad. 2007. *Banker to the Poor*. Penguin Books India.

¹⁰ Ibid.

After becoming the head of the Economics Department at Chittagong University, Yunus developed the Chittagong University Rural Development Program (CURDP) and created the Three Farm Share program to support the poor.

Yunus and his students, through the CURDP, set out to help the residents of Jobra. Abandoning traditional teaching methods, Yunus's class went into the village every day. Yunus worked with graduate students to define those in most need and to create a long-term solution for their needs. Yunus's first idea was the Three Farm Share plan. In this program, landowners gave their land throughout the dry season, sharecroppers contributed their labor and Yunus funded the cost of fuel to run a deep tube well, seeds for high-yield crops, fertilizer, insecticide, and experts to provide technical know-how.¹¹ Each of these three members would then share a third of the harvest as payment.

CURDP/ Three Share Farm



Tribune Reporting. "World Wildlife Festival at Chittagong University." Dhaka Tribune. <http://www.dhakatribune.com/bangladesh/2016/mar/04/world-wildlife-festival-chittagong-university>

Although the first year helped many impoverished people, Yunus lost 13,000 Taka, approximately \$167, because the farmers did not repay their loans in full. Even so, Yunus was pleased with the results of the program.

Still, Yunus set out to improve the Three Farms Share by listening to members of the community. Part of the process of harvesting rice was repetitive and labor intensive. The job entailed separating rice with feet by holding onto a ledge. The poorest people, usually widowed, divorced, or abandoned women, would be given these jobs. These women only made forty cents after moving their bare feet in an exhausting motion for ten hours a day. One woman voiced her complaint to Yunus and asked

Still, Yunus set out to improve the Three Farms Share by listening to members of the

¹¹ Yunus, Muhammad. 2007. *Banker to the Poor*. Penguin Books India.

him what made him think that she would be happy with the Three Share Farm since it did not work to her benefit; after a couple weeks of threshing she would be out of work with nothing to show for herself.

Yunus agreed with the woman and took action by investigating further into the “poor” people of Jobra. He realized the government officials and social scientists left women and children out of the definition of “poor,” so Yunus created his own classifications in order to more thoroughly analyze the situation.

Through better understanding the poor, Yunus recognized that his program was not serving poor women well. While further investigating the conditions in Jobra, Yunus met Sufiya Begum, a women whose life story overwhelmed him with self-anger, anger toward his economics department, and anger toward past academicians who never acknowledged economic problems as grave as hers. Begum earned two cents a day making stools out of bamboo. Begum could not grow financially because she was constantly in debt. Buying the materials for her business put her into debt with such a high interest rate that the funds raised from making stools could not cover even the old debt. So, she had to make more stools, which translated to more debt. If she could only cover her initial costs, she would have been able to make a profit that she could have reinvested in her business.

Meeting Sufiya Begum



InfoPlease. N.d. "Bangladesh."
www.infoplease.com/atlas/country/bangladesh.html

Yunus realized that if he could just lend Begum, and people like her, just twenty-two cents, they would be able to get the “highest possible return for their labor and would not be limited by the usurious practices of the traders and moneylenders.”

As a result, in 1977, Yunus founded the Grameen Bank to serve the poor. Normal banks assume access to significant funds early in the business process. For those who survive on small daily sums, such requirements eliminate the possibility for entrepreneurship. So, instead of asking for a large chunk of money at one interval, Grameen asked for small amounts of money every day with the loan being fulfilled in a year. Grameen “made the loan payments so small that borrowers would barely miss the money.”¹² Instead of relying on individual

members for money, Grameen created groups. If an individual did not have the funds to pay the bank back, the entire group became ineligible for additional loans; thus, creating a sense of obligation. Grameen created relationships with borrowers on the assumption that debt was a temporary state and that its reasonable loans would be returned.

¹² Yunus, Muhammad. 2007. *Banker to the Poor*. Penguin Books India.

Supporting Women

Women face many disadvantages in Bangladesh, so Yunus wanted to use his program to support women specifically. However, many of the same structures that make microlending more important for women also make it harder for women to receive the help that they need. In earlier years, Muhammad Yunus sought to give loans to women specifically because women consistently showed signs of bringing change into their lives faster with the additional funds.

However, this was not easy. The rules of purdah, the practice of gender separation in some Muslim and Hindu communities, made recruiting women borrowers a difficult task. Men (who often worked at the bank) could not communicate directly with the bank's female clientele. Sometimes, after an hour of indirect communication,



Impact Hubist.
<https://twitter.com/impacthubist>.

Yunus's Removal as Head of the Grameen Bank

The Grameen Bank in Bangladesh, as Yunus created it, is part of the government. For many years, this was not a problem because Yunus was generally accepted as a positive force for Bangladesh. However, as Yunus's power and prominence grew,

Challenges to Yunus's Work

the women still refused to take a loan out. Time was not the only problem. Sometimes the husbands of potential female clients refused for loans to be in their wives' names. Because of these complications, in 1982 only less than half of Grameen's clientele were women. However, Yunus and his group continued to work to bring these loans to the women who needed them to escape their poverty-stricken environments.

some politicians began to feel threatened by his power.¹³ Yunus's supporters, recognizing this power, urged him to get involved in politics in order to push an anti-poverty agenda; however, Yunus's resulting 2007 involvement in the caretaker government motivated his political rivals to undermine his power. When the opposition took power in 2008, Sheikh Hasina became Prime Minister and pushed Yunus from his position at Grameen Bank.¹⁴ Hasina took advantage of recent criticisms of microlending, which noted that even small lending credit results in debt.¹⁵ The removal is largely seen as political maneuvering. Still, Yunus continued his work in the microfinance through the Grameen Trust, which is separate from the bank.

¹³ Polgreen, Lydia. 2011. "Microcredit Pioneer Faces Inquiry in Bangladesh." January 29. The New York Times. http://www.nytimes.com/2011/01/30/world/asia/30bangladesh.html?_r=0.

¹⁴ Ibid.

¹⁵ Whitney, Jack. 2011. "Social Business." *Guernica*. August 1. https://www.guernicamag.com/interviews/muhammad_yunus_8_1_11/.

Yunus has been able to create a banking system that does not try to extract as much money as possible from its borrowers but aims to empower them. He believes all human beings, even “barefooted” beggars, have the potential to succeed economically. Therefore, the “elimination of poverty should be the objective of all development aid.” His creativity and commitment to ending poverty won him the Nobel Peace Prize in 2006.

Yunus’ Achievements and Impact

Muhammad Yunus does not want people to simply accept poverty. By 2050, he hopes to create a world where poverty becomes a purely historical term. He calls others to collaborate to create an environment where everyone has the opportunity to achieve his or her dreams.



Clark, Christine. 2016. “Nobel Peace Prize Recipient Muhammad Yunus is all Campus Commencement’s Keynote Speaker’s.” UCSD. http://ucsdnews.ucsd.edu/feature/nobel_peace_prize_recipient_muhammad_yunus_is_all_campus_commencements_keyn.

Discussion Questions:

- Is there anything that surprised you or got you thinking about the Grameen Bank? If so, what?
- Before this module, had you heard about social entrepreneurship? If so, what other examples do you remember? How do they compare? If not, what do you think of this idea?
- In your religious traditions, are there any examples of using socially just business practices? If so, what? How do these compare to Yunus's work?
- What social business would you create if you had the chance?