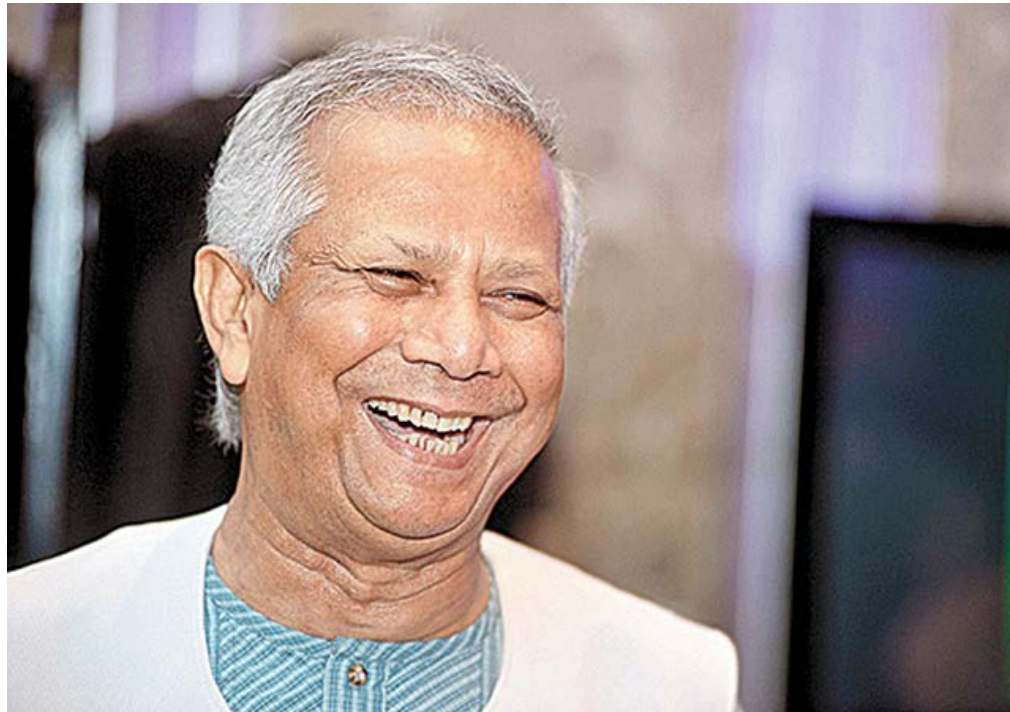


## 'Need A Bank For The Poor'

Nobel laureate and Grameen Bank founder Muhammad Yunus feels disruptive change is the only way to take banking to the unbanked

Gurbir Singh



Picture by Subhabrata Das

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**M**uhammad Yunus, the Bangladeshi banker who made a mark as a social entrepreneur, economist and civil society leader, was awarded the Nobel Peace Prize in 2006 for founding Grameen Bank and for pioneering the concepts of microcredit and microfinance. Yunus in 2011 went on to found Yunus Social Business (YSB) — Global Initiatives as an international implementation arm for his vision of a new, humane capitalism. Today, YSB manages incubator funds for social businesses in developing countries and provides advisory services to companies, governments, foundations and NGOs. Unfortunately, Yunus fell foul of Bangladeshi Prime Minister Sheikh Hasina, with the latter suspecting the banker of nursing political ambitions and challenging her supremacy. In March 2011, the Bangladesh government fired Yunus as chairman

of Grameen Bank, citing legal violations and for breaching the statutory age limit.

Recently, Yunus was in Mumbai at the invitation of Nishith Desai Associate, where he made a detailed presentation on his concept of developing 'social business' to give capitalism a 'human face'.

Addressing corporate leaders and hard-nosed bankers, he said if the pitch was right, business promoters and shareholders would have no objection to committing funds for ventures aimed at transforming society. He illustrated his point by citing the example of the social business joint venture between Grameen Bank and Danone Foods, which was set up in 2006 to provide key nutrients to Bangladesh's rural population. At the time the JV was being set up, Danone was faced with the task of seeking shareholder approval for \$500,000 as the multinational company's share of the paid-up capital. However, when the issue was put to vote, not only did 98 per cent of the shareholders support the motion, they even contributed \$35 million when all that was sought was a mere half a million!

BW | Businessworld caught up with Yunus on the sidelines of the Mumbai conclave. Excerpts:

### Do you bring a message for Indian entrepreneurs?

Indian entrepreneurs have succeeded in difficult circumstances, and have built up the economy. What I bring for them is a proposal: would they consider setting up a small social business directed at solving a problem in their own neighbourhood, or in their own state? It could be unemployment, an old age issue, a healthcare issue, or even a gender problem. It can be a small business, even one per cent of their regular business, but focused on solving a specific problem. This will release tremendous creative power. Today, we leave all the responsibility on the shoulders of the government; that way problems don't get solved.

**You have used a very interesting phrase throughout your presentation — social business. How do you define it? How do you distinguish it from corporate social responsibility (CSR), or charity?**

Social business is the setting up of a non-dividend company to solve a human problem. However, it is a business, and in that sense you have to cover costs, and create a surplus. But as an investor, I am not interested in making profit. That means I can only take back my investment — whatever I put in. After that I will not take out any more money, and dedicate myself to solve the problem I have identified. So, it is a problem-solving company. The difference with CSR is that it is charity money. My company makes profit, and I give a small bit of that to charity, and call it CSR. I give it to a non-government organisation, or an education institution, as a gift to them. So, CSR is not a business. Social business is ultimately more sustainable. With CSR, I may donate Rs 1 crore, and it is a beautiful thing. But the money will never come back. With social business, I use the money, I solve the problem and the money comes back. It is self-sustaining, and can become very powerful.

**The Indian Companies Act has made it mandatory to contribute 2 per cent of profits to CSR. Does this show that Indian corporate groups are not socially inclined, and therefore, a law had to be enacted to make them realise their social responsibility?**

This is a global problem, not just in India. Corporates are busy making money; they are mandated by their shareholders to give back maximum returns. To solve people's problems, to help people, is not in their mandate. Everything depends on how the company is performing on the stock market. The act of giving is certainly not part of the business. People have over time realised that businesses are self-centered, they are selfish; they think only of themselves. Then, they said let's give something away as charity. That's how corporate social responsibility was born. It did not come from the government; it came from the corporates themselves. But later, they even started using the CSR money for self-promotion. It became part of public relations. They started promoting cricket teams, they started promoting music. You call it CSR, but you bring it back to yourself by promoting yourself. And, therefore, the government steps in and says: we don't leave it to you, we will impose restrictions, you have to contribute 2 per cent; and these are the list of activities that can be considered as 'CSR'. It is a good step.

**You have also suggested that CSR funds be used for social business. Is that right?**

Yes, CSR as social business becomes powerful; it becomes self-sustaining; it can grow; it becomes an institution. In the first draft, I was told, in the schedule of CSR activities, there were eight forms of social business listed. But in the final Bill, this was removed. Perhaps, someone in the government thought: how can we include a 'business' in CSR activity? This is regretful. Somebody in the conclave mentioned that Rs 35,000 crore is being raised as CSR. This can become a powerful investment. This can be used to address the problem of slums, education, healthcare. But, if you leave it to them, it will remain pious wishes. You need a regulatory authority to see that this work is done.

**India has had a history of tight-fisted family-run businesses. Has there been a change in this mindset in the recent past?**

There has been substantial change. That is because with MBAs and professionals coming in, they trained the organisation not in the traditional business norms, but the norms of western, liberal capitalism, and they are making a difference.

**The Narendra Modi government has tried to make the banking sector more inclusive with the Pradhan Mantri Jan Dhan Yojana that ensures a 'zero-balance' bank account to every citizen. What is your assessment of this scheme?**

These are good intentions, and correct identification of the problem that people should somehow get into the banking system. Opening an account is establishing a relationship between a person and the bank; but if you leave it at that, it will not solve any problem. It has to have a long-term purpose. I have heard of the new programmes where all government subsidies for the people go directly into the bank account, like subsidy on cooking gas. This is to prevent the funds from leaking out and so that we are not dependent on some bureaucrats ensuring the money reaches recipients. A suggestion for the government: send the money in the name of the woman in the family because the man can take the cash and misuse it. The woman is always careful with the money, and she will ensure that the whole family benefits.

The Jan Dhan Yojana is also a good programme because it allows people to access overdraft facilities. The only problem is the low limit — Rs 500 or so. Second, it is the government's project, not the banks'. Banks naturally do not like small accounts. They say it costs too much to handle these small withdrawals. So, they may not disobey the government diktat, but they will do things like being rude, with the aim of keeping people away. So, we have to sit down with the banks to make it easy, and to bring the technology, so that these small accounts can be serviced. The private banks may not work in the villages as they say it is costly and time consuming. So, we have to say that you will be compensated by the sheer volume of business.

**If you were the finance minister of India, what are the 3-4 measures that you would implement that will give financial empowerment to the people?**

Banking has to be brought to the level of the people. The existing banks have been created for the rich. They cannot work for the poor. When we created Grameen Bank, we created it only for the poor; it is designed in that way. We, therefore, need a separate bank for the poor, to service their needs. We need a new law. Under the present law, we cannot create a bank for the poor. That is the way legislation has defined banking. We have to create the right architecture, which fits the needs of the people. The microfinance Bill was pending with the old government, but it never got through. And it does not exist now — I am told when Parliament's term ends, the pending Bills in the pipeline also fall. So, the new government now has an excellent opportunity to come up with a new Bill, which will allow microcredit banks to be created. These small banks will handle the small accounts, and there will be no tension with the big banks, who anyway do not want to handle these small accounts. We will also have to erect a new regulatory system. The old one will not do, as it does not understand how these small banks function.

**The world knows about the success of Grameen Bank. But tell us the story in your own words. What are the key takeaways?**

The world of banking convinced itself that you cannot lend money to the poor. They said the poor are not capable of returning your money, they are not creditworthy. Banking is for people who have money, people who have collateral. We created a bank that has no collateral; it is a trust-based bank. And it works; money comes back. First, they said it was a

funny thing, and it will soon disappear. But it was not a funny thing, it was a stable thing. Then, the charge came that it is small, but it did not remain small; it became big. And then, the murmur started that it will work in Bangladesh, but will not work anywhere else. But it works everywhere, including the Grameen Bank in the US. The fact that the poor are creditworthy has now been established; it has also been established that banking does not need collateral, and that the poor can own banks.

**You created a number of ancillary companies around Grameen Bank. What was your experience with those initiatives?**

Yes, we created numerous ventures for tackling malnutrition, water supply, joint ventures like Grameen Danone. When we saw a problem, we created a business to solve it. Like Grameen-Danone was created to solve the problem of malnutrition in Bangladesh. Why can't Indian businessmen take the same road by creating small businesses to tackle specific problems? We created the Grameen Energy project for solar energy. Today, in Bangladesh, many villages are using solar energy. We have lit up millions of homes with solar energy. It is a social business. We did not want to make money. We created a water company when we saw people were drinking contaminated water or water poisoned with arsenic. Grameen Bank today has 2,600 branches in almost every village in Bangladesh. We have 8.5 million borrowers. Last year, we gave out \$1.5 billion in loans. At the same time the deposits in the form of savings of people exceeded \$1.5 billion, more than what we had given out in loans. And it is not dependent on the government. The government need not worry that because you have created a poor people's bank, it will have to dish out money. The government now understands all it has to do is to give permission, the rest will follow.

**What is your focus today?**

It is social business. I am focusing on social business in Bangladesh and in countries like Brazil, Colombia, Haiti, Uganda and Albania.

(This story was published in BW | Businessworld Issue Dated 04-05-2015)