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Q&A with Muhammad Yunus

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Dr. Muhammad Yunus is known throughout the world as a pioneer of the microcredit concept that uses small loans made at affordable interest rates to transform the lives of impoverished people, mostly women. The founder of the Grameen Bank in Bangladesh, Yunus and Grameen were jointly awarded the Nobel Peace Prize in 2006.



This is a longer, edited transcript of the broadcast interview.

NOW: You said that credit is a human right. Others say it's a responsibility and not everybody deserves credit. Can you explain why you believe credit is a human right and why everyone should be able to have access to it?

MUHAMMAD YUNUS (MY): Well, we have a list of human rights—right to food, right to shelter, right to health, right to education, many such items which are considered and accepted as bill of rights. These are to be insured to people. So all nations, all societies try to do that. And who is going to bring food to a person who is hungry? Who is going to bring the shelter to a homeless person? Of course you say, government should do it. And even if government tried its best, how many are they going to reach?

So I was proposing to put a right to credit. It's also a human right, so that people can create their self-employment with that money. If they can create income for themselves, they can take care of right to food, right to shelter much more easily than government can ever do it.

NOW: How important is credit to human development?

MY: Credit is very important. If you look at the world today, I would say probably two-thirds of the world population does not have access to financial services. But that's the first thing that we should take care of. Money begets money. If you don't have that, you wait around to be hired by somebody at the mercy of others. If you have that money in your hand, you desperately try to make the best use of it and move ahead. And that's generating income for yourself.

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All human beings are very creative—full of potential, full of energy...So, money kind of allows them to express it ... And if you're successful, you can take more money. You can expand your capacity, reach next level of capacity, and so on.

NOW: What's wrong with charity? What's wrong with the traditional donor-driven aid projects?

MY: Four years back, we started a program exclusively for beggars. Because many people are arguing that the poorest people don't have the capacity to go into business, earn money. I always argued the other way. I said, "All human beings are born entrepreneurs. Some get a chance to unleash that capacity. Some never got the chance, never knew that he or she has that capacity."

So in order to address the debate, I thought we should demonstrate it. So we came up with this idea. Why don't we focus on the beggars? So we go to the beggars and explain, "As you go from house to house, would you take some merchandise with you, some cookies, some candy, some toys, some sweets?" And then you give people option [of] whether they will give you something as charity or they will buy something from you. It's up to them to decide.

Today we have 100,000 beggars in that program. Typical loan for beggars is in the neighborhood of 12 to 15 dollars. Over four years, the loan that we have given out to them, more than half that money has already been paid back. It's a non-interest bearing loan. You don't have to pay the interest so that you don't worry about money growing in your hand. It won't grow, so take your time. Only thing is, if you pay us back fully you get more money.

The point here is, I could have given them 12 or 15 dollars as a gift, as a charity. Would they have paid back? Would they have created this? More than 10,000 of them out of 100,000 have stopped begging completely. They are now door-to-door salespersons. The remaining 90 percent, I can probably say that they are part-time beggars, in the process of kind of closing down their begging division and concentrating on their sales division of their work.

Many have taken the second loan and the third loan already. So this is the difference between what I would've given by charity. I could've given each one \$15. They would have eaten better or bought some of the things they needed and used it and probably come back and say,

"Can you give us some more because this is all gone?"

I'm not saying charity's a bad thing, bad. No, charity's very important. But charity has a time and place where he can be. Not every situation should be addressed by charity. And charity always has to be a temporary phenomenon, not a permanent solution.

NOW: What impact have you seen through your work? And what do you see it capable of doing in the future?

MY: First of all, a person who can handle credit—one thing right away happens to her. She becomes more confident in herself than she was before. It's confidence level: "Yes, I can handle it. I'm capable of doing something on my own. I'm in [the] driver's seat of my own life."

So this is very important for a human being to move gradually up. It may lead to getting out of poverty. May, may not, but this is important for a person to understand that, "I can take care of myself."

Today we have 7.2 million borrowers. And the bank is owned by the borrowers. So ownership of a giant bank is also something very important to them. It's an ownership thing.

Of these 7.2 million borrowers, as I said, 97 percent are women. For them, a bank account is something unheard of. Now not only [do] they have a bank account, 67 percent of the total deposit comes from their own money. So technically what is happening when I'm dealing a \$100 loan, \$67 out of that loan—it's her own money.

And then we give housing loans. We have student loans, student loans for going for higher education. Right now we have over 18,000 students in medical schools, engineering schools, universities, with Grameen bank loans. So you are creating a completely new generation.

And our idea is, of this 7.2 million families that we have, at least these children will not go back to the same level that their parents were—who

lived in the cycle of poverty.

NOW: Let's talk about the wide scale effect. Do you feel like microcredit is making a dent in lifting people out of poverty and reducing people's suffering?

MY: That's a research question... and Grameen Bank has been a subject of research for many, many years now. Volumes have been written about it. PhDs have been made out of it.

So all of them say this common thing, that income level is rising, abilities promoting. And people are coming out of poverty. Even the World Bank study said 5 percent of the Grameen borrowers get out of poverty every year—which means, every day, every week more and more families are getting out. Our own internal surveys—which we do every year—say that about 64 percent of the Grameen borrowers who have been with Grameen Bank for five years or more have come out of poverty in 2006.

And at the same time the children of those families hopefully will push the family far away from the poverty line. Even disasters like floods and other things will not push them back into poverty again—so that they can create a completely different life for themselves.

So I would say that—within Bangladesh, today—80 percent of the poor families have access to microcredit—which is the most intensively done microcredit in the whole world. Within say, another four years, we would like to reach 100 percent of poor families with microcredit.

Probably all countries of the world have microcredit programs today in one form or another, but very small. Eighty-five percent of the microcredit loan recipients are within Asia, probably 10 percent Africa, five

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percent in Latin America. It doesn't **capacity** make a big national impact.

In Bangladesh, it has made national impact because it's so intensively done. We could take care of the disasters, for example, much better than we used to do two or three years back, because people didn't have any access to financing for themselves... So the impact will come when you are reaching out to more.

What happened to the families who have been consistently with microcredit for a sustained number of years? That's the impact that you'll see. And Bangladesh is a good case where you can see that. You can see the positive impact on those families, very positive impact.

NOW: What do you think is the appropriate relationship between profit and the poor?

MY: I talk about a basic fault in the system that we developed—what is known as free market economy or a capitalist economy. In the capitalist economic theoretical framework, you have only one kind of business, business to make money. There's no other kind of business.

And profit maximization is the sole goal of business. So if you are in business, you are concentrating on maximization of your profit. That's what the theory says and that's what you try to achieve. And I think this is a very wrong way to interpret human beings. Human beings are not robots or money-making machines.

Human beings are much bigger than that. There are other aspects like the caring human being, the sharing human being. These are not included in this theory. So the theory is based on a very partial view of human being.

In order to accommodate the whole of human being—one first step would be to create another kind of business: business to do good to

people without any expectation of any personal benefit out of it.

Once you have this two kinds of businesses, then you have balance ... and you can build a whole economy on the basis of that. Microcredit can exemplify the whole thing right here. You could build microfinance program, either as a profit-maximizing company or as a social business company. It's up to you to choose.

If you are doing it as a profit-maximizing company, of course you want to raise it as high as possible so that you can make money. So that becomes the traditional way of lending money to the poor, which is money lending. And that's what they do. Whether you like it or not, when they lend you money—100 pesos in the morning and ask for 120 pesos in the evening, 20 percent per day—they are just trying to take advantage of the market, and it's a good market to make a lot of money. And people get money to do some business.

But what you are doing, you are taking away their income because you want to [maximize] your profit. Our work, Grameen's work [began] to remove money lenders so that people can retain their own income by their own effort, so that the business can come which will help them to retain their own money, own income, so that they can move out of poverty quicker.

So we designed it as a social business, a social business where you don't do it for dividends... If the borrowers, the poor people themselves are the owners of their program, or the owners of the company, then no matter how much profit they make it goes back to them because they are the owners of the company. So that becomes a social business also.

So this Grameen Bank is owned by the borrowers. Last year in 2006, we made profit enough to give our shareholders 100 percent.

So it's a question of how you want to design it. I would not prefer that the microcredit, microfinance, be a profit-maximizing business because that's not where our starting point is. We want it to help people get out

poverty. If you are squeezing out everything [just] like the money lenders, then that objective is removed. The objective is very different. It is not a social objective. It's a very personal objective.

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