



## Stanford eCorner

### The Impact of Social Entrepreneurship

John Doerr, *Kleiner Perkins Caufield & Byers*

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Doerr talks about how Grameen Bank, started by Professor Muhammad Yunus, proved to be a creative solution to the never-ending problem of poverty for many small villages in Bangladesh. Doerr shares the story of finding this solution and the ideas behind how the bank came to be formed.



#### Transcript

And now I'd like to go to the extreme and talk about social entrepreneurs. And I was introduced by Angela to an amazing social entrepreneur. I think in fact the world's foremost social entrepreneur. He's been on this campus. He's from Bangladesh and when he began his work he was a 35-year-old professor of Economics. His name is Professor Muhammad Yunus. And he looked around Chittagong University in Bangladesh at the thousands and thousands of people who were trying to scrape by on less than a dollar a day. A billion people on our planet of six billion people are trying eat out a living on less than a dollar a day. Three billion people on less than two dollars a day. He said there's something wrong with this.

So tell you what I'm going to get my graduate students kind of go out there figure out what it would take for these desperately poor people to lift themselves out of poverty. And he found it was access to capital. It was loans, lending. And he surveyed what they needed to grow. How many were there Angela two dozens I think or something like that? So she said it took \$74 in the first village of loans. \$47 thank you. \$27 even less. It is a long time ago. You know whatever the Bangla currency was then, it's not what it is now. But that's all it took.

And then he went to the bank and said, "I've loaned money to these people, they've repaid the loans with interest. Why don't you help me loan more money to these people?" And the commercial banker said, "No." He said, "Well, how much could I borrow to lend these people?" And so they went through the balance sheet of this professor of Economics and I think it was around \$135 so the bank lent him \$135. He loaned it to the people in the second village and he went back to the banker and he said, "Mr. Banker tell you what, I've proven this now in two villages. You can earn a higher interest than you would any place else without default, a lower rate of default." They said, "Oh no, no, no. You just did it in two villages. It wouldn't work in three. It wouldn't work in four." To make a long story short. He concluded that banks are organized to lend money to people to who don't need it. Basically to rich people.

He argues further that the access to capital is a basic human right. And so he formed in Bangladesh something called the Grameen Bank, Grameen standing for the village and it has now over two million borrowers in 37,000 villages. Here's an important point, the vast majority of the borrowers, all borrowers for all practical purposes are women. And they borrow in groups of four or five. You know why if you loan the money to the men, they spend it on something that will satisfy them immediately. So the question of personal satisfaction. But women take a longer term view. They say, "You know what? I'm going to use this money to build a small business that can produce some savings for my family because I want to look out for the kids and for their health and for their shelter." And so loaning to the women in the village was terrific. It really worked but in

groups because women in these very, very poor circumstances never before had access to capital and were afraid to take the loans. They were afraid their husbands might beat them for having that kind of money and that kind of power.

So Grameen Bank only loans to groups of four or five women together. Another important fact, 98% of these loans get repaid. The default rate is amazingly low. Even more important than that is that this microlending is now going on in 58 countries around the world. There's \$4 billion that the Grameen Bank has loaned and the bank is owned by its borrowers. Over 90% of the bank is owned by them. The Grameen Bank has help lift 37 million individuals. Kids, women, spouses out of poverty in the nation of Bangladesh. It's a remarkable, remarkable force for a planet that desperately needs between now and 2015 to cut global poverty in half.