



## Stanford eCorner

### Freeing Up Capital

Muhammad Yunus, *Grameen Bank*

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Video URL: <http://ecorner.stanford.edu/videos/1989/Freeing-Up-Capital>

Muhammad Yunus, founder of the Grameen Bank, never aspired to work as a banker. While he was teaching economics in Bangladesh, his country was in the middle of a famine. After speaking to many small business owners, Yunus realized that these small businesses could not get access to fair loans to start their own enterprises. His idea was to start a microlending program to free the poor entrepreneurs from usury and give them access to the capital they needed to get started.



#### Transcript

Global X interviews social entrepreneurs who tackle some of the world's biggest problems. They are pioneers of innovation that benefits humanity. I'm Muhammad Yunus. I am the managing director of Grameen Bank. The way I can describe myself, I end up doing something which I never intended to do. So Grameen Bank is like that. I never intended to be a banker. I never intended to get involved with lending money to people. But that's what I do now. It's because I wanted to find a solution to a problem, and I wanted to do whatever it takes to do to end that problem.

And in this particular case, it was a problem of the money lenders. And I tried to get the people out of the clutches of the money lenders, so I got involved in it. And in the process, I created what is known as microcredit. And then I went up to creating an institution which is known as Grameen Bank. Later on again I got involved with things that I never knew anything about and I never intended to do, creating Grameenphone, a cell phone company. I never thought there will be something called 'cell phone' and I'll be involved in creating one, and it became one of the largest--no, not one of the largest, the largest cell phone company in the country that controls 63% of the market share in the country. So, again, I talked to information technologists, such a powerful technology should be brought to everybody, even the poorest person. That's how the story of Grameenphone began. That's what I did. And also other things I did a similar way.

I came back to Bangladesh. I used to teach Economics in one of the universities in the United States, Middle Tennessee State University in Murfreesboro, Tennessee. And Bangladesh became independent in 1971 after a lot of bloodshed, a lot of devastation. So when it became independent, I resigned from my job at the university and I went back to Bangladesh. And I started teaching in one of the universities in Bangladesh. And there I wanted to see how I can be of some help to my country. And then in 1974, we were faced with a famine. People were dying of hunger. It's a terrible thing to see people dying of hunger, how people inched towards death just because not having tiny amounts of food. It's not a disease.

It's a healthy, normal person kind of gradually becoming thinner and thinner and comes closer and closer to death. And there I am teaching the elegant theories of economics in the classroom while this famine is raising all over the country. So I wanted to be with the people, see if there is anything I can do, make myself useful to the people who are in extreme need for help. So I was trying to find those opportunities right next to the university campus. So I did a lot of small things, and one day I was going around in the village, I see a woman with torn clothes sitting in front of her house and making bamboo stools. It was beautiful bamboo stools she was making, but the backdrop is a torn-down house and ragged-wearing. It looks such a contrast to such a colorful stool she is making and the contrast that it depicts. So I went near her and started talking with her for how

much money she makes, who buys her stools, how does she market this product, and how much profit she makes out of that. She started explaining. She makes only two penny a day.

I couldn't believe anybody could work such a beautiful thing and earn only two penny. Then she explained that she doesn't have the money to buy the bamboo which goes into this bamboo stool. So she had to borrow the money to buy the bamboo stool. How much does a bamboo cost? It costs about 25 cents. She doesn't have the 25 cents to buy the bamboo. So the trader lends her the money, 25 cents, with the condition that she has to sell all the bamboo stools she makes to the trader at the price that he decides. Not the market decides. As a result, she gets only two penny after working for the whole day. And I realized that it is not really lending the trader has made. He actually converted this woman into a slave laborer by giving her 25 cents.

And it shocked me. For 25 cents, how easy it is to recruit a woman to turn into a slave laborer. And I thought, 'I can give her 25 cents. She doesn't have to go and borrow the money from him.' But I resisted for a while. 'Let me see what this mean.' The next day what I started doing, I went around in the village to make sure I understand that other people are in the same condition, although she is the only one. So when my list was complete, I had two names on my list who borrowed from the moneylenders. And the total money they borrowed was \$27. I couldn't believe people have to go through so much humiliation, so much torture because of this tiny little money. So then an idea came to my mind. The problem is difficult, but the solution is so simple.

What I wanted to do for this first woman, Sufia Khatun, who was making this bamboo stool and making a little penny, the idea came to me. I can solve the problem if I give this \$27 to all this 42 people. They can return the money to the moneylenders and they would be free. And that's what exactly I did. And the happiness that it brought to them caught me in. And I asked myself the question, "If you can make so many people so happy with such a small amount of money, why shouldn't you do it more?" And ever since, I'm trying to do it more. And more. And more. Global X is also on Social Edge at [socialedge.org](http://socialedge.org).