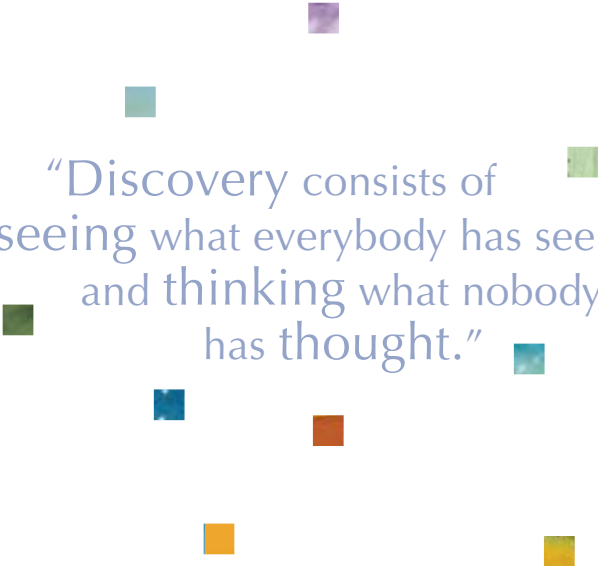


EXCERPT FROM



“Discovery consists of
seeing what everybody has seen
and thinking what nobody
has thought.”

KAUFFMAN Thoughtbook 2009

Fourth in an ongoing series, the *Kauffman Thoughtbook 2009* captures what we are thinking, learning, and discovering about education, entrepreneurship, and advancing innovation. This collection of more than forty essays is written by the talented Kauffman Foundation associates, partners, and experts who are pursuing the principles and vision set by our founder, Ewing Kauffman.

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All Human Beings are Entrepreneurs

MUHAMMAD YUNUS, Ph.D.

Managing Director, Grameen Bank; 2006 Nobel Peace Prize Laureate

Muhammad Yunus and his bank won the Nobel Peace Prize in 2006 for successfully implementing a system of microcredit in Bangladesh, extending credit to entrepreneurs too poor to qualify for traditional bank loans. In this essay, he describes how the Grameen Bank arose out of a simple idea and the philosophy behind his successful venture.

Poverty is not created by poor people. The seeds of poverty are embedded in the deficiencies of our institutions, the deficiencies of our policies, and the deficiencies of our concepts. It doesn't have to be. If you can pick out those seeds, no one will have to be poor.

After Bangladesh became independent in 1971, seceding from Pakistan, I went back to Bangladesh to help rebuild the nation. I was teaching economics while I saw famines and desperation right in front of me.

I noticed how people in the village had to borrow from heartless and cruel money lenders. I thought, I cannot do anything for the rest of the country, but I can definitely do something for one individual in the village next door. I made a list of people who were borrowing, along with the amount of money they were borrowing. When my list was complete, I had recorded forty-two names, and the total borrowed was \$27. People were going through so much misery—so much

hardship—for so little money. So, one way I thought I could solve this difficult problem quite easily would be to give back this \$27 myself. I did that: I returned the money to the lenders so the people in the village could be free.

Today, two-thirds of the world's population is deprived of the financial services available from financial institutions. I went to a bank to see if I could link it with the people of the village, but the bank officials said they could not lend money to poor people. They also rejected all women, and not only those who were poor. Even a rich woman would be refused.

Nobody thought the money would ever come back. The bank was waiting for the whole thing to collapse. They said my plan was impossible.

I started making lots of allegations and complaints, and writing about the unfairness. Then I decided to do something about it. I offered myself as a guarantor. I took the money from the bank, gave it to people, and came up with an idea to make it easy for poor people to pay back the loan. Nobody thought the money would ever come back. The bank was waiting for the whole thing to collapse. They said my plan was impossible.

But people paid back. The idea worked. I was excited.

Banking is based on the principle that the more you have, the more you can get. But we reversed the basic principle of banking, saying that if you have absolutely nothing, you are our most prominent client.

The bank we built is called Grameen Bank. Today, thirty-one years later, we have 7.2 million borrowers in Bangladesh—97 percent of whom are women. Grameen Bank is owned by the borrowers, which means women own this bank.

We will not take any collateral. Nobody needs any guarantee from anybody. There is no legal document between the lender and the borrower. It's a handshake loan. It works.

The bank doesn't need any money from outside. We don't go to the government; we don't go to international finance organizations, or to donors, or to anybody. Just like any other bank, we take deposits and lend money. There are plenty of deposits to take, and we never have a shortage of money.

For many of our borrowers, this is their first opportunity to touch money, use money, and learn about money. We dare each customer to discover his or her identity. Human beings are endowed with endless potential. Society simply had not given these individuals the opportunity to scratch the surface of their potential. We concluded right from the beginning that all human beings are entrepreneurs—but only some lucky ones have found out.

The way we do things is known as micro credit. Because, in the beginning, people thought it would not work, the best thing for us was to demonstrate how it works. To prove that everybody is an entrepreneur, we created a special program within the bank, focusing exclusively on beggars. I talked to my colleagues and said, "Let's give loans to the beggars." A typical loan ranges between \$10 and \$15. We talk to these beggars and ask them to consider carrying some merchandise with them when they go from house to house begging—cookies, candies, some toys for the kids—to offer in exchange for money they might receive.

For many of our borrowers, this is their first opportunity to touch money, use money, and learn about money.

Today, we have nearly 100,000 beggars in the program. Nearly 10 percent of the beggars already have stopped begging completely. They are now regular sales

people. It's amazing to see how people come up with their own ideas, if given an opportunity. That's all there is to it, nothing else. This is the story of Grameen Bank.

We also had the idea to give loans to the women of Grameen Bank to buy mobile phones. As a woman travels through the villages of Bangladesh, anyone who needs to use the mobile phone will come to her. She hands them the telephone and gets paid. When I told others about this idea, they laughed at me. They said it was crazy.

Today, throughout Bangladesh, there are more than 300,000 "telephone ladies," as we call them, selling telephone service. GrameenPhone, the mobile phone company that we created, is the largest mobile phone company in the country, with more than 12 million subscribers, and it is the largest taxpayer in the country. We are now trying to gradually convert the telephone ladies into Internet ladies so they can communicate with the rest of the world. It's so easy to come out of poverty. It just takes an idea and someone to believe in it.

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We are so lucky to be in the forefront of information technology. We can't even imagine how different the world will be in the next ten years. We can invest our money into creating a world that gets children out of the street, gives us clean drinking water, and provides housing and health insurance.

Poverty is not in the person. It is artificially imposed on the person. Most people never get to unwrap the gift they carry with them. But they can, if given the chance.