

Banker to the Poor: The Autobiography of Muhammad Yunus Study Guide

Banker to the Poor: The Autobiography of Muhammad Yunus by Muhammad Yunus

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Plot Summary

Banker to the Poor by Muhammad Yunus is the story of the Grameen bank program, which is founded in Bangladesh by Yunus to help the poor. In 1983, the credit program is formed to provide small loans to the poor. Yunus has a dream of helping the poor to help themselves. He feels that if they receive a little financial help in the form of a loan and are taught some basic principles of financial management, they will act responsibly and do the rest themselves. He begins to formulate this philosophy in 1976 when he comes upon forty-two women in a small village that make chairs. They need money to buy the raw supplies so he loans them \$27 of his own money. They put his money to good use and develop a thriving business. On the basis of this experience, he begins to develop his theories and program to help eradicate poverty in the third world.

The basis of Yunus's theory is credit. He sees this as the key to the solution for combating world poverty. The poor need credit on favorable terms suitable to their situation. He believes in teaching them a few basics and letting them prosper. These theories form the basis for his Grameen bank, which grows to more than 250 institutions in one hundred countries. Its function is to provide small loans to those who live in poverty to help them start their own businesses.

Mohammad Yunus is an economist. He is the head of the Chittagong University's economics department at the time of the formation of his theories and plans. A famine strikes the rural areas of the country and the cities, especially Dhaka. The cities are filled with refugees, being fed out of government-sponsored food kitchens. The kitchens are not sufficient to feed the starving people and there are dying people in the streets. Yunus starts to pay attention to the situation. The year is 1974 and Yunus begins to doubt the economic theory he is teaching. He can see that the theory is a fantasy given the situation and starving people. He begins to spend time in a neighboring village learning about village life and this is what he begins to try to teach his students alongside traditional economic theory.

Once Yunus begins learning the real life problems of the poor, he begins to try to formulate solutions to the problems. This is how he forms the philosophy leading to the Grameen bank credit programs. One of the successful solutions he develops is small loans to help people start cottage industries. The program he formulates becomes the basis for an international program of lending to the poor in the war against poverty in the third world.

This fascinating book reads like a novel. The author first shows his literary talent at the age of eleven when he writes a mystery story. This book is well worth the time spent reading it.



Chapter 1, Number 20 Boxirhat Road, Chittagong

Chapter 1, Number 20 Boxirhat Road, Chittagong Summary and Analysis

The book opens with Mohammad Yunus describing the port city of Chittagong. It is the largest port in Bangladesh and the place where the author grows up. The street where he grows up is called Boxirhat Road in what is the old business district. Boxirhat Road is a thoroughfare that connects Chittagong to Chaktai, where the central produce market is located. It was also the street where Yunus and his family live above his father's jewelry shop. They have four rooms in their living quarters called Mother's Room, Radio Room, Big Room and a dining room where they eat on a map. The children play on the flat roof overhead. The location at 20 Boxirhat Road is the second location his father has. The first is damaged by a Japanese bomb in 1943. Even though the bombing is not usually intense, they move to the village of Bathua, where his father's family is from when their house is damaged by a bomb.

Yunus introduces both of his parents in this first chapter. His father, Dula Mia, is a devout Muslim who is lenient with his children but insists they perform their school work. His mother is the disciplinarian of the family and it is from her that Yunus learns to be compassionate for the poor. It is because of her that he becomes interested in the poor and in economics. She always tells him the story of the Karbala where Hussein and Hassan, the grandsons of the prophet, are killed. The sky is red on one side and blue on the other. The blue represents the poison that kills Hassan and the red represents the blood of Hussein. This is a story that impresses the young Yunus. His mother also works in the jewelry shop.

Yunus is one of fourteen children. Five of his siblings die as children. As children, Yunus and his brother attend the Lamar Bazar Free Primary School. "Bengali schools inculcate good values in the children. They aim not only for scholastic achievement but also teach civic pride; the importance of spiritual beliefs; admiration for art, music, and poetry; and respect for authority and discipline," (Chapter 1, p. 6). There are forty students in his class and if the students are good enough they can win scholarships. However, most of his classmates drop out of school. Both Yunus and Salam are avid readers. Yunus's literary talents are evident at the age of eleven when he writes a mystery story. The two brothers go to their physician's office to read the newspapers there.

Yunus is seven in 1947 during the fighting of the Pakistan Movement. The Muslim areas of India fight to become independent. Since Chittagong is Muslim, they know it will become a part of Pakistan. Even though there is violent fighting between Hindus and Muslims, very little of it takes place in Chittagong. Even though their family has many Hindu friends, his parents are in favor of partition. Gandhi wants to maintain the Indian



subcontinent intact, but Mohammed Ali Jinnah leads the forces for Pakistan independence and wants a free Muslim state.

The Indian subcontinent gains its freedom from Britain on August 14, 1947. There is a great celebration all day long in Chittagong. His father is a member of the Muslim League National Guard and at midnight they go with him and watched as the electricity is turned off for a few minutes. When it comes back on, India is a free country.

Sofia's behavior changes when Yunus was nine years old. She becomes very irritable and begins babbling nonsense. She also becomes verbally abusive and violent against imaginary enemies. Yunus has to help his father restrain her to protect his younger siblings. When the spells pass, she returns to her normal loving self. The doctors cannot find a cause for her problem so their father tries unorthodox treatments such as opium, incantations and hypnosis without Sofia's cooperation. The children try to make the best of the situation. Their father takes care of their mother in this condition for thirty-three years until she dies in 1982.

Yunus attends high school at Chittagong Collegiate School and supports himself in part by winning the Competitive Scholarship Examination which gives him a monthly stipend. He also helps himself to money from his father's drawer so he and Salam can eat out and drink tea at the tea stall. He and Salam become interested in photography and buy a camera. Yunus also develops an interest in painting and is active in the Boy Scouts. Both of the brothers are interested in graphics and design.



Chapter 2, A Bengali in America

Chapter 2, A Bengali in America Summary and Analysis

Yunus always thinks of himself as a teacher. When he finishes his studies at the local college, he accepts a teaching post in economics at the age of twenty-one. He holds this position from 1961 until 1965. He also begins a packaging and printing business with his father's assistance at this time. He applies for and receives a loan from the Industrial Bank and establishes a successful business that employs one hundred people. Dula Mia is the chairman of the board and is very leery of borrowing from a bank and makes Yunus repay the loan early. The bank offers them an additional loan for a paper plant but Dula Mia will not accept it.

Even though Yunus now has a successful business, he still wants to study and teach. In 1965 he accepts a Fulbright scholarship to study for a Ph.D. in the United States. This is not his first trip abroad since he attends a Boy Scout Jamboree in Canada in 1955 and travels to Japan and the Philippines in 1959. This does not prepare him for the University of Colorado in Boulder, where the customs are so different than those in Bangladesh. Students fraternize with the faculty and call them by their first names. There is no segregation between males and females. Yunus is shy with the women and avoids the parties and drug experimentation scene, becoming addicted to television instead. He can think better with television playing in the background. He participates in anti-war and protest rallies, since this is the time of the Viet Nam war. After his summer at Boulder, he begins his graduate studies at Vanderbilt. The work in economics is not difficult for him and he studies under the Romanian professor Nicholas Georgescu-Roegen. From him he learns the economic models that will later help him develop the Grameen program.

Yunus meets his future wife, Vera Forostenko, in the library at Vanderbilt. The Russian-born student from Trenton, New Jersey captivates Yunus. She finishes her studies and returns to Trenton in 1969. She wants to marry and return to Pakistan with Yunus. He finally agrees and they marry in 1970. After completing his graduate studies, he teaches at Middle Tennessee State University in Murfreesboro and on March 25, 1971 learns of problems in Pakistan. The army is blocking political opposition to the government and the leader of the independence movement, Sheikh Mujibur Rarman has fled. Yunus and other Bengalis meet to discuss the situation. Bangladesh declares independence and Yunus now considers himself to be a citizen of Bangladesh.

The six Bengalis form the Bangladesh Citizens' Committee and donate \$1,000 each and ten percent of their monthly salary to the committee. They also seek contact with the press to explain their position. Yunus is the secretary and spokesman for the group. Yunus travels to Washington D.C. to attend a rally in support of the Bengalis against Pakistan. He stays at the home of an embassy employee, Enayet Karim. Bengalis arrive from all over the country for the rally. Yunas and a man named Shamsul Bari visit all of



the embassies, explaining the situation in Bangladesh and try to obtain support and recognition for Bangladesh as an independent state. They are told repeatedly that they cannot recognize Bangladesh when it does not have a government. The group decides to send someone to Calcutta where he will purchase a transmitter to broadcast inside Bangladesh and make contact with the leaders who have fled Pakistan. They make arrangement with Burma and India to accept refugees and work to raise money to feed them.

They receive notice from Calcutta that the Mujibnagar government has been formed. They form various organizations throughout the United States and Yunus takes over the publication of Bangladesh Newsletter. His Murfreesboro apartment becomes a communications center for the movement. He travels around the country lecturing at teach-ins for the cause. Bangladesh wins its war for independence on December 16, 1971. The country is devastated by the war and Yunus decides to return to Bangladesh to help.



Chapter 3, Back in Chittagong

Chapter 3, Back in Chittagong Summary and Analysis

Yunus returns to Bangladesh in 1972 and accepts a position on the Planning Commission. He resigns because of lack of work and returns to teaching, accepting a position at Chittagong University as head of the economics department. The university is going through a difficult period when he arrives. There are big offices for department heads but no places for the rest of the faculty who refuse to grade exams, claiming the students are cheating. The students who were in the Mukti Bahini army threaten the faculty with their guns.

While commuting to the school from his father's house, Yunus notices uncultivated fields and suggests they talk to the villagers. He makes the village and its economy a classroom project for himself and his students. The traditional economic theory of prosperity trickling down to the poor does not work. The famine that strikes the nation in 1974 continues to worsen and Yunus talks to the university president about making a statement to the press calling for an end to the famine and mobilizing the population to fight it. He is told to write the statement and the president will sign it. The document circulates among the faculty who sign it. The statement is published and the movement spreads to other universities.

Yunus begins to study agriculture to try to help the nation feed its people. They experiment with the village of Jobra. He studies the techniques employed by other countries to increase yields. They try the high-yield techniques in the fields of Jobra and teach them to the villagers. They form a project called the Chittagong University Rural Development Project which enlists the help of students in the development project instead of traditional classroom economics. There are no winter crops because the farmers have to pay for the water used for irrigation, so the fields are idle. The solution requires cooperation and coordination among the farmers. He devises a plan called the Nabajug Three Share Farm where the landowners contribute their unused fields, the sharecroppers contribute their labor and he contributes the money for the costs. They all share equally in the harvest. They finally agree to try the plan.

The project is successful in its first year. Even though Yunus loses money from not receiving his full one-third share, he is happy with the outcome. Women who would have been begging are earning their own money by separating the rice from the straw after the harvest. However, as soon as the work is finished, they are back to their stark poverty. Part of the problem is there is no official definition of who the poor are. Yunus formulates his own classifications and sub-classifications. P1 represents the hard-core poor; P2 includes the bottom thirty-five percent of the population; and P3 represents the bottom half of the population.

Yunus concludes that unless a program is correctly designed, one level of poor will always force out the lower levels of poor. His experience results in Yunus focusing on



the landless poor. "My experience with Jobra's deep tubewell convinced me to turn my focus on the landless poor. Soon I started arguing that wherever a poverty alleviation program allowed the nonpoor to be copassengers, the poor would soon be elbowed out of the program by those who were better off. In the world of development, if one mixes the poor and the nonpoor in a program, the nonpoor will always drive out the poor, and the less poor will drive out the more poor, unless protective measures are instituted right at the beginning. In such cases, the nonpoor reap the benefits of all that is done in the name of the poor," (Chapter 3, p. 42).



Chapter 4, The Stool Makers of Jobra Village

Chapter 4, The Stool Makers of Jobra Village Summary and Analysis

Yunas begins to visit the poor of Jobra to ascertain their problems in 1976. The village has three sections: Hindu, Buddhist and Muslim. His assistant is Prof. H. I. Latifee, who is known to most of the villagers. One day they visit a woman who makes stools out of bamboo cane. He finds she buys her bamboo using the money of middlemen who then purchase the finished stool when it is completed. The middleman then sells the stool and receives the full market price. If she borrows from a moneylender, it costs more. She earns basically two cents a day for her efforts in the current situation. The whole economic system functions in such a way that Sofiya will never break out of her poverty and neither will her children.

The situation angers Yunus. Sofiya cannot afford to buy the raw materials she needs so she is forced to deal with the trader on what are basically slave-labor terms. She earns enough to just cover the raw materials and stay alive. Women like Sofiya cannot break out of the cycle. Seeds for crops are financed in the same manner. This are called *dadan* arrangements. The only way to break out of the cycle is to find the money to purchase the raw materials required. There is no form of credit available for them that will allow them to purchase what they need and keep the full selling price of the product.

A student is sent to do research on the village and finds there are forty-two people who are in the same situation as Sofiya because they do not have a total of twenty-seven dollars to buy supplies. Yunus gives the student the money and tells her to give it to the villagers. They can repay him whenever they have the money. Yunus begins to work on an institutional solution to the problem. The next day he visits a local bank to try to develop a program that will replace the *paikars* and *mahajons*. The bank manager tells him it is not worth it to the bank, that the amounts are so small that they cannot cover the cost of the paperwork. Furthermore, the people are illiterate and cannot even fill out the documents and they have no collateral. The bank manager tells Yunus that he is an idealist and not in touch with the real world of banking. Yunus decides to talk to the upper management at the bank.

The branch manager, Mr. R.A. Howladar, suggests the idea of a guarantor for the loans. Yunus volunteers to perform the role and guarantee an amount equal to three hundred dollars but says he will not pay if there is a default. Howladar says he will consult with his superiors about the program. It takes six months but in December 1976 he obtains a loan to use to make small loans to the poor. He has to sign each loan request. The repayment rate is ninety-eight percent: there are few defaults. He gives the poor the only chance they have to break out of the cycle of their poverty.



Chapter 5, A Pilot Project is Born

Chapter 5, A Pilot Project is Born Summary and Analysis

Yunus now has to learn how to run a bank for the poor. He forms Grameen in January 1977 and tries to learn from other loan programs. He decides that requiring large lump-sum payments is psychologically devastating to the borrower who eventually defaults. Yunus decides to avoid this problem by using a daily repayment program, where the borrower repays a little bit at a time. This way they do not really miss the money when they repay it. The borrowed funds have to be fully repaid within a year.

Yunus and his colleagues learn from their mistakes. They constantly change their procedures when they are confronted by a problem. They foster the formation of support groups in which the people can help one another. The group is the entity that approves loan applications and keep each other in line. This means that the group members have to explain the program to new members. Once they have five members, two members of the group can receive a loan. After six weeks of repayment, two other members can receive loans. These groups have to receive certification and training from Grameen Bank. They also have to pass an oral exam. Peer pressure and support is the modus operandi.

Grameen Bank encourages its borrowers to build savings for emergencies. Each borrower must deposit five percent in a group savings fund. Borrowers can borrow from this group fund with the approval of the group. These group funds total more than one hundred million dollars by 1998. If one member of the group cannot meet the loan repayment, the others help so they do not lose their borrowing privileges. Groups can also help out other groups within their center. A center consists of up to eight groups in a village. Each group elects a chairperson and the groups elect a center chief. Both must approve loan requests. Meetings take place with a representative of the bank present.

The work is rewarding for Yunus who likes to travel to the centers and meet the people. He watches them assume more and more responsibility for their own affairs. They develop their own plans for helping people out of poverty. Visiting the center reaffirms Yunus's faith in the program. His program lifts many people from the ranks of beggars. Their programs now require weekly repayments to begin one week after receipt of the loan at twenty percent interest. The bank has an official in the village each week to accept payments and maintain the accounting records.

Grameen is very successful and has a very high rate of repayment. Much of the reason is trust, since they have no legal recourse in the case of default. Unlike regular banks, they function on the basis of assuming the borrowers are honest. Grameen also reaches out to women, making sure that half of their borrowers are women. It takes them six years to achieve this goal since it is contrary to the practices of Bangladesh culture. The regular banking system functions for men, not for women. "It was my anger



about this situation that initially prompted me to commit to having at least 50 percent of our experimental project loans granted to women. But we soon discovered new socio-economic reasons to focus on women. The more money we lent to poor women, the more I realized that credit given to a woman brings about change faster than when given to a man," (Chapter 5, pp. 71-72).

Hunger and poverty affect women more than men in Bangladesh. If there is not enough food to feed a family, it is the mother who goes without eating. Women adapt more quickly to helping themselves when given a chance. They are better performers than men when it comes to breaking the cycle of poverty because they focus on their family, whereas the men focus on themselves. It is better to combat poverty through women than through men. Grameen has to devise tactics to reach the women they want to involve in their program. Many times, Yunus sits outside in the village and a female assistant runs back and forth between him and the women explaining the program. The women have to overcome their fears of their husbands in handling money on their own and in operating their own businesses.

Grameen has to hire females to reach the women they want to include in their programs and this is difficult because the women have to travel to rural areas on their own. They faced discrimination in the villages and there is a high turnover rate. There is a lot of family pressure on them to quit once they are married and have children.



Chapter 6, Expanding Beyond Jobra into Tangail

Chapter 6, Expanding Beyond Jobra into Tangail Summary and Analysis

In 1977 Yunus joins his parents for the feast of Ramadan. His father spends most of the time paying the religious tax which means helping the needy. His father has built a huge house named Niribili which has eight apartments for his brothers. They spend the Eid in their usual traditional way. They visit the village where Yunus was born and the men pray in an open field with the imam. After visiting the cemetery and paying the tax to the poor, they spend the day visiting relatives.

Yunus relates an incident that occurs in 1977 when he is visiting a bank in Dhaka. A banking official who is an acquaintance of his begins chastising him for hiding in the ivory towers of academia instead of doing something for the country. Yunus explains his experiments at Jobra and how his program needs institutional support and affiliation with a bank. The man, Mr. A. M. Anisuzzaman, asks him what he needs. Yunus would like a branch of the bank to set up an Agricultural Bank in Jobra that he can run his way and staff. He needs less paperwork, faster loan processing and one million taka. If it does not work, they will just close the branch bank. Anisuzzaman phones the local branch in Chittagong and tells the manager to give Yunus whatever he needs to establish the program and bank in Jobra.

The next day the Chittagong manager meets with Yunus and tells him they need to write a proposal. He sends five bank personnel to discuss the details they need to write the proposal. When he receives the massive proposal, he jots a quick note telling them what he wants. He selects the word Grameen for the name of the bank. Several months later he hears from Anisuzzaman who tells him he overstepped his authority when he tried to authorize the program. If Yunus is a bank employee it will be a different story and he can delegate the authority. Yunus says he does not want to leave the university but suggests they name one of his students as district manager. Yunus is told to submit the name of the students and they will become employees of the bank and work on Yunus's project. They decide on the name, The Experimental Grameen Branch of the Agricultural Bank.

Yunus devotes a great deal of time to the new bank. They have less than five hundred borrowers at this time. After a USAID banking conference, Yunus is called to a meeting with Mr. Asit Kumar Gargopadhaya of the Central Bank. He arranges a meeting with the managing directors of the banks to discuss Yunus's plan to extend his Jobra experiment. He is told he has to resign his post at the university and become a full time banker in order to gain their support for his program. He applies for and receives a two-year leave of absence from his teaching duties.



The expansion program is called the Grameen Bank Project in the District of Tangail with the national banks making three branches from each available to them. Grameen Bank now has twenty-five bank branches. Tangail is an area of insurrection due to a Marxist guerrilla movement. It is more or less a lawless environment. Many of their young workers have radical sympathies. Yunus encounters opposition from the local bank branches for adding to their workload. The Grameen people try to do as much of the work as possible. Many of the guerrillas go to work for them since the Grameen program offers them a constructive way to channel their energies to help the people.

The work is slow. All of their decisions are reviewed at a monthly meeting at the Central Bank.

Yunas, who is divorced by Vera after the birth of their daughter Monica, remarries in a big wedding ceremony in March, 1980. He marries a Bangladeshi named Afrozi Begum. She finishes her work at the University of Manchester and then joins him in Bangladesh. They live above their office in Tangail, a custom they still continue.

Grameen Bank continues to grow. By November 1982, the bank has twenty-eight thousand members. Their growth is due to the dedication of their employees. The experiment is thrilling to young people and affords them opportunities and duties they would not have in other forms of employment. The requirements for a bank manager's position are the person must be under twenty-eight years of age and must have a master's degree. The bank receives a large number of applicants to select from. Those selected have two days of formal training classes at the bank's institute and then spend six months working at a branch bank. When they finish their six months, they are expected to form their own Grameen branch bank. They learn mainly by working in the villages with the poor. The trainees can criticize anything and recommend new procedures. Bank workers require only two years of college and the bank receives thousands of applications every year. The staff members are committed problem solvers and teachers who could earn more working at commercial banks but choose to stay at Grameen.

The expansion in Tangail gives Grameen the opportunity to establish procedures for opening new branches. They always move slowly, targeting no more than one hundred members in their first year. After the repayment of the first hundred loans, the banks grow more rapidly. The personnel select the location they want to operate in and go there without any formal introductions or anybody paving the way for them. They find their own shelter and pay their own way. They spend their time continually visiting the poor, explaining the Grameen program and what it can do for them. They have to fight the rumors and scare tactics that are used on prospective members. Their support usually comes from the women who are in the worst positions economically.

In order to succeed, the Grameen people have to overcome their own culture and establish a counterculture, especially in order to help women. When the two year Tangail program comes to an end, the bankers attribute its success to the dedication of Yunus and his staff. They do not see how the concept can apply to other situations. The Grameen staff do not fit the mold of the traditional banker to them and they cannot

conceive of it as a viable economic model of banking. Yunus challenges them with a five-year expansion program, with them picking the locations.

Yunus has financial support from the Ford Foundation for the financing and also from the International Fund for Agricultural Development and the Bangladesh Central Bank. He develops a plan for expansion in five districts: Dhaka, Chittagong, Rangpur, Patuakhali and Tangail. The bank has loan disbursements of \$13.4 million in 1981 and it grows to \$23.9 million in 1982.



Chapter 7, A Bank for the Poor is Born

Chapter 7, A Bank for the Poor is Born Summary and Analysis

Bangladesh is run by a small handful of people, many of whom are friends of Yunus. This occasionally helps the bank overcome difficulties that it faces. In 1982, when Yunus is at a conference, they learn that a coup has toppled the civilian government and there is a new government headed by General Hussain Muhammad Ershad, the army chief of staff. The nation is under martial law and they are not allowed to leave the building. Since they cannot have their professional meeting, all of them sit and talk. One of the participants, A.M.A. Muhith has been working in the Pakistani Embassy when Yunus is in Washington for the rally during the fight for independence. He is interested in the Grameen program and wants to implement one in his own village. They spend the day talking before they are allowed to leave for Dhaka.

Muhith is named a finance minister of the new government. Yunus wants to make Grameen an independent bank and asks for Muhith's help. The seven managing directors of the Central Bank's board are impressed with the Grameen program but oppose establishing it as an independent bank. The plan for an independent Grameen is approved by the President and the Cabinet.

Yunus wants the new bank to be owned by its borrowers but in order to gain acceptance, the government has to be offered shares of ownership. They decide on forty percent ownership for the government. In September 1983, the plan is approved and Grameen Bank becomes an independent bank. "That was a day of rejoicing. My tiny project in Jobra had grown into a formal financial institution! But back in Dhaka, when I finally read the full text of the proclamation, I was shocked to see that the ownership percentages had been reversed—the government had kept 60 percent of the ownership and the borrowers had been granted only 40 percent. In effect, Grameen had become a government-owned bank. I felt betrayed" (Chapter 7, pp. 119-120).

Muhith explains that reversing the percentages is the only way he could obtain approval for the bank. He tells Yunus to set up the program under the approved plan. Once it is underway they can challenge the percentages. It will be easier to have it changed that way. Grameen decides to go along with the plan. They arrange for loans to take over the assets and liabilities they have with commercial banks and are a formal bank. They decide to have an opening ceremony and have a dispute with the government over where it should take place. The government wants the ceremony held in Dhaka; Yunus wants it held in a rural area. The ceremony is held in a rural area in Tangail with Muhith and other government officials in attendance.

Yunus designs the logo for the bank when he is attending a conference in Bangkok. It is a simple hut using the colors red and green. The red represents speed and the green represents the new life Grameen offers its members. The new Grameen Bank out



performs the traditional commercial banks. The staffers no longer worry about funding for the project being terminated. They expand their operations to include housing and other kinds of loans. They experience a few problems due to floods, but they overcome them and continue to grow.

Yunus is now ready to tackle the issue of the government's 60 percent ownership. Muhith is no longer finance minister since he resigns in 1985. His successor, Syeduzzaman, is supportive of the bank and arranges for the share structure to be changed to 75 percent ownership for the borrowers and 25 percent ownership for the government. This results in a change in the Board of Directors to bring it into alignment with the new share structure. Problems arise because Yunus is considered a government-appointment managing director. They find a problem with the Finance Minister when they try to have the provision legally changed. Yunus appeals to President Ershad. The change to the provision is approved by the Parliament just before the government is toppled. Yunus is now an employee of the Grameen Bank.

Grameen Bank continues to expand through the 1980s adding approximately one hundred new branches each year. By this time they have an experienced training staff and that allows for the rapid expansion. They watch their borrowers' businesses grow and the villages begin to sport new houses built with the profits the borrowers earn. In 1984, Grameen applies to the Central Bank for help in establishing a home loan program. Their application is rejected. Grameen changes the wording to shelter loans and re-submits the application. Again they are because shelter comes under the category of consumption and not income-generating activities so Grameen tries the term factory loans. Most of their borrowers work in their homes so their homes are basically factories. Grameen is rejected again. Yunus meets with the governor of the Central Banks and obtains approval for a trial program. The program is highly successful with no default rate. The Grameen program also wins an award called the Aga Khan International Award for Architecture since they have a prototype \$300 house.



Chapter 8, Growth and Challenges for the Bank for the Poor, 1984-1990

Chapter 8, Growth and Challenges for the Bank for the Poor, 1984-1990 Summary and Analysis

Since Bangladesh has a population of 120 million in an area the size of Florida, the nation attracts many people who study population related problems. Yunus feels that even though their population has grown, Bangladesh is better off economically since they have become an independent country. The country is more self-sufficient in feeding its population, which has doubled since the nation gained independence. Yunus feels they should help improve the condition of the people rather than try to limit the growth of the population. Instead of engaging in scare tactics about the size of the population growth, they should emphasize improving life for the lower half of the population.

As women gain equality and their economic and living conditions improve, the birth rate tends to fall. Yunus feels that if women have better earning capabilities, they will curb their own birth rates. Grameen members tend to practice family planning more than non-members do and they have a lower birth rate than non-members do. If it is true that credit programs have this affect, then why are they not being provided by international and governmental agencies? Yunus believes these agencies have their priorities in the wrong places.

Grameen holds annual workshops for center leaders from each branch and it is through these workshops that Yunus sees how the people are solving their own problems. The workshops are so successful that they hold a national workshop in Tangail in 1980. In 1982 they have another national workshop that results in a program called the Ten Decisions, which is expanded to Sixteen Decisions. These includes things like bringing prosperity to their families, eating more vegetables and selling the surplus, educating children, prohibition of accepting or paying dowries, and things of this nature.

No matter what disaster occurs, the Grameen philosophy is to encourage the borrower to repay his debt for matters of self-esteem and confidence in the borrower. The borrower who defaults experiences years of a lack of faith in herself. The bank philosophy is to make a new loan to someone who experiences a disaster without wiping off the old loan. They work out a new payment plan for the person to help the borrower out of their difficulties. Grameen has plans for disasters. They help rescue people in floods and see that they have provisions. They provide disaster loans. The local center has special authority during emergencies and disasters.

"From the very beginning, Grameen has gone against traditional methods of poverty alleviation by handing out cash without any attempt to first provide skills training. We have received a great deal of criticism for this policy, even from some of our friends. In Jobra, we simply did not see any need for formal training, and our experience in the



1980s gave us more confidence that we had taken the right approach," (Chapter 8, p. 140).

Grameen does not try to teach its members survival skills. They try to make use of the skills that the people already have. The borrowers teach each other. Grameen does not provide any kind of training programs for them in contrast to the international and governmental agencies that try to fight poverty. Yunus does not believe in forcing training on the poor and does believe in making new technology available to them. Many members now have cellular phones, internet access and solar energy thanks to Grameen.

One of the biggest adversaries Yunus has is the World Bank. He is one of their biggest critics. They have a very public disagreement at a World Food Day teleconference when the World Bank representative says that Grameen has been a recipient of World Bank financial support. Yunus very emphatically sets the record straight, that Grameen never has requested or will accept World Bank financing. He does not like their practices of taking over projects and reformulating them the way the World Bank wants. After being rejected by Grameen, the World Bank tries to implement its own micro-credit program in Bangladesh. The government rejects the idea so they try it in Sri Lanka.

Yunus concludes that development agencies have a lot of money to give out. The loan officer that gives out the most is in better standing with the organization than one who does not give out much. Much of the money in these programs is spent on equipment and consultants and other things in the donor country. He also suspects that kickbacks and bribes are a big part of the picture. Yunus, an economist, feels that economics does not pay enough attention to the power of credit in helping the poor. Credit creates economic power which in turn creates social power. Traditional micro-economics views self-employment in the Third World as a sign of underdevelopment even though it is the main livelihood of the majority of the population.



Chapter 9, Application in Other Poor Countries

Chapter 9, Application in Other Poor Countries Summary and Analysis

"Our success in Bangladesh led me to hope that our micro-credit methodology could have near-universal applicability. During the late 1980s and early 1990s, we proved that the Grameen idea could improve the lives of poor people throughout the world. Pilot projects in Malaysia and the Philippines led the way," (Chapter 9, p. 155).

Yunus meets the Canadian Professor David Gibbons at a conference in Dhaka in 1985. He asks if he and associate Sukor Kasim can spend a month working at a Grameen branch to learn the methodology. Yunus authorizes it since Gibbons is teaching in Malaysia and advocating micro-credit programs to help the Malay population. The two plan to establish a Grameen program in Malaysia and Yunus supports their plans. The program is called Project Ikhtiar and it begins in 1987. The program is funded by the Asia and Pacific Development Centre (APDC) which later funds the programs in the Philippines. After their two year trial program, they decide to expand to Northern Malaysia. They eventually begin programs in more than a dozen countries in Asia. CASHPOR is the name of their Grameen replication programs.

Replication programs begin in the Philippines by economics professor Dr. Generoso Octavio. His programs are very successful even though he has some trouble establishing his management structure. His structure functions much better when it becomes an independent organization called Ahon Sa Hirop (ASHI). After Octavio leaves to teach in Malaysia, other competent people step in and continue the success of the program. It becomes one of the most successful of the replication programs that is implemented.

Yunus speaks at a World Bank seminar and tells the audience that World Bank policies cause unemployment. They create a new poor while Yunus says he is more concerned with the old poor, the people who never have jobs. The old poor are the people that Grameen style micro-credit programs can help. Also attending the conference is Governor Daniel Lacson. He is the governor of the Negros Occidental province in the southern part of the Philippines. Lacson talks to Yunus and afterward sends Dr. Cecile D. del Castillo to Bangladesh to visit Grameen. When she finishes at Grameen, she returns to the Philippines and starts Project Dunganon in Negros Occidental. This is the second of the Filipino programs.

CARD, the Landless People's Fund of the Center for Agriculture and Rural Development is the third program in the Philippines. Founder Aris Alip also visits Grameen in Bangladesh and returns to the Philippines and begins a program that grows to include thirty Grameen replication programs. They eventually establish the independent CARD

bank. Grameen style micro-credit programs are also implemented in India, Nepal, Vietnam and even in China in the mid-1190s. Programs are also launched in Latin America and Africa. There are even micro-credit programs in wealthy countries like the United States.

Many of the replication programs have difficulty obtaining financing. They need the funds to travel to Bangladesh to study the Grameen program and spend time at branches. Yunus urges them to look for financing in their own country. At a lecture in Chicago, Yunus proposes beginning a Grameen Trust that will provide money for this purpose. He is immediately provided with the grant money from the MacArthur Foundation. They even write the grant proposal for him. Other grants follow from, among other places, the Rockefeller Foundation and the World Bank and the Grameen Trust receives \$19.8 million. This money is used for sixty-five replication programs in twenty-seven countries.

Four times a year Grameen sponsors its International Dialogue Program. This is a two-week conference held in Bangladesh whose purpose is to attract replicators. They usually have at least twenty people at each conference. As part of the conference, they send the people to their branches in the rural areas to allow them to experience Grameen on a human level. The conference also shows them how to apply for seed-money grants from Grameen Trust for beginning their own replicator.

There are competing micro-credit programs, some of which Yunus has been involved in establishing, like the Polli Karma-Sahayak foundation (PKSF). These programs have to compete for borrowers. Yunus feels that this form of competition is good for the borrowers who benefit from lower interest rates. Other organizations are set up that are related to micro-credit. The Grameen Foundation is founded in the United States.



Chapter 10, Applications in the United States and Other Wealthy Countries

Chapter 10, Applications in the United States and Other Wealthy Countries Summary and Analysis

Grameen can work wherever there is poverty according to Yunus. It does not matter what country is it because the poor people need and are worthy of credit. Yunus says that Grameen can even work in the United States. There are many skeptics in the United States when it comes to a Grameen style program. Can the program actually lift the poor out of poverty rather than just alleviating symptoms? Many believe that the welfare state of the wealthier countries has created people who cannot function to help themselves no matter what. There is no reason for them to because of the variety of welfare programs. This is the skepticism expressed by many Americans. However, Yunus does not give up on the United States beginning micro-credit programs and by the mid-1980s, there are some people expressing an interest.

The interest comes through contacts in Chicago. Hillary Clinton's college roommate, Jan Piercy, had been in Bangladesh and is now at the South Shore Bank. She introduces the Clintons to Ron Grzywinski and Mary Houghton. The governor is advised of the benefits of trying a Grameen program in Arkansas and he is interested in learning more. They immediately begin to work on the program and decide on the easiest way to set it up so it could be made operational quickly.

When the organizers travel to Arkansas, they are greeted by small business owners. These are not the people that they are looking for, as they explain to the government representatives. They are not looking for poor business people, just poor people. That is who the micro-credit program is designed for. They suggest that they use a list of people on welfare and they are taken to see a few people. The organizers are interested in how the American poor will react. They explain the program to some of the poor in Arkansas. Eventually, people begin to call out how much money they want and for what reason. "Every suggestion gave me reason to hope. These business plans and aspirations of really poor Americans had a great deal in common with the poor of Bangladesh, Malaysia and Togo," (Chapter 10, p. 180).

A pilot project is developed in Pine Bluffs, Arkansas. It is run by Julia Vindasium of the South Shore Bank and called the Good Faith Fund. The program grows and helps hundreds of poor in Arkansas. Clinton maintains his interest in micro-credit programs as President. This pilot project is the first of several that are developed in the United States. In South Dakota there is the Lakota Fund which provides micro-credit to members of the Sioux Nation. Grameen programs are established in Chicago.

The problem in the United States is the design of the welfare programs. There are very distinct disincentives for people to work. Recipients have to report every dollar of



income that is then deducted from their next check and they are not allowed to borrow. They have to negotiate with the State of Illinois to obtain a one-year waiver for the welfare recipients to take part in the micro-credit program. This law has since been amended.

Grameen Foundation USA is the organization that helps set up the micro-credit programs in the United States. There are different adaptations of the Grameen programs. These adaptations in the United States may not require groups or they may not focus on woman or there is something else that varies from the basic Grameen concept. There are also Grameen programs in Europe, both Western and Eastern areas. Countries with welfare benefits programs are countries that have people who are afraid to take the plunge with micro-credit for fear of losing their welfare benefits and health care coverage. In addition, there is a lot of bureaucratic paperwork and procedures that exist in the United States and Europe that must be complied with that function as a obstacle to Grameen members being successful. In some cases these obstacles can be overcome, such as in Scandinavia.



Chapter 11, Grameen in the Nineties

Chapter 11, Grameen in the Nineties Summary and Analysis

The military government of President Ershad is overthrown in December 1990. The following February elections result in the election of Begum Khaleda Zia. Grameen helps to mobilize its members to register to vote. The centers decide who they will support and then go to the voting booths en masse. According to Yunus's orders, the Grameen staff is not in any way supposed to influence the choices made by the members. Many Grameen members run for union council offices and win. They eradicate a political party that opposes woman's rights.

There are several events that catch Grameen off-guard. First is the forgiveness of certain loans from government banks. This does not apply to Grameen borrowers but many think that it does which creates some problems for Grameen. Another disaster is a cyclone on April 30. Many people feel that Grameen will be wiped out by disasters but this has not proven to be the case. They are right there to help people through the disasters and then help them to rebuild.

By 1994 the bank is thriving and has one of their best years ever. By 1996, they have loaned out their one billionth dollar and have more than two million borrowers. In 1998, they loan out their two billionth dollar. Yunus travels to the villages and sees how many people have been lifted out of poverty. Grameen has a goal of having all members poverty-free. In Bangladesh, they devise a list of ten indicators that they use to evaluate the poverty status of their members. Included on the list are items such as beds for all family members, having a vegetable garden and such things. The free market does not function to solve all social problems. However, Yunus believes that government should perform only a few functions, such as law enforcement, justice, national defense and foreign policy. The private sector should do the rest. It should be a social-consciousness-driven private sector or a Grameenized private sector.

The Grameen member needs no special training. Whatever it is they chose to do to generate income with their loan money, they have already the training, whether it is making stools, husking rice, or whatever. If they want training for something else, they pay for it: it is not provided or required by Grameen.

Yunus believes in competition. It is the driving force of capitalism. However, he believes that the conception of the entrepreneur should be changed. Yunus does not believe the entrepreneur has to have special qualities or gifts in order to be successful. He also believes that in some cases profit-maximization should be second to social goals and this should be a factor considered in making investment decisions. Yunus also feels Grameen cannot be defined or classified with the traditional political terms and labels. Grameen does not favor either the public or the private sector. Yunus, as stated above,

favors a social-consciousness-driven private sector which could be a third sector in any economy.

To Yunus, development means improving the condition of the bottom one quarter to one half of society with emphasis on the lower one quarter. This is the group that micro-credit programs, like Grameen, are designed to reach.



Chapter 12, Beyond Micro-credit: A New World of Grameen Enterprises

Chapter 12, Beyond Micro-credit: A New World of Grameen Enterprises Summary and Analysis

In 1985 Yunus is asked to take over a fisheries project that has hundreds of ponds. The person who asks him is the secretary of the Fisheries Ministry of Bangladesh. Yunus responds that they are a bank and do not know anything about running a fishery and tells him no. A week later the secretary calls him again and asks him to attend a meeting. Yunus attends and the two men talk after the end of the meeting. Yunus decides to accept the fisheries project and help transfer the assets to the landless poor. The project, called the Nimgachi project, is transferred to Grameen on January 1986. The government leases them more ponds in 1988.

There are problems with the fisheries project. There are floods in 1987 that result in the ponds being populated with predator fish. There is a high mortality rate due to the absence of nurseries. There is also a problem with poaching and theft. There is also opposition by the government people who lost control of the project. There were also leftist guerillas in the area, but once they are won over, the Bank's job continues. Little by little the Bank makes progress. The poor contribute their labor and the Bank contributes the technology and management and they split the out-put fifty-fifty.

"In Bangladesh, there is no reason why people should remain poor. Our problem is one of management, not lack of resource. With proper management framework, the rich resources of Bangladesh can solve our poverty problem once and for all," (Chapter 12, p. 221). Yunus looks at the case of the weavers in Bangladesh. They make beautiful hand-woven cloth for saris and other items. A Grameen staffer, Khalid, goes to live among them to learn their problems. He finds part of the problem is in the yarn market and part is the fact that Bangladesh is importing Madras Check fabric from India. Even though the local cloth is better, it is easier to order in bulk from India than deal with hundreds of individual weavers. Eventually they form Grameen Uddog to link the local weavers with the export industry. It functions as a marketing agent for the weavers. They do \$2.5 million in business during the first year and they have grown every year since then. Grameen Shamogree makes finished goods with their Grameen Check cloth.

In 1996 Grameen receives a cellular phone license. Grameen Phone is a for-profit company; Grameen Telecom is a not-for-profit company. They establish a cellular phone network throughout Bangladesh. Each village will have a telephone lady who allows her phone to be used by people who pay for their calls. This allows them to have communications with each other and with the outside world. It also facilitates their businesses.

There is also a Grameen Securities Management Companies that helps Grameen members prepare for retirement. They have stock options and mutual funds and members may sell them during emergencies.

Chapter 13, Grameen Bank II

Chapter 13, Grameen Bank II Summary and Analysis

Grameen has been a very successful program. The bank has come a long way from the twenty-seven dollar loan made by Yunus to the stool makers of Jobra. They have faced many problems and have solved them. With more than one thousand one hundred branches they service more than 2.6 million borrowers. The bank is more or less self-reliant, financing almost all of its loans from its loan funds or savings of depositors. The bank stopped taking funds from donors in 1995. With the exception of three years, the bank has been profitable every year. From Yunus's point of view they are proving that businesses that have social objectives can succeed and be profitable.

Grameen now has three different kinds of loans for its borrowers. There are income generating loans, housing loans and educational loans. All of their loans are based on simple interest calculated on a declining balance basis. There is also a scholarship program for the children of Grameen members.

A new version of the Grameen operational methodology is launched in 2001. This is called the Grameen Generalized System (GGS or Grameen Bank II) as opposed to the original version or Grameen Classic System, or GCS). The new methodology is slowly put into place without causing shock to the system. The purpose of the GGS is to make life simpler for the borrowers. They now provide a basic loan with an alternative route called a flexible loan, which is a rescheduled basic loan. The new program is designed to maintain the dignity and self-esteem of the borrower who cannot pay on the original schedule.

The new program also allows for loans of different time periods, instead of just one year. The loan product can be designed to fit the particular circumstances of the borrower. Grameen gives its staff members the leeway to be creative. Loans above a certain amount require monthly contributions to a retirement fund. The amount in their account is guaranteed to double in ten years, which is why it is so attractive to people. The branches are becoming self-financed and expansion is now with internal funding. There is also a loan insurance program in case of the death of a borrower. This functions on the basis of yearly contributions by the borrower and it eases their fears of the debt becoming a burden to surviving family members. The new program also contains a color coded star system whereby branches earn the stars for achieving certain goals. All of the branches are working toward becoming five star branches.

Chapter 14, The Future

Chapter 14, The Future Summary and Analysis

Nobody can know what will happen in the next one hundred years. There will be changes in the world that cannot be predicted. All that can be said is that if someone goes back one hundred years in time, they see conditions and a way of life that seems primitive to them. This will also be true if people one hundred years in the future came back to life at the current time. The big question is what kind of economic and social changes will occur and whether or not they will be desirable.

The idea is to have some kind of general goal for the future and then to develop a plan to work toward it. Yunus would like to see a world that is free from poverty. All people should be able to meet their basic needs and the word poverty will only refer to the past. Charity is not a way to cure poverty. It is just a way of letting those who are better off ignore the situation. The poor must not be victimized in the globalization of the future; they must be active players with a fair chance. The poor must also share in the coming technology and it is a role for government to make sure that they do.

Yunus believes that one of the ways to combat poverty is to encourage social entrepreneurs. Let the individual compete in the marketplace motivated by a set of social objects and let him earn a profit. The greater the social impact of the entrepreneur, the greater will be his profit. Investors will look for investment opportunities that have social significance. This will probably require the existence of separate stock markets and financial infrastructure. The present infrastructure is geared toward the accumulation of personal wealth.

The internet will also play a significant role in the future. It is a free source of information with no controls. Grameen is working to bring the internet to the poor. They already have the mobile cellular system and are working to expand through that. Yunus also sees free trade as a key factor in the future. Free trade will allow more people to have access to more goods and services. The goal of the Microcredit Summit in 1997 is to reach one hundred million poor families in the next ten years. The figure is revised at the 2002 meeting.

"We have created a slavery-free world, a smallpox-free world, an apartheid-free world. Creating a poverty-free world would be greater than all these accomplishments while at the same time reinforcing them. This would be a world that we could all be proud to live in," (Chapter 14, p. 262).



Characters

Mohammad Yunus

Yunus is the author and the main character of the book. He grows up in the city of Chittagong, the son of a local jeweler. The family lives in quarters above the jewelry shop. Yunus develops his compassion for and interest in the poor from his mother who always puts money away for poor relatives. He attends the Lamar Bazar Free Primary School as a child. He attends high school and receives a monthly stipend by winning the Competitive Scholarship Examination. After high school he attends Chittagong College in Chittagong. At the age of twenty-one he is offered a teaching post in economics, which he holds from 1961 to 1965. He also establishes a successful packaging and printing business at this time and in 1965 receives a Fulbright scholarship to study for a Ph.D. in the United States and attends the University of Colorado for a summer of study and then enrolls at Vanderbilt for his graduate studies. When trouble begins in Bangladesh he works for the establishment of a government and recognition of Bangladesh. He returns to Bangladesh after the war for independence is won. He becomes interested in poverty and begins experimental programs in the village of Jobra, where he finds that forty-two people are living in abject poverty because they cannot come up with a total of twenty-seven dollars to buy the raw materials they require. This eventually leads to the formation of Grameen Bank. The Bank grows and so does its programs group, with Yunus at the head.

Sofia Khatun

Sofia Khatun is the wife of Dula Mia and the mother of Yunus. She functions as the family disciplinarian. Yunus states she is the strongest influence on him due to her compassion for the poor. She always puts money away for the poor and is there to help them when they need help. Sofia's family were merchants and traders who traded with Burma. Even though her father is a landowner, he leases the land out. His grandchildren, including Yunus, remember him most for the good food he always ate. She always tells her sons the story of the Karbala where the sky was red on one side and blue on the other. The red, she told him, is for Hussein and the blue is for Hassan, who were grandsons of the prophet. Sofia has fourteen children, five of whom die as children. When Yunus is nine, Sofia comes down with some form of mental illness that lasts for thirty-three years until her death in 1982.

Dula Mia

Dula Mia is the father of Mohammad Yunus. He grows up in his family village of Bathua, where he moves his family after their house is damaged by a bomb. Even though he farms the land his father owns, he dabbles in the jewelry trade as a sideline and it becomes Dula's occupation. Dula insists that his children study their school lessons.



Dula is a devout Muslim and has made three pilgrimages to Mecca. He follows traditional customs and is usually dressed in all white.

Vera Forostenko

Vera Forostenko is a student working towards a Masters degree in Russian literature. She is born in Russia and moves to the United States with her family after World War II. She is from Trenton, New Jersey and marries Yunus in 1970. After the birth of their daughter, Monica, in 1977 they divorce, since Vera does not want to raise the child in Bangladesh and Yunus will not leave.

Afrozi Begum

Afrozi Begum is the second wife of Yunus. She is a physics researcher at the University of Manchester who finishes her studies and joins her husband in Bangladesh. Their daughter, Deena Afroz Yunus, is born on January 24, 1986.

Bill Clinton

Bill Clinton is the governor of Arkansas when a Grameen program called the Good Faith Fund is started in Pine Bluffs. He later runs for President and uses the program as an example of how to combat poverty.

Salam

Salam is the older brother of Yunus and his closest companion.

Momtaz

Momtaz is Yunus's sister and is twelve years older than he is. She marries as a teenager.

Ibrahim

Ibrahim is a brother of Yunus and is five years younger.

Tunu

Tunu is a younger sister of Yunus and is seven years younger.



Ayub

Ayub is a younger brother of Yunus.

Azam

Azam is a younger brother of Yunus.

Jahangir

Jahangir is a younger brother of Yunus.

Moinu

Moinu is a younger brother of Yunus.



Objects/Places

Chittagong

Chittagong is the largest port in Bangladesh and the site of the university where Yunus teaches.

Chaktai

Chaktai is a port city of Bangladesh and the location of the central produce market.

Bathua

Bathua is located seven miles from Chittagong and is where Yunus's father's family is from. It is where they stay after the house in Chittagong is damaged by a Japanese bomb in World War II.

University of Colorado

Boulder is the location of the University of Colorado where Yunus spends a summer studying before graduate school.

Vanderbilt University

Vanderbilt University is where Yunus does his graduate work in economics.

Murfreesboro, Tennessee

Yunus and his wife live in Murfreesboro, Tennessee where he obtains a teaching position at Middle Tennessee State University.

Washington D.C.

Washington D.C. is the site of a rally by the Bengalis who favor independence for Bangladesh. It is where Yunus works with Bengali officials in the Pakistan embassy to help try to form a government for Bangladesh.

Jobra

Jobra is a village outside the grounds of the Chittagong University.



Dhaka

Dhaka is a major city in Bangladesh and the headquarters of the Grameen Bank.

Tangail

Tangail is an area near Dhaka where the Grameen program is extended to in June, 1970.

Pine Bluffs, Arkansas

Pine Bluffs is the site of the first Grameen style micro-credit program in the United States.



Themes

Concern for the Poor

The overriding theme of the book is concern for the poor. Yunus is raised in a middle class family that does not have to worry about starvation. His father owns a jewelry shop so they always have enough to eat. Yunus learns compassion for the poor from his mother. She always puts away money to help those in need.

When Yunus is teaching, he sees the village of Jobra which is located outside the school grounds. There are unused fields during a time of starvation. He becomes interested in the village and the problems and he and his students begin to work with the villagers. He sees the abject poverty of the people and wonders how to help them. He finds that they are kept in the cycle of poverty by having to do business with middlemen. They cannot afford to buy the raw materials they need to be able to sell their wares at the market and receive the full market price. They receive only a small part of the market price from the middleman. This is the situation that leads to the development of micro-credit programs.

The concern for the poor leads Yunus to be interested in the village. It also leads to other people becoming involved in the Grameen program in order to help the poor. These people are dedicated and spend a lot of time reaching the poor and talking to them and helping them to help themselves. Without this kind of concern and dedication, many people would still be trapped in poverty, unable to provide for themselves and their families. The programs developed by Yunus are not just academic studies. They are an attempt to deal with problems that economic theory and government programs could not reach.

Inadequacy of Formal Economic Theory

Yunus is trained in traditional economic theory in both Bangladesh and the United States. This traditional theory is based on the belief that when there is development and prosperity in a nation, that all will share in it and benefit. The prosperity will trickle down to the poor and they will be able to better themselves. The theory sounds good, but it does not work. This is the conclusion Yunus reached.

Yunus goes into the village of Jobra and talks to the poor. He asks them what their problems are and why the problems exist. They tell him. It is apparent to Yunus that there is no way for the poor to break out of the cycle of poverty. The system is designed to keep them in poverty. They can never get enough money to buy their own raw materials. They always have to buy from the middlemen and sell their wares to him on his terms. They can never receive the full market price without being able to buy their own supplies.



There are no micro-credit programs available at the time. Banks will not lend such small amounts, especially when the people have no collateral. This is the problem Yunus's micro-credit programs, and then the Grameen Bank, solve and it is a problem that is beyond the reach of the governmental and international development agencies and their poverty alleviation programs.

Belief in the Poor

The reason why the Grameen Bank comes into existence is Yunus's compassion for people and his belief in the poor. The poor have no collateral for the small loans they need so they cannot walk into a bank and obtain a loan. The loan amounts they require are so small that the bank will not even cover the cost of its paperwork. They need someone to trust them and have faith in them, and this is what Yunus and Grameen gives them.

Grameen makes loans to people based on the belief that the people will repay the loans. They work out the interest rates and the payment schedule so they are manageable for the poor. The bank believes they will repay the loan because it is the only chance they have to lift themselves out of poverty. There is no other institution that will give them the chance. Yunus is not wrong since the bank has a 99 percent repayment rate, which is better than commercial banks do.

If Yunus and others did not have faith in the poor, the poor would have had no chance to break out of the cycle of poverty. The bank structures its program so that an individual's dignity and self-esteem are protected, even if he falls behind in his payments. Due to Yunus's belief in the poor, many people are given the chance to break out of the cycle of poverty and provide for themselves, their families and their own retirement without being a burden on their families.

Style

Perspective

The book is written in the first person point of view with Yunus as the narrator. This is Yunus's story of how the bank comes into being from a twenty-seven dollar loan he makes to some of the villagers of Jobra. The first person point of view allows the reader to experience many of the events through Yunus's eyes. The reader has the benefit of his knowledge and experience as an economist and as a Bangladeshi.

The story Yunus tells is a powerful story. Unless the reader has traveled and lived in the Third World countries, it is difficult for the reader to understand the kind of poverty these people live in. The reader has Yunus trying to convey the level of poverty, the despair of the people and what being trapped in the cycle of poverty means. His firsthand experience has a powerful impact on the reader.

The intended audience for the book is anyone who is interested in economics, poverty or banking. The reader does not have to have any knowledge of economics to understand the book since it is written without the use of economic jargon. The reader cannot help but be in awe of what Yunus accomplishes in spite of the problems with government. All he does is talk to the people, find out what their problems are and design a program to help them on the simplest level.

Tone

The tone of the book is more or less subjective. Yunus tells the story in the tone of a researcher relating the facts objectively, but his own feelings of compassion and concern for the poor come through over and over again throughout the book. So do his feelings of frustration and anger at the various situations. The book is well written in an easy to read and understandable manner which makes its effect all the more powerful on the reader.

The reader, like Yunus, has to wonder how the abject poverty of these people can exist, in spite of all of the multi-million dollar programs that are designed to alleviate poverty. None of these programs get at the cause of the poverty and are designed to help lift the people out of the cycle of poverty. They all emphasize training and teaching the poor new skills. Yunus says they already have the skills required for survival and just need a way of using these skills. As the reader reads the book, the reader, like Yunus, wonders at how these programs could fail so miserably.

The tone of the book has a powerful effect on the reader because of these reasons. The reader, like Yunus, can determine what the solutions to the problems are and feel the frustration of Yunus at the kinds of poverty programs that spend millions of dollars and totally miss the mark. The mixture of subjective and objective has a very powerful impact on the reader.

Structure

This book is divided into fourteen chapters. The chapters are somewhat chronologically arranged, but the information and details in them are not. All of the facts are not always in one place which means that the reader has to spend some time flipping through the pages to find the information. For example, Yunus talks about the college he attends, but does not give the name of the college until the next chapter. The book could have been a little better organized in this respect.

There is an Introduction which sets the framework for the book. There is a page called For Further Information that gives the addresses in Bangladesh and in the United States for people who want to contact Grameen. There is also an Index which is useful for looking up information. There is also a section with pictures. The pictures make the poverty, the people and the work of the Grameen more real for the reader.

Overall, the book is well written and easy to read. There are some discrepancies with ages, but these do not detract from the story of the book. The format chosen suits the book, but as mentioned above, it would have been better to give the details about certain places at the point at which they are first mentioned, as with the example of the college above.



Quotes

"Mother also worked on some of the jewelry sold in our shop. She often gave a final touch to earrings and necklaces by adding a bit of velvet ribbon or woolen pompoms or by attaching braided colored strands. I would watch as her long thin hands worked away at the beautiful ornaments. It was the money she earned on these projects that she gave away to the neediest relatives, friend, or neighbors who came to her for help," (Chapter 1, p. 6).

"I particularly recall a train trip across India to the First Pakistan national Boy scout Jamboree in 1953. Along the way, we stopped and visited various historical sites. Most of the time, we sang and played, but standing in front of the Taj Mahal in Agra, I caught our assistant headmaster, Quazi Sirajul Huq, weeping silently. His tears were not for the monument or for the famous lovers who are buried there or for the poetry etched on the white marble walls. Quazi Sahib said he cried for our destiny and for the burden of history that we were carrying. Though I was only thirteen, I was struck by his passionate explanation," (Chapter 1, p. 12).

"I have always thought of myself as a teacher. Even as a child, I loved instructing my younger brothers and insisted that they get only top grades in school. Immediately out of college, at the age of twenty-one, I was offered a post as a teacher of economics in my old college at Chittagong. The college, established by the British in 1836, was one of the most highly respected in the subcontinent. I taught there from 1961 until 1965," (Chapter 2, p. 15).

"During the next nine months we drew a very clear picture of the future Bangladesh. We wanted to ensure the people's right to a free and fair election and to a life devoid of poverty. We dreamed of happiness and prosperity for all citizens and a nation that would stand with dignity among all other nations in the world," (Chapter 2, p. 28).

"I thought we should do something about the unused fields. It was a shame to let the land around a university campus remain barren. If a university is a repository for knowledge, then some of this knowledge should spill over to the neighboring community. A university must not be an island where academics reach out to higher and higher levels of knowledge without sharing any of their findings," (Chapter 3, p. 34).

"Analyses of the causes of poverty focus largely on why some countries are poor rather than on why certain segments of the population live below the poverty line. Socially conscious economists stress the absence of 'entitlements' of the poor. What I did not know yet about hunger, but would find out over the next twenty-two years, was that brilliant theorists of economics do not find it worthwhile to spend time discussing issues of poverty and hunger. They believe that these will be resolved when general economic



prosperity, but rarely reflect on the origin and development of poverty and hunger. As a result, poverty continues," (Chapter 3, p. 35).

"Sufiya Begum earned two cents a day. It was this knowledge that shocked me. In my university courses, I theorized about sums in the millions of dollars, but here before my eyes the problems of life and death were posed in terms of pennies. Something was wrong. Why did my university courses not reflect the reality of Sufiya's life? I was angry; angry at myself, angry at my economics department and the thousands of intelligent professors who had not tried to address this problem and solve it. It seemed to me the existing economic system made it absolutely certain that Sufiya's income would be kept perpetually at such a low level that she would never save a penny and would never invest in expanding her economic base. Her children were condemned to live a life of penury, of hand-to-mouth survival, just as she had lived it before them, and as her parents did before her," (Chapter 4, p. 49).

"That was the beginning of it all. I never intended to become a moneylender. I had no intention of lending money to anyone. All I really wanted was to solve an immediate problem. Out of sheer frustration, I had questioned the most basic banking premise of collateral. I did not know if I was right. I had no idea what I was getting myself into. I was walking blind and learning as I went along. My work became a struggle to show that the financial untouchables are actually touchable, even huggable. To my great surprise, the repayment of loans by people who borrow without collateral has proven to be much better than those whose borrowing are secured by assets. Indeed, more than 98 percent of our loans are repaid. The poor know that this credit is their only opportunity to break out of poverty," (Chapter 4, pp. 57-58).

"Retaining female bank workers has proven very difficult. Typically, if a female Grameen bank worker gets married, her in-laws exert pressure on her to quit her job. They do not want a 'decent' young woman walking alone around villages. They also worry that she might not be able to defend herself in case of trouble. After her first child, the pressure grows for the female bank worker to quit her job. And then after the second or third child, the woman often wants to spend more time at home with her children. And the miles of walking that she did as a young woman are not as easy for her. When we announced our pension program in 1994, which included an early retirement option, we were saddened though not too surprised that many of our female employees opted to leave Grameen," (Chapter 5, p. 79).

"By November 1982, Grameen Bank membership had grown to 28,000, of which fewer than half were women. How did we achieve this jump from the 500 Jobra members we had in 1979? There was no one secret to the success of our Tangail expansion, but surely the hard work and dedication of our bank workers and managers was an essential part of it. From those early days, we learned the importance of picking fresh young people to run our branches. Surprisingly, people without previous work



experience of any kind are often best suited for this. Previous work experience distracts new workers from the ideals and unique procedures of Grameen," (Chapter 6, p. 100).

"After all of these struggles, repeated in thousands of villages, it is frustrating to hear people dismiss our accomplishments, arguing that Grameen's success is due to cultural factors that cannot be replicated elsewhere. To succeed in Bangladesh, in many ways we have had to struggle against our culture. In fact, we have had to create a counterculture that values women's economic contribution, rewards hard work, and punishes corrupt practices," (Chapter 6, pp. 110-111).

"We wanted the function held in a rural setting—where we worked, surrounded by our borrowers, near their homes and their villages. We were a bank of the rural people, for the rural people and the symbolism of where we opened would not be lost on anyone," (Chapter 7, p. 121).

"I firmly believe that all human beings have an innate skill. I call it the survival skill. The fact that the poor are alive is clear proof of their ability. They do not need us to teach them how to survive; they already know how to do this. So rather than waste our time teaching them new skills, we try to make maximum use of their existing skills. Giving the poor access to credit allows them to immediately put into practice the skills they already know—to weave, husk rice paddy, raise cows, peddle a rickshaw. And the cash they earn is then a tool, a key that unlocks a host of other abilities and allows them to explore their own potential. Often borrowers teach each other new techniques that allow them to better use their survival skills. They teach far better than we ever could," (Chapter 8, p. 140).

"My less-than-pleasant experience with the World Bank spurred me to learn as much as I could about development agencies. One observation that became increasingly apparent is that multilateral aid institutions have a lot of money to disburse. Officials determine target amounts for each country. The more money officials manage to give out, the better grade they receive as lending officers. Therefore young, ambitious officers of a donor agency will choose the projects with the biggest price tag. By moving a lot of money, their name moves up the promotion ladder," (Chapter 8, p. 145).

"In many Third World countries, the overwhelming majority of people make a living through self-employment. Not knowing where to fit these individuals into their analytical framework, economists lump them in a catchall category called the 'informal sector'. But the informal sector really represents the people's own effort to create their own jobs. I prefer to call it the 'people's economy,' a term often used by a German friend of mine, Karl Osner, who has played a critical role in educating Europeans about micro-credit. Any economist with a real understanding of society would have come forward to increase the efficiency of this people's economy rather than undermine it. In the



absence of economists' support, organizations like Grameen must step into the breach," (Chapter 8, pp. 150-151).

"Encouraged by the success of the programs in Malaysia and the Philippines, new programs continued to sprout up in India, Nepal, Vietnam, and elsewhere. Even China launched three programs in the mid-1990s. Then came Latin America and Africa, with a program called the Small Enterprise Foundation (SEF), founded by John De Wit in South Africa," (Chapter 9, p. 161).

"Micro-credit is not a miracle cure that can eliminate poverty in one fell swoop. But it can end poverty for many and reduce its severity for others. Combined with other innovative programs that unleash people's potential, micro-credit is an essential tool in our search for a poverty-free world," (Chapter 9, p. 171).

"I advanced the same arguments I had made to bankers in Bangladesh. 'The poor,' I said, 'are very creative. They know how to earn a living and how to change their lives. All they need is opportunity. Credit brings that opportunity. Perhaps our two societies are different and thousands of miles apart, but I don't see any difference between the poor of Bangladesh and the poor of Chicago. The problems and consequences of poverty are the same,'" (Chapter 10, p. 184).

"In a Third World country like Bangladesh, democracy allows the poor to take advantage of their greatest asset—their large numbers. But to do so, they must be actively organized," (Chapter 11, p. 195).

"As I thought more about what we had accomplished at the Grameen Bank, I wanted to convey to other economists and policy makers that our success was not an aberration, but rather a specific example of a new kind of enterprise—an enterprise driven by an attitude that I labeled 'social consciousness.' But my explanation almost necessitated the creation of a new branch of economics. Traditional theories did little to help me explain what I was trying to do with Grameen," (Chapter 11, p. 203).

"There is little doubt that the free market, as now organized, does not provide solutions to all social ills. It provides neither economic opportunities nor access to health and education for the poor or elderly. Even so, I believe that government, as we now know it, should pull out of most things except for law enforcement, the justice system, national defense, and foreign policy, and let the private sector, a 'Grameenized private sector', a social-consciousness-driven private sector take over its other functions," (Chapter 11, p. 204).

"As I returned to my office, I decided that we should go for it. Here was a most unusual secretary who truly had the good of the country at heart. When the government wants to help the poor it usually comes up with a policy of free distribution—free distribution of money, land, or other assets. But along the way from the government to the poor, the free goods rarely reach the poor as more powerful people line up to take advantage of the distribution system. We wanted to reverse this trend and here was the opportunity.



How could I not help the secretary? How could we go wrong in taking over properties from the government?" (Chapter 12, p. 217).

"The central assumption underlying GGS remains the same as it was behind the Grameen Classic System—the firm belief that poor people always pay back their loans. On some occasion they may take longer to pay than originally stipulated, but repay they will. A credit institution dedicated to serving the poor should not get worried the minute a borrower fails to adhere to a strict schedule. Circumstances can befall a poor person over which they have no control," (Chapter 13, pp, 237-238).

"There are many exciting features in GGS, but I think removing tension from micro-credit by allowing the system to be flexible and permanently establishing full dignity to the poor borrowers are the two most important features of them all. Now both sides in the micro-credit system, the lender and the borrowers, can enjoy micro-credit, rather than creating occasional nightmares for each other," (Chapter 13, p. 239).

"I have never seen Grameen staff charged with so much enthusiasm and energy than after the introduction of GGS. They were all captivated by the idea of creating Grameen Bank II. The staff's energy level is now at its peak. Every time one talks to staff members they appear as if they are having the most fun of their lives working for Grameen. You just can't stop them," (Chapter 13, p. 242).

"The real issue is creating a level playing field for everybody—rich and poor countries, powerful and small enterprises—giving every human being a fair chance. As globalization continues to encroach on our socioeconomic realities, the creation of this level playing field can become seriously endangered unless we initiate a global debate and generally agree on the features of a 'right' architecture of globalization, rather than drift into something terribly wrong in the absence of a framework for action," (Chapter 14, p. 249).

"Can we really create poverty-free world? A world without third-class or fourth-class citizens, a world without a hungry, illiterate, barefoot, underclass? Yes we can, in the same way we can create sovereign states, or democratic political systems, or free-market economies. A poverty-free world might not be perfect, but it would be the best approximation of the ideal," (Chapter 14, p. 262).

Topics for Discussion

In what ways is Yunus influenced by his mother? How does this affect him in later life?

What is Yunus's role in the move for Bangladesh independence?

How is Yunus influenced by the village of Jobra? What are some of the programs and experiments that Yunus is involved in there?

How is Grameen Bank formed?

How does Grameen bank differ from conventional banks in Bangladesh?

How does Grameen become an independent bank? What problems do they encounter?

What is a Grameen replication program?