

Muhammad Yunus: Revolutionized Banking

by Mele-Ane Havea

Mele-Ane Havea on Muhammad Yunus

I first came across the work of Professor Muhammad Yunus in 2009 when a friend gave me a copy of his book, *Creating a World Without Poverty*. I read it at a time of transition, having just moved to the Middle East to start a job helping set up an office of an international company in a young country. It was with the backdrop of this fledgling economy, where the promises of capitalism and development were alive and strong, that I heard Professor Yunus' clarion call: "What if you could harness the power of the free market to solve the problems of poverty, hunger and inequality?"

His answer was clear, yes we can, and his book was filled with examples of how a more humane version of capitalism could manifest. Looking around at the most extreme inequality I'd ever encountered, it struck me that this question did not feature in any public discourse, and that it should.

Muhammad Yunus is no stranger to asking challenging questions. Perhaps the greatest example was his question about lending practices in banks. Why, he asked, did banks have to guarantee loans by taking security against people's property or real assets? He pointed out that because of this, people experiencing poverty, people with no property or real assets, could never access finance—the very thing that might allow them to move themselves out of their circumstances. He started to investigate what constituted security for poor communities and realised that it was their relationships and community connections that ensured their survival. This led him to he establish the Grameen Bank in 1976 in his home country of Bangladesh, putting into place a new form of lending called micro-loans, predominantly to poor women that could be guaranteed by their communities. He was able to prove that a guarantee built on relationships was often more secure than any traditional form, when, during the Global Financial Crisis, the Grameen Bank had repayment rates higher than many other banks around the world.

His work as a social entrepreneur, banker, economist and writer has had a profound effect across the world, earning him multiple awards including the Nobel Peace Prize in 2006. But his work hasn't been without its challenges. In 2011, the Bangladeshi government took legal action against him and he was removed from his position at Grameen. I've read about the underlying political motivations of these actions and it's impossible to know what happened, only that it is a complex situation and that after decades of work to empower the poor I imagine he would be deeply saddened by the development. But when we speak and I ask about these challenges, he is fearless. Motivated by the excitement of making the impossible possible, I can hear the sparkle in his voice as he speaks about helping people, "Oh my gosh I can do that! I can do more!"

And doing more he is, continuing to pose provocative questions that offer us a new way of

seeing. Muhammad Yunus has always challenged the way the poor are perceived, insisting that they are not unimaginative or lazy but creative and entrepreneurial. In his new book, *A World of Three Zeros: The New Economics of Zero Poverty, Zero Unemployment, and Zero Carbon Emissions*, he is challenging the way we think about our species—arguing that we are not purely selfish as economic assumptions would have us believe but a complex combination of selfish and selfless. From this shift in foundational assumptions, he presents an alternative economic paradigm. A model where the good side of humanity can also inform our structures and systems. I lean into this conversation as I think we all should, with hope and a belief that the good will prevail.

MELE-ANE HAVEA: So I hear you're about to tour with a new book, and I'm very curious to hear what it's about and what you think is important to draw people's attention to at the moment.

MUHAMMAD YUNUS: Okay. The basic issue that I am raising in the book is what I call the three zeroes, "A World of Three Zeroes." That's zero poverty, zero unemployment, zero net carbon emission. And starting with this title I go back saying that all of these problems—so, unemployment and carbon emission and poverty—happened because of a basic flaw in the capitalist theory. Capitalist theory has become a big sucking machine that sucks wealth from the bottom and then pushes it up to the top. So the top is becoming heavier and heavier and bigger and bigger. All the wealth of the world is in the top. So it's like a mushroom, a bigger and bigger mushroom, but owned by fewer and fewer people. Less than one percent of the population of the entire world owns more wealth than the remaining 99 percent of the world. So the mushroom is in the hands of this one percent or less, but the stem of the mushroom is becoming thinner and thinner.

So I said, this is an untenable situation, this is literally a ticking time bomb. It can explode any time because you're depriving people and because the mushroom is becoming bigger and bigger every second. And the stem is becoming thinner and thinner every second. So it'll come to a point where it will be a social explosion, a political explosion. I want to know, is there a way that we can stop this concentration of wealth? Can we somehow reverse the process? So that we can share the wealth everywhere? What happened in capitalist theory that made it go this way? I said, well, it's simple things that have happened. Very innocent, it looks innocent from hindsight. But it all came together to create this problem we have now. In capitalist theory the basic assumption about human being is done in a very wrong way. It's assumed in a capitalist theory all human beings are motivated by self-interests. Everyone is selfish, everyone is trying to gain things for they themselves. As if everyone is born with the dollar sign in their eyes! So they're pursuing the dollars. I said, that's where it's wrong, this interpretation of humanity.

Human beings are not born with dollar signs in their eyes.

Our education system has put those dollar signs in their eyes. And our economic system put those dollar signs in their eyes. The real human being is selfish and selfless at the same time. Selfishness has been expressed with a selfish business by the capitalist theory but they didn't accommodate the selfless part of human being. Human being is both. If we include the selfless part of the human being into economic theory, then the whole theory changes completely. And it's possible to undo the wealth consolidation. And what is a selfless business? It's doing business to solve the problem of others. Without any intention of making a penny out of your business by yourself. So it's zero-profit but hundred percent devoted to solving problems. That's social business. The moment we include this, the capitalist system changes its character completely. And it's not because we are saying that you should not do this, you cannot do selfish business. All we are saying is,

here is a door open for you in case you want to take that selfless path in your business too. Because that's human too. And you can do both. You can do selfish business. You can also do selfless business. So this is the basic concept of the whole book.

I'm really looking forward to reading it. I think a lot about these questions you raised, and actually I have a question for you now based on what you've just said. What you're suggesting is that by virtue of the fact that social businesses exist, the whole system will change.

Absolutely.

And I wonder whether you think that there also needs to be, you know, top down changes as well that will allow this change to occur, because I think with social businesses existing, they're still existing in a much larger framework of forces, of external forces. From your experience do you think that it can be enough that social businesses exist? Or do you think we need to make systems change as well?

That's what I'm saying. Change the system by fixing the flaws. One flaw is about selfishness.

Yes.

I'm saying, no it's not all selfishness, it's selfishness and selflessness. Both at the same time. This is a systems change. So we redesigned the entire system as it is now because there's not only one kind of business we have, there are two kinds of businesses. And each person can do both. Not that one kind of people do social business, another kind of people do money-making business. That's not what I'm saying. Each person is entitled and will be happy to do both kinds of businesses. Some may do one kind of business more than the other. But they have all the right to do both kinds. So that itself changes that system. That's a system-changing proposition.

The other thing I point out is that capitalist theory has assumed that all human beings have to work for somebody else. I said this is disgusting idea. This doesn't fit into human being. Human beings are independent beings. Throughout history of human being they're independent people.

They're go-getters. They're problem solvers. They're farmers. They're hunters. That's what the history of human being is.

But the capitalist system has said no, no, you have to work for somebody. Job is your ultimate destiny. I said that's a shame because human beings are packed with unlimited creative power. And job takes away their unlimited creative power. Job fits you into a little slot so you give up all your creative power for the sake of your livelihood. I said this is the wrong direction. All human beings are entrepreneurs so the economy has to be created for supporting that entrepreneurship. So I always start with telling young people that basically all human beings are entrepreneurs. And so you have two options. For whether you want to work for somebody or you want to be entrepreneur by yourself. So decide on your own. So we have to change our education system today. Education system is devoted to produce job-ready people. I said this is shameful thing to see job-ready people. We're not slaves. We're producing slaves to fit into somebody's job. We are human beings. We want to explore ourselves. That's what the education system should be—to know who I am and what I'm here for. But instead they make you feel small. That all we have to do, finish your school, then start sending job applications and find a job. Once you

find a job your life is done. I said that's not the way human beings are. Human beings are here for a purpose—to change the world according to their desire. Not to go on working and slaving for somebody who makes money and then he is at mushroom of wealth and I'm become the mercenary to help them to create that mushroom of wealth.

That's also a system change because then you have to create lots of opportunities for young people starting their businesses, you support those businesses. How to build financial institutions to help them set up their businesses and so on, so forth. So this is about changing the system. It's not just about some few social business enterprises existing. It's education too, so in the schools you'll be learning, each young person, that business can both make money and change the world. And each child will also learn that they have two options in life. Either you can be employee of someone, company or some individuals, or you can be an entrepreneur yourself and employ other people if you want to. So that's the kind of redesigning of the entire system.

I understand. I think once you articulate the assumptions that you are breaking, you know, you're saying we assume human beings are purely selfish. No we're not. We're both selfish and selfless. And everything in-between. And when we acknowledge that then our system changes too.

Absolutely. Totally. Because then you have no chance for wealth concentration. Because now wealth has to come back to the people because in social business, there's no concentration of wealth, because nobody takes any profit out of the business. So for instance social business parties' concern is zero. So that wealth remains with the people with the companies and so on. It doesn't go in the hands of few people.

And if you are entrepreneur, again you are not serving the people who are making money and becoming organisers of wealth. You become a wealth catcher yourself. So you'll have millions and billions of people catching wealth by themselves. They're not passing them to anybody by being mercenaries for them. So that way wealth concentration is slowed down because I'm not working for him.

Mm. So Professor Yunus I'm going to come back to ask a few more questions about that. But before I do I want to ask some questions about you personally.

Right.

And I wanted to share that your book, *Creating a World Without Poverty* was instrumental in directing my life and my career really.

Oh thank you.

I read it whilst I was living in a small Indigenous community in Australia. And it persuaded me to go and study with Pamela Hartigan and to do my MBA. Because it was transformational in my ideas basically.

Oh thank you. Thanks.

No thank you! And I wanted to know what for you has been transformational in your ideas? Is there a book or a person or some kind of ideas that have allowed you to do the work you're doing?

Yeah. I think more than a book or a person is my close association with the poor people, to make relationship with the poor people has made a big impact on me and the work that I did. And seeing how easy it is to help people. Their need is so simple, so low, and so few people pay attention to it. That's when I just started paying those tiny loans to dollar loan, half a dollar loan. And that's the beginning of my work. And every time I do that, the excitement that it generates, I said, "My God you can make people happy with such a small thing! And why don't people do more?" The more I did it, the more I got absorbed in it. So it became an intoxicating experience for me. And there's no way I can get out of it. So I kept on moving in that direction. I created the micro bank and I started creating other businesses which I call now social businesses to solve their problem. Problem of healthcare, problem of education, problem of sanitation, malnutrition and so on. So I will say it's my interaction with people, particularly poor people, poor women, that has been transformative for me.

Thank you. That's beautiful. Another thing which is along this line of questions is around this advice that Gandhi gives. Gandhi is quoted as saying we have to be the change that you want to see in the world.

That's right.

And I wonder for you how has this concept played out in your life? Does this ring true for you? Tell me about the change you want to see in the world.

When you think about it you see. But it's not that I wanted to change myself. I'm putting out there what I needed to do exactly, but I was the same person. I'm not seeing or thinking I'm a different person. But I'm seeing change that's needed and I change with that. And this is what I enjoy. So I was looking for things which will make me happy. Later on I was trying to explain why I do that. I said making money is happiness—that's why people want to make money. Making money is a happiness but making other people happy is a super happiness. And that's super happiness that I enjoy. So I cannot get away from that. And it always kind of pushes me to do more. I cannot stop that. It's not a decision left to me anymore. Something that the momentum of the world and the super happiness that generates in me, I get carried away.

I love that description. And I love that you use the word "momentum" because I think that your work has created a lot of momentum. And if we talk about microfinance for example, microcredit, what you did with Grameen Bank where you challenged a whole lot of assumptions about security and risk and how we are together as human beings. What it means to be in community. You then proved that there was a business model in this. And what happened is that there was momentum as a result of that.

Absolutely, yeah.

And it went way beyond you. It went way beyond the Grameen Bank. And that in itself led to a lot of complexity. You know, there was both a great deal of impact and social good that was created. And then there were organisations where the intention was not as pure as the Grameen Bank and that led to a lot of...

Complications and troubles for us.

Exactly. And I'm wondering if you could talk a little bit to unintended consequences of the work. And how you look now at that circumstance.

While we are enjoying the excitement of microcredit and the excitement of making people their own things in their own way, giving them the opportunity to become themselves and bring dignity in their life and stand on their own feet, many people wanted to copy our example. So we were delighted to share with them all the experiences we had. So we thought they will follow that path. But after a while, after several years, we said, "Wow, some people are using the same methodology that we developed to help people, but they're using it to make money for themselves!" And they became, in the process, they became loan sharks. I said, "My God, we created the whole thing to stop the loan shark! To get rid of the loan sharks! Now people are taking our idea to become stronger loan shark!" I said, "That's a shame. That's a complete abuse of the work that we have done, concepts we have developed." So we started saying this is not microcredit. Microcredit is supposed to be related to helping people get over poverty. Microcredit is not about making money out of poor people, which they're doing. So I started saying that look, we have to be careful, there is right microcredit and there is wrong microcredit. Don't get caught up with the wrong microcredit, it's making people miserable. They're the worst form of loan sharks ever yet. So let's get them out and make people aware of that because microcredit became such a popular word around the world. It has so much respectability, so much legitimacy behind it. And they use this respectability to use the process to make money for themselves. I said no, no, don't be fooled by them. So this is what the unintended consequences that you say, right from the beginning we were not aware that somebody can misuse it. In social business we tried to address that to stop people using it for the wrong purposes, cheating people, saying that we are a social business, actually they are not. They're just trying to enjoy the respectability of the social business and get the support. We said now we have to have an independent social business audit companies who'll go every company, audit every year, to check out whether it'll be a social business during the year. And give certificate at the end of the year, yes, for this year, you have been a social business. So it's not once you have done and people forget that you can change your mind also.

Mm. Mm. So we need to have protections for these concepts.

Absolutely. We need protections, exactly.

Right. And actually I've been very involved in the B Corporation movement here in Australia.

Yes, yes. It's a great idea.

It is. But one thing about the B Corp movement that I wanted to bring up is that it actually requires—or offers—organisations to not necessarily be either selfish or selfless but to be both.

Yep.

To be both profit and purpose. Do you think that that's possible?

It's possible. But I see there is a danger. You can slip from one to the other really easily without noticing yourself. So you started with say 50, 50. Fifty-social, 50-profit, that's your intention. But soon you find out the logic and the compulsion of profit is so much, at the end of the year you become 60-profit, 40-social. And pretty soon you're 30-social and

70-profit. And so on. So it's a slippery path. You don't know how to distinguish. So I said why don't you separate them out and completely so there's no connection between the two? You create a company to make money, and you create a company to solve problems. So that we know if they deviate in this tiny little bit, you'll be caught. So I find it easy. I'm not saying that that other one is a bad idea, it's a good idea and I endorse that completely. But I say a better idea could have been possibly to keep them totally watertight separate. That you do one thing on your profit making, your mischief, whatever you want to do with, but the other part is totally one hundred percent social business, zero profit personally.

Mm. It makes me think that ultimately the work that we have to do is inside ourselves.

Exactly. Basically it's about "me", the individual. It's not about government law, it's not about some preacher saying to be good you have to do this. It's what I feel about myself, what's the objective of my life? Is it because I want to become rich and super rich? Or I want to share my life with everybody else? Which I think is more positive to do. Should I leave it and utilise completely my capacity to touch people's life around the world? Or even my neighbourhood?

Everybody in humanity has capacity to touch life everywhere around himself and herself.

So that's the thing that I try to focus. And particularly for young people to find out, I keep telling them, "You have the power, now you have to be aware and make use of that power. If you don't use that power, it will be all wasted, all gone."

And what's been the reaction from young people to this?

Very positive. Very positive. That's what excites me more. Because they have a tremendous amount of technology in their hands, tremendous amount of power, but they don't know how to use this power. So they end up taking a job and surrendering all the power. I said. "Don't do that. See in our generation when we take a job, our sacrifice in terms of creativity is much less than your generation. Your generation has so much creative power. So much technological power. You should take a job. Your power is all done, finish. So think about it. Why didn't you be a creative person, remain a creative person, change the world? Create things for yourself, for the world. And create the world that you want to have yourself. And create a new civilisation completely. Not a greed-based civilisation, but the human value-based civilisation. That's your choice."

Mm. And to do this kind of work requires a great deal of resilience. And I know that you've had your own fair share of challenges. But I think when you tell the truth, well, Orwell said when you tell the truth you better make people laugh, otherwise they'll kill you. And I think that you're a truth teller. So it's no wonder that you have your own challenges. And you're facing those. And I wondered if we could talk very quickly about resilience. And where yours comes from and how you are able to find the courage to keep going even when times are difficult?

Yeah. I put it this way. This is the way I try to explain to young people, I say look, if you use the old road, the road is known to you, known to others, and many others use the same road, the same road, same old road will take you to the same old destination. This is a truth that you cannot change. If you want to go to a new destination that you define, "This is my destination," then to reach that destination you need new roads. Old road will never take you to a new destination. So you have to build new roads. Building new roads is lot of work. Lot of suffering. Because you are starting from the scratch. So you go

through it because the old road is a little overused but still it works. It can get you to destination, you know where to go, you know the path along the way. But in a new destination, new roads you don't know exactly how to get there. You're trying it out, you're doing again and again and finding the safe one, finding the closed one, efficient one. So it's hard work. And the excitement of reaching the destination is what guides you. You feel there's all the trouble there but it's worth it. It's like adventurers in the sea when they wanted to discover the path to India. They know how many trouble they have to go through—they'll get lost, they'll lose their life, they'll have storms along the way—but the fact that they want to reach there, to get there, the excitement of doing that makes them forget. So you face those problems but there's an excitement built into it. So you go through the path. And finally when you get to the destination you have the fantastic experience of making it happen. You did the impossible, possible. That's what drives human being.

Human beings are driven by the fact that they can make the impossible possible.

And whatever impossible there exists, and human beings get very, very excited that there are. There's still something impossible? I'll make it possible. And that's how the human civilisation, human history has proceeded. And that's excitement.

And so for you, your resilience comes from being excited? Is that what you're saying?

Exactly. Yes indeed. Yes, the reward that it generates being here. Even this little bit of accomplishment. You don't get the whole accomplishment in one platter in one day. You get bits and pieces as you go along. And those bits and pieces keep you moving. And the fact that you can touch people's life and you look at them and you find them and say, "Oh my gosh I can do that! I can do more! I only did a little bit! Maybe I can do much more than that?" And then it excites you to do more.