

Turning the World Upside Down:
Comments on the Visit of Muhammad Yunus
to Santa Barbara in January 2008

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We wanted to go to the moon, so we went there. We achieve what we want to achieve. If we are not achieving something, it is because we have not put our minds to it. We create what we want.

What we want and how we get it depends on our mindsets. It is extremely difficult to change mindsets once they are formed. We create the world in accordance with our mindset. We need to invent ways to change our perspective continually and reconfigure our mindset quickly as new knowledge emerges. We can reconfigure our world if we can reconfigure our mindset.

– Muhammad Yunus, *Creating a World Without Poverty*

The community of Santa Barbara was blessed again recently when another stellar exemplar of creative leadership and compassionate citizenship came to speak at the Arlington Theater. Mohammad Yunus, founder of the Grameen Bank in Bangladesh and winner along with the bank of the 2006 Nobel Prize for Peace shared his experience of establishing “micro-credit (or micro-financing) as a means of reducing poverty, especially in rural villages. So successful has been this method of providing loans to the very poor so that they can help themselves escape their dire impoverishment, that Professor Yunus confidently shared a vision of reducing poverty in half by 2015 and ultimately ending poverty throughout the world. In his recently published book *Creating a World Without Poverty*, he outlines this breath-taking vision and introduces the concept of social business. Called the missing arm of capitalism, social business combines the skills of entrepreneurship with the compassionate commitment of social service.

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The result is appropriate profit for the business and extensive benefit for the community. Judging by the number of students and young activists who asked very informed questions after the talk about specific projects, it is evident that micro-financing and social business is taking root all over the world. When asked if micro-credit could be used in the cities of America, Professor Yunus announced the founding and imminent opening of Grameen Bank America with a mission initially of tackling poverty in 20 cities in the United States.

What is the concept of micro-credit, and what are the founding principles of this flexible, inexpensive and relatively swift method of combating poverty?

Reviewing the history of his efforts to develop micro-credit, Professor Yunus explained that he is not a banker, and he developed the principles by doing everything opposite to what bankers do. Thus Grameen Bank has turned the world of finance and investment upside down. Very small loans, not large amounts of capital, are loaned to the very poor, not to the already rich who are usually assumed (falsely) to be safe risks. In the beginning most loans were given to rural residents not to city dwellers. The bank agents (now numbering 7,000 in Bangladesh alone) went to the homes of customers instead of the prospective applicants coming to the banks. Most of the recipients are women not men. The loan process including the repayment cycle is part of a very public process of group meetings held in the villages, not a very private affair between banker and customer. Conversations among the bank agent and typically 20 women in each group encouraged creative imagination about profitable use of skills and resources that poor women already have access to. The reservations

of some women that reflected their lack of confidence or attachment to gender-based customs were challenged. The bank agent strove to persuade doubtful women that they could make good use of a loan rather than discourage newcomers to the process. These meetings also nurtured moral commitments reinforced by group encouragement to repay the loan contrasted with threatening sanctions sent by mail. Even beggars are given loans to turn their roadside locations into small enterprises offering fruit for sale.

A dramatic difference between micro-credit and conventional banking practice is that no collateral is required to secure a loan. Also, low rates of simple interest are charged for the micro loans given on the Grameen model. Instead of long repayment plans with months of just paying interest, loan recipients start repaying loans immediately on a weekly basis and complete repayment within a year. Successful repayment rates are currently 98.6%. The business plans are increasingly diverse and not confined to the traditional skills which women might use to earn income. Recently, the audience was told, the “hot” business in

Bangladesh is the purchase of cell phones used to rent minutes to neighbors. Thereby, villagers can call relatives and make business calls all over the country and indeed the world. That uneducated, rural women can learn how to use high tech resources is a very visible proof of the potential of human beings to learn new skills, Professor Yunus concluded. Trust in human potential is a first premise of micro-financing.

The expanding circle of consequences emerging from micro-financing includes large increases in land and home ownership, the building and staffing of health clinics, the opening of numerous schools including ones with opportunities for high school education and substantial infrastructure projects such as road building and flood control systems. Parents can now measure the improvement in their quality of life by the opportunities their children will have for advanced education and professional employment rather than just be grateful for improved rates of infant survival. Also, the status of women is better protected by their titles to land ownership.

As one listens to Mohammad Yunus describe his principles of micro-credit and his vision of social business, one can notice an aura of radiance and nobility. Here is a man who exemplifies the qualities of non-violence of mind, generosity of heart and harmony of soul mentioned in the *Declaration of Interdependence* of the Institute of World Culture. Are these qualities the source or the consequence of the creative leadership and imaginative use of resources that gave birth to micro-financing in Bangladesh? Perhaps 'both' is the wise answer. His transformation from professor to social activist started with a compassionate question: couldn't something be done to help the poor? Creativity and experimentation was nourished by moral concern. Listening to the poor he strove

to help was mentioned by Professor Yunus as an essential to success. Conventional banks look at written statistics to make decisions, but the poor have no statistical profiles of value. Thus, courage to challenge both traditional assumptions and conventional institutions is needed. Gradually, the resistance from government and mainstream banks has weakened. The magic of micro-credit is a solvent penetrating such resistance. Could it be a realistic vision that poverty will disappear from the world? The answer is not so obvious as the magnificent, creative effort that Mohammad Yunus exemplifies and inspires in thousands of others.

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