Muhammad Yunus discusses the need to redesign the current system of financial institutions to alleviate poverty around the world. Yunus further explains that people need to encourage and fund social businesses, and financial advisers need to encourage clients to invest in social businesses.

[MUSIC PLAYING]

Moderator: Let me introduce Professor Muhammad Yunus. And it’s a whole lot. I’m going to read it all because it’s so impressive that you’re here today. We want to know who are you. We all know you.

Professor Muhammad Yunus is a Nobel laureate. He’s a social entrepreneur, a banker, and an economist. That usually doesn’t fit together well. In your case, it does. He is the founder of Grameen Bank and more than 50 other companies in Bangladesh. Professor Yunus was awarded the 2006 Nobel Peace Prize for founding Grameen Bank. And he is the recipient of no less than 112 awards from 26 countries, including state honors from 10 countries. He was named one of the greatest entrepreneurs of our time by Fortune and was listed as one of top 12 business leaders in Asia by Time.

He is one of seven individuals that have received the Nobel Peace Prize, the United States Presidential Medal of Freedom, and the United States Congressional Gold Medal. Quite a few that you have gathered there. Professor Yunus, may I invite you to speak on redesigning economics to redesign the world, please.
Muhammad Yunus: Thank you. Thank you, very much. Good morning. Well I’m very honored and delighted to be here. Thank you for inviting me. And I was just looking at the questions, and I was trying to see which one I should go for.

And I was thinking, none of the above. So you’ll know why I had that thing in my mind, that none of the above kind of response. I’m delighted because I come from another planet completely. You specialize in big investments. I specialize in tiny, tiny little investments.

My specialization is growing very, very small. When they were translating our word from Bangla to English, they put it as “microcredit.” At that time, the Bangla word was something like “micro-capital.” But it became microcredit in the translation.

But now I look back, I thought maybe we should have translated it “nanocredit.” That would be more close to it, rather than microcredit, because it’s so small. Tiny things. That’s what got me started in the whole thing. I was never planning to do anything with credit. That’s not my cup of tea.

I was just a teacher at the university, teaching economics. The circumstances pushed me into doing something, which I never thought I would ever do: a famine condition in Bangladesh back in 1974 when I was teaching at the university next door to a village. I thought maybe I should do something. Go out in the village and see if I can do something to help people in the village, because that subject that I teach, to me, appeared like a totally useless subject — called economics; it has no meaning to the life of the people who are dying right around me.

So, in order to find usefulness in me, I thought, why don’t they just go out, be in the village, and see if I can be of some use to somebody in the village each day. So, I was not starting with a grand idea but just a thing that I thought I could do, being useful to, at least, one person.

So, that was the beginning. I did lots of tiny, little things in the village as I go every day. But along the way, I discovered the life of the people in the village, how difficult it was, how different it was in the textbook compared to what it is in real life.

I'll skip many things, but I’ll focus on one. I started confronting the people who became victims of loan sharking in the village. Tiny little loans given to extremely poor people. And in the process, the lender gets everything the other person has, even just tiny, little things. They kept everything.

It’s very painful. It’s very ugly to see it every day, meeting the victims, and meeting the people who victimized them at the same village. These are not two different kinds of people. So, you wonder what can you do in a situation like that.
And you feel helpless because it goes on right in front of you, and you can’t do a thing about it. It’s not only in the village that they do it — it’s all over Bangladesh. Then, later, I saw this all over the whole world. That thing goes on.

And suddenly, it came to my mind: I can do something. Not for the whole world, but for this village. The little thing that I can do will protect the victims. The idea was very simple. Why don’t I lend the money myself?

If I lend the money in a just way, then people will not be victimized. And the problem will be solved. They don’t have to go to the loan shark. They come to me. I immediately started doing that, taking money out of my own pocket.

And it immediately became very popular. Everybody wanted to borrow from me. You can imagine that. And I was not discouraged by that — I was rather encouraged by that. I thought, I’m doing something which people like.

It makes sense to them. It makes sense to me. And my idea works. So enthusiastically, I was lending to more and more people. And it expanded beyond the village. And I was very happy that, yes, it’s working for me and working for them.

Then, when I was running out of my money — obviously, you can’t go on like this as you expand it — I realized that I had to stop. But I didn’t want to stop — fraud will continue. So, I thought maybe I should connect them with the bank, which is located right in the campus.

I immediately went to the bank and suggested that they should lend money to the people in the village, the poor people. They were shocked even that I proposed to them such a preposterous thing. They explained the bank cannot lend money to poor people.

The more they argued for it, the more I became stronger in my demand that they have to do it. Of course, they become the winner because I have nothing. They have the institution and everything behind them. But I didn’t give up.

I started taking this idea to all the top offices of the banks. Everybody told me the same thing. It cannot be done. The bank cannot do such a thing. And I was getting very frustrated. My money is running out, but they are not agreeing.

After about eight months of running around, I came up with another idea. Offered them for me to become the guarantor for this loan. I said, if you are afraid that your money will not come back, I’ll become the guarantor. Today, I give it myself. But I’m running out, so I become the guarantor. You give the money.
That was not an easy thing to sell. After several more months, finally, they agreed, but with very limited amount of money. I was happy. At least I opened the door — I can continue.

So, that was the beginning of the bank getting into it, of course, very reluctantly. And then, continued from there, I was happy that I can now sign all the papers, and the bank gives the money — I can expand.

Later, I saw how reluctant the banks were when it was still growing beyond their idea. They pulled the rope. They said, no, we can’t do that anymore. So, I thought, maybe this is the time I should create a bank to do that. This bank will never do this, so let me do it by creating a new bank.

That was not easy. It took me another three years. Started in 1976. We became a bank in 1983, called the Grameen Bank or Village Bank, and continued to do what we were doing. And over time, that became part of the history of Bangladesh and history of what you know as microcredit.

The bank now has over 9 million borrowers in Bangladesh today. Mostly women — 97% of them are women. So, we focused on women and made it happen. And they own the bank. And bank makes profit. Profit goes back to them as dividend. And it has a record of very high payment — 97%, 98% — all over the last 40 years of work that we have done.

So the idea is the spread became known as microcredit, became known as microfinance. Almost every country in the world now has microcredit programs.

But something fascinating that I should report, in the meantime happened: People in the United States, whenever we have a conference in microcredit, are always explaining that it will never work in the United States because it’s so different culturally, economically, et cetera, et cetera. And they explained that we have done it in 500 different ways in different organizations. Every time, it failed. Then, I keep saying that, well, you can do it 5,000 times. And every time you fail, that doesn’t mean it cannot work. Then, they say, then, what is the reason it doesn’t work? I said, because you don’t know how to do it. It is a very simple thing.

So, all you have to do it the right way. So, they get very upset by that explanation, obviously. One of them challenged me that why don’t you do it yourself and show us that it can be done. I immediately took the challenge. I said, OK, I’ll do it. You give the money — I can’t bring the money from Bangladesh to lend money in the United States. So, you give the money, and I’ll do the job. This was 2008.

And we took the challenge. They gave the money, started a branch in New York in Jackson Heights, and it turned out to be a beautiful branch done in the perfect way that we do it in Bangladesh.
What we did, we brought a branch manager from Bangladesh, sent him to Jackson Heights, New York, and said you do Grameen Bank. Forget about which country it is. Ignore the country. Ignore other things. Just follow your rules. And he did his best, and it worked out beautifully. So more and more demand came from other boroughs of New York. So, we have now eight branches in New York.

Other cities came forward, “Why, our poverty is worse than New York, why don’t you come and help us? We give the money.” So today, we have 18 branches all over the United States: in Los Angeles, in San Francisco, in Charlotte, North Carolina, Omaha, Nebraska, and so on. We have over 85,000 borrowers — 100% women.

Most of them are undocumented women. They don’t even have any documents to show who they are. Nobody will do anything with them. We chose them to lend money to. This year, we have crossed over half a billion dollars in loans to all these 85,000 borrowers. The payment rate is over 99% all along — 99.6, 99.7%. No documents. No collateral. Nothing.

So, it comes from Bangladesh to show what it is, and it expanded it. And I have been raising this question again and again, with all those experiences put together. The point that I raised all along: Poverty is not created by the poor people. They’re as good human beings as anybody else. It’s the system which created the poverty, not the people.

So, unless we change the system, you cannot remove the poverty. So how do you move that? I said, well, one simple thing. Learn from my own experience, like what I just said. Change the financial institutions. Financial institutions, all types, have nothing to do with the bottom 50% of the people of the planet. They will never go anywhere near them.

And as a result, they are disconnected. And we created the world which runs with money. So, you need $1 to catch $1. But nobody opens the door to give this first dollar so that the poor can catch the next dollar. So, they never get any shots. And they grew up in this world of reality, where they are denied the financial services.

Argument was it cannot be done, poor people are not creditworthy. First I heard that. I tried to understand, what does it mean? Then, I just started asking the question. I said, should the banks tell the people that they are not creditworthy, or people should tell the banks that they are not people worthy? Which way should be done?

I said, “You said it cannot be done. Here we are. We’re doing it. And the bank makes profit.” Profit goes back to the borrowers of the bank as the other shareholders that own the bank. So, you give every single rule of banking in judging the quality of the banking. We pass in every way. We are self-reliant: We don’t depend on any external money; we don’t borrow from outside — it’s all our internally generated money; et cetera, et cetera.
As we do the Grameen program, reaching out to the poor, reaching out to poor women, you also notice many other things, and you cannot walk away from those things. So, compelling problems. And every time I try to address those problems — I didn’t want to walk away. I wanted to address them. I create a business to solve it. So, I have created business after business. That’s why you were mentioning that I created more than 50 companies.

Some of these companies are nationwide companies. It’s not a tiny company. Like Grameen Bank — Grameen Bank is a nationwide company. It probably is the largest bank in the country. Gives tiny little loans. That’s the only difference.

It lends out about 1½ billion dollars each year. And the poor people take this money with interest and pay it back every year. No problem, I said. It has been done for 40 years, and it’s in Bangladesh. If you want another example, I said, well, US is a good example. It’s right in front of your door. Find out.

Why didn’t you open your door, financial system? So, we need to redesign the financial system to enable it so that everybody can have access to the financial services. That’s the key to the changing of life. We lend money to beggars.

We tell them that as you go from house to house begging, would you carry some merchandise with you, some cookies, some candies, some toys for the kids, and give them an option whether they would like to give something free, food and money to you to help you, or they would like to buy something from you. You are there anyway. And beggars loved it.

We started lending money by the stuff that they want to sell. Usual loan size would be $12, $13, $15. In the process, they gradually stopped begging because their selling became such a good business. So, I said, gradually, they closed down their begging divisions and concentrate on the selling divisions. They even tell me which house is good for begging and which house is good for selling. I tell my colleagues, I said, they didn’t go to the Harvard Business School —they know market segmentation out of their own wits. They learn from their daily experience.

So, people don’t have to go to academic things to do business. It’s an entrepreneurial ability. Then, I hit on another point. I said, look — and the point I raised because I was challenged on it, the experts were saying you need to select the entrepreneurial poor to make it successful in lending.

Every time I hear this, it burns me up. I said, it never occurred to my mind to select the entrepreneurial poor. I kept the door open for everybody regardless of what background, what history, nothing. Saying that, given opportunity, they will turn into entrepreneurs. And that’s what I’ve done.

So, go to every single borrower — who are people, who are women — if you’re looking for entrepreneurs, probably you’re with the last person, to look for women because women never been in
business, poor women. So today, all these nine million women who are borrowers of Grameen Bank are entrepreneurs.

Similar to 85,000 women in the United States. They are entrepreneurs. So, I was insisting that all human beings are entrepreneurs. That’s their basic instinct. Somehow, we designed a world which gives us a different story: Some people are entrepreneurs, and the rest of the world will have to work for them. I said, that’s a wrong story. The right story is all people are entrepreneurs.

I'll come back to that issue later. But as I see a problem — health problem is a common problem. So, I create a business to bring health care. Create hospitals. Create clinics. Create health insurance. Every time I do it, I have a business structure into it so that I recovered the funds, and I can reinvest.

Can I get the glass of water from here? Yeah. Right there, yeah. Thank you. So I continued to do that. And usually, you do such a thing through charity. If you come to the poor people, your first instinct is to do it as a charity. I have never gone through the charity door.

I always said charity is a wonderful idea. But this is a limitation. Charity money goes out, does that wonderful thing, but the money doesn’t come back. So you have only one-time use of your money. So what I did was I took the objective of charity, whatever they want to do with charity, put a business engine behind it, and called it social business.

**Muhammad Yunus:** So, social business: Money goes out, does the work, and comes back. And it becomes very powerful, because the same money you can use endlessly playing back again and again. I said, why don’t you take this option? All you have to come up with, the creative idea, is how to create a business to make it happen.

We created eye care hospitals, series of them in Bangladesh, as a social business. What we have done is create hospitals for eye care for cataract operation — 10,000 cataract operations per year — and charge fees for cataract operations.

For the people who can afford it, they pay full money; who cannot afford, we give them free. Give them subsidized. So, the hospital itself has covered all its cost. And then, you return the money that is invested.

When you get the invested money back, you create another hospital using the same money. So, first hospital came to breakeven point in four years. We are very happy. Then, we invested in the second one. Second one came to breakeven point in three years. We’re very happy. Took the money, gradually, and started putting it into a third hospital. So, we have now four hospitals running.
So I said, that’s it. If you bring the business idea into solving this, all these problems become completely different because social business brings creative power of designing things. And people appreciate what you’re doing. So, we create a lot of those businesses.

Some of them are joint ventures with multinational companies. The first one was done with Danone from France. We created a joint venture social business company in Bangladesh to produce a special kind of yogurt to address the problem of malnutrition in the children of Bangladesh — 48% of the children of Bangladesh are malnourished. So, what we have done jointly with the Danone is create a special fortified yogurt putting all the micro nutrients which are missing in the children into that yogurt and making it very delicious. Making it very cheap, so the poor children can eat it.

Once you design something as a social business, suddenly, many of the costs you normally would add in your profit-making business disappears. So, you can bring the cost down. Your marketing system is different because you want to reach the poor people. You can’t sell it to the conventional marketing chain, and so on. You want to address the poor people who don’t come to the shops. So, we designed that. Now it’s a successful business. We have joint ventures with Veolia to bring water, save drinking water in the people.

It’s a business proposition, but social business proposition. Nobody wants to make personal money out of this. Shareholders don’t want to take personal money. That’s the key to the whole social business idea. It’s a non-dividend company to solve human problems.

Then, I was attracted to the other idea. How come you’re all designing business to make money? What makes us behave that way? I say it makes us behave that way because theory has told us so. Said all human beings are driven by personal interest. I said, that’s a wrong proposition. Wrong interpretation of human being. Human beings are not all moneymaking robots the way theory tells us to believe. They said human beings are selfish. At the same time, they are selfless. It’s respective of who you are. But somehow, theory has pushed us in the selfish direction.

We have to make tons of money. Forget that we have a selfless part of us, which we have to express it in some way. I said, why not express it in a business way? Today, we can express the selfless part in a charity way. That’s open. But I said charity has a limitation.

So, you can pour in money every year. Next year, they say we need more money. So, you have to find new money again. Same money disappear. So that’s a limitation. If you have a social business investment, that money plows back, continues, and becomes bigger and bigger. So, we can do that.

So today, that social business idea is flourishing. Many are adopting it. Many multinational companies, individuals, and others are creating social business. I just give one example. McCain, a potato company from Canada. They became very interested in social business. We created a joint
venture social business in Colombia to grow potatoes in Colombia — because they are a potato company — because farmers in Colombia lost all their coffee business.

Colombian coffee disappeared from the market. Vietnamese and Indonesian took the market. So we said, why don’t we give them a chance to come back to the farming with potatoes? They did a very good job. The improvement in their quality of life with the potatoes, and so on.

The McCain company became so interesting now they created another social business in France. This is to address the problem of wasting potatoes in France: 26% of the potatoes grown in France have been thrown away. Why? 20% of this... 26% is a potato which is deshaped, not the right shape.

You can’t make them French fries. You can’t make them chips. So the companies don’t need it. Farmers can’t sell it. Tons and tons of it. Six percent remains under the ground. Machines don’t pick them up. So, they created a social business with unemployed young people of France to pick up all these throwaway potatoes with a very small price, so the farmers can get some money and can implement a design to pick up the potato under the ground by hand with implements. And then, make potato soup.

Soup doesn’t need a particular shape. And one of the top chefs in France volunteered to come up with a special recipe for this social business potato soup so that it became very popular. Now Belgium wants to do that, too. So, we are working with Belgium, with Greece, and with Morocco to build this potato business as a social business.

Nobody wants to make money out of it but wants to solve the problem. There are so many problems around us. The question is how to solve it. Now, all the issues that we said about the poverty, and about other things, something worries me. I want to share with you, because it’s a very important thing for me. I’m sure it’s important to you, too.

It is the wealth concentration. Tremendous amount of concentration is taking place in the world to get the wealth in only fewer and fewer hands. Today, virtually all the wealth belongs to 1% of the total population of the whole world: 1% owns nearly 90% of the wealth of the world.

So, what happens to the remaining 99%? And it’s becoming more and more concentrated in fewer and fewer hands. Tomorrow, it will be 95% of the wealth in the 1% — 99% in the 1%. Information that is available said 62 people in the whole world, 62 people, own more wealth than the bottom 50% of the population of the world.

And it gets worse. Six years back, it was 388 people who owned more wealth than 50% of the bottom people. Today, 62 people. So, it’s very obvious that someday it will five people owning more wealth than the bottom 50% of the people.
What happens if this concentration goes on? Concentration of wealth is also concentration of power. Concentration of social capacity to manipulate. Concentration of all the things you talk about, political power, and everything.

The bottom people feel helpless. We work hard, but we don’t get anything. Wealth generated each year — forget about the past — just each year, current year, what percentage of that wealth goes to top 1%? 80% some statistics tell — 80% of the current wealth generated goes to the top 1%.

So, people naturally feel very helpless. And this shows up in the stability of our social and political scenario. You can almost say — I’m not putting a seal on — but you almost can say they translate into Brexit: helplessness.

I don’t know where my money goes. Blame the guy who comes from East Europe. Blame the immigrants. I have to blame somebody who takes away my money. Blame the trade. My business is going someplace else. So, they say, no, no, no. We don’t want that. Stop the immigrants. Stop the refugees. Stop everybody. Close our border so that we can have something. Someday, it will get worse if the concentration cannot be stopped.

Same thing happens in the US election. Trump is an outcome of that feeling that build the walls. Stop them because they are taking everything. Stop all the trade. Trade is something, our business, going someplace else. We don’t want that because we have to retain it.

It’s not the retaining. Simply, the system is sucking up everything on the top. It’s not the retaining part of it. And Bernie Sanders is a product of that. He was pointing out, look, 1/10 of 1% of US population — I am quoting him, Bernie Sanders — 1/10 of 1% of US population owns 90% of the wealth of the USA.

So, he is coming and mobilizing people who don’t want to have this system. Destroy the system. We don’t want the system. So, this is a ticking time bomb. How do you address that? Can wealth concentration be stopped? That’s my question with you. You control the life and wealth of many people. Do we have an answer how to stop the wealth concentration? My answer is yes. And that’s where all the pieces will fit together.

I got into a problem in Bangladesh with the young people of Grameen families. Grameen is moving on for 40 years. So, there’s a new generation coming into becoming families. We gave them education loans. They went to school. They went to college. They got their degrees, but no jobs. Countries like Bangladesh don’t create jobs for millions and millions of young people who are coming in the job market. So, they complain. They complain to me. No job. Why did you send us to college? We have the degrees but no jobs. I have no answer. So I reverse that question to them. I say, why are you looking for jobs?
I tell them “job” is a very old fashioned idea. It should have stopped in the last century. Somehow, it sneaked in here. You got the wrong education. You should reeducate yourself. You tell yourself that “I’m not a job seeker; I’m a job creator.”

That’s what the human beings are all about. Human beings are not job seekers. I said, all the millions of years of history of human beings, we are not job seekers. We are go-getters. We are problem solvers. That’s why we came to this planet. And that’s why we survived on this planet.

Somehow some smart people said, no, no, you work for somebody. So, our education system mobilized everything to train you so that you can work for somebody. I said, that’s wrong education. Education should be to use your own talent to become go-getters and become entrepreneurs. There’s nothing wrong.

I said, why didn’t you become entrepreneurs? Some of them explained we can’t do that. We don’t know anything. Nobody told us. I said, shame on you. Your illiterate mother took a loan from Grameen Bank — $20 loan, $50 loan — and became an entrepreneur. And you’re telling me you went to school, you graduated, you have your master’s degree, and you don’t know how to start a business?

I said, wash up your mind completely from the education you got. That’s the wrong education. Go back to your mother. Learn how to start a business, and start a business, and we create social business fund. You come up with business idea, we invest in your business. We become your equity partner. Whatever business you want. All you have to do is make it successful, and return our money. Exactly the same money that we gave you because we are a social business. We are not interested in a profit. And the business is yours. We surrender all our shares to you. And we become the business owners.

In the beginning, they were very slow, not knowing exactly how it will happen. Now we have thousands on top of thousands of young people coming with business ideas. And we keep on investing in them as equity partner.

So, I come to the conclusion: I say, unemployment is an artificial concept imposed by wrong thinking, flawed thinking, because they are asked to get a job. I said, why should we have to look for a job? They are creative human beings. Unlimited creative capacity.

Then, why don’t they become entrepreneurs? Because a financial institution does not exist to solve them. And I tell them, what do you do when you get a job? You work for some company? Bigger the company, better it is? Where does all this money go when these big companies make money with your help? They go to the 1%. That’s the ultimate goal of all the wealth. That’s the destination. So in the process, we are all mercenaries. Mercenaries to work for those 1%.
Is this the fate of the human being, to work as mercenaries to become few people wealthy and the rest of the world dry completely? It cannot be accepted. I said, we are entrepreneurs. We create our own business.

If each individual can become an entrepreneur, even a tiny, little entrepreneur, wealth concentration will be very difficult, because all the money cannot go in one direction because, today, everybody is working for them. So they make money. If we make our own money, each one of us, we become points of wealth attraction.

So things happen differently. Then, we can create social business — businesses not to make money. Making money is the one that makes them wealthy and needs to stop. And I sum up everything that I said in three zeros.

I said, objective of the whole thing to run in the direction of achieving these three zeros. Zero number one: to create a world with zero poverty. No reason why anybody should be poor. If you fix the system, some of them I just mentioned, there’s no reason because they are as entrepreneurial as anybody else in the world. How to make them open their creative capacity and become an entrepreneur? They would be a good business person as anybody else.

Second zero: unemployment. Nobody in the world should remain unemployed. It makes no sense whatsoever — decent, working, healthy, young people not doing anything. Today, we accept it, as if that’s the way it should be. And we asked the government to pay them something, which is a wrong suggestion. Government should be helping him to become an entrepreneur rather than give him money to sustain himself. Completely opposite. So, hard to make that happen.

And if you create the financial institutions in a way that it serves the people at the bottom, then everybody will be entrepreneurs. There’s no dearth of ideas. No young person said, I don’t have an idea. There’s a whole bazaar of ideas. Just go and pick one. Anything you can do.

And you give them the whole menu that everybody else is doing and say, OK, I can do this. It’s easy, so you do that. It’s not far-fetched things. You don’t have to start with a complicated business. Start with a very simple business and build it up as a smart person. And you can do that. So no unemployment.

And zero net carbon emission, which you are familiar: We have to achieve that.

So, once we have these three zeros accomplished, we have a new civilization for ourselves. This civilization is based on greed, selfishness, self-centeredness. How to get out of that exclusively selfishness, self-centeredness and to make it a civilization which is based on human values, so that we express ourselves in all dimensions, not just one? So that we are truly reflected in our own economy.
And that will be the beginning of a new world. And I said, that’s very important because this system that we have today is not sustainable. We have to find an alternative before we get crushed by it. Thank you, very much.

[APPLAUSE]

Thank you.

**Moderator:** Professor Yunus, may I invite you to —

**Muhammad Yunus:** OK.

**Moderator:** — sit and answer a few of the questions from the audience.

**Muhammad Yunus:** OK.

**Moderator:** You can pick a seat. So we have 450 people participating in today’s event and another 200 people that are joining us live via the CFA Institute website. So, you have quite an audience.

We’ve been listening very carefully. I’ve seen no one looking at his phone. So you had the attention of the people who can make a difference in the world. And if I’m not mistaken, you’re asking us —

**Muhammad Yunus:** Absolutely.

**Moderator:** — to make a difference in this world. And we will.

**Muhammad Yunus:** Thank you.

**Moderator:** If I hear you talk about social businesses, the idea that I have following your reasoning is that social businesses is actually ordinary business. Right?

**Muhammad Yunus:** Absolutely.

**Moderator:** The model of chasing money for the sake of money seems to be a pretty artificial model we cannot continue to live in.

**Muhammad Yunus:** Yeah.

**Moderator:** So all businesses that we run should be run by ourselves, not being employed. And it should be social enterprises.
Muhammad Yunus: Can I respond to that?

Moderator: Yes.

Muhammad Yunus: I didn’t say all businesses have to be social businesses. I said, human beings are both selfish and selfless. So, as a selfish person, I create a money-making business. As a selfless person, I create a social business. It’s up to me to decide which part of me I will expand, how much.

So I’m not saying close down the conventional businesses and do only social business. That’s not what I said. I was giving an example of joint ventures.

Moderator: Yeah.

Muhammad Yunus: They have not stopped and closed down their business. Simply, they said, OK, we can do some social business alongside. So I’m inviting everybody to start a social business on the side. And find out what makes you happy.

I keep reminding, making money is a happiness. I’m not ignoring it. I’m simply reminding that making money is a happiness. Making other people happy is a super happiness. You make a choice. So, I’m not dismissing any one of them.

Moderator: True. Now when you started this out a number of years ago, you felt a strong emotion when you saw the business of the loan sharks and what it created with the ordinary people. We, as bankers, we seem to be pretty distant from our audience. How can we get this emotional urge to do something, to do it differently?

Muhammad Yunus: Well anybody can do that. It’s a question of how much interest you take into it.

Each of the social businesses I mentioned didn’t start as a mega business. Grameen Bank didn’t start as a mega business. It started with $27. Today, it lends every year over 1½ billion dollars. Next year, it will be much more than that.

So it grew over time. But it was still a very small beginning. Each social business can start that way. You can start a social business to bring safe water in the village which doesn’t have safe drinking water. It doesn’t cost you an arm and a leg for that. Very small amount to invest in for one village.

You did that, and it stands by itself. You earn enough to cover the cost and runs well, and people are happy. They buy the water and do that. If it works, you have developed the prototype. All you have to do is to replicate.
Do it with the next village and the next one. Each one is returning the money that you invested, just as I was giving the example of the eye care hospital. So you are using the same money over and over again. If somebody said, now I will give you the money. Start another one. So, you take that money, invest it, and return the money after four years, five years, whenever money is coming back.

And it still runs. It’s business. So, each one, I said, anybody here can do that. Sometimes when I’m meeting the investors, like you — very powerful investors — I say, well, would you consider asking your investors if he or she would be interested in taking 2% of their investment money aside? 98% will make a lot of money. We’ll make sure you have a lot of money. But 2% will go into social business.

It will not give you any dividend. But it will be your money. You’ll get it back. Would you be interested? I said, if you keep on talking about this, I’m sure some will say, yeah, why not? Two percent is nothing. You put 5% of my money into doing that. 95% is good for me.

Possible, but we don’t raise that question because it doesn’t enter in our mind. If we ask, people will give the right answer. But the system is such a way, we don’t have to ask anybody. We are so busy making our investors happy to make the maximum, we don’t ask.

I said, we’ll make sure you make the maximum with 95%. Just 5% in taking care of the waste, taking care of health care, taking care of the unemployed young people, water, or whatever. Old age, retirement, sportsmen after their sports career is over. Nothing happened to them. Completely empty. We can create social business to take care of them in a business way.

**Moderator:** What you have been saying, if I understand it correctly, is that we do not have to be smart to start our own businesses. Now, all of the people in this room are, or can be considered, pretty smart. So that’s not the trick. We can use our reason and build a good business model.

**Muhammad Yunus:** Absolutely.

**Moderator:** But what we need to have is a spark to kick off a business, is an urge to do something about it. Would it be fair to say that we need to get much closer to our audience, to our public, to the people that we serve?

**Muhammad Yunus:** Sure. Well, we invite you to come and visit some of these social businesses running around the world. You don’t have to go far. You come to Germany, you’ll see social business working in Germany. You come to France. Now, the mayor of Paris has invited us to start social business in France. In Paris, particularly.

**Moderator:** Yeah.
Muhammad Yunus: And they devoted one whole building as a social business house so that we can set up our office and run the social businesses, addressing the problems in Paris. Like any other city, there are problems. Addressing those problems in a social business way instead of depending on budget money to go out, take care of them, feed them, and do something.

They get active. They become entrepreneurs instead of job hunters and things like that. So, this is one way. Create those things. We have annual events. Like one event we will have tomorrow and the day after is called Social Business Academia Conference, which will be at HEC France, a business school in France.

So, all the business schools and other universities who have social business centers in those universities, they will come and join this conference, present the papers of what’s happening in the social businesses, see who is doing what. Come and join one of those, or we have a social business summit every year.

Last year, it was in Berlin. We invite you to come and watch what’s going on. Does it make sense? Particularly, it has to make sense to you. If it makes sense, they say OK. Why not? I can do something.

I can do it personally. I don’t have to wait for investors to agree. I’m agreed — I do that.

Moderator: And it probably starts making sense once you break down the walls of the existing institutions.

Muhammad Yunus: Absolutely. That’s very important.

Moderator: We need be liberated of the waste that we’re thinking about reality.

Muhammad Yunus: That’s a basic thing.

Moderator: Question from the audience here: “What is the most effective way to create equal opportunities?”

Muhammad Yunus: Creating institutions for that. You create institutions for non-equal opportunities, then ask for equal opportunity? — doesn’t happen. Look at the banks. This is what I’m grumbling about all the time. It doesn’t open doors.

Today, it’s a global phenomenon of microcredit. And everywhere they showed how good they are and how decently they are doing their business. Have the banks opened their door to the poor people? No. They still remain what they are.
So, basically, we call them banks. But truly, they are banks for the rich. So why can’t we have banks for the poor? Just as many as the banks for the rich. Then, it’s equal opportunity. Otherwise, it won’t be equal opportunity.

You create banks for the rich and say we are looking for equal opportunity. You’re not creating those institutions. Grameen Bank is a sole example of a bank for the poor. So we cannot repeat it. We have microcredit programs, not Grameen Bank. It’s a bank.

**Moderator:** Yeah.

**Muhammad Yunus:** It has its own rules, procedures, and so on. Regulators, everything. So, why can’t we create that? And then, complain about the unemployment — 60% unemployment, 40% unemployment, in Europe. Not in Bangladesh. In Europe.

**Moderator:** In Europe.

**Muhammad Yunus:** We don’t do anything about it. Simply say, well, we have to have a higher growth and so on. Why are you looking for higher growth? Just go. They will bring the growth.

**Moderator:** And one of the questions dealt exactly with that. And the question was “What is the relevance of Grameen Bank model for Europe, in particular, then for southern Europe, in terms of unemployment?”

**Muhammad Yunus:** Well I gave two examples. One is Grameen America.

**Moderator:** Yeah.

**Muhammad Yunus:** It’s working. Any day you can visit those branches and see what’s happening. Another example particularly focused on the unemployed young people translating unemployment into entrepreneurship. Not unemployment into jobs. Unemployment into entrepreneurship.

We created a social business fund. Once you have the money right there on the table, tell the unemployed young people, “Come up with a business idea. Here’s the money.” Guess what happens? Their minds start working because they saw the money.

Nobody’s mind is working now. You say start a business. Who is going to give me money? If an unemployed person walks into a bank today and says I have a brilliant business idea, give me the money. I’m sure the banker will call the security. Get him out.

Nobody in the world, no bank in the world, will give an unemployed young person money he needs or she needs to start a business. Then, how does he start? So he said, OK, all I can do is a
job application. Nothing else. So jobs will continue to be scarce, and scarce no matter how much growth you have. Population is increasing.

One statistics tell us that 80 million new young people will enter the job market every year, globally. And it’s a terrifying fact. How do we absorb this 80 million young people every year? What kind of economy do we have to build so that, every year, we can accommodate 80 million young people.

**Moderator:** And see differences, graphically speaking?

**Muhammad Yunus:** There’s a lot of difference. But I said I don’t get scared about this 80 million young people coming into the job market because that statement is done in a wrong way. I’ll make this statement in a different way. I will say 80 million new entrepreneurs are entering the market to contribute to the market, to energize the market. Completely different.

And that’s what they should be. Not scared that 80 million people are coming when the technology is needing, businesses need less people. Electronic gadgets simplify things. Instead of 10 people, you need 1 people.

So they’ll be less, even in an expanding economy. But where do they go? So, your question was whether it’s the same everywhere. It’s almost the same. If you have 48% unemployment in Spain, it’s no different from any other country in the world. If you have 70% unemployment in Greece, youth unemployment, it’s no different from any other country.

**Moderator:** And is education the tool to get people into becoming entrepreneurs?

**Muhammad Yunus:** I just mentioned that. I said, present education is wrongly designed. We are basically producing workers.

**Moderator:** Yeah.

**Muhammad Yunus:** So that you get a piece of paper that he or she has completed all this requirement.

**Moderator:** Yeah, we actually call it human resources.

**Muhammad Yunus:** You call it human resources, so that that piece of paper will be a door opener for a job in a company. I said, that’s a wrong thing. I would create the education system so that you get ready to move on.

In campuses, you have recruiting agents coming from different companies. That’s a traditional way. The company sends their recruitment agents. They explain what their company does, the facilities
they give you, and so on and so forth, so that you can pick the company that you can apply to. Not that they’re giving you a job, but you can apply to, so that they get a bigger pool to select from.

How come financial institutions don’t send their representatives to the schools? We are waiting for you with the money. Come up with a business idea, and we’ll be the one to invest in you. These are the first facilities we give you. Blah, blah, blah.

We are more friendly to you than the other company. It will be completely different. They say, OK, I have an idea. Would you come up and support me so that I can start my business? So, that’s the limitation.

I say, for a job, you need that piece of paper as a door opener. No matter how smart you are, still at the end, you need the piece of paper to submit along with the job application. I said, if you want to entrepreneur, you don’t need that piece of paper. You just go ahead and do it. People will not see what grade you got or what education you got. People will see how successful a businessperson you are. And you can do it any time. You don’t have to wait to get that piece of paper at the end of school year six or whatever year you have. You just go ahead while you’re still studying.

And you study the things you need. Don’t study the things that you think you can live without it. Just go ahead and do it.

Moderator: Again, would you say it’s the institutions?

Muhammad Yunus: Institutions because everything is designed with the idea that we all have to work for somebody else.

Moderator: Yep.

Muhammad Yunus: That’s the wrong idea.

Moderator: That’s a pretty simple thought.

Muhammad Yunus: Very simple thought. That’s what I thought, too.

Moderator: Those are all from the best. Now again, from the live stream, we have a question from the audience. And that is, “Why is the repayment rate so high at Grameen Bank? Is there a conscious effort to focus on women entrepreneurs?”

Muhammad Yunus: Yes. We have done that. That has a historical background for Grameen Bank. When I was criticizing the banking in Bangladesh when they were not giving their money
and opening their door to lend money to the poor people, I was very critical of the existing banking system. And I complained, showing how wrong they are.

They will give the bulk of money to the rich people who never paid it back. They're all defaulters. The more powerful you are, bigger money, and bigger defaults. That's the system we have. I said, you give this money knowing full well they will never return the money.

But when it comes to the poor people who will be borrowing $20, $30, you're saying she's not going to be a creditworthy person.

**Moderator:** Yep.

**Muhammad Yunus:** You have never even tried here. I said, at least try. So this is one complaint. Second complaint is not only you don't lend money to people at the bottom, you don't lend money to women of any class. They were very, very upset about that.

I said, look, this is what your statistic says. Not even 1% of your borrowers in the whole of Bangladesh happen to be women — 99% plus are men. So, something is terribly wrong in your system. So, when I began my work, I wanted to make sure people don't accuse me of the same thing. I wanted to make sure half the borrowers in our program are women.

So, this was a deliberate decision without knowing what will happen. Whether they will at all be returning money, men will return money, or? At that time, I had no idea. But I made the decision that half the borrowers in the program must be women. So, we were going to women to explain to them. They said, no, no. Give it to my husband. I don't know anything about money. So, we are insisting with our students who are working with me, no, we have to go on, again and again. I said, the women who said no to money, always remember: It is not her voice. It's the voice of the history which made her, because she saw all the trouble in her life because of being a woman. And she doesn't want to create more trouble for the family by taking money and not being able to pay back. And it will be trouble for the family. So, she is trying to play it safe. Don't get involved with this.

I said, you go back again and again. Build confidence in her. Peel off the fear. Layers and layers of fear she has, history has put over her. When finally she will emerge from all these fears, she will say, maybe I should try a little bit. And if one woman tries it, and if she's successful, other women around her will become very curious how she did it. “Maybe I should try to.” And it will have a snowball effect, and that's exactly what happened.

It took us six years to finally make it to 50-50. But we never gave up. Then, we saw that money going to the family through women brought much more benefit to the family than the same amount of money going to the family through men. Again and again.
Then, we asked ourselves, why you stick to the 50/50? Why didn’t you open it up because it’s beneficial to the family to enter the family through women. So we said, forget the restriction. Open it up. So, we concentrated on women.

So, that experience became universal experience. Anywhere in the world you’ll see when you talk about microcredit, there is no rule that you have to focus on women. But people may gradually shift into the women because they see the impact in the family immediately. And in the USA, we never even tried men. Just went ahead with women, and 100% women. No men at all, and it works beautifully.

[LAUGHTER]

Moderator: Yeah.

[APPLAUSE]

That is quite a change. Now there’s also for some more operational questions.

Muhammad Yunus: Go ahead.

Moderator: And that has to do with how we are being constituted. And one of them is how do you actually justify the evaluation of the small loans? Isn’t that way too costly? How do you do that?

Muhammad Yunus: You see, you are coming from the conventional banking where we created a system which, basically, is the reverse of the conventional system. Everything the conventional system do, we do the opposite. Conventional system asks for collateral.

Moderator: Yep.

Muhammad Yunus: We dismissed it. Since we don’t need collateral, we don’t need any legal papers. So, we have no lawyers. We are the only lawyer-free bank in the whole world. We don’t have any lawyers. It works.

That’s why Americans were saying it will never work here, because everybody needs papers. I said, we don’t need papers. And we went there and proved that. As I said, these women, most of them — more than 50% of these 85,000 women that we have — are undocumented. They don’t have an identity in the society. No bank or any institution will go anywhere near her. We invited them. Come here. We have no problem between us. It’s OK.

So how do we evaluate the system? We said, I don’t have to evaluate them. And the Grameen system works on five women getting together forming an informal group. And if I’m in the part of that
group that we formed, we are friends, if I need a loan, I don’t go to the bank. I tell my friends that I need this loan. And the group has this structure that every year you have to elect one chair of the group, one secretary of the group, and nobody can get re-elected next time. So you have to change so that everybody can share this responsibility throughout, so nobody can control the power.

So, I go to the chair of the group and said I need this money. So the chair will say, OK, we’ll get together. Five of us get together. Then, you explain why you need the money. So, you explain to your friends why you needed the money.

Your friends are the best judge of you and your idea. If you have some silly ideas, they will say no, no, no. That’s not the good way. You should think a little bit more. Maybe you should have done this. Come back. And we’re here. You just tell us anytime. We’ll come and do that.

So, that process is done by themselves. And they recommend it to the bank that, yes, we’re recommending her for this. Initially, the bank will ask a few questions. Have you discussed this aspect and this aspect? It becomes so routine they don’t even ask them anymore because they know how to do that. And usually, it works out. So, we don’t get involved with it. We simply come up with the loan.

And the law has a system. It’s a weekly payment. Every week you pay a tiny bit of what you borrow. And over a period of time, all the money is paid back. And you are ready to take the next loan.

**Moderator:** So what you’re actually saying, again, here is that you look at things in a very simplistic way.

**Muhammad Yunus:** Very simplistic way.

**Moderator:** You take the basics off it.

**Muhammad Yunus:** Yeah. I’m glad you mentioned that because one of my favorite things is, I said, reality is simple. Human minds, somehow, got into a very complicated way of looking at it. So we make it complicated and get very scary. But you go there, people are people.

**Moderator:** Well, what I like about you and also the concept of the social enterprise, is the fact that it’s exactly what it is.

**Muhammad Yunus:** Social business.

**Moderator:** It’s a social business, exactly. So, it’s between people. It’s not a system. A system needs to be described and needs to have a whole set of documentation to keep it together to keep structural integrity. What you’re getting at is integrity of people. You bring banking back to trust.
Muhammad Yunus: Yeah. Banking part, yes, with the borrowers. But the rest of the banking is serious banking. You have to all the books and all the records.

Moderator: Of course.

Muhammad Yunus: All the regulators to satisfy. What you have done. How you have done. You fulfill every single thing. Bangladesh has a regulatory body not as effective as any other country. But you go to US, they make it very complicated. And we have to deal with them, too.

We are dealing with the simple things. And then, come to the complicated world, and deal with that complicated world. We have to report everything that we do in our work in cities of those regulatory requirement that they have to fill. And we feel that we could have done it much faster if we didn’t have to go through those regulations.

But we accept that we should follow this regulatory regime so that they know that we are doing the right thing. I was mentioning when we go beyond that level — you get the broader level — when a company like Danone works in a social business, it’s the very same system. They cannot fool people and say, oh no, it says social business. Don’t look at this one.

Their regulators and their auditors, they will come and check everything because this is part of Danone. We have to check everything that you have certified to the board and certified to the general assembly that this is what they have done. This is our recommendation to you. So, when all these big companies come, they bring all their rules and procedures to comply.

Moderator: Professor Yunus, in view of time, you’ve run out. We should have been sitting here, should sit here, for the remainder of the day because it’s a —

Muhammad Yunus: Thank you.

Moderator: — wonderful story to listen to.

Muhammad Yunus: Thank you. We welcome you to join us in Grameen in social business and everything.

Moderator: We will. And can I have a big round of applause for Professor Muhammad Yunus?

Muhammad Yunus: Thank you.

[APPLAUSE]