



# Microcredit

## Addressing an Ongoing Debate



in cooperation with



## Microcredit – Addressing an Ongoing Debate

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## About this text

*In 2006 the Nobel Peace Prize was awarded jointly to Prof. Muhammad Yunus and Grameen Bank, the first of several social business enterprises he founded in Bangladesh. The Nobel committee honored "their efforts to create economic and social development from below". The concept of microcredits, small loans to poor people, attained global public awareness and their most prominent promoter received international fame. In the course of the resulting "hype" to help the poor, questionable and even unacceptable forms of microcredit emerged. These developments are not very different from what we have witnessed broadly concerning the creation and promotion of ever more "innovative" financial instruments in the global monetary markets in the time before the crisis breaking out 2007/2008. Financing instruments and the granting of credits are important prerequisites for a functioning economy as a backbone of a wealthy society. However, lacking sufficient regulation all financial products may contain considerable potentials for dysfunctional effects. This negative potential with absolutely unacceptable consequences to the borrowers also emerged in the area of microcredits. Studies were triggered and published, treating microcredits and their impact undifferentiated, focusing exclusively on the negative excesses. Their authors often oppose in principal the idea of small loans to the poor as helpful services by stating that loans cannot substitute for tax-financed community services and social systems and that microcredit therefore in general would be of negative impact to the poor. This judgement is inadequate and above that endangers the future application of valuable financial instruments like microcredits in cooperatives or social networks which do have considerable potential for overcoming poverty. In particular small loans or grants can provide the necessary initial funding to entrepreneurial people capable and willing to work hard to implement successfully their business model, if they are granted free of loan-shark conditions, reasonably organized and adapted to the regional and societal circumstances.*

*The following analogy illustrates, how far from reality and reasonability a one-sided general negative criticism of credit-granting and the microfinance institutions (MFIs) in their entirety is: The latest monetary and economic crisis has shown absolutely unacceptable developments. What if somebody would conclude from what we witness in the aftermath of the latest near-meltdown of the world financial system that the sector of finance and banking in total - cooperatives and savings banks enclosed - is not useful, socially unnecessary, and would not at all support the prosperity of societies and people. All these institutions would be denounced as culprits forcing the world into over-indebtedness and would be made responsible for any kind of social distortion, arguing that the granting of credits belongs to their core business, but social systems cannot be substituted by loans. It would be further argued that loans do have in general no or negative impact since poverty, hunger and underdevelopment cannot be overcome broadly by*

*granting credits. Hence, no credits should be granted. Instead tax-financed powerful, high-quality and efficient community services and social systems should worldwide be provided to guarantee all people in the world their fair share in participation. Neither is there any idea where and by whom the added value necessary for financing such a program should be created nor how the implementation of all prerequisites for value creation could be achieved. This concerns e.g. all infrastructures and institutions of a global economic system that takes into account and overcomes the problems that we already have today. One of these problems is that already today we operate beyond the ecological carrying capacity of our planet. This complex of questions is ignored. So as if the answers to these questions together with the demanded social systems **simply fell from the sky**.*

*In this situation, a couple of institutions are collaborating to work out together the characteristic features of socially positively impacting microcredits. All partners of this study have many years or even decades of work and engagement experience in the subject areas of Globalization, Sustainability, "catch-up" strategies for Development, World Financial System and International Cooperation. The aim of this joint effort is to provide the public with a scientific analysis of microcredit in the context of a complicated global environment. We intend to figure out conducive institutional and organizational conditions and decisive prerequisites that make microcredits an effective instrument of a successful strategy to fight poverty. On the one hand the historical movement has to be respected. On the other hand, development-supporting forms of microcredits within suitable social and economic structures should be differentiated from those forms of exploitative microcredits that financialize poverty, meaning worsening the situation of the borrowers instead of improving it. Indeed, the misuse potential of loans to the poor is considerable, not least because of the high "vulnerability" of economically badly positioned people. However, the world financial crisis made it clear that misuse of financial services and products is also possible in the wealthiest structures of the world. The magnitude of opportunism of conceived financial market innovations, making use of a lack of transparency and regulatory loopholes, is up to a much higher extent.*

*This study will hopefully contribute to the overdue differentiation of the various forms of microcredit and their impact to the poor. As a result, the positive work of Prof. Muhammad Yunus is affirmed, who paved millions of people the way out of poverty with his very dedicated model of microcredit. In addition, a strong relation of this approach and his way of positively impacting the financial options of the poor with the concept of co-operatives becomes obvious. This approved organization of self-help, carefully and dynamically adapted to the special situation of the poorest societies, lies at the heart of the positive impact of the different enterprises of the Grameen group and social businesses following the generalized ideas of Muhammad Yunus. It is the interaction of these three "tool levels" that opens up big*

*potentials for development and the overcoming of poverty. These interesting new insights are worked out in the chapters 4 and 5 in this text, also with reference to former investigations of the authors on influential drivers of wealth and international attempts of development aid.*

*On the basis of the new insight provided by this study it will be easier to unfold the considerable potential of a proper application of microcredit programs for overcoming poverty to an even greater extent than today.*

*This study is the result of a cooperation of several partners. The main responsibility for the work has been taken over by the Research Institute for Applied Knowledge Processing (FAW/n) in Ulm. Our work was supported by many other partners who were also involved in the text creation and are mentioned as co-authors. Particularly important are the contributions of Peter Spiegel as a generator of ideas and companion in the issue since decades, Estelle Herlyn at FAW/n on the content work and Peter Hesse, Martin Kasper, Winfried Pinger and Nancy Wimmer as **contemporary witnesses**. The inputs of these contemporary witnesses are crucial for the appraisal of the positive effects of the activities of the "Grameen family". They know the interrelationships in the microcredit domain from personal experience as insiders. Their statements are integrated in own "boxes" with individual authorships. The quality assurance by the **Grameen Creative Lab** and the feedbacks from the event with Muhammad Yunus on the 10th of November, 2014, in Berlin as well as all the other feedbacks and suggestions were important to us and are incorporated in this English version of the original German text.*

## Introduction

Since the 1970s Muhammad Yunus exerts himself to improve the situation of the poorest of the poor. During the last 40 years he built up the Grameen group<sup>1</sup> of enterprises which are social business in his terminology. The origin of his broad engagement was the assignment of smallest loans to very poor people without any collateral. This project led by the foundation of the Grameen Bank in Bangladesh induced the wide application of personal loans for the poorest in the way Prof. Yunus has introduced it and **made the world a better place**. The activities of Muhammad Yunus made clear the serious disadvantages of people not having access to loans to fair conditions, e.g. in the absence of financial markets and institutions. In developed countries like Germany it is no question to get this access nationwide, including all rural regions, especially due to a dense net of institutes of the cooperative sector and the savings bank organization.

Loans to fair conditions do not solve all problems of the world. They cannot generally solve the fundamental problems leading to poverty: insufficient opportunities and capabilities for added value creation. If in a longer perspective and considering volatility, the income of people (without property and/or without sufficient supplemental support) does and will not ensure an existence worthy of human dignity, loans cannot substitute the universal rights to just and favorable remuneration and security. Nevertheless, loans can empower entrepreneurial people, ready and willing to work, motivated and having a business model, to implement their idea if nothing more is needed than some initial capital. Those loans transform dormant and wasted opportunities into creative and productive capabilities. If the principal object of the institutional framework for these loans is development and the organizational and financial conditions assure at least a large enough

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<sup>1</sup> The enterprises of the Grameen group mentioned in the text are briefly described in an appendix

share of added value for consumption and further investments in the regional context of the debtors, this will not lead to a “financialization of poverty” as the opponents to microcredit allege.

From this development economics perspective follows that a loan can, in particular, be the key for a basic improvement of the life situation of people or families if one or both of the following conditions are fulfilled:

- (1) Liquidity gap: The income is in the long run sufficient, but there is a temporarily problem of illiquidity, caused by income volatility. This can be situations in which the income in itself is volatile (e.g. varies with the season) or is temporarily affected by shocks like delayed payments, illness, crop shortfalls or natural disaster.
- (2) Capital gap: A sufficient income could be generated but requires investments or payments in advance. This can be situations where the value creation process requires durables, consumables or capabilities that have to be acquired first, the purchase of goods and resources, the financing of education or medical treatments, a bailing-out from oppressive contracts etc.

The situations described are quite usual reasons for households and enterprises in developed countries to request a credit.

The granting of credits, resp. the constitution and preservation of a society’s capability for borrowing and lending, is often the key to a better future. This is true for individual prospects, for induced economic development, and also for a society in general. Advanced payment by means of granted credits can raise a society’s potential to considerably **create added value**. Investing part of this increase into value added instead of consumption further enhances the capital basis for value added processes. This upward spiral can



effectively be instantiated with the institutional implementation of the strategic concept of financing as a means towards **common wealth** and a community's capacity.

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A complementary hint: We focus in this text on the concept of Microcredit as introduced and proposed by Muhammad Yunus. He strongly aims to help the poorest but creative people in difficult situation, willing to work and with a longer-term business model. There are other self-help initiatives addressing problematic circumstances where suitable concrete problem solutions require not more than a unique impulse in financing. Such initiatives discovered by development aid practitioners and financed via micro-grants from public means were developed in Haiti by Peter Hesse from Düsseldorf. He was acting a long time close to politics and gave input to this text (cf. box p. 99). Impulse financing as "bottle-neck-opening help" could have long-lasting positive effects in small self-help structures which cannot reasonably be supported by microcredits. This type of microfinancing, Peter Hesse named it "partnership-facilitator-model" (see box on p. 99) provides microgrants from small means taken from the German budget for development assistance. Private initiatives and also the German embassies in developing countries were benefactors of this successful program. Notwithstanding, Hesse sees the outstanding way in the form of Microcredit as developed by Muhammad Yunus, which is applicable globally.



## 1. Cooperative organized microcredit in poorest regions of the world – an idea with transformative strength

In the 80s of the 20th century East Pakistan, one of the most densely populated states of the world which became independent after the Bangladesh war 1971 as Bangladesh, was called “**absolute poorhouse of the world**”. At that time one said that who can solve the problems in Bangladesh can solve the poverty problems everywhere in the world.

How did the world-political situation look at that time? The USA were still at war in Vietnam. They had initiated the breakdown of the Bretton Woods agreed organization of the international financial system at the end of the 2nd world war. Probably also in order to better able to manage the huge financial costs of the Vietnam War, they **suspended their given commitment to back the dollar by gold from their reserves**. The worldwide Governance was anything but favorable for poorer countries. It was this still the time of the cold war and the arms race. The USA and Russia had taken up the first talks concerning the limitation and control of nuclear weapons. The first cautious steps were done to limit the arms race. The regulations coming from this time in GATT, which later led to the WTO, were (and are) anything but conducive. This unbalance is currently obvious with respect to food programs of India for the poorest. Such positive programs are disliked and argued against by the developed countries as **too protective**.

The organization of the world financial system was never advantageously for developing states. The present debt crisis of Argentina is the most topical link in a long chain of sad examples. Moreover, the forms of development cooperation were at that time neither effective nor efficient. Furthermore, concerning Bangladesh, the difficult initial situation after the independence war has to be considered. The same is true for the already perceptible negative effects of climate change. Also, the irreconcilable struggle

of two big clans for political power and control in Bangladesh since its foundation constitute a great challenge.

It cannot be said that today the problems of Bangladesh are solved, but the current situation means a significant progress in comparison to the 70s and 80s of the last century.

	<b>HDI values of Bangladesh in the regional context t</b>							
							<b>South Asia</b>	<b>East Asia &amp; Pacific</b>
<b>Indicator Name</b>	<b>1972</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2008</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
GDP (current US\$ billion)	6,29	18,12	30,13	47,13	91,63	133,36	2.302,74	10.330,97
GNI per capita, Atlas method (current US\$)	120 <sup>1973</sup>	220	290	380	650	950	1436,78	4904,44
Fertility rate, total (births per woman)	6,928	6,356	4,55	3,12	2,377	2,21	2,59	1,85
Life expectancy at birth, total (years)	46,88	54,87	60,01	65,32	68,68	70,29	66,64	73,82
Mortality rate, under-5 (per 1,000 live births)	221,6	198,4	143,7	88,1	55,7	43,4	59,1	20,5
Mortality rate, infant (per 1,000 live births)	147,9	133,5	99,6	64,4	43,4	34,9	46,3	17
School enrollment, primary (% net)	70,7 <sup>1973</sup>	66,7 <sup>1981</sup>	72,03	...	90,75	91,55 <sup>2010</sup>	89,8	93,9
School enrollment, secondary (% net)	...	15,7 <sup>1981</sup>	...	44,61	43,6 <sup>2007</sup>	47,75	51,42 <sup>2008</sup>	74,94
Ratio of girls to boys in primary and secondary education (%)	50,6 <sup>1973</sup>	53,59	75,51	...	108,91	109,64 <sup>2011</sup>	97,06	99,98
Population, total (million)	68,7	82,5	107,4	132,4	148	154,7	1.649,25	1.991,56

*Fig. 1: HDI values of Bangladesh in the regional context <sup>2</sup>*

The World Bank sees a commendable development in Bangladesh [3]. In an analysis on the issue, the investment bank Goldman-Sachs lists Bangladesh as one of "Next 11" states which have the potential to climb up to the

<sup>2</sup> cf.: World Development Indicators (<http://data.worldbank.org/data-catalog/world-development-indicators>) and UNDP MDG Monitoring (<http://mdgs.un.org/unsd/mdg/Data.aspx>)

growth-strongest economies of the 21st century [15]. Considering the above said, this appears to the authors of this study to be a very daring thesis. Nevertheless, significant further progress seems to be possible. Other studies and articles also indicate that Bangladesh has positively developed in spite of the extremely difficult initial position and whole situation [68]. "Grass root developments" which can be exemplarily for the world [48], have contributed towards improvements.

Tracing the developments in Bangladesh, one inevitably comes across the Nobel peace prize bearer **Muhammad Yunus**, the processes initiated by him in the areas of **Microcredit** and **cooperative organizations**, the different enterprises of the **Grameen group** (see some short profiles in the appendix) and his propagated idea of **Social business** [64, 65, 76, 77]. Muhammad Yunus returned into his native country in 1972 from the USA. Only when considering the background of the described historical situation, it is possible to understand the magnitude of his innovations. The developments influenced by him and his innovations have extended over a period of 40 years. They have changed the world.

Of course, it would be unserious to assign the successes in Bangladesh predominantly or even exclusively to the ideas of Yunus and his contributions, but his ideas and the enterprises and methodologies, he introduced via Grameen have certainly played a major role. Muhammad Yunus himself places great emphasis to the point that his contributions should not be overrated. Moreover, he often mentions that many of his propagated approaches and attempts do not originate from himself, but have their origin in the history of the world, in part also in the now prosperous countries [56]. This concerns, e.g., the element of common liability and procurement in the cooperation of underprivileged groups. Especially in the **German speaking countries** this has substantially contributed to the construction

of a functioning community from the end of the 19th century, still contributes and will furthermore contribute to it [8]. This concerns also the worldwide **co-operative movement** that was shaped in Germany by Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch. In the financial sector in Germany, these principles apply in a similar manner to the institutes of the savings banks association.

### **The history of the co-operative movement in Germany**

In the middle of the 19th century Dr. Hermann Schulze-Delitzsch (1808-1883) and Friedrich Wilhelm Raiffeisen (1818-1888) have laid independently of each other the foundation-stone for worldwide movement of today – the cooperatives. With the foundation of the first commercial co-operative in 1849, the shoemaker's association, and the first Volksbank (German for “people’s bank”) in 1850, the today's Volksbank Delitzsch eG, Schulze-Delitzsch has organized the practical implementation of the “co-operative idea” and their principles of self-help, direct responsibility and self-government.

Raiffeisen worked with the same principles – shaped from a Christian view of humans. He addressed the needs of people in his homeland Westerwald. Already in 1849, he created the first bases for rural loan and goods cooperatives.

In Saxony and in Rhineland-Palatinate, the roots of this “co-operative idea” can be found, which is now powerful in place, worldwide.

Today, in Germany, the cooperative idea with about 8,000 cooperatives and 21 million members constitute a strong economic organization. Cooperatives are stable and stabilizing enterprises in banking, trade, agriculture and the craft. Their purpose is to promote the well-being of their members. The financial and economic crisis from 2008 once again made clear the potential of the cooperative model of organizing business.

Today, the actuality of the “co-operative idea” is also proved in the foundation of new regional energy cooperatives, cooperatives for the improvement of the rural provision of public services of general interest by means of village stores, health cooperatives,



senior citizen's cooperatives, social cooperatives and purchasing cooperatives of craftsmen or farmers. The implementation of cultural and municipal objectives is increasingly made operational via cooperatives as well.

The “co-operative idea” of Dr. Hermann Schulze-Delitzsch, Friedrich Wilhelm Raiffeisen and allies like Victor Aimé Huber, Wilhelm Haas and other has proved itself outside Germany worldwide and manifests unbroken strength. More than 900,000 cooperatives with worldwide more than 800 million members are a more than strong signal, as is the international proclamation of 2012 as the “UN year of the cooperatives“.

The Federal Republic of Germany has joined the UNESCO convention for the safeguarding of their intangible cultural heritage in 2013. This convention is aiming towards the preservation of living traditions and strengthening their meaning as a fountain of variety and a guarantor for sustainable development, as well.

“We are convinced that the “co-operative idea” bears great social, ethical, economic and cultural dimensions with long-term impact which justify its inscription as a cultural heritage“. Therefore, the “Deutsche Hermann-Schulze-Delitzsch-Gesellschaft e.V.” and the “Deutsche Friedrich-Wilhelm-Raiffeisen-Gesellschaft e.V.“, in November, 2013, initiated the nationwide application for recognition of the “co-operative idea” as an intangible cultural heritage according to the UNESCO convention.

*Philipp Jung, Quest team - The Potential Developers and  
Josef Zolk, mayor of Flammersfeld*

Today cooperatives are mainstays of prosperity in trade, finance, water supply and sewage disposal still and will remain so in the future. Co-operatives currently also play an important role to manage the energy transition in Germany. Just as savings banks they are, not surprisingly, often a target of criticism of market-radical actors striving to eliminate this form of competition to their business activities, hopefully via regulative settings. Until the time of the latest financial world crisis, attacks on the cooperative and the public pillar of the German three pillar banking system, were well advanced. The European Union did not play a positive role in this process. The world

financial crisis has readjusted the way of looking at these financial organizations. The German society should be glad to have a resilient financial infrastructure at place, with its regional entrenchment and promotional mandate. These financial institutes are also a vital instrument of regional development in Germany.

Cooperatives, but also many charitable and non-profit organizations, actively help to create a basis for value creation ability for everybody in a society, and thus complement what the public sector does. Cooperatives and “Collaborative Commons”, as Jeremy Rifkin calls the “communities” linked with it [50], have recently seen a strong revival through the social innovation of “Social Entrepreneurs”. Today, about one billion people are organized in cooperatives. The interaction of people and the **public welfare oriented way of thinking**, linked with cooperations are important for the performance of such communities and, hence, their surrounding national economy. This is similarly true for the promotion of the idea of cooperation, complementing the competition paradigm that is helpful, as are the increased social cohesion and other positive feedback-loops that are induced.

### **The co-operative idea and their implementation in case of the Sparda-Bank Munich**

Our economic system is in a crisis, impacting all our life. Capitalism intensifies the exploitation of people and nature even more by the deployment of always mightier machines with ever growing energy consumption and pollution. Thus, while productivity and competitiveness are increased, the ensuing crises are much more threatening than a financial crisis. The decisive difference is that crises in the monetary system are remediable. Certainly, monetary valuations of immense volume vanish, but these can be compensated. The destructions of nature and humanity, which are consequences of our today's form of capitalism, are irreparable.

What does the **Sparda-Bank Munich** do to meet the aspiration, to be actively driving the societal change and to promote a public welfare-orientation? One focus is our strong

engagement for education, social justice and the environment. The companies' strategy is orientated in line with the principles of corporate social responsibility: There are, for example, no sales commissions for bank advisers. Own-account investments of the Sparda-Bank Munich are transparently published on our homepage. Only such financial products are offered for our members that can be recommended with good conscience.

The other focus of the Sparda-Bank Munich are the employees: They are promoted in their strengths. So every employee predominantly does what corresponds to her or his greatest talents. All employees know their greatest strengths and also those of their colleagues. There is no performance-related remuneration. The corporate culture of the bank aims at anchoring openness, co-determination and transparency in the company. The bank's approach of strengths-promotion is transferred into the society via the "NaturTalent foundation" (NaturTalent Stiftung gemeinnützige GmbH). People who know their strengths and talents are more authentic, more self-confident and have more joy of life. This affects not only the professional sphere. Motivation and satisfaction gained also influence positively the private life of our staff and impacts their health positively. Particularly young people in a crucial phase of their career as well as of their private life are supported by talent factories.

"We believe that the future belongs to cooperation, more than to confrontation. And we are convinced that enterprises can be successful even when always acting in a socially and ecologically responsible way – if there is a will."

*Helmut Lind, chairperson of the board of directors, Sparda-Bank Munich registered Cooperative*

"Healthy", powerful societies pursue the economic principle "with each other for each other", which aims at a **balanced interaction** between competition and collaboration. In rich societies, competition is dominated by collaboration, as this is more important. Competition at its best serves to promote collaboration, as "free riding" and the obtaining of monopoly profits are prevented.

In [43] is explained which interacting and intertwined factors make societies rich and powerful. **Governance**, meaning the organization of the society

and the markets, and the regulation of responsibility, plays a crucial role. Safeguarding a fair participation of all parts of a society is important, too. Of course, the provision of a functioning financial system also counts, especially the granting of credits at adequate conditions. The detailed discussion of all these relevant factors with references to the innovations by Muhammad Yunus in chapter 4 forms the main intellectual focus of this text, including some new insights into the issue.

All the factors, important for rich societies, must be embedded into a rule-setting environment of ecological, social and economic standards. This is the basis to promote value creation and a prosperous social cooperation and, in the end, a **sustainable development** [44, 59]. Of course, all this requires a functioning government which pursues actively the interests of the majority of the population. We refer to the explanations on the subject “Governance” as one of the essential conditions for value creation ability in [43].

Our analysis makes it clear, that the provision of (micro-) credit definitely cannot substitute a Good Governance and a functioning powerful set of basic infrastructures, public goods and services as well as necessary institutions. The simple granting of a credit cannot eliminate social need, neither in general nor selectively. Human disasters in the sphere of poor borrowers, like suicides of insolvent debtors in Andhra Pradesh in 2010 indicate clearly what can happen if the regulative and structuring role of a functioning state is absent. The problem is – like quite often in history [23] – not the provision of (micro-) credit in itself, but rampant lending in inappropriate situations and in an environment, increasing the basic services of a welfare state. Support-oriented regulations are necessary to ensure social standards for the poorest, access to basic health services and education as well as adequate insolvency regulations, which allow insolvent individuals and enter-

prises a new beginning. Similarly required is a regulation of minimum allowance entitlements and direct help in case of personal distress, in particular in those cases, where a person or a family-member suffers from illness.

To reemphasize: A temporary granting of a loan cannot take over the regulative - and if necessary supporting - role of public authorities. It is a worldwide problem that functioning social environments are absent due to lacking regulation and due to the corresponding lack of effective and efficient institutions. This is the case in many countries. It has also to be mentioned, that the states of the world as a whole are not ready and willing to act to a sufficient extent as a fallback position in the fight against poverty on the global scale. Though at the UN level the overcoming of poverty is proclaimed over and over again as a common aim of all nations, cooperation on the issue is pure. In particular, rich countries are not willing to invest considerably into the issue. We refer to the current evaluation of the implementation of the **UN-millennium development objectives in 2000 – 2015** being insufficient.

It is against this background, that the efforts and achievements of Muhammad Yunus should be appraised. The ideas and implementations in the area of Microcredit, cooperative enterprises and Social Business that resulted from his efforts, have improved considerably the situation of many people. The granting of credit and the expansion of the credit ability in poor societies are important aspects, which in certain situations did **make the decisive difference**. These have helped millions of people to improve their situation and the situation of others.

One aspect should urgently be mentioned here: The measures taken by Yunus could immediately be implemented and were effective - and this is also true today. In particular, they did not have to wait for numerous other societal preconditions to be fulfilled. Because these preconditions may never

be fulfilled, as we can see often in the developing world it is a disaster, if one has to wait for such preconditions to be implemented.

It would be naive to purport that societies prosper by simply improving the access for people to credit. In the right implementation and under fair conditions, credit can, however, be an important element for a successful path into the future, but only as one element under several others. For fully overcoming poverty, much more is needed on the level of societal organization and global cooperation.

Muhammad Yunus has always argued according to the lines given. It requires a developed, functioning architecture to overcome poverty in the entire world, once and for all. Many conditions for this have still to be created, this is an ongoing fight. For Yunus the challenge consisted in making an immediately effective contribution in the context of the extremely precarious situation in Bangladesh – even in spite of the dissatisfactory state of governance on-site. The measures should reach and benefit many people directly, others indirectly.

The approach that Yunus chose was admittedly **bottom-up**. He asked himself how to pragmatically improve the life situation of people, especially of the most underprivileged people. Like Raiffeisen and Schulze-Delitzsch at the end of the 19th century in Germany and absolutely in line with the **morality-philosophical position** of Adam Smith [57], he focused on private engagement. Microcredit, as a means to help people to help themselves, was firstly targeted to people that fulfilled very specific conditions. They had to be willing to unfold suitable activities for the improvement of their own situation. Muhammad Yunus would help in those cases, where absent financing for the start of a business was the only bottleneck.



If one starts at "zero", **the cooperative thought** is especially important. Muhammad Yunus tried to avoid the **negative experiences**, which had been made with micro-credits at the end of the 50s in Bangladesh in the context of the so-called Comilla model. This model, which was used in the region of Comilla in Bangladesh, followed a cooperative approach to promote rural development, however, in a manner which turned out not to be working. Important reasons for that have been too much control and influence by state authorities and a too big prosperity gap between the borrowing and the crediting members. The approach, Yunus took, was more similar and complementary to the approach of Sir Fazle Hasan Abed, who at the same time initiated BRAC (Bangladesh Rehabilitation Assistance Committee, today: Bangladesh Rural Advancement Committee).

Clear essentials for Yunus' approach have been the reasons, why the Comilla model went awry. Problems in the implementation of co-operatives very often arise from too diverging member interests, e.g., because of diverging economic positions. For this reason, Muhammad Yunus **strictly delimited the target group** for his engagement. Also important for him was not to allow a narrow dovetailing of the cooperative principle with the public authorities and the government as in the Comilla model, because of the weak political situation in Bangladesh, not being free from corruption. His approach consisted of the cooperative principles among equals, emphasis on independence from other actors and the granting of credits as key to self-help, also for the poorest of the poor. Concerning the creditworthiness Yunus restricted lending to entrepreneurial people, strong persons with a "business model" and ready for hard work to perform suitable activities.

Yunus has succeeded, in successfully implementing cooperative oriented attempts, adapted to the situation and circumstances in Bangladesh and, more in general, to the poorest regions of the world, which initiated a world-wide trend. He has complemented this nucleus later with the important idea

of **social business**. This idea is as important as his innovations in micro-credit are – another big and important success.

## 2. Success factors of the innovations of Muhammad Yunus

The introduction highlighted in which situations loans can be helpful for people. In particular, this is also valid for microcredits.

### Freeing “wage slaves” from “loan sharks”

A microcredit at favorable terms can be especially helpful for people that, due to a personal emergency situation-induced usual borrowing, became **work slaves**. Such situations could originate from a hitherto **absence of alternatives**, which could have urged the borrowing from so-called **loan sharks**. These loan sharks often extract **shocking interest on credit** (up to 20% of interest **per month**) from a borrower who needs some money in an emergency situation, e.g., illness, if no alternative loan offers and no fallback social insurance or system exist. While such alternatives exist since a long time in most developed countries in the form of savings banks and loan banks, such alternatives have been absent for a long time in Bangladesh – just as a functioning social system in case of personal emergencies. Poor people in dire straits are thus in a **twice despairing situation**.

Usurious credits granted by loan sharks at “predatory” interest rates being the only possibility to react in emergency situations, as has been the case in a country like Bangladesh, are often the starting point for **slavish work**. Work is a compulsion if a credit is not properly repaid. By the way, this is not different from the situation in the earlier Europe. If indebted people are once captured in wage slavery by loan sharks, they will never be able to escape. The loan sharks will “customize” the debtor’s income to their own benefits – just enough to survive, but never enough for paying back. This strikes even those debtors, who in principle would be able to make ends meet and to repay a limited credit amount, provided that the loan conditions amount to 20% of interest per year instead of per month. They can **escape**

**the control of the loan sharks** if they are granted microcredit at decent and not at usury conditions. In such a context Muhammad Yunus started his first lendings. The successful institutionalization of an alternative to loan sharks is one of the most important contributions within his wide engagement. It does not surprise that Muhammad Yunus has pulled the "hatred" of many loan sharks on himself. Similar aggressions can currently be witnessed in India with regard to the big social innovation constituted by the **National Rural Employment Guarantee Act 2005 (NREGA No 42)** which was later renamed as the "Mahatma Gandhi National Rural Employment Guarantee Act" (MGNREGA). Due to this law the Indian state is today the biggest employer in the world. This law enforces indirectly a minimum wage. As a consequence, many, until recently lucrative business models based on the exploitation of people via unbearably low wages, lost their economic basis. Not surprisingly, there is much resistance against the law, coming from this side.



*F. J. Radermacher and M. Yunus, Berlin, in 2007*

## **The concept of Cooperatives and Social business**

If one properly wants to gauge what Muhammad Yunus has achieved, one must elaborate the parallels of the movement he founded to the history of the establishment of **“Sparkassen” (savings banks) and “Volks- and Raiffeisenbanken” (people’s banks)**. **The co-operative movement is a success story** which began around 200 years ago. No ordinary citizen in a country like Germany would want to miss these institutions because we know how important they are for a smooth functioning of our lives. Still, nobody would propagate savings bank credit or people’s bank credit as substitutional to institutional social protection structures in the case of illness, unemployment or for the old age. One may counter that, even in countries like Germany with its BAFÖG-program, governmental financial aid for higher education is increasingly provided in the form of loans. If families (can) not bear the costs of living for their children when studying, even the first education is loan-financed. Without family support those students, to the extent, have insufficient entitlement for non-repayable grants, must make a living during education from borrowing or from making money on the side. Nobody would still come up with the over-simplifying idea that a credit makes everybody a successful entrepreneur capable to earn her or his livelihood and casually return the loan. Nobody would seriously believe, one could substitute a governmental social benefit payment (like the social money “Hartz IV” in case of missing property and longer-term unemployment) by a loan. **This would be quixotic and out of touch with reality.** The fact that such an approach is out-of-touch, however, does not reduce the importance of having the opportunity to receive loans. Nor is it an argument to deny regionally aligned financing instruments’ high potential to support regional development. Hundreds of million people in the OECD countries make use of their access to credit once in a while. This provides them chances and options which they otherwise would not have.

Yunus has adapted the concept of cooperatives to a society, where people were living in extreme poverty. He founded the Grameen Bank, even in spite of deficient and partially corrupt conditions in his country. The conditions in Bangladesh are not comparable with the situation of European countries like Great Britain and Germany towards the end of the 19th century. They are much more difficult. Yunus and his undertakings were, however, successful, even despite the fact of a globally exacerbating competition between countries to attain a share in economic participation. In the global markets countries like Bangladesh have to compete with vastly superior economies of the rich north. Regardless of these severe difficulties, the Grameen initiative has made a significant positive contribution to development in Bangladesh.

For sure, from the perspective of a rich country with high value creation ability, the publicly provided core services of a high-quality community should be financed by taxes. Taxes should be levied progressively, in line with the principle of tax justice and social fairness. Economically stronger actors should be taxed at higher rates than weaker actors. Such a solution has, however, prerequisites. It needs both, a well-developed community and sufficient competitive value creation capacities. For countries like Bangladesh, this is a chicken-and-egg problem. How can this be solved in an underdeveloped country, where politics is not particularly concerned with these issues, because of corruption, cronyism and other back-scratching coterie? What could be done at the starting point of Muhammad Yunus, being confronted with an economic world in which especially the strongest companies do all they can to evade their financial duty to a community via **aggressive tax planning**. This term is used today by OECD and G20 to denote the legal potentials of base erosion and profit shifting (BEPS) by exploitation of different tax legislations and other rule settings, in particular in the world financial system.



Yunus' answer was the pragmatic strategy to organize the necessary bases for a competitive value creation ability in his country initially with the people on site – this is the core of the cooperative idea. In this approach there is no relationship between rich countries as creditor and the own country as debtor. The focus lies on the organization of an institutional foundation, to build up the necessary and elementary capacities, infrastructures and services, for a well-functioning community. Such an approach is in every respect a pragmatic one. It is a strategy strictly targeted towards survival and the country's development. It develops the community by empowering courageous and entrepreneurial people, to self-activate their value creation capability.

Granting of credit together with an institutional frame for providing financial services are important elements which constitute a germ cell. It initiates the expansion of the necessary economic activities by unleashing untapped value creation potential. It supports a moderate capital accumulation through **increasing savings rates**. It enables, in particular, investments and protects actors from illiquidity, often a cause for insolvency. There is the hope that this leads to at least some amount of competitive value added for exports. By that, the necessary technology and know-how transfer can be financed by own efforts and trading own products in global markets. The development of core services and capacities of a community, notably in view of medical care and communication infrastructures, requires **imports**, to get told of technically advanced solutions, while at the same time avoiding the violation of intellectual property rights. Nancy Wimmer, e.g., has persuasively shown the enormous possible increase of value creation ability by means of spreading **photovoltaics in the Ganges delta** in Bangladesh [73]. This example makes clear that value creation ability often requires the fulfillment of **massive technical preconditions** and with it of **massive financing potentials** in advance.

The Grameen Bank pursued in Bangladesh the approach of utilizing a part of the companies' gains as means to seed-finance community development, in particular concerning **health, education** and **infrastructure**. This means that most profits of the Grameen group are not distributed to the owners for consumption purposes, but to a decisive part are used to invest into common core community capacities. Since the Grameen Bank is co-operatively organized, this was decided by its members who are identical with their depositors and credit users. The policy of the Grameen initiative to invest into community development is a **substitutive approach**, supplemental to having a functioning state, who would deliver needed services instead. In some sense, the invested profits could also be interpreted as a kind of tax, agreed by the co-operative.

In the light of these developments, it is true that the starting point of the considerations of Muhammad Yunus was the intended institutional constitution of a poor society's capability for borrowing and lending, in a co-operative sphere of depositors and credit users, however with the additional idea to transfer part of the value-added generated into offering helpful infrastructural services.

Yunus can be seen as the initiator of the wide application of microcredit in the Third World. The **Grameen Bank** in Bangladesh was exemplary. Yunus and his Grameen Bank received the Nobel peace prize in 2006; instead, the **Nobel Prize in Economics** could have been awarded to him as well. Yunus has shown that a special form and organization of microcredit can improve the situation of poor people in poor countries in certain situations substantially. He has shown at the same time that the poorest can be reliable credit takers in special situations. They bring in their own integrity, abilities and ambitions as **collateral**. Often this happens in a context, where a credit and its **reliable repayment** represent a "**last chance**" for a better life.

Fundamental to this approach is the **widening of the concept of collateral**, which plays a key role as a precondition for credit-granting. With microcredit, the dimension of tangible value is supplemented by human dimensions as acceptable collateral.

If one investigates, why Yunus was successful and remains to be, then the key finding is that the **particular personal situation** of an applicant for credit, who is as a rule a woman, comes under critical scrutiny. The quality of this scrutiny affects the **solidity of this introduced a new collateral**. Microcredit is intended to be a solution component for overcoming the poverty of those people who are then able to help themselves. Microcredit provides those people a new, more favorable option than poverty, with a perspective on a better life. It concerns persons, which would otherwise have access to seed-financing (and accompanying assistance to implement even simplest business models) only under unbearable conditions (if at all).



*Working at the roadside, Dhaka, in 2011*

In view of the bad experiences with governmentally planned and promoted cooperative initiatives at the time when today's Bangladesh was a part of Pakistan, the Grameen initiative is directed **exclusively at the society's segment of the poor**. A Grameen microcredit aims to help poor families to overcome poverty by own activities and gainful work as **micro-entrepreneurs**. A Grameen microcredit is granted to finance the implementation of a business model. A group of credit users, each of them having a business model, builds a **trustworthy social net**. This network of credit users, who support themselves mutually, substitutes for the demand for liable tangible collateral as is usual in conventional financial markets. Further credits to group members are granted only in case of the successful repayment of earlier credits. The individual orientation of the poorest, embedded into and bounded by a social net, in this way becomes a collateral for credit – an important innovation. Besides, social nets promote capacity building and the **exchange of experiences** and are in this respect an important element of mutual assistance.

The described **grouping** of credit users was, in the early stages of the Grameen initiative, an unconditional prerequisite for the granting of a credit. All group members were obliged to render mutual support. Further credit was only granted in case of a regular debt service in the past. The loans had to be repaid in small installments in a short-term rhythm, mostly weekly or biweekly. In this way it was possible to early detect potentially escalating problems and to react to them. For that reason the groups of five credit users are each associated federally in their respective local surroundings to so-called centers. Employees of the Grameen Bank visit all centers weekly. This personalized interaction of the credit users at the countryside without any branch-infrastructures, with employees of the Grameen Bank, is another important element of the Grameen Bank approach.

## **A big innovation of Muhammad Yunus - credit to poorest without any material collateral**

1. The character of microcredit, as provided by Muhammad Yunus, is apparently a type of co-operative business. A decisive **innovation** of Yunus is, in particular, how he organized the credit-granting with astonishing success to **poorest without any material collateral**. The poorest targeted were most often women, mostly illiterate persons in the rural area of an Islamic country. As is well-known, the customers of the Grameen Bank are up to more than 90% from this social circle.

Credit unions, cooperative banks and savings banks, as they have developed since the middle of the 19th century in Germany in particular under the direction of Raiffeisen and Schulze-Delitzsch, provided poor social classes the access to credit. Yunus has called these both pioneers several times the "Grandfathers" of microcredit. They have instituted the idea of such an organization of credit provision already more than 150 years ago.

As of today, demand credit unions like the German cooperative banks and savings banks ask as necessary minimum of collateral either tangible values, receivables or a firm income situation. Credit-granting without any material collateral, e.g., to people without permanent income, is a sensational novelty.

Grouping (of five members, in case of the Grameen Bank) is an important aspect to make this novelty successful. The approach would be misunderstood, if grouping is interpreted as mutual liability, as if all group-members would stand mutually in obligation for paying back all credits. There is no juridical co-liability under a contract. However, at the Grameen Bank the mutual "liability" consisted in the fact that the whole group must accept a sanction in case of a credit default of any of its members. The sanction in that case was to reject further applications for credit. Certainly, a strong social pressure originates from this perspective.

2. It was noteworthy to mention, that the Grameen Bank performs no due diligence in regard of the intended business model which should be credit-financed. The Grameen type of microcredit also differs in this respect from the credit-granting by cooperative

banks and savings banks. When I talked to Muhammad Yunus about this astonishing fact, he explained to me that he could never better judge about the actual situation in the villages than the women, living there. Nevertheless, the women are obligated to intensively discuss and assess their ideas in their group, before a credit is granted.

All the more it should be emphasized, that the repayment rate of Grameen over the past 30 years were about 98%.

3. Different from the approach of other organizations in Latin America, Africa or Asia granting credit to people from poor social classes, Yunus insisted right from the outset on cost-covering credit-granting. The stipulated interest had to cover, among other, the high transaction costs resulting from the fact that customers don't go to the bank, instead a bank employee goes to the customers – and this in weekly meetings with the groups of credit users.

It has to be reemphasized that it was only and exclusively Yunus who developed the successful concept of credit-granting to poor and poorest people without any material collateral with a repayment rate of 98%. This **sensational innovation** cannot be stressed often enough. However, it is right that there are, in the meantime, very successfully and exceptionally well managed big microfinancial institutions worldwide. For Bangladesh, e.g., big and well-known institutions such as BRAC, ASA, SEWA and others have to be mentioned. I admire the excellent developmental work of BRAC and gave support to it. Nevertheless, since I met the founder Sir Abed several times in the first years of the Grameen Bank activities, I also know, that BRAC at that time still granted no micro-credits.

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Important principles of the Grameen Bank concept are a) face-to-face, b) co-operative, c) subsidiarity, and d) oriented towards commonweal. This is the reason, why it is personnel-intensive, which means it is expensive to



implement and leads to higher lending rates. Nevertheless, alternative approaches did not work. Against this background, it should be highly valued that the interest rates in the Grameen environment still are only marginal higher than other regular commercial banks require it from middle and big enterprises in Bangladesh. Regular commercial banks usually avoid the business with the poor. It is too personnel-intensive and the credit amounts in each particular case are too small. Moreover, the poor cannot provide any material security. Such business with the poor does not pay-off if only monetary profit is the aim and risk versus expenditure is considered. The concept of the Grameen Bank takes all this difficult circumstances wisely into account and pursues another primary objective.

**Considerations of the human nature: How Yunus and the Grameen Bank see people**

Yunus could venture to follow his revolutionary idea of microcredit to poorest without any material collateral only because he is a firm believer in certain **ideas concerning the human nature**:

Yunus treated his customers in the Grameen Bank not as objects of a capitalistic market in action, but as subjects with admirable creative and entrepreneurial abilities. He was highly confident concerning the achievement potential of his customers, in particular if they are women. He entrusted them with money and had no doubts that they would pay back this money with interest – except under unusual circumstances. Yunus observed, he was right. Millions of customers behaved and performed the way he expected. In the rare cases of defaults, however, the Grameen Bank avoided a degrading treatment of the defaulting credit takers.

In contrast to what was said, people who intend to discredit the idea of social micro-finance, postulate radical-capitalistic behavior patterns of (micro-) finance institutions. Starting from such a description, they maintain on awful and even criminal practices against defaulting customers. Needless to say that much worse behavior has to be strictly

rejected. However, such methods have never been applied in the sphere of the Grameen Bank.

*Prof. Dr. Winfried Pinger, CBH lawyers, former member of the German Bundestag, for many years the spokesman on development policy of the CDU/CSU parliamentary party in the German Bundestag and a member of the committee on “economic cooperation and development” of the German Bundestag. Contemporary witness from personal view and participation*

The Grameen Bank pursues an explicit social developing agenda. As an interesting element of personal and societal development, the credit takers commit themselves (voluntarily) to a personal attitude which is formulated in **16 decisions** – based on four principles **discipline, unity, courage** and **hard work**. The granting of microcredit is thus associated with the development of a **certain social orientation**. In turn this fosters the opportunity that people, connected in a social net, could provide a form of “social collateral” as a security, even if they can’t provide any complementary material security.

The credit takers of the Grameen Bank commit themselves (voluntarily) to the following “16 decisions”:

1. *We shall follow and advance the four principles of Grameen Bank --- Discipline, Unity, Courage, and Hard work - in all walks of our lives.*
2. *Prosperity we shall bring to our families.*
3. *We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.*
4. *We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.*
5. *During the plantation seasons, we shall plant as many seedlings as possible.*
6. *We shall plan to keep our families small. We shall minimise our expenditures. We shall look after our health.*
7. *We shall educate our children and ensure that they can earn to pay for their education.*

8. *We shall always keep our children and the environment clean.*
9. *We shall build and use pit-latrines.*
10. *We shall drink water from tubewells. If it is not available, we shall boil water or use alum.*
11. *We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters' wedding. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.*
12. *We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.*
13. *We shall collectively undertake bigger investments for higher incomes.*
14. *We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.*
15. *If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.*
16. *We shall take part in all social activities collectively.*

Source: "Grameen Bank" <http://www.grameen.com/> (Quick Links: "16 Decisions")

From a Grameen point of view the ultimate aim of its contributions is to promote the development of an **intact living environment of the family**. Concrete aspects of the community, aimed at, are the independent production of food and the selling of the surplus, together with budgetary discipline, achieving small families and educating the children. The social attitude should be solid against child weddings, excessive dowry practices and injustice. Instead, people should promote helpfulness, societal engagement and societal co-operation. **Education** and **family planning** are issues of outstanding importance, also the special promotion of women and girls. Today these principles are **essential leading ideas** of development in the international context. The pivotal role of women has been recognized. Some are calling this constellation an "economy of love".

Why? The special engagement of women for their children and their family **is economically leveraged into value**. One may criticize this. However, all over the world, big efforts of people result from a sense of responsibility

to their family. This is a strong “engine” of economic development. As quite often in real life: you possibly can’t have one without the other.

The groups which provide in and of themselves the security for credit granted are motivated to undertake also **collective investments**, to improve their joint income situation. The Grameen concept is tailored to groups which are willing to invest a credit into the development of micro-entrepreneurship. They accept a strict surveillance and facilitation along the credit duration. This original form of microcredit, which is at the focus of Grameen, is not oriented to deal with financial problems that result from sickness or the procurement of dowry or other consumables. Loans are also not used for the settlement of costs of the everyday life. Grameen microcredits are definitely **not consumer credits**. This is a very important restriction of the Grameen business model, which reflects exactly the poverty situation, in which it was developed.

The origin of the later undesirable developments in the field of microcredit, going back to other actors, should again make clear: The relaxation of the requirements and conditions for credit-granting is not helpful. It leads to a ‘flooding’ of the credit market. Extensive granting of credit happened due to the absence of boundary conditions that are tailored to the concrete situation of the credit users. The free income in sales and distribution mounted hand in hand with the total credit volume. In the end, the ability of the credit takers to service the debt eroded – not unexpectedly.

Grameen was different. This implies, however, the following. Due to the very restrictive boundary conditions for credit-granting, the Grameen microcredit can, in particular, not serve as a substitute for public social security systems. Only efficient, high engaged and capable people with a business model can enjoy obtaining a credit. In any case, this requires the **(voluntary) commitment to hard work**. In this context, the poorest segment of people is the main target group of the Grameen Bank. They are offered

help to self-help in an extremely difficult situation – but only if they meet the condition of having an economically sustainable business model.

In light of this strict alignment of the Grameen Bank, Muhammad Yunus has always understood that the approach of microcredit to the poorest, that he pursued, is no 'wonder drug' for the solution of the poverty problem in general. In particular, it is no effective alternative to a well-organized social system and other capacities of a competitive community, financed via taxes or social security systems. His approach is also no substitute for effective transfers of the rich world into the developing countries, as is asked for by a **Global Marshall Plan** [13, 41]; c.f. also the elaborations in chapter 5. In this context, Muhammad Yunus has never seen a perspective for sufficient volumes of transfers. And he was right. Concerning transfers, he always demanded that they should predominantly benefit the destitute people and not the elites.

Against the background of his negative experiences with bureaucracy, Yunus suggests that social systems and other infrastructures of the community in a country like Bangladesh should better not be pursued by the public authorities, but by private enterprises of a dedicated type. These enterprises must have to operate as "Social business", following the ideas of Grameen. They should have a commonwealth orientation as focus. In great parts of the world, there is a private organization and provision of certain fundamental services and infrastructures of the community. Usually this is argued for with a possible inefficiency in case of a public operation, but without demanding a strict social business orientation of the providing private company as Yunus always has been demanding the latter.

In his **Nobel Prize speech** in 2006 Yunus clearly pointed out his opinion that as a matter of fact **weapons cannot defeat terrorism**. One must eradicate the roots of terrorism, so in particular **poverty, injustice** and **hopelessness**. Moreover, he also expressed his conviction that spending

financial resources to improve the life of poor people is a far better strategy than spending them for defense. He explicitly stressed his view that peace is threatened by an **unfair economic, social and political order**. Yunus has taken an unequivocal stand when he said: "We encourage and support every conceivable intervention to help the poor out of poverty. We always advocate microcredit in addition to all other interventions, arguing that microcredit make those interventions work better". That means, he has never been advocating microcredit as a substitute for other measures to improve the social situation of the poor. The important issue is how to escape in whatever way from the poverty trap? Microcredit of the Grameen Bank type has proved to be one amongst other applicable instruments - but one which can be utilized immediately. This form of microcredit is particularly a chance for the poorest of the poor to climb up from the bottom rung of the ladder of development [55].

Microcredit is avowedly not applied as a substitute for a social system, but as an opportunity for the poorest of the poor to escape from the poverty trap by own efforts. Microcredit aims to **enable entrepreneurial engagement**, but this requires very dedicated credit users which are willing and able for a special strain. Microcredit is focused towards leveraged investments, it is focused to facilitate the implementation of the necessary basis for subsequent value creation. The Grameen methodology of microcredit has been evolving in the course of time by considering all experiences gained in a process of trial and error. As a well-established and sound company, it is possible for the Grameen Bank today, to expand its commonwealth oriented engagement in a demand-driven way. Meanwhile, also **housing loans** and **student loans** are offered in addition to investment credits for entrepreneurial activities. All credit programs are tailored so to fit best to the respective groups and their situation with the aim to reach a minimum of payment defaults. There is even a credit program of interest-free loans for **struggling members (beggars)** to encourage them to strive for at least a small income, for example, as costermongers or peddler.

Typically for Grameen is furthermore that members are **co-owner** of the bank. The bank is democratically managed and the members are elective. This is comparable to the cooperative banks in Germany. Meanwhile, the Grameen Bank has more than 8 million members<sup>3</sup>, of which more than 95% are women. Another long-term aim is the refinancing of loans to a large extent by **saving deposits** of the members. There are **compulsory** and **voluntary saving programs** that serve this aim. The bank should eventually be self-sufficient and not depend on large amounts of financial development aid: **self-reliance** and **independence** are explicitly pursued targets. The Funds-and-Deposits-to-loan-ratio, with more than 7 million credit contracts per year, today exceeds 180%.

The **credit interest rates** at Grameen seem, with approx. **20% per year**, high in relation to currently usual rates in developed countries at first sight. The relatively high "inflation rate" in Bangladesh (in many years between 6 and 12%) as well as the necessarily high personnel expenditures linked with the Grameen model has to be considered. All the necessary visits of the credit users on site that happen in spite of the often very bad traffic conditions at place, have to be covered. One also should mention that even in countries like Germany some interest on credit, e.g. for overdrafts, are currently high; 14% are not unusual for ordinary people. In the light of these considerations, an interest rate of 20% is not such a high figure and normally bearable for the credit users. Recognizing the usurious interest rates of not regulated and unsupervised loan sharks in Bangladesh, the interest rates demanded from Grameen are even extremely low. They are hardly higher than the interest rates of other regular commercial banks for middle-class and big enterprises.

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<sup>3</sup> For the development of the Grameen Bank the data are published here:  
[http://www.grameen.com/index.php?option=com\\_content&task=view&id=346&Itemid=416](http://www.grameen.com/index.php?option=com_content&task=view&id=346&Itemid=416)

Another aspect to be considered is that Grameen generally refrains from the **enforced collection of outstanding payments**. The maximal sanction mechanism in case of defaulting poor is the **refusal of further credit**.

#### **About the mode of operation of the Grameen Bank – changes over time**

The high importance of a strict and mandatory grouping of (female) credit users of the Grameen Bank lasted for about 25 years. In 2001 the bank was fundamentally reorganized. Within this process of reorganization (Grameen II), the importance of grouping has been reduced, as requested by the credit users.

Nevertheless, there still exist groups and centers (several groups) because of their importance for the socialization and education of the credit users.

However, the group no longer decides jointly whether and when a group member receives a credit. The group also does not vouch anymore for single members. The group fund (the unpopular collective saving of a group) was also abolished. Instead, credit users now contact the bank with individual enquiries and set up savings accounts individually.

Credit is still granted by the Grameen Bank primarily for income generating investments and not for the purpose to finance consumption. However, it is an everyday reality of the poor in the country that they also need money in case of illness, harvest failure, storm damages, etc. That's why the bank tolerates the partial use of loans to manage such exceptional cases. In particular, however, a new kind of credit (Flexible Loan) makes it easier to use a loan in case of a crisis situation. Savings can be accessed in crisis situations as well.

Further, the variety of credit types that existed before 2001 was abolished to simplify the credit management. Today, there are only two kind of credit: the Basic Loan and the Flexible Loan. If a Basic Loan is not duly paid back, it is converted into a Flexible Loan. The aspect of flexibility means that a (mostly longer) credit period and a (mostly lower) redemption is stipulated in a flexible way and tailored to the credit users' individual capability to pay back.



The increase in savings deposits of the banks' members as well as of customers is general is the most important achievement of the new Grameen II. Individual savings accounts and saving programs to the provision for the old age (Grameen Pension Savings, GPS) are very popular. These programs are described in the concluding remark to chapter 4 under the heading "The Innovations of the Grameen Bank".

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries.  
Contemporary witness from personal view and participation*

One can ascertain at the same time: Grameen Bank did not start as a co-operative. In the origin there was no self-government by the members with the objective "help to self-help". Grameen thus was originally not founded as a self-help institution of the credit users. However, the bank has developed meanwhile completely in the direction of a co-operative. A significant part of the loans are financed by deposits today and the members have the largest share in the bank. The rest of the shares are held, due to a governmental guideline on the issue, by the state of Bangladesh.

Based on the early experiences and increasingly motivated by a developmental objective aim, the microcredit activities of Grameen predominantly aim at **strengthening the societal position of the women**. It has been shown that many women from Bangladesh are capable to provide for themselves and their families. Only small loans at non-usury conditions to seed-finance a **business model** are needed to unfold these capabilities. There are millions of women in Bangladesh that cannot provide for themselves and their families unless they are empowered by getting decent seed-financing and some backing. In such a situation, the Grameen Bank was able to offer help. When Bangladesh gained independence, those women had no option at all, since a financial system like savings banks or cooperative banks was absent in the country. Exactly this gap was successfully filled by Muhammad Yunus. This is a highly commendable contribution of his work. Muhammad Yunus has helped several million women in Bangladesh to get out of poverty, by implementing and institutionalizing his approach in a

systematic manner. Systematically he had to adapt the structure and organization of his offers to the many experiences, until the great success was achieved. The establishment of the Grameen Bank has been until now a **continuous learning process**, but also an outstanding success. From an economic perspective, the key success factors to activate a perpetual source of value creation are the **correct assessment of the creditworthiness of the women in their very individual situations** and their **integration into social networks**. These are the most important aspects that ensure the success of the Grameen Bank.



*A Grameen Bank defaulter gets Flexible Loan, in 2002 - © Nancy Wimmer*

At the core of the Grameen Bank microcredit approach lies in the identification and selection of eligible credit users together with group formation

and appropriate education measures. In that way, capable credit users are empowered and their effectiveness is improved. Credit takers and credit grantors often are both members and owners of a savings and loan co-operative. It is noteworthy to mention the fact that this setting was successfully established in Bangladesh with **more than eight million members** of the Grameen Bank. The capability for credit granting among equals is a germ cell for community development by one's own efforts. Yunus has institutionalized this capability for credit granting and tailored it to the very precarious environment of poor societies. With Grameen Bank as the germ cell he has been pursuing the expansion of the communal capacities for value creation and wealth through subsidiaries and independent further **institutions obliged to the common good**. These developments bear a strong resemblance to the co-operative movement with its beneficial impact to the common good that originated from the savings banks and cooperative bank contributions in Germany. Today **Grameen enterprises** are operating in the areas of information and communication technologies, infrastructure, health and education (cf. the short profiles in the appendix). The field of entrepreneurship and business formation is a significant success story in Bangladesh. This bears again a resemblance to the success of the German and international co-operative movement. The enterprises' business goals are the success of the people and the country. Both goals are pursued in the Grameen sphere. These locally managed, but regionally or even country-wide operating service companies are not in line with the profit-mongering of institutional investors from the rich north [71]. Many of the infrastructural issues tackled by these companies concern the provision of capacities and services for value creation ability. The investigations at FAW/n and several partners have come to the conclusion that they are a necessary part of "Development Economics" [34, 46, 47]. This important topic is treated in detail in chapter 4.



### **3. Positioning of microcredit in the global development context**

If it would be easy to solve the problems with which humanity is confronted today and in particular if it would be easy to overcome the global problem of poverty, humanity would have solved those problems since a long time. These problems are anything but easy. Their complexity even increased, due to the difficult global situation in the past years in the aftermath of the world financial system crisis which broke out in the end of 2007. Losers are (once again) in particular the **poorest of the poor**. Meanwhile, also the middle class in rich countries is losing, although from a worldwide view, the members of this group still belong to the rich elite. Numerous publications have revealed that an **insufficiently regulated (world) financial system** leads to a redistribution of wealth and participation from the bottom to the top [40, 58, 63]. This results in the Matthew effect: "The rich get richer and the poor get poorer". Till today large parts of property and income are dodging the taxation systems [79]. Its legal achievement through global constitutions is one of the most highly paid expertise of consultants that support enterprises to successfully apply "aggressive tax planning" [36, 37, 62].

It is hardly surprising that scientific discussions, analyzing the whole complex of faulty global developments from a very focused "burning glass perspective" come to similar results than those already published in popular science literature. E.g., the awareness that insufficiently regulated financial markets have an impact on the relation and interaction between rich and poor, is anything but new. One exemplary publication is "Economic Hit Man" [39]. Some massive criticism of credit in general, as a principle which quite often dominates public discussion on this issue, is simply stating undifferentiated arguments building upon examinations of credit and its possible negative impact. This kind of discussion is counterproductive and misses

important points. The fact that even positive societal innovations like credit can unfold negative effects, is anything but new. The Bible and the Koran already dealt with this subject just as did Hammurabi in the 2nd pre-Christian millennium in Babylon and Goethe in his Faust II. The only new aspect of the recent debate is that all risks and dangers which come along with credit in general also come along with microcredit. Microcredit as an instrument can be misused massively – what is ultimately not astonishing, since microcredit is credit. Humans have always been very resourceful to abuse everything what potentially offers possibilities for personal enrichment.



*Woman preparing of flower arrangements, Dhaka in 2011*

The work of Muhammad Yunus in the area of microcredit is also aimed at incorporating safeguards against such abuse. However, such safeguards have not been guaranteed generally in the world financial system. Yunus also follows a wide pragmatic approach which is to be seen as an important



step forward, if the precarious situation and the widespread hopelessness of a society without proper participation of all is taken into account.



*Grameen Bank leasing programs, in 1997 - © Nancy Wimmer*

The contribution of Muhammad Yunus also has to be regarded in light of the never fulfilled promise of the rich part of the world from the 70s, to put significant efforts into development assistance. Concerning financial efforts, the 0.7% target should be mentioned. In 1970, the developed countries of the United Nations (UN) had accepted the goal to eventually allocate annually at least 0.7 % of their gross national income for official development assistance (ODA). As before, there is no chance that this targeted annual financial assistance will be achieved in the coming years. This is a massive shortcoming of international politics. In order to overcome poverty on the globe, **more social balance** is required – nationwide, but in particular world-wide [17, 43, 55, 72]. Obviously, this will have to involve massive international financial transfers. But the rich world does not want to be made responsible for poverty around the globe and taken into a duty of co-financing.

The authors of this text have been advocating for more balance since decades. One approach to achieve more balance could be a **“world minimal allowance”** which could be financed through a worldwide taxation of the use of **“Global Commons”**. Such an approach is still far from being an issue of today's political debates, but fortunately it has become an issue of scientific and public debates.

Another problem dimension has to be considered. When evaluating the critical global social situation and looking for options to react to it, one should not make the mistake to forget the natural limitations of the world environmental resources. These resources are a necessary and essential input for all value creation processes, given the technologies used. A given set of production technologies determines the amount of natural resources that are needed annually to produce the global added value (worldwide GDP). The world already crossed the limits of resource availability. We exploit and consume more nature per year than our earth is able to reproduce. The ecological footprint has grown to 1.5 planets.

FAW/n has illustrated the whole complex of problems to overcome poverty in several publications [44, 59, 60, 61, 63]. It can be seen as an added value gap together with a concurrent **overexploitation of global ecological resources**. The club of Rome points to this phenomenon since decades. The gap originates from several factors, from the steady rise of world population – in particular also on the sub-Indian continent, including Bangladesh – from the high consumption level in rich countries, from the spreading of a high consumption attitude to the raising middle classes of a globalized world, accelerated via information and communication technology, and from **insufficient innovations** with regard to reducing resource requirements. Due to the nature of the technologies available for value creation, we use more environmental resources than would be allowed, if we do not



want to restrict the corresponding abilities of future generations to meet their needs. We overexploit the environment, even though around 20% of the global population has a share of only approx. 70-80% of the global GDP. If further millions of people want to develop economically, they need access to **scarce ecological resources**. This is a struggle where countries like Bangladesh compete with the rich world. The rich world pursues its interests very strictly and has many advantages to be successful in doing so.

Very often, important insights from scientific work are still not considered in the public, political and even scientific discussions about the right strategies for development. This concerns especially the central role of **institutions** for a sound economy and also the central role of infrastructures for communication, coordination and cooperation in this context.

The poor or even absent global provision of good governance as a basis for a high value creation capability in line with sustainability has to be added. Without good governance, it will not be possible to quantitatively and qualitatively meet the demands of all people and to preserve the environment for future generations. The population growth in Bangladesh only, from approximately 67.5 million (1974) to approximately 160 million (2014), raises major problems. By 2050 a further growth to 250 million people is expected. The reproduction in 1971 rate was at about 7 and is at about 2.2 births per woman today (2012). This is, at least, an immense progress.

The approach of Muhammad Yunus is to be assessed against the above described background. It is a pragmatic bottom up approach in a complicated situation, in a national context with a population which to a large extent is extremely poor and has grown almost explosively. More than that, Bangladesh is particularly exposed to suffer from climate change. The negative impacts become clear already today.



## 4. Activation of added value drivers – 8 levers for more prosperity

In this central chapter of the text it will be analyzed how the innovations of Muhammad Yunus impacted the value creation capability of a poor society. Eight indicators are looked at as reference points. These eight indicators have been discussed at FAW/n already in other contexts as levers for prosperity [43]. Originally these eight indicators were identified by FAW/n when analyzing rich industrialized countries and the basis of their value creation potential. They were not put in relation to questions of development, microcredit and the work of Muhammad Yunus. The analysis of the innovations of Muhammad Yunus with regard to these eight indicators is a new substantial contribution of this text. These analyses are published here for the first time.

We take the aspects of the **Universal Declaration of Human Rights** as top reference criteria to assess the impact of the engagement and the innovations of Muhammad Yunus. An **adequate standard of living for a human and its family** is declared as a universal human right. Further all humans have the right to gainful employment at just and favorable conditions. Both together could be consolidated as the right of everybody to have access to a fair share of added value. Essentially, a good life and prosperity thus means sufficient value creation ability (or enough possessed property) to ensure a sufficient societal participation in the overall created added value. Alternatively, sufficient social transfers are required. This is a topic which can gain an even higher actuality and importance in the future because of the growing penetration of the professional area with always more “intelligent” systems of information and communication technologies. Maybe hundreds of millions well qualified people may lose their jobs during the next 20 years. This may “cut deep” into the heart of today's organization of our societies. These very briefly sketched developments are currently

discussed at the international level under the heading of "Big Data & Analytics" [5, 6, 12, 30, 38]. FAW/n is involved in this topic in a project with the OECD.

From our perspective, being a rich country means having a high level of value creation ability and a well-balanced participation distribution [17]. F. J. Radermacher previously elaborated that mainly eight cross-linked achievements or requirements provide the foundation of prosperous societies [43, 47]. Those eight "**pillars of balanced prosperity**" together are of particular importance to enable the well-being of people and keeping a country rich. Deficits in each of these pillars result in a significant decrease in prosperity, even if all other pillars are perfectly provided. Empirically, those countries are prosperous, which have developed all eight pillars at a high level of quality. These pillars are:

1. A well-functioning, efficient governance system
2. Excellently qualified, suitably oriented and motivated people (as a consequence, education, health and a high life expectancy are unavoidably, closely coupled with rich societies)
3. Excellent infrastructures at international level
4. An excellent productive capital stock
5. Access to all required productive capital and resources
6. An efficient research system and internationally competitive innovation processes
7. An efficient monetary and financial system
8. A tight integration of people and companies in global value chains and networks

There are only a few countries with conditions, where these pillars do not play a central role in achieving prosperity, however, impacting the balance of participation. Countries at a manageable population size may owe their prosperity to a privileged access to precious or valuable resources (e.g. oil).

Usually, these countries have a patriarchal power structure (this effect is sometimes referred to as “curse of resources”). Some other countries, usually with small populations, are successful, too, by serving as tax havens or as a geographical base for free ports or (virtually “extraterritorial”) special economic zones. In these particular cases a derived, often high wealth is possible, which indeed is fed from external springs. This type of wealth, however, at best, will be sufficient in volume for rather small societies.

Subsequently we give explanations to the above mentioned eight pillars of balanced prosperity that we have discussed at the FAW/n for a long time. In each case, we reference here to corresponding direct and indirect contributions of the Grameen group and microcredit, in the form as suggested by Muhammad Yunus and from Social businesses. In part, the discussed eight pillars concern issues of good governance and as such issues of the responsibility of states. At a first glance one would not expect that also the private sector can make positive contributions to these pillars of wealth. Maybe, unexpectedly for some, it is different however.



*Business on the Ganges River, Dhaka in 2011*

It is in fact somehow astonishing, how positively the innovations of Muhammad Yunus contribute to all eight dimensions of impacts concerning the value creation capability of a country. It is especially interesting how the special Grameen type of microcredit becomes effective. It is important to mention as well how the different enterprises of the Grameen group contribute to the issues and which potential the still ongoing idea and implementation of Social businesses has in this context. In sum, Muhammad Yunus has developed an **interesting tool box** which is able to produce great effects when applying a clever combination of these elements.

The toolbox and its use was complemented by Muhammad Yunus in utilizing his worldwide prominence and charisma. He was awarded the Nobel Peace Prize and he initiated several other worldwide support projects for the poorest, one example being a Social business project in cooperation with Sir Richard Branson and the Clinton Foundation which concerns forest and agriculture in Haiti.<sup>4</sup>

### **(1.) The role of a highly competitive Governance system**

A highly competitive Governance system comprises all political, juridical and administrative systems of rules, laws, execution, control and enforcement which guarantee the functioning of modern societies. An issue of Governance as well is the form of government and with it the organization of the political system.

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<sup>4</sup> In this context also the cooperation with the World Forest Foundation of the Senate of Economy has to be mentioned. Concerning reforestation there is a close relation to the research of the FAW/n on the subject "global climate treaty" and the role of a world reforestation program [42] in this context. Further relationships are to the Global Marshall Plan initiative [13, 41] and to the Plant-for-the-Planet initiative [<http://www.plant-for-the-planet.org>]. Plant-for-the-Planet is a youth initiative which promotes reforestation activities and which is also closely connected to the Global Marshall Plan initiative.

The form however, that seems to be necessary and “good” for rich countries, must not necessarily be the best for underdeveloped or developing countries to achieve efficient and successful economic catching-up processes. The question of what is good and what is not, has to be differentiated with regard to the question whether a country is already in the top division (rich countries) or instead wants to get there (being in the 2nd league or less). Economic catching-up processes have their own rules, however, several aspects are similar for both categories of countries.

Governance does not only concern the political issues. At least as important are the judicial system and legal certainty. The **property order** and the **prevention of corruption** are important; issues which are probably even more important than the issue of the polity in and of itself. Issues of Governance are also self-government systems, an active civil society, the relations between the two sides of economic partners, the **role of the women**, the organization of craft and the issue of vocational training. Ultimately, governance comprises the regulation of virtually all segments of life. This means in particular the regulation of markets. Among others, the issue of the role and power of a cartel authority to ensure fair competition is among the key questions of Governance.

The importance of Governance, in particular also the importance of the institutional and economic design of a society and the quality of the respective institutions, is a central topic that has been addressed in younger time by several Nobel Prize Laureates for economics. Paul A. Samuelson and Joseph E. Stiglitz discussed the topic with regard to the free trade philosophy and the Ricardo-theories. Amartya Sen analyzed the potential towards the possibility of a better globalization. Muhammad Yunus expresses the connection as follows: *“Poverty is not created by poor people. Poverty is created by the system we have built. ... If we fix our system, nobody in the world will be a poor person”*. We need another global economic system. Helmut

Schmidt, former chancellor of Germany and world economist, chairperson of the Interaction Councils, a union of former heads of governments, has expressed some years ago his concrete position concerning design questions of Global Governance, in particular the necessity to cut the economic ties to certain tax havens and offshore islands.

Another essential issue of Governance of successful countries is the enforcement of a fair **taxation** considering the varying levels of the taxpayers' economic capabilities (ability-to-pay-principle) [59]. Parts of the means from fair taxation are essential to provide an **efficient bureaucracy**. If one wants to build up and keep an efficient environment of basic infrastructures, public goods and services and necessary institutions, to become or remain a rich country, the aim can never be per se the lowering of tax loads or the dismantling of bureaucracy. Rather the aim should be the optimization of the control system and the optimization of bureaucracy. Without sufficient tax strength and without efficient bureaucracy, a country can never be a rich country. The aim should be to provide a qualitatively and quantitatively specified working environment for value creation as efficiently as possible. This refers to the economic principle of reaching a specified output with minimum effort.

Why is a country poor if it has no reasonable Governance system? The historical experience shows that countries in which, e.g., legal certainty is not guaranteed or decisions are taken according to obscure mechanisms, are poor. A special "poison" in this context is **corruption**. Negative effects not only result from the fact that money is paid to influence decisions. Even worse is the fact that resulting decisions are often bad. In consequence, corruption can lead to **massive value destruction**.

Countries in which roads are not safe and in which piracy and robbery takes place are not attractive for broad and fruitful economic activities. The same is true for countries in which property is not a secured right, where confiscation happens arbitrarily, where taxes or duties are levied arbitrarily or



where judicial decisions appear to have arbitrary character. Countries are not rich either, if the bureaucracy is excessive, which can paralyze everything. Above all it is worse if high special payments to the bureaucratic system are necessary or accepted to get protection of certain participation interests for economic success, e.g., to get an approval or a concession.

Under such circumstances, not even a well-qualified population, having access to a very good infrastructure, a high productive capital stock, sufficient access to circulating productive capital and resources, an innovative research environment, an efficient monetary and financial system and a good imbedding into global value chains and networks, can make a country rich. So if the Governance system is not in order, this will result in major setbacks. Rich countries must always be attentive to identify the set-up of processes which threaten to undermine the Governance system, e.g., concealed corruption. A rich country is susceptible to fall on the loser's side, if the Governance becomes bad. Poorer countries must gradually eliminate existing corruption, within the scope of their catching-up processes.



*Grameen Bank office loan delivery, Chittagong in 1995 - © Nancy Wimmer*

## **The contribution of Muhammad Yunus and the "Grameen-family" to the Governance topic**

*Grameen demands its credit users to comply with certain principles. These are described in chapter 2 "Success factors of the innovations of Muhammad Yunus": It was pointed out that the Grameen approach can in part be seen as a substitutive execution and supplemental to a functioning state. The analysis makes it clear that the voluntary commitments to the basic principles through the 16 decisions of Grameen credit users are commitments to a social and societal behavior and, in the end, decisions to an intended Governance structure. The basic principles of unity and courage are of special relevance. Important principle decisions are the personal obligations to not take part in dowry practices and child marriage, to actively take action against injustice, and also to undertake collective investments. The latter can be interpreted as negotiated agreements to actively participate in the construction of an environment of public infrastructures and services as a basis for a sustainable value creation ability and added value.*

*In detail the decisions formulated at Grameen encourage the credit users to provide an intact living environment for the family, to grow food, selling surpluses, maintaining budgetary discipline, planning small families, educating the children, to stand against child marriages, immoderate dowry practices and injustice, and to actively support helpfulness, community involvement, social engagement and societal co-operation. The aspects of education and family planning are of utmost importance, and also the strong support of women and girls. Today these principles are **essential leading ideas** of development in the international context. The central importance of the role of women in this context is broadly recognized by now. This phenomenon has some correspondence to the so-called „economy of love“.*

*With this kind of social and societal orientation the Grameen-family works bottom-up to improve the Governance situation. At the lowest level Grameen implements democratic processes and, following a "Grassroot" approach, motivates its members to contribute personally to the establishment and development of communal capacities. The Grameen group as a whole acts towards Good Governance. Partially, this has led to political difficulties for Muhammad Yunus, because he has - to some extent - temporarily been personally involved at the political level. One also knows that Grameen-members have increasingly organized themselves politically at the municipal level and have in some cases efficiently influenced the politics on site. The basic political orientation is towards a bigger say in particular of the poorer parts of the population, the fight against corruption, the advocacy of more education, family planning, better infrastructures and always and everywhere also the strengthening of the role of women.*



*Grameen Beggars program, in 2004 - © Nancy Wimmer*

## **A well-functioning, powerful Governance system**

Since 1984, the Grameen Bank tries to facilitate the social life of its clientele, in particular that of poor female credit users. 16 rules of conduct which have been explained in chapter 2 serve this purpose. These rules were defined by the **credit users** themselves. They are aware of the great importance of *good Governance* in the family sphere. They support each other in the difficult task of establishing rules which, in many cases, run counter to the tradition.

The power supply company Grameen Shakti has installed – according to the model of the Grameen Bank – a sophisticated Governance system for its internal operation. It has to prevent the possible corruption and inefficiency of 12,000 employees spread over 1,500 villages across the country.

Experienced teams of auditors travel around the country and examine every branch place meticulously twice per year. They check not only staff and management, but also customers, carriers and business partners. Strict rules apply, in particular in dealing with cash and customers. The auditors have developed a precise look for human failure and organizational weaknesses. They try to ensure an optimal functioning of the company.

It can be assumed that this internal Governance system of Grameen Shakti became the model for the program RERED of the World Bank. This program supports the rural electrification in Bangladesh.

IDCOL (<http://www.idcol.org/>) is the local operator of the program, which implements the Governance system. IDCOL uses technical standards and business assessment criteria when checking the participating 46 companies (competitors of Grameen Shakti) by auditors. This is the only way how the worldwide unique success could be achieved by RERED. 3 million Solar Home systems (SHS) have been installed so far.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries.  
Contemporary witness from personal view and participation*

## **(2.) The role of excellently qualified, suitably oriented and motivated people**

Excellently qualified, suitably oriented and motivated people are a necessary condition for the wealth of a country. Only an (internationally) competitive population can generate the wealth of a country on a really high level. Badly educated people are forced to become inexpensive servants to the rich elites in their vicinity. This is a reason for a small gross domestic product in such a country. To well educate all people requires a sophisticated system of kindergartens, schools, colleges, universities, vocational schools, educational centers, advanced training opportunities etc.

It requires a suitable environment in which children grow up, e.g., intact families that are able to spend enough time with their children, parents and relatives that interact with children intelligently and with empathy. Further preconditions are sufficient and healthy food and good medical care for everybody, so that mind and body can develop well and stay healthy for a long time. Consequentially, the populations of rich countries become relatively old. This is a sign of success, which should not be misinterpreted as a burden. A good education for everybody is at the same time a decisive contribution to the social balance of a country, to reach equal opportunity and to be able to act informed in political issues. Indirectly, it contributes positively to reaching a balanced income distribution within the so-called **“efficient inequality range”**, which empirically produces the best social conditions [16, 31, 40, 46, 72].

Excellently qualified, suitably oriented and motivated people are not only a pillar of balanced prosperity, but also constitute per se a well-being society. The provision of a good education, investment in health and the proper organization of life in old age are, hence, central issues of social balance and for the protection of wealth (“prosperity for everybody”). Pursuing



these societal objectives of general interest, requires considerable cross financing measures, and consequently also requires an efficient taxation system and a well-functioning bureaucracy.



*Grameen Healthcare Paramedic, in 1995 - © Nancy Wimmer*

Another aspect has to be considered: In a world of accelerating innovation cycles, lots of what must be learned can only be learned by doing – “learning on the job”. This requires jobs “ex ante”; job opportunities have to be available in sufficient quantity and quality. This aspect is referencing to pillar No. 8, the required tight integration of people and companies into global value chains and networks. The home of almost all major suppliers of systems and integrated products, in particular all branded products, is still in the rich world. This status quo is massively protected by a rigid system of intellectual property rights. The USA – and more so in general the industrial countries – do not allow any country to participate as a “newcomer” in the WTO (and profit from the positive network effects of participation within the framework) without agreeing first to the (heavily influenced by the USA) framework of intellectual property rights (e.g., the WIPO set of rules). If a

country is not a member of the WTO, it is anyway not completely integrated into the environment of international value chains and cannot fully participate in global innovation cycles. This is where things come full circle. It is very difficult to become a member of the premium segment of international business cooperation if one is not already in. The entry barriers to this “club” are very high.

### **Contributions of Muhammad Yunus and the “Grameen-family” of enterprises to the topics education, health and old age**

*The contributions of Muhammad Yunus and his innovations in the area of education, but also health and old age, are considerable. The basic objectives of the 16 decisions to be pursued by all Grameen-members have a strong focus on education; this concerns both boys and girls equally. The families are motivated to have few children, in order to be able to ensure a good education for them. Grameen offers a dedicated higher education loan program, to provide talented pupils at least an opportunity to visit a university. Within the Grameen-group, ICT-companies are engaged to provide access to electronic services in the segment of educational offers. The mandatory Grameen training program for credit users is, for its members, often the first formal training program in their life. Some participants for the first learn time to sign personally. They also learn to perform basic arithmetic and elementary bookkeeping. The Grameen-members commit themselves to a healthy lifestyle, healthy nutrition, cleanliness, to the installation and use of sanitation, to the preparation and to the use of clean water. All this has considerable influence on the health situation and to life in the old age. In the healthcare segment Grameen offers dedicated types of microcredit and in particular also micro-insurance. Grameen also supports saving and thus supports efforts to make better provision for old age. Fewer and better educated children also improve the chance for support in old age. Grameen thus is involved heavily in design issues that are of help with respect to the*

*subjects of the 2<sup>nd</sup> pillar of balanced prosperity. The engagement of Muhammad Yunus, however, goes beyond design issues. He initiated the social businesses Grameen Healthcare and Grameen Shikkha, which make essential contributions to the implementation and provision of a healthcare and educational infrastructure in Bangladesh.*



*Access to drinking water, Dhaka in 2011*

**Excellently qualified, suitably oriented and motivated people (the core issues of the social area are education, health and life in old age)**

Well qualified and motivated staff has always been the key to the success of the Grameen Bank and of Grameen Shakti. To organize the availability of a well-qualified and motivated staff is an extreme challenge, because all Grameen-companies act in the countryside, 90% of the staff live in villages. The rural personnel market offers Grameen Shakti neither the required engineers nor qualified technicians. Shakti must therefore offer good salaries, career possibilities, insurance and benefits, to employ qualified per-



sonnel (graduates of colleagues from outside) at places with poor educational opportunities and medical care. The branch managers of the Grameen Bank must prove a college degree.

Grameen Shakti provides a **comprehensive education system** on site, i.e. in the villages. Every Shakti employee is trained to be familiar with the dedicated life situation and the difficulties to run a business in the countryside. Grameen Shakti trains all female and male technicians, also in the special philosophy of the company. The advanced human resource management was invented by the Grameen Bank and developed further by Grameen Shakti. The book *Green Energy for a Billion Poor* [73] describes its manifold facets.

The program RERED has adopted and expanded many of the human resource management technologies from Grameen. RERED currently has approx. 30,000 employees.

What is more to say (state: October, 2014): The Grameen Bank has awarded 53,059 of High Education Loans and 120,690 *Scholarships for female recipients*. The latter should prevent educational dropouts of poor girls in the country.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries.  
Contemporary witness from personal view and participation*

### **(3.) Excellent infrastructures at international level**

Excellent infrastructures refer to an important and broad spectrum of commonly accessible goods and services to be provided. These are goods and services needed for efficient and competitive value creation. Streets, buildings and railroads are part of infrastructure. Canals, harbor and port facilities, airports, water supply systems, power stations and electricity grids, communication networks and switching notes for wired phone, mobiles and internet are infrastructures. Infrastructures are a key for the value creation ability of a society. Streets, bridges, airports and data lines are accelerators for prosperity, because they can increase the individual productiveness

massively. The productiveness of an employee in an ICT-company located in Bangalore (India) is doubled if he changes to Munich, just because of the much better infrastructural situation. The total asset value of all publicly owned infrastructures in a country like Germany can be roughly estimated as **twice the annual gross domestic product**. The amortization periods are very long in some cases. They amount on the average to 74 years with real estate and 57 years with streets.

The construction of extensive and efficient infrastructures can last many decades and even longer. It is very expensive and is afflicted with many risks. In general, the application of considerable cross-financing and a “visible hand” of governmental structures and regulation are necessary for a successful implementation. The analysis of the role of infrastructures makes the systemic character of wealth particularly clear. We are all “**dwarfs on the shoulders of giants**”, namely the previous generations. Value creation is neither only nor mainly the contribution of an individual. Above all it is the contribution of many people, working together in a functioning co-operative system, which is based on the division of labor principle that leads to prosperity.

### **The contribution of Muhammad Yunus and the “Grameen-family” to the infrastructure topic**

*Infrastructures do have central importance for a societies’ value creation ability. Naturally the possibilities of the Grameen-group are limited in this area. It is first at all a responsibility of a state. Nevertheless, the possibilities of modern information technology and modern solar energy systems have still changed a lot. Innovative ICT solutions, platforms like the internet and mobile communication constantly increase the opportunities for individual initiatives. Tele-Education and Tele-Medicine “remotely” offer services of*

*traditional infrastructures for those who have access to the internet. Similarly, electronic and mobile payment systems are an alternative to customary branch based bank systems as we find them well developed in Germany.*

*Four billion people today have a mobile phone, but only one billion do have a classical bank account. Grameen has contributed with its company Grameen phone quite early and massively to the spreading of the communication infrastructure in Bangladesh. At a time, when owning a mobile was still the exception, Grameen invented a new type of entrepreneurs through its Village Phone program. Women became "telephone ladies" when they had purchased cheap mobiles on credit (from Grameen Bank) to offer phone services on site in their villages. In areas without power grid solar energy solutions have been the key to become self-sufficient, e.g., on the basis of photovoltaics. Solar panels supply enough energy for some lamps to illuminate a house, for charging mobile phones and solar cookers do not even need any power supply. In these environments a simple car battery is a sufficient energy storage device in many cases.*

*All this explains why in the Ganges delta, despite widespread poverty, the worldwide greatest success in the pervasion of individual solar panels has been achieved [73]. Everywhere, companies of the Grameen-Group are involved. Over and over again the granting of microcredit plays an important role. Where the transport infrastructures are absolutely insufficient, the precise coordination of the few available transport possibilities through mobile communication becomes a key issue to enhance the ability to create added value. This makes it possible to utilize all the existing transportation capacities and opportunities at best, however meager they are. Mobile education solutions and tele-education can to some extent complement classical school infrastructures. Grameen and Social Businesses are active to utilize the communication infrastructures to provide services of medical care (tele-health). Particularly interesting is the impact of the Grameen activities in the field of communications on local commercial markets. Normally, Grameen entrepreneurs intend to offer their products, e.g., pottery or clothes,*

*on several local markets. These markets are sometimes at a distance of day trips. If once a market has been chosen and hit after a long and difficult trip, all deals have to be closed there, often too bad conditions – due to lack of alternatives. With mobile communication it is possible to negotiate the prices with potential customers on several markets in advance and then to decide where to go. The value creation ability of such entrepreneurs improves considerably. It should not be surprising that this development was fought against by many purchasers of the products and rejected by them for some time due to own business interest.*



*Grameen Telephone lady, Akhi in 2000 - © Nancy Wimmer*



*Nancy Wimmer calls Germany via Grameen Telephone lady, in 2000 -*

*© Nancy Wimmer*

### **Excellent infrastructures at international level**

Infrastructures in the villages of Bangladesh are on a lean level. This concerns, e.g., traffic routes and transportation, schools, medical care, broadband communication, the internet and power supply.

For approx. 20 years Grameen counteracts against this deficiency. The traffic and transportation situation remains problematically because of geographic and climatic specific peculiarities – i.e. particularly the huge number of rivers and floods. However, in many areas Grameen has decisively developed the infrastructure. Grameen Phone is a pioneer and market leader of mobile telephony in Bangladesh; each of the approx. 80,000 villages has an access to this communication technology. Grameen Shakti, pioneer and market leader in distributing Solar Home Systems (SHS), supplied five million villagers with electricity for lighting, television, communication, etc. The not-for-profit company



Grameen Kalyan sets up a mobile health service for the rural poor. Modern communications and medical technologies are used. Further Social Business companies which do have positive impacts on the level of infrastructures do exist.

It should be mentioned that Grameen systematically develops the companies' internal infrastructure. This includes the net of branches (Grameen Bank: 2,568; Grameen Shakti: 1,500), the computerization of all branches and the development of business software by Grameen Communications. The company Grameen Solutions promotes innovations in many other areas.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries. Contemporary witness from personal view and participation*



*E. Herlyn and young people, Dhaka in 2011*

#### **(4.) The role of an excellent productive capital stock**

An efficient productive capital stock, which means the availability of powerful production machines and further equipment, is a form of “solidified” added value. The productive capital stock, when it is utilized by excellently qualified and suitably motivated staff, allows huge productivity growth. This is what productive capital stock and infrastructures have in common. The difference is that productive capital is a more individual, personal or entrepreneurial matter whereas infrastructures are collective and communal topics. The required time period to build up an efficient productive capital stock is similar to the required time period to build up infrastructures at international level and to develop a population to being well-educated and suitably motivated. Whoever visited a modern automated factory in a leading industrial country may already have had the impression that the work was done by magic. Currently, under the buzzword Industry 4.0, another fundamental step is taken into this direction. Productive capital with such a huge efficiency may cost up to 300,000€ and even more for each single working place; a massive obstacle for the creation of new job opportunities. In developing countries like Bangladesh it is important in the given situation to be able to generate job opportunities already at a cost of about 1,000€ or better less.

The investments to develop an excellent productive capital stock can only be made in a suitable co-evolution process with the development of the workforce potential, adequate infrastructures, efficient innovation structures, an efficient monetary and financial system, the provision of an access to required circulating productive capital and resources and the integration into global value chains and networks. If for any reason the productive capital stock breaks down, for instance due to a war or sabotage, a long and hard way may start to build it up again. That’s what, e.g., Germany and Japan witnessed in the aftermath of World War II. The reconstruction of

both, infrastructures and the productive capital stock, must occur simultaneously to the broad education of the whole population. At the same time the money has to be earned that is necessary to purchase the required resources. Efficient innovation structures have to be constructed. The integration into value chains has to be rendered by own efforts; e.g., becoming successfully as export-oriented country such as Germany or Japan.

### **The contribution of Muhammad Yunus and the "Grameen-family" to the productive capital stock topic**

*The economic capabilities in a country are mainly determined by the installed productive capital stock. In Bangladesh this was a matter of building it up from smallest beginnings. It is a matter of climbing the bottom rung of the "ladder of prosperity". The Grameen-group fosters this endeavor in several ways. First of all, a better equipment with means of production of all kinds is the aim of many Grameen-microcredits. Microcredit enables the acquisition of commonly used mills, cooking areas, tools etc. The procurement of other property, such as farm animals for the expansion of agricultural value creation ability and value adding is a focus of microcredits. The credit financed business model usually is based on the acquisition of suitable means of production or other required equipment. If a loan-financed investment in productive capital offers a perspective to produce enough added value to live on it and to pay back the loan, a microcredit is granted. Grameen also motivates the cooperation of members if larger acquisitions are reasonable to improve the common situation. As previously mentioned, the readiness to participate in collective social activities and collective investments to develop the foundations of an increased value creation ability, is part of the commitments of the Grameen-members. This approach corresponds to what has been done in countries like Germany in agriculture through cooperative structures by establishing **machinery rings**. Many partners in a ring benefit from having access to efficient machines when*



*required, e.g., at harvest. This is especially useful whenever the acquisition of a machine for individual and exclusive operation is economically impossible or would not make sense. The commitments of the Grameen members aim to motivate the building of a productive capital stock at the individual, group and the regional level. Grameen as a group of companies complements the productive capital stock and infrastructures on a national level. Grameen invests country-wide into suitable technical equipment and uses in particular all kinds of modern telecommunications and green energy for that purpose. As a group Grameen improves the situation with respect to mobility and transportation by utilizing whatever is available through electronic media. That is the pragmatic and widespread approach to enhance the overall productive capital stock in the country.*



*Grameen Shakti Solar Panel for Village Bicycle Repair shop, in 2002*

*© Nancy Wimmer*

### **An excellent productive capital stock**

The Grameen group has been improving the technical infrastructure of the country and the situation of the people, as it has been previously described.

The Grameen Bank supplies 80,000 villages with financial services. As a result of new services offered 8 million customers became **savers**. This development can hardly be overstated: the population gets security and the bank gets stability. The sector of micro-finance will develop rapidly, provided that a technical innovation proves itself useful and efficient – mobile banking via smart phones and a network of collection centers.

If the running pilot's tests prove *mobile banking* successfully, the operating expenses of MFIs can considerably sink. Also the expenditure of companies such as Grameen Shakti which awards add on installment loans to far distributed customers will sink. This will stimulate the difficult business in the countryside.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries. Contemporary witness from personal view and participation*

### **(5.) The role of the access to all required circulating productive capital and resources**

Access to required circulating productive capital and resources concerns everything that is relevant in a particular value chains of an economy. A precondition for vital and wealth-inducing processes is the access to all necessary basic commodities as **input-resources**. To inputs exploited from respective sources, the value is added from which people live. The aspect of resources required also concerns access to sinks for the disposal of **output resources** of human and production-related metabolism processes. An example of an output resource is the waste and an access to means for its disposal, either recycling or dumping. Today the most prominent example

of output resources are the greenhouse gases leading to the **climate problem**. This global issue concerns the question to which extent countries should have the right to access the atmosphere and the oceans as a "climate garbage dump".

One must have access to all required circulating productive capital and resources if one wants to become or stay a rich country. Either the resources (e.g., food, water, oil, coal, metals etc.) must be available in the own country, or the guaranteed access to them must be provided on functioning markets at affordable prices. In the latter case a country must be able to earn accepted **foreign currencies** in sufficient volumes. Since usually still US Dollars are the accepted currency in many transactions, the USA are an exception. Instead of earning the required currency, they can "print" it to the amount needed.

Ensuring a reliable worldwide trade in a globalized economy plays a big and always increasing role. This comprises not only functioning markets, but also safe international transportation, e.g., safe maritime and air routes. Water, food and energy still have a special importance with regard to preserve a certain degree of autonomy and autarky, also for the protection of a countries' population. If, e.g., oil becomes expensive only rich countries can keep up. Poor countries fall back in such a situation and even poorer people in rich countries will lose, unless a significant level of autarky can be achieved. That was the case in Bangladesh, where Grameen successfully pursued the systematically transition of this sunny region from fossil fuel based systems to the utilization of **renewable forms of energy**.

The increasing competition for worldwide important and scarce resources - in the recent past this has concerned primarily the supply of oil and gas - constitutes a burden for a large part of the population even in rich countries. In consequence this leads to large political annoyance. However, the rich

countries do have the advantage to be rich. Poorer countries often cannot keep up with increasing prices even for a short time. The oil price shock in the 70s was indeed a shock for the rich countries, but it was an absolute disaster for the poor world. In the future a similar shock could also become a disaster to the average “middle-class” people in rich countries. It could transform the whole world into a neo-feudal situation (cf. [44]). A transition to a new system of energy is necessary (but not sufficient!) to prevent such possible processes into a societal disaster. If sustainable development is the aim, a central challenge of humankind is to implement an everywhere accessible, affordable, ecologically friendly and climate-neutral energy system.

A national economy needs many and very different resources. The requirements change over time in character and amount. What people always need is **water and food**. Difficulties to meet these requirements, as it usually happens during war times, change the economic situation completely. Efforts to address shortages of food and water stand inevitably in the focus in countries with severe poverty. In rich countries, in contrast, the issue of energy security and provision dominates the economic debate. Questions regarding water and food are solvable in large part by technical means, if energy - as previously argued - is available everywhere, affordable, environmentally-friendly and climate-neutral.

Once the access to necessary resources within value chains is lost and cannot be substituted in the short term, a country loses an important prerequisite to be rich. A country cannot stay rich without the access to all required resources and circulating productive capital, no matter how good the Governance is, how well the population is qualified, oriented and motivated, how good the infrastructures and the productive capital stock are, how effective research and innovation processes are, how efficient the monetary

and financial system is organized and whether a tight integration of people and companies in global value chains and networks is guaranteed.

### **The contribution of Muhammad Yunus and the “Grameen-family” to the resource topic**

*Companies and people from Bangladesh are faced with a difficult competitive situation. Concerning the access to relevant (and scarce) resources they have to compete with the rich world. Naturally, the economic pressure to attain highest resource efficiency is much higher in relative terms in a country like Bangladesh than in rich countries. Thus the Grameen-group places great emphasis, wherever possible and reasonable, on **resource friendly solutions**. ICT solutions and the use of renewable energy are preferred and strongly promoted. In general the questions of resource efficiency and re-use of materials find high attention. The main challenge is to remain capable to access enough resources, in spite of the limited funds and foreign currencies available. Grameen helps significantly in this respect to improve the situation of local people by minimizing the necessary access to resources. As described below, the best practice experiences of Grameen have resulted in attempts of innovation processes and new solutions which are also attractive to the rich world. Countries like Bangladesh become **“test labs”** for the future of the world. This opens up interesting new value creation potentials and almost always the Grameen-group is involved.*

#### **Access to necessary resources**

IDCOL intends to decrease the dependence of Bangladesh from imported and subsidized kerosene, diesel and fertilizer. Some millions new SHS (Solar Home Systems) and Improved Cook Stoves (ICS) are planned to be installed. Furthermore, it is planned to replace five million diesel-powered irrigation pumps by solar-powered pumps. The supply of villages with facilities producing electricity from renewable sources and their

local interlinking via so-called mini-grids are being tested. If appropriate organizational solutions are found, mini-grids can reduce the necessary import of energy significantly and enable the urgently required drying or cooling of field products and seafood.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries.  
Contemporary witness from personal view and participation*

## **(6.) The role of an efficient research and of internationally competitive innovation processes**

How important is innovation for wealth? Is innovation, and with it research, a necessary prerequisite for wealth and indispensable to remain rich? A close look to the development of humankind shows evidently that technological progress has been the actual basis of always increased wealth. The books of Sergey Kapitza [18] and Jacques Neiryneck [33] illustrate this fact convincingly working at great technical devices or installations such as cars, airplanes, computers, mobiles or high-rise buildings telling the same story. Nevertheless, this “correlation of technological progress and wealth” in the past does not prove that research and innovation will always remain a necessary condition to remain rich in the future.

This is because a conceivable **phase transition** into a new world could end in a balanced situation, where a significantly smaller humanity achieves stability on a high level of consumption and prosperity in a socially balanced state of affairs and in peace with the environment. In such a balanced world a high wealth could be possible for long times without the need of further research and innovation processes. Such a situation would correspond to a **rediscovery of slowness** - an important separate topic.

However, today's world (unfortunately) is neither in such a balanced situation nor on the way to such a state; it is just the opposite. We have maneuvered ourselves into such a big complex of problems and difficulties that a sustainable future seems to be inconceivable without a successful further acceleration of innovation cycles [46]. Previously, we have described this innovation necessity in terms of the need, to invent and implement a new energy system, being available everywhere, affordable, environmentally-friendly and climate-neutral. However, we mentioned that even that will not be sufficient, and no perfect set of innovations will lead humanity in and of themselves and thus necessarily into a sustainable future. Hand in hand with innovation always comes the so-called **Rebound effect** if not effectively prevented by a “visible” hand of rules and regulation. This means that innovations in Global Governance are also urgently necessary. This means in summary: Due to the actual complex of problems, there is no chance for a sustainable development without further societal and technical innovations, which is why the difficult Global Governance issues need to be tackled simultaneously to progress in technology. A possible strategy could follow the ideas of a Global Marshall Plan or a worldwide Eco-social market economy (green and inclusive economy), as Muhammad Yunus has also often communicated.

The current (insufficient) ordering of the world and its economic system is the reason, why as a result of globalization the world-economic system gets out of control in a process of increasing unleashing and dissolution of boundaries. In the absence of a valid global common normative governance system and missing or repressed ethical values, this process has been eroding and suppressing global regulatory politics. As a consequence, “spoliation” and “siphoning” of profits are frequently rewarded by the system, instead of value creation. Ethically oriented market players are often at a disadvantage. Welfare orientations are often pursued only as a means to an end.

This is what we observe, for example, in patent law and, particularly strong, in the financial sector [60, 62].

Since innovation is so important to us, today's valid regulation of the markets often leads – whether intended or unintended – to the fact that the principle of “The winner takes it all” applies. This is particularly evident, for example, in the chip market. For the inventor of a new product, the investment often pays off after only a few months and he can make a tidy profit, while all the others suffer losses.

So today, especially those countries and entrepreneurs are economically rewarded that innovate notably quickly to the markets, best in suitable oligopolistic structures. This is particularly evident in the modern world of communications and information technology, robotics, etc. In this world it is necessary for a rich country, that wants to keep its position, to be (at least in certain technology sectors) as good as its major competitors or even better. As a consequence of the competitive environment, the ability to innovate becomes a survival issue for the wealth of each single country.

As already indicated, the character of pillar 6 is somewhat different from pillars 1-5, 7 and 8. The reason is that a world is conceivable, which is stable, balanced and prosperous **without further innovations**. In such a world only those technologies are used that have been invented by the former generations of humanity. A rich world is conceivable, with a fair and balanced participation of everybody, stabilized by bureaucracy, unions, associations and the society itself. The metabolism processes characterizing the consumption culture of such a society can stay, in the long-term, sustainably in “harmony and peace” with the environment. This is possible in particular when the resources which are used in such an economy are renewable. This concerns again, among other things, the issue of an affor-



ble, ecologically friendly and climate-neutral energy source available everywhere. At the moment this is a more long-term objective. The necessary societal innovations to organize such a world could become a pressing issue in the wake of the expected progress in the area of Big Data and Analytics. Growth of productivity will result from substituting also highly qualified people in decently remunerated jobs by machines [5, 6, 12, 30]. The question is, whether enough new decent jobs can be created by a growth of the overall value added, since enough environmental resources are a necessity. At the moment we are not in such a situation to provide enough environmental resources for further sustainable growth, we already overexploit the globe. As it has been so far in human history, a growing humanity always needed new solutions in accelerating innovation cycles. These are the main messages, e.g. from the work of Jacques Neiryneck and Sergey Kapitza [18, 33].

As already explained, the organization of relevant research and innovation processes is a survival issue for wealth protection of rich countries. Research and innovation processes by now also become vital issues for countries like Singapore, which, after long catch-up processes, did enter the league of the rich countries. Singapore is investing considerable public means in the organization of research and innovation, e.g., in the area of biotechnology and genetic engineering. High growth rates of 8% – 10% can only be achieved in catching-up processes. As an innovator in the league of rich countries one must work hard and invest a lot to generate 1% – 3% of annual economic growth.

It has to be assumed that the ability to innovate will remain to be a necessity in the prime league for quite a long time. Successes in science and research remain necessary as a precondition for innovation. The reason for this is the above described problematic situation we are in, which will become even worse within the next decades. To cope with this is urgently

needed, as humanity seems to be able to cope with the problems ahead in a peaceful manner only with extensive innovations, even though we hardly bear the resulting continuous acceleration of life. A better global economic design in line with the concept of an ecological-social market economy (a “green and inclusive economy” in Anglo-Saxon terminology) could give hope to escape this dilemma. If the course now will be set towards eco-social rules and regulation for economic activities, there is hope to solve the complicated worldwide situation with regard to the resource use and to gradually slow down the innovation-cycles needed perhaps from 2040 onward.

### **The contribution of Muhammad Yunus and the “Grameen-family” concerning research and innovation**

*First, one would expect not at all that the Grameen-group contributes significantly to efficient research and competitive innovation processes, since Grameen operates in a country that economically rates at maybe second or third class. Usually there is not much research and innovation originating from such economies. This fact holds true today for many segments of the economy of Bangladesh, but the achievements originating in the Grameen-sphere are substantial. Already the specific arrangement of the very special form of Grameen microcredit represents an impressive social innovation. Certainly, Grameen emphatically invites people to be innovative. The focus of innovations lies on local necessities, how technologies can be reasonably adapted to the difficult conditions on site. The innovations have to be created in poor environments. Innovation thus is often “only” the adaptation of existing solutions to the poor. However, especially the hidden potential of such innovations should not be underestimated. The **Indian economist C. K. Prahalad**, who died in 2010, pointed out in his “Bottom of the pyramid” research [44] that the organization of economic processes for the*

poorest billion people can provide interesting insights also for western corporates [44]. Companies like Unilever are strictly engaged in this domain just to identify approaches to optimize processes and products. Low cost inventions - in poorer countries a necessity – are sometimes imitated later in rich countries. Large companies from the OECD countries currently invest in appropriate IT solutions for education, health, financial services etc. in the underdeveloped countries, because the actual market situation there requires suitable implementations of this type. In this context the FAW/n and partner have dealt with, e.g., the potentials in the area of **Tele-Health** in such countries, which are considerable. A later use of the insights from the experiences linked with these investments, innovations and solutions in the OECD countries is already been considered. This is a quite clever win-win strategy that today attracts large investments from OECD countries into a country such as Bangladesh. The companies of the Grameen-group consistently use the potentials of this type of innovation, e.g., as already mentioned, in their processes to develop and supply renewable energies, in particular in the field of photovoltaics.

It is evident that the concept and promotion of Social Business is another important innovation process. Muhammad Yunus has convinced partners like Danone and BASF to engage in joint ventures of this kind. With these partners concrete product innovations have been developed and implemented, often tailored to markets like Bangladesh. In the case of Danone this concerns as one aspect the enrichment of yoghurts with dietary supplements that address deficiency diseases on site. Another aspect is the interesting intention that even the packaging should be eatable. This is a very attractive and purposeful idea and an interesting innovation from the perspective of resource efficiency and a circular flow economy.

The international impulse for Social businesses by Muhammad Yunus boosted in particular the worldwide movement of Social Entrepreneurship

and Social innovation, launched above all by **Ashoka**<sup>5</sup>. Social entrepreneurs within the meaning of the Ashoka definition are above all those who are engaged in social innovations. Examples of social innovations are Wikipedia, co-operative green energy supply of EWS (Energiewerke Schönaun in Germany), the microcredit system of Grameen or mobile banking concepts in developing regions. Since Muhammad Yunus promoted his innovative idea, worldwide far more than 5,000 companies, aiming at innovations, orientate themselves as self-supporting Social Businesses. At the same time, always new societal groups feel highly motivated to participate in the generation and implementation of social innovations. This not only concerns innovative solutions to social challenges in so-called developing countries, though many see this as their main motivation.

Facilities like the Design Thinking Schools, which were originally created to generate innovations in a traditional corporate context, now also have programs to apply part of their capacities and competences to develop social innovations. Another example is the Hackathons, a conference of hackers, which tries to find solutions for societal challenges. The passion for the explicit development of social innovations for the hitherto socially and economically weak, has set up, in the meantime, a worldwide Community. Experts of the scene estimate more than one million creative and engaged people. The size of markets created by these activities for socially-innovative Social Businesses are estimated to range from 100 to more than 1,000 billion USD.

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<sup>5</sup> Ashoka is an organization that has been founded in 1980 in the USA to support social entrepreneurship. Meanwhile Ashoka operates worldwide in many branches ([www.ashoka.org](http://www.ashoka.org))

### **An efficient research and internationally competitive innovation processes**

Since two decades Grameen focuses on progress through innovation, primarily in the area of Information and communication technology (ICT). Grameen is not actively engaged in cutting-edge research and high tech development, but innovates continuously and in many areas. To give concrete examples of innovations, Grameen has:

- a) introduced an innovative commercial model for MFIs (Grameen II)
- b) innovated photovoltaic systems to SHS (Solar Home Systems) that meet the tough rural conditions in a developing country
- c) introduced an innovative commercial model for rural energy supply (Grameen Shakti)
- d) tested the use of new wind power plants, cooking stoves, small biogas facilities and Minigrids
- e) been trying out new approaches to develop notorious crisis zones, regions of hunger and disaster areas affected from storm and flood
- f) been trying out new approaches to solve social problems through private -sector methods (Social business)
- g) participating in social-science research that examines Bangladesh broadly since 1975
- h) initiated several sectoral innovation projects, e.g., the use of ICT in rural health centers.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries.*

*Contemporary witness from personal view and participation*

### **(7.) The role of an efficient monetary and financial system**

In modern economies one cannot achieve a high value creation ability and accordingly a high GDP (gross domestic product) without a functioning and efficient monetary and financial system. An important contribution of such a system is to ensure the granting of credits at viable and bearable conditions. Money, in quite different forms, takes over many roles, in particular

the role of a uniform accounting unit for goods and services of different kind. Money enables intertemporal exchange processes, a prerequisite for investments. In the monetary system, stability matters. Monetary stability does not mean no but a low inflation, since a little inflation minimizes the risk of a possible deflation. Today, such a quality of monetary systems is ensured primarily in **hard currency countries**. Developing countries sometimes succeed in pegging their currency successfully to hard currencies. China has pegged the Renminbi (CNY) for a long time exclusively to the US dollar, recently to a basket of hard currencies. Countries with **hard currencies that are demanded internationally** do have expanded possibilities of money creation. This effect particularly benefits the US dollar currency zone, but increasingly also the euro zone. Processes of (high) inflation, which historically have led up to the indexation of goods to inflation-adjusted reference values, have to be prevented in order to preserve the purchasing power of money. A lack of foreign currencies must also be prevented, so that international exchange and business relations can be maintained. This is last but not least important for the resource issue. Controversially discussed is the question, to which extent countries must be able to intervene in the capital markets, in particular in reaction to detected short-term speculative movements. Malaysia held up well with such measures in the last Asia crisis at the end of the second millennium. Countries that did not dispose of such instruments were hit much stronger. Also China performed well with its strict regulation up to now.

As mentioned before, another key issue is - not surprisingly - the credit system. The world is highly indebted. Only those who in this situation still have access to required capital can finance investments and innovations to safeguard their future. In the case of the USA one can study well how growth is promoted via a credit-based consumption. As a self-fulfilling prophecy this makes the country attractive for foreign direct investments. Europe, in contrast, appears in many respects incapable to act and almost

paralyzed. It has “subjected itself to the Maastricht criteria” and meanwhile reached the self-imposed limits of borrowing. This impedes possible growth and dries up the domestic economy due to lacking public investments, deconstruction of social systems, lack of purchasing power and fear saving of the population. This is also a self-fulfilling prophecy, but in the direction of a poverty spiral.

The credit system plays a crucial role for economic prosperity, but it has to be kept in balance. Risks arise in particular from a rampant expansion of the total credit amount in relation to liable equity, value creation capability and liquidity (in terms of the amount of legal tender in circulation). The global financial system is currently beyond its limits [63]. One result of the agreed rule settings of the Basel Committee on Banking Supervision and the invention of ever new “innovative financial products” is **asset-inflation**. Due to the commonly used fair value accounting, this involves a serious peril to the stability of global financial markets.

### **The contribution of Muhammad Yunus and the “Grameen-family” concerning an efficient monetary and financial system**

*It is evident from comparable historical experiences that microcredit contributes to an efficient monetary and financial system. Grameen plays a similar crucial role in Bangladesh as savings banks and co-operative banks have been playing for the development and preservation of prosperity in Germany. Due to a strong presence everywhere in the regions and a strong focus on regional economic development, the contribution is fundamental for the people and small enterprises.*

*It is also a big advantage that the Grameen Bank, which is meanwhile the strongest bank in the regions of Bangladesh, has a banking license and can create money for lending if necessary. As an umbrella organization it is a*

*powerful partner, which can act in networks of international collaboration. Particularly with international partners from Social Businesses, Grameen has opened up interesting opportunities in the areas of money, credit and finance. The world financial crisis hit Grameen much less than many other institutions. The reason is Grameen's focus on the classical retail business (without investment banking). Predominantly, savings of the people, who, by the way, are prompted to save, balance all the granted credits for investments in value adding innovation processes. This is an advantage of Grameen just as it is an advantage of the distributed banking infrastructure in Germany. As an overall assessment it shall be summarized that Grameen opened up poor people in disadvantaged situations for the first time the chance to improve their own situation through a participation in a functioning monetary and financial system.*

### **Construction of an efficient monetary and financial system**

The Grameen Bank, initiated by Muhammad Yunus, developed not only a new form of **Banking for the poor**, but also and in particular the **Banking for the rural population**. Only a few Microfinance Institutions (MFIs) are active in the difficult rural area. They have to cope with problems like the absence or weakness of infrastructures (e.g., electricity, roads, schools, health services, etc.) or severe damages caused by floods and storms. MFIs worldwide operate predominantly in urban / peri-urban areas. The innovative and successful kind of management of the bank in the countryside has decisively benefited other branches, e.g., the energy sector. Grameen Shakti is a market leader for rural electrification through solar systems, which has borrowed methods from the bank, e.g., in the areas of management, training and controlling.

The **reorganization Grameen II** changed the bank in an innovative manner from a credit institution to a **savings and loan association**. Each credit user must save, every villager can save. The bank offers a rich set of earmarked savings programs, e.g., for wedding, education, health care or old-age provision. This has made saving very popular in the rural population. More than half of all deposits of the Grameen Bank are from its



members. That is the reason why the bank can finance credit predominantly from savings. This has a strong positive impact on the stability and the growth of the bank.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries.  
Contemporary witness from personal view and participation*

## **(8.) The role of a tight integration of people and companies in global value chains and networks**

The integration into powerful value chains and networks is of particular importance in order to generate high incomes, since value creation is the necessary prerequisite to generate incomes. The issue of integration and participation has a dedicated connection to all the other pillars 1 – 7 of balanced prosperity. Generating high incomes for a big number of people in today's world is only possible if the education is good, the infrastructures are appropriate etc. All previously discussed pillars are necessary conditions for the necessary embedding, but embedding does not follow from it as a direct consequence. Pillars 1 - 7 are indeed necessary to ensure a high wealth of a country, but they are not sufficient. This is a problem, which also faces, e.g., each young person trying to find a place in the professional life after education. Without special relationships, this can become difficult. A professional newcomer usually starts small, with low salary. Maybe an occupation as an intern or graduate is taken to look for connections, integration, references. Guest students have especially good chances if they strive successful to include themselves immediately in value chains in the host country. Countries that are trying to catch up benefit particularly from foreign direct investments. The investing parent company ensures the integration into the global value chains and networks.

An economy cannot integrate too many new people at once, no matter how good they are educated. This is despite the fact that an oversupply of job

seekers immediately leads to lower wages. This limitation can be studied even in such a dynamic country like China where still approx. 800 million people in the rural areas are waiting for appropriate embedding.

A particularly illustrative example of the relevance of integration also offers the **German reunification**. All of a sudden there was a good Governance system and the infrastructures and the productive capital stock were improved quickly. From the moment of the reunification the access to all required circulating productive capital and resources was no more a problem, due to the improved financial situation. The monetary and financial system was efficient. The educational system has always been good and a high orientation towards innovation was always given. The GDR had always played a leading role in the former Eastern Bloc in this regard.

Nevertheless, even the high transfer payments from west to the east, which amounted to approx. 1,300 billion euros since the time of the reunification, were not enough to ensure an appropriate integration of all the people from the new federal states into value chains and networks. Some people still wait for it. Some of the relevant problems have been settled partially by intra-German migration of people – of course to the detriment of the population figures of the corresponding regions in the east. The decline in population, e.g., in Saxony-Anhalt, is massive.

This explains, why pillar 8 is important to be mentioned, if one strives to understand what makes a country rich and what needs to be done globally, if a catching-up of the whole (poor) world is the aim. Maybe pillar 8 is the most difficult issue for success that countries have to master in order to become prosperous. The big challenge of catching-up is to ensure inclusion of people to a large extent in a gradual forward movement concerning the improvement of the other pillars of balanced prosperity. Just this has been

the situation in Bangladesh where the catching-up process had to start from a very low level.

### **The contribution of Muhammad Yunus and the “Grameen-family” to the issue of integration into global value chains and networks**

*The integration into value chains and networks is crucial for economic success. In Bangladesh this first of all concerns the aspect of local networking to develop local value chains. The international dimension comes second. The Grameen approach entails a focus on the creation of networks. The responsible center managers on site motivate the networking between business ideas. The active support and participation in common activities belongs to the voluntary self-obligations of the members. Already the cooperation in groups, which builds social nets as collective collateral for credit granting, can be seen as seeding networking. The Grameen-group as a whole pursues the development of value chains strictly through networking and diverse forms of cooperation between all enterprises of the group. The granting of microcredit to an entrepreneur who equips himself with photovoltaic and mobile IT to pursue a business in cooperation with others is a good example to illustrate this approach.*

*An interesting detail is the sale of Improved Cook Stoves (ICS) as an alternative to traditional ovens that need about twice as much wood as fuel – wood is scarce and, hence, more expensive. Grameen Shakti has sold nearly 900,000 ICS till September, 2014. Various fields of action and diverse lines of business co-operate to create new job opportunities and develop new value chains. The enterprises of the Grameen Group are very effective in all these activities. Social business partnerships build the bridge to international enterprises and global value chains. Due to the prominence of Muhammad Yunus and his varied activities there is a high level of interest in and a lot of interested parties for partnerships from business, NGOs (Non-Governmental Organizations), the education sector etc. International cooperation are actively sought and enabled which also pays off economically.*

*With a preference on business partners and employees of Grameen, Muhammad Yunus and the Grameen Group are working strictly and successfully to embed the people in Bangladesh into international value chains and networks.*

### **A close integration of enterprises and people into global value chains and networks**

There are probably very few organizations in Bangladesh which are internationally better networked than the Grameen Bank. The fundamental innovation has been the very special type of microcredit, which has been promoted by CGAP (The Consultative Group to Assist the Poor, [www.cgap.org](http://www.cgap.org)). A Nobel Prize and many other prizes contributed to the networking. A training program conducted by the Grameen Bank since more than 20 years for MFIs and the practical support of approx. 100 MFIs worldwide have increase the network constantly. Foundations, companies and associations promote the achievements of the Grameen Bank and the ideas of its founder in many countries around the world.

Bangladesh has become famous for its many great MFIs and RERED and benefits from all the international contacts established.

The Grameen Social business program builds networks through joint-ventures with western companies like Danone and BASF to adopt western know-how to Bangladesh.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries.  
Contemporary witness from personal view and participation*

## Concluding remark to chapter 4

If one understands what makes countries rich, then one will understand why the world is so poor and why 80% of the people suffer want and hardship. Then one will understand why the worldwide split between rich and poor is bigger than the split in any single country. In relation to the global situation even South Africa and Brazil (countries with a particular distinctive social division) are oases of social balance. To counteract this awful situation, we need in times of globalization a worldwide eco-social market economy, green and inclusive, instead of unconditional free trade. We need a world domestic policy [4] and developments towards a world democracy. We need a Global Marshall Plan [13, 41]. Unfortunately, strong forces around the globe do not want this, because they benefit from the current situation. It is amazing what Muhammad Yunus was able to achieve through his manifold activities and huge engagement in such a difficult and complicated environment for the poorest and the poor. His ambitions seem far from being exhausted. We can expect still a lot more. However, it should be noted: Grameen also means vigilance and **constant innovations**. This is illustrated by the following remarks about the permanently necessary innovation processes.

### The Innovations of the Grameen Bank

The Grameen Bank had to adapt to continuous change to serve its rural clientele. That's rural reality in Bangladesh. The bank's development from its beginnings in 1976 is a story of how it responded creatively to change and how rural business can only survive long-term through innovation and dedication to its clients.

When a Grameen Bank survey in the 1990s revealed that 20% of its borrowers were unable to repay their loans because of poor health, Grameen responded with a village healthcare program. I visited one of the first programs in 1995, but it was clear even

then that the program would go through several revisions before it could scale. A successful healthcare program is now under the direction of Grameen Kalyan – *Grameen Wellbeing* – which treats ca. 200,000 patients through its 53 health centers each year.

From its beginnings, the Grameen Bank encouraged its members to send their children to school. However, a result of a survey in the 1990s showed that while many of these children had since finished secondary school, their parents were too poor to finance a university education. Grameen responded with a Higher Education Loan in 1997, which covers all costs and must not be repaid until the student begins to earn.

By 2014 over 50,000 students had received the Higher Education Loan, but the story doesn't stop here. Jobs are scarce in Bangladesh. Many graduates had earned degrees in medicine, chemistry or the social sciences but couldn't find employment. Grameen responded with a Young Entrepreneurs Program, which offers loans and training to become self-employed. Over 2,000 young entrepreneurs are now running fisheries, dairy and poultry farms, banana plantations, rice mills, tutoring centers or are breeding tropical birds. I have met entrepreneurs who have expanded their mothers' phone businesses and set up email and communication services.

In 1995, the Grameen Bank decided to address the problem of a lack of grid access and began exploring alternatives to grid electricity for its more than two million borrowers. The time was right. Twenty years of Grameen Bank experience had demonstrated that the rural poor can successfully start small businesses with access to microcredit. To further support its borrowers, the bank had introduced loans for family enterprises and houses: A house offers a safe dry space to work the year round. But most of these businesses needed electricity to prosper. To solve this problem, Grameen Shakti – *village energy* – was founded in 1996 to bring affordable renewable energy to the rural population. By September, 2014, Shakti had installed 1.5 million solar home systems in rural households, schools, shops and clinics. I followed this development in the villages of Bangladesh and later described it in detail in the book *Green Energy for a Billion Poor*.

The Grameen Bank launched its mobile phone program in 1997 by granting a Grameen borrower a loan to buy a mobile phone and let other villagers use the phone for a fee. She became the telephone lady who owned and ran her own mobile phone service shop in villages that had never known mobile technology. Villagers called their friends and

family abroad – I paid to call my husband in Germany - and telephone ladies ran a very profitable business. This later changed as competition increased, but what remains important in rural areas is the mobile's application: villagers save wasted journeys to the market, get a good price for their goods, inquire about job openings or offer employment. In times of disaster, mobiles have saved villagers' lives.

When the Grameen Bank learned in the 1990s that the very poorest households - the "bottom 20%" - were not being reached by microcredit, it began piloting what it called its Struggling Member Program. In essence, this is a subsidized program in which beggars are identified and offered very small interest-free loans which they repay according to a schedule they determine. The beggars I interviewed were enthusiastically supported by Grameen Bank borrowers as mentors, who encouraged them to use their loans to buy low-cost articles they can sell. Some became part-time beggars; others actually stopped begging to run a small business. The program was later integrated into Grameen II and now has ca. 80,000 members, some of whom have become Grameen Bank members.

**By the late nineties** Grameen Bank was already two decades old with over two million members. It had demonstrated not only how to establish microcredit but how to scale up by listening carefully to its borrowers and adapting its credit model to their changing needs. The bank introduced seasonal, leasing, housing loans and other new products to allow its clients to take advantage of new business opportunities. It launched new programs and new sister companies as described above. But these innovations also highlight how performance is subject to dynamic change in a rural environment. After two decades of extraordinary expansion the bank ran into trouble. More and more borrowers stopped attending the bank's weekly center meetings and arrears on loan payments began to grow. Many borrowers lost all contact with the bank. Then in 1998 one of the most destructive floods in modern world history inundated two-thirds of Bangladesh, disrupting the bank's work for over three months, plunging it into a devastating repayment crisis.

Grameen's management used the repayment crisis to analyze what had gone wrong and pilot-test ways of dealing with the problems. Intensive communication with the head office and the field revealed that nothing less than radical changes were needed if the bank was to survive the crisis. At the same time Grameen's management was convinced that given the right credit model, the poor will pay back. The repayment crisis was the

fault of the bank, not the poor. Two decades of microcredit had already proved the poor are creditworthy and bankable. Now the bank was confronted with the challenge of how to motivate borrowers to rejoin the bank and repay their loans. This was the genesis of Grameen II.

What emerged is a highly innovative system which revolutionized the way Grameen Bank does business. It reflects not only Grameen's sensitivity to the rural market but its recognition of the fact that credit alone does not meet the needs of the poor. As a result, Grameen II has introduced a wider range of loan contracts, with variable terms and repayment schedules. The popularity with which these new financial products were received by Grameen's clients is remarkable. Below in brief some of the main innovations in Grameen II.

In contrast to Grameen I, all loans, with the exception of housing and the higher education loan, were merged into the **'basic' or 'easy' loan**. This has the advantage of making the total amount owed transparent to borrowers and prevents them from using one loan product to pay off another (and eventually go into debt). To ensure a sufficient supply of credit to meet investment needs, the loan duration can vary from three months to three years. The installment size is no longer fixed, but can vary according to the business environment of the borrower: larger loans when business is good, lower in off-season. Loans with duration of less than a year can be repaid with one installment or per a schedule decided by the borrower.

Should a client's repayments be overdue, Grameen II offers borrowers the option of renegotiating the basic loan in favor of a **'contract' or 'flexible loan'**. In this way borrowers can renegotiate a new contract with a fresh repayment schedule and choose an installment amount they can manage according to their capacity to repay. This was a difficult task in Grameen I. Once a borrower was off track, it was hard for defaulters to meet the strict loan conditions and resume repayment. Renegotiating the basic loan now allows borrowers the flexibility of extra time to repay the loan while remaining in good standing with the bank and the village: especially women borrowers need not suffer the embarrassment associated with default. When the loan is fully repaid on schedule, the borrower will be back on track and again be eligible for the basic loan.



A significant change to the classical Grameen model is that the **group** no longer has to provide a guarantee for the loan to its members. Joint liability, collective responsibility for loan repayment, is formally abandoned under Grameen II. The change in level of responsibility from group to individual does not mean that there is no longer a role for groups, however. The founding principle of group lending – the use of the group as a point of service – still applies. Center meetings of groups are still being used to build social capital by promoting norms of good behavior, networking to share information about health and business opportunities and building trust beyond the family.

The most innovative aspect of Grameen II is the introduction of numerous **savings products** and a major emphasis on collecting savings from both the Grameen Bank members and the general public. The Grameen Pension Scheme (GPS), for example, helps borrowers build a nest egg for retirement; several contractual savings schemes allow borrowers to save for specific reasons, e.g. paying for the marriage and education of their children, or creating a large asset base to meet other long-term needs. The bank rewards members' savings with generous interest rates, e.g. 12% per year for the 10-year term under GPS.

In general, savings have proven to be a critical tool for managing credit risk both for clients and the bank: clients can utilize their savings to pay off their debts in times of need. Collecting savings from members and nonmembers enables the bank to fund credit operations from its own sources. These changes in Grameen Bank's programs have resulted in sharp growth in portfolio size and membership. By the end of 2005 the number of active clients had grown to over five million from just over three million in 2003. The popular savings products have boosted total deposits from \$163 million in 2002 to \$450 million by the end of 2005.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries.  
Contemporary witness from personal view and participation*

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## 5. Thematic references in Muhammad Yunus' reaction to the Global Marshall Plan Initiative<sup>6</sup>

### Initial Situation

The global problems we are witnessing do not only concern historical developments and unfortunate circumstances, but also a global set-up that is fundamentally unfair. The existing institutional asymmetries, power differentials, and different levels of access to resources have translated into a world economy that is set up systematically in favor of the fittest whilst plundering the poor. Overcoming poverty therefore entails much **more than debt relief**. It means a change in the design of global institutions towards fairer global governance structures that allow all individuals to participate in full and provide sufficient access to the shared resources required to be able to create value. Such a governance structure would create a global **green and inclusive economy**.

At the same time, this would require a change in thinking and the way we perceive life on this planet. We need development and change in every country of the world. The global north does not provide the model that is extendable to the world. The global north and the global south could both learn from each other so that they would work together in finding a way forward into the future that is sustainable. A shared learning process that should lead to a fair global agreement is the way forward into the future. This shifting perspective was also recognized at the UN level during discussions of the final outcomes of the Millennium Development Goals. The program was initiated back in 2000 with the United Nations Millennium Declaration which set eight goals to be accomplished on a global scale by 2015.

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<sup>6</sup> Revised excerpt from Radermacher, F. J.; Obermüller, M.; Spiegel, P.: Global Impact – Der neue Weg zur globalen Verantwortung, Ein Bericht an die Global Marshall Plan Initiative, Hanser Verlag, 2009.

Global sustainable development goals (SDGs) are currently being defined for 2015–2030. These will apply to rich and poor countries alike.

A Global Marshall Plan, a concept that has its origins with an idea pro-posed by former US Vice President Al Gore [16], is a response to this situation by providing a plan to bring the world in balance. The plan not only reflects global hardships but also the instabilities in social democracies across the world, that are the result of the kind of globalization currently taking place. Poorly regulated economic globalization leads to negative consequences for most people in both north and south. This is also reflected in the recent global financial crisis, which was largely borne by governments and therefore the overwhelming majority of their citizens. A typical case of the few making extreme gains from many years of privatization followed up by the socialization of the losses at the expense of us all. We therefore need a new design that addresses the hardships of all people on this globe, a concept of balance.

### **The Values Underlying a Global Balance**

For the world to be in balance, basic ethical and moral principles are required. [26, 27, 28] These are shared by world religions in the form of a “global ethic” and the intercultural philosophical movement known as “intercultural humanism”. At the same time, there can be an appeal to the ideas that went into the Earth Charter. Principles of justice and especially the golden rule of reciprocity are important here: “Do unto others as you would have them do unto you”. In terms of current and future generations, this gives rise to a responsibility of humanity for the planet Earth as well as the natural foundations of life, not to mention the intrinsic value of biological systems and life itself. In terms of contemporary societies, this requires taking responsibility for the dignity of all people and facilitating the devel-

opment of all human potential within an appropriate structure of governance. This results in the need for an ecological and socio-cultural orientation for each responsible and ethically sustainable action on the globe.

Since 2003, the Global Marshall Plan Initiative has championed a world in balance. It has identified from the very beginning five essential pillars of better global governance, namely: 1. Continued development and implementation of the Millennium Development Goals beyond 2015. 2. To realize the target of 0.7% of budgets going towards development assistance in relation to gross national income and thus making additional funding available (\$100-150 bn per year). 3. Fair taxation of global value creation processes, in particular in the financial sector; and 4. A fair global partnership and effective, transparent use of funds for grass roots efforts. Overarching all of these is 5. A regulatory framework for the world economy that is in line with sustainability goals by establishing a global market economy that is both green and inclusive.

Many stakeholders in this initiative find special significance in point 4 which asks how development processes are to be organized and what international cooperation should look like. It is important that they be anchored in bottom-up initiatives and with the involvement of local people, that international assistance be primarily viewed as a form of self-assistance, and that elites are prevented from getting rich from this process as corruption flourishes. It was clear to us from the outset that the activities of Muhammad Yunus in Bangladesh ranging from micro-credit to the companies of the Grameen family to 1:1 social business corresponded to our ideas and were well-suited for replication elsewhere on the globe. And there is a long tradition of cooperation. In this volume, this experience is also reflected in Peter Hesse's article and in what is expressed in Chapters 4 and 5.

Micro-credit loans are also an effective and relevant tool for achieving our initiative's fourth core objective (a fair global partnership and effective, transparent use of funds for grass roots efforts). They are, despite some points of criticism, very well suited to promoting good governance structures, subsidiarity, regional solutions and education, whilst also fighting corruption. The coordinated and grass-roots forms of resource allocation are crucial for self-directed development. The concept of micro-credit loans, if organized according to the Grameen method, thus represents a frontal attack on the causes of global injustice.

*Ingrid Banciu / Andreas Huber, Global Marshall Plan Foundation*

## The Concept

The concept for a world in balance originally consisted of five fixed, inter-linked strategic pillars for the swift implementation of the UN Millennium Development Goals, for which an extra \$100 bn a year (based on the purchasing power of the dollar in 2004) was supposed to be spent in the period from 2009 to 2015 on promoting global development, partly financed by global taxes. Beyond the Millennium Development Goals themselves, there was supposed to be a form of shared development financing with an appropriate design of global institutions to realize a green and inclusive economy. This should be designed in a way to achieve a fair, global partnership. An integral part of the concept has been the promotion of good governance at all levels of society and coordinated and coherent forms of grass-roots collaboration in development. The primary focus here was on **bottom-up approaches**. The kind of micro-credit loans initiated by Muhammad Yunus serve this purpose, as do the Grameen family type of entrepreneurial activities and social businesses more generally. [64, 76, 77] It is particularly important that the funds reach the poorest and not be siphoned off by elites. Muhammad Yunus has often formulated this as follows: one can live with 10-20% levy, so that 80-90% of the funds reach the target audience. Unfortunately, the ratios are often reversed today.

The five core targets of the Global Marshall Plan Initiative at its launch will be explained next.

**1. Rapid implementation of the globally agreed UN Millennium Development Goals** as an intermediate step to a just world order and sustainable development.

The concept for a world in balance considers meeting the UN Millennium Development Goals as agreed by 191 countries in 2000 as an important

first step in the required direction. These goals declare that the following targets should be achieved by 2015:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. A global partnership for development

The global partnership includes the development of an open global trade and financial system under suitable conditions and with a commitment to good governance; measures designed to overcome poverty, such as eliminating the sovereign debt of the poorest countries; the creation of meaningful and productive employment opportunities, especially for young people; ensuring affordable access to essential medicines in cooperation with the pharmaceuticals companies; and providing everyone access to the benefits of modern technology, especially in the field of information and communications technology.

**2. Spending an extra \$100 bn per year during the 2009-2015 period** for development cooperation. This should be viewed in comparison with the level of development funding and purchasing power in 2004. Additional funding at this level at a minimum would have to be committed exclusively to achieve the MDGs and concomitant concerns about the world's welfare.

Various studies show that, in comparison to the level of development funding and purchasing power in 2004, each year between 2009 and 2015 will require an additional \$100 bn to be applied to mechanisms designed to

meet the MDGs, as presented in point 5. Once again, we refer to the Gramscian principle and Muhammad Yunus' statements concerning an acceptable level of levies channeled to elite classes in relation to promoting the welfare of disadvantaged groups. The funding needs are based on analyses made in 2002 and relate to UN calculations (the Zedillo Report), the European position of then-UK Chancellor Gordon Brown, studies conducted by various UN agencies, as well as analyses by George Soros as part of his commitments to an open society. The aforementioned studies take different perspectives, but all come to the same conclusion concerning the additional financial resources needed.

It is interesting to note that a green climate fund and other financing mechanisms of \$100 billion have been targeted as part of current discussions leading up to a **global climate agreement**, expected to be finalized by the end of 2015 in Paris. [45] This corresponds to the Global Marshall Plan idea of **co-financing common standards**. The same applies to other elements of a global climate solution, especially a reforestation program [45].

**3. Fair mechanisms for providing the required funding.** The Global Marshall Plan Initiative supports the target of 0.7% of national budgets of developed countries being allocated to funding development cooperation. Even with optimistic assumptions, the amount of funds required to achieve the MDGs will be significantly lacking in the years to come. For this and regulatory reasons, a substantial part of the resources for achieving the MDGs should be raised **through taxes on global transactions and the consumption of shared global resources**. As shown above, substantial mechanisms of this type are a part of current discussions on a solution to the **global climate problem**. [42, 45] The activities of the extremely effective youth initiative Plant-for-the-Planet and of the Senate of Economy's World Forest Foundation are moving in this direction.



The concept for a world in balance requires new funding sources as well as a significant increase in national government funding for development co-operation towards the 0.7% funding target. It also requires agricultural co-operation between north and south to be based on an equal partnership instead of the current asymmetrical relationship, with the conditions for fair competition in place. Finally, it requires a sustainable form of debt relief for the financially poor and poorest countries in the world. These funding sources need to come from global processes of value creation and from the use of shared global resources, thus sparing a direct hit to national budgets and avoiding distortions to competition. Possible financing mechanisms are a Terra levy on world trade (a proposal of Huschmand Sabet, which would generate \$30-40 bn by raising the price of petrol by a mere \$0.001 per litre), a levy on world financial transactions (the Tobin levy), a tax on the issuing of financial products (Leverage Money Tax [59]), the trade in per capita CO<sub>2</sub> emissions (after a transitional period), a fuel tax, and special withdrawal rights from the International Monetary Fund (proposal of Georges Soros, which would raise approx. \$20 bn a year). With all of these funding proposals, no additional administrative costs would be incurred. Because the proposed measures would encourage the entry of new players onto the global markets, they would also serve as tools for strengthening competition and removing the existing distortions of competition.

4. Gradual realization of a **worldwide green and inclusive economy** and overcoming the global market fundamentalism by establishing a **better and, especially, coherent framework for the global economy**. This will be done as part of a **fair global agreement**, which would include reforming and linking the existing rules and institutions for economic, environmental, social and cultural concerns (for example, the areas regulated by the UN, the WTO, the IMF, the World Bank, the ILO, UNDP, UNEP, and UNESCO). From the German side, Chancellor Merkel has, for example, called for such a linking of international regimes as a follow-up to the 2007

G8 Summit in Heiligendamm. In order to create a world in balance, a global green and inclusive economy must be sought to link competition in markets and the financial system with globally binding social, cultural and environmental regulations for the welfare of all people. To bring about such a suitable regulatory framework, additional markets need to be opened and the world's richer nations need to participate in co-financing measures to benefit their economically weaker neighbors. This will allow the latter to implement sustainability-orientated regulations, although they would have to give up some of their current competitive advantages to do so (e.g. the use of child labor).

An appropriate example of linking co-financing with the establishment of green and inclusive market regulations are the EU expansion processes, which are considered to be a particularly successful strategy to organize the cooperation of sovereign states and bring about peaceful and sustainable relations based on partnership, greater prosperity, and a levelling of substantive opportunities among the partners. However, even the EU expansion processes requires better funding than was the case in the most recent round of expansions. In the aftermath of the world financial crisis, problems in the EURO zone have increased. Due to previously unsuccessful attempts to further integrate Europe with a fiscal union, there are now forces at work which intend to split up the EU. These are being countered to some extent by the actions of the European Central Bank, which, however, can only buy time for politics to act. Further steps towards deepening the Union are long overdue.

To implement a worldwide green and inclusive economy, the present concept combines a functional and coherent global governance structure whilst reforming and linking existing rules and institutions for economic, environmental, social and cultural matters with a suitable co-financing of development [13, 41, 46, 59, 63].



*Grameen Uddog Weaver, 2000 - © Nancy Wimmer*

**5. The prerequisite for a proper regulatory framework is fair partnership at all levels and sufficient cash flows, both focused on bottom-up, self-directed development.** The promotion of good governance, the fight against corruption, and coordinated, grass-roots forms of allocating funds are considered crucial steps to self-directed development.

Fair partnership and sufficient cash flows for self-determined development are perhaps the most difficult aspect of this concept for a world in balance. On the one hand, it has to do with overcoming severe needs, while at the same eliminating structural disadvantages and preserving fair development potentials and access opportunities. Helping people help themselves, self-reliance instead of relying on external organizations and countries, empowerment (strengthening those skills that allow people to take as much control of their lives as possible), and ownership (where development projects should be owned by those who are supposed to be helped [34], not owned by aid organizations or local rules) are all important landmarks in this process.

## Micro-Grants

Just one year after the founding of **Peter Hesse Foundation** in December 1983, a fundamental problem of human development became clear in Haiti: self-help initiatives often need help getting started. The financial support of self-help initiatives with mini-loans has been acknowledged at least since Yunus won the Nobel Peace Prize and proved to be successful, as long as they are used “correctly”. But not of all self-help initiatives in the developing world can repay micro-loans. In many cases, one-off start-up grants not requiring repayment may be more suitable. Too much money paralyses initiative, however, and can even promote corruption. Micro-grants are often sufficient.

Financed by private donations and from the limited discretionary budgets of German embassies, this has been functioning for some time already, but not with funds from the Federal Ministry for Economic Cooperation and Development (BMZ). Instead, new ways had to be found, because the minimum subsidies for co-financing from state funds are too high for many grass-roots self-help projects.

I had already proposed such a new way back in 1984. It eventually led to success in 1989. Over several stages of political discussion and coordination with the BMZ, the concept was recommended to the BMZ in January 1986 by a commission of the SME association of the ruling CDU/CSU parties. Nicknamed the “partnership-helper model”, the Peter Hesse micro-grant model was tested for two years by the German Development Service (ded) in 4 countries: the Dominican Republic, Kenya, Zimbabwe, and Togo. This pilot phase was very successful, as I was able to see in person in November and December 1988 during one-week visits to each of the pilot countries. Together with the ded, these real-world experiences were then incorporated into the model and politically supported by the CDU’s national committee on development policy as well as the Committee on Economic Cooperation (AwZ). In September 1989, the parliamentary state secretary of the BMZ announced that the model would become one of the BMZ’s “normal” tools. Since 1990, this co-financing process in miniature has been successfully used by ded within the BMZ framework in a total of 42 countries under the name “**Program to Promote Local Organizations and Self-Help Initiatives**”.

This program complements the **micro-finance sector**, the sustainable, non-exploitative system of micro-loans that have become particularly well-known from Yunus’ work with the Grameen Bank. Until the 2011 integration of the ded into the Society for Inter-

national Cooperation (GIZ), it had remained a model for successful grass-roots assistance by German development specialists in developing countries. The model then, unfortunately, became a victim of a “new” development policy that was not goal-oriented, in my opinion. It now requires political reactivation and a further commitment on a global scale.

After learning from thirty years’ of self-funded engagement in these issues and making direct grants to those who need the funds most, the Peter Hesse Foundation has come to the clear understanding that human development can only be successful from within and from “below” with better, early basic education and, depending on the situation, either micro-loans or micro-grants. That development work has to be politically efficient is not a contradiction.

*Consul Peter Hesse, Peter Hesse Foundation, a founding father of development cooperation and micro-lending*



*A busy road, Dhaka 2011*

Key to all this are coordination, continuity, and harmonization of cooperation, a commitment to good governance, transparent allocation of resources, and the promotion of sustainable development. The guiding principles for the use of funds are therefore the coordination and long-term

orientation of the cooperation and the principle of subsidiarity (bottom-up). Practical experience shows that it is ownership, education, and the empowerment of women that in particular allow for more self-confident development. Concrete examples of the use of funds are micro-finance, codification of property rights, making use of renewable energies, and the strong involvement of local partners at all process levels. A new valuable tool for this is the social business approach.

### **Relationship to Muhammad Yunus' Work**

This last point takes the discussion to the interaction with Muhammad Yunus in this area. Professor Yunus has always made clear in his contributions on this subject that better global governance is required. Of course, the entire international community must pitch in if poverty is to be overcome on this globe. However, he has repeatedly expressed doubts that the international community will own up to its responsibilities. Today, in 2014, it is obvious that even the Millennium Development Goals are not being reached, in particular, because even the rich countries are finding it difficult to afford the requested financial contributions. This applies not only to the Global Marshall Plan, but also to the more modest 0.7% target. At the same time, he has always obviously correctly warned about undue reliance on outside help. He has always harbored a fear that only a fraction of the development funds would reach the target group, if the funds start flowing at all. Therefore, it always seemed of the highest importance to him that a country such as Bangladesh **becomes active even when it suffers from high levels of poverty** so that it can expand its future potential from the bottom-up in cooperative structures with intelligent forms of micro-lending and use this together with the right local companies, in this case, e.g. the Grameen family, and with global social business partnerships to further advance its development.

## 6. A Difficult Discussion: The Micro-Credit Narrative and the Micro-Credit Hype

It did not come as a surprise that Muhammad Yunus inspired many people with his success. One could even say that there has been a proper micro-credit hype. With a pragmatic approach to what is a complicated status quo of global entanglements, Yunus has made a successful contribution to the fight against poverty in his own country. He has also paved a way and given hope to many who wanted to get involved. A new movement was created, young people were excited to join, many new ideas were shared, and Gram-teen became world famous. Not surprisingly, the enthusiasm for Yunus' work came to be used by key stakeholders on the markets for their own purposes.

Muhammad Yunus has also, probably unintentionally, created a certain amount of hype that included a number of misunderstandings. In the process, Muhammad Yunus' complex **conditions for success through micro-loans were quickly forgotten**. Many observers and stakeholders have quite a vested interest in promoting credit and entrepreneurship, whilst often **discrediting** classical development aid and social welfare approaches at the same time. This should not surprise anyone, because these same systems as they exist in Europe are constantly being criticized and rejected internationally. Anyone who has followed the recent introduction of **Medicare** in the United States knows how many obstacles lie in the path to such systems and how difficult the issues can be when investigated in detail. Then there is the fact that many reject charity and government subsidies as a "bottomless pit".

Aid organizations understandably feel discredited when their work is being denigrated with references to micro-credit. Many possible donors then used the micro-credit argument to avoid having to make charitable gifts. In the south, some intellectuals considered it as an opportunity to take positions



counter to the mainstream. They made those trying to help responsible for the plight of their countries and spoke of the **"helper syndrome"**.

This then leads to the north not wanting to be blamed for the poverty of the south and not wanting to open its pocketbooks. Blame should be placed on the south itself, especially the elites in the south with whom they were doing business. Even half of development aid remains in the rich world. Assistance-based systems of any kind in the developing world have been vilified because they supposedly give the wrong incentives and serve the interests of the **local elites without getting anything in return**. But even if some criticism may be right, the general denomination of development aid isn't justified and counterproductive. The outpouring of support for Muhammad Yunus was the result, but partly for the wrong reasons, including a lot of frustration for NGOs for which Yunus has sometimes been blamed.

However, all these to some extent frustrating aspects and developments do not do justice to the work and achievements of the Nobel Prize winner and his dedicated commitment to the poor of the world. He has made many statements that an ecologically and socially appropriate regulatory framework, designed to make the resources for competitive value creation available on a fair basis, is a desirable solution for the globalized world. In his Nobel Prize acceptance speech, Yunus addressed the fact that an unjust economic, social and political order, the absence of democracy and human rights, and ecological degradation all threaten peace. Yunus emphasized this aspect in his Nobel Prize acceptance speech when he compared globalization and global economic cooperation with a complicated system of roads requiring **traffic rules, police, and regulatory competence** to ensure that globalization does not become a form of **financial imperialism**. He speaks clearly for appropriate institutions and **policies for a poverty-free**



**world**; the world's current poverty is, in Yunus' view, the result of the economic and social system and its theoretical framework that considers human beings too one-dimensionally.

Many observers are disturbed by the apparent contradictions in the Nobel laureate's views, where, on the one hand, he seeks a free market and sees the solution in setting multi-dimensional goals for humankind, and, on the other, demands **strict regulations**, responsibilities, and a global police force as a response to globalization. Some complain that there is too much focus on the market; others say that it is not enough. Yunus places himself between the two extremes, with a commitment to a balanced approach. The authors of this text made similar experiences, because they argue similarly when they advocate a **double strategy** and follow it: Today's world requires being able to survive and succeed under the wrong conditions in order to be able to advocate for the conditions necessary for the world to look as it is supposed to in the future.

It is the conviction of Muhammad Yunus as expressed in his book "Creating a World Without Poverty" [76] that **society needs to find a solution** at those points where free-market capitalism has failed to solve social problems. In his view, part of the problem is the extreme one-sided profit motive and part of the solution to overcoming poverty is including, supporting and pushing people's good intentions.

In addition to these frequently stated core beliefs, Yunus has also called for the necessity of regulation as it became clear to him just how many participants in the micro-finance segment were taking advantage of the lack of regulation by demanding massive interest rates and pushing their collections efforts to the edge of legality and often beyond. [74, 78] He was well aware that this would lead to hostile reactions and attacks on his person. All the more impressive then is the fact that he did not let this discourage

him from clearly stating his view. He has deliberately chosen to live with constant, even personal threats.

What do so many representatives of the elite who once benefited from micro-credits see as so problematic with Yunus' successful approach? It is the lack of influence that Yunus' model means to those who had previously profited from the distribution of funds. As the authors have demonstrated in previous publications, a competitive ability to create value requires both, access to a sufficiently large volume of natural resources as well as a competitive society able to deliver a sufficiently high quality of performance [43, 61]. The situation today is such that societies in poor and especially the poorest nations of the world are so weak that they can only establish the necessary foundations for competitive value creation by importing them if they can. This is happening today via so-called **foreign direct investments**, where private investors are financing the infrastructure, production capacity, and manufacturing skill to establish the conditions for competitive value creation.

It is clear that monitoring the corresponding value-creation processes and, in particular, the distribution of earnings, will show the following: the main earnings will largely lie with those who have provided these foundations. A country like China can stipulate very different conditions on investors than Bangladesh. It is therefore trivial to point out in this situation that providing the necessary foundations for prosperity via foreign direct investments without a counter-regulating, regulatory framework in place can lead to the north's plundering the value created at place as it flows almost completely into the investors' pockets. Libertarian economists would view this as appropriate reward for the scarce factors of production and high technical skills provided and see the negotiated terms as an **expression of freedom of contract**. But this is far from clear, because behind the market results are questions of power and pre-existing asymmetries [62].

It is likewise obvious to point out that exploiting the value created and wealth under current international regulatory conditions can have very negative effects on the local population. This is obviously often the case in “**land grabs**”, but also when financed, non-performant infrastructure fails to put the borrowers in a position to generate competitive, exportable value, making the infrastructure itself uncompetitive, because half of the money has disappeared into the accounts of participating elites domiciled in tax havens both north and south. The risk of negative effects also comes up, if it is impossible to the local people to generate enough value of sufficient quality to service the debt. This is especially the case if the society is not up to the task because its healthcare, education and innovation processes are not at competitive levels. Often there is a lack of fair participation when a country’s population is used by their ruling elites as collateral for loans, even though the former receive almost no benefit from those loans.

Muhammad Yunus was not and is not trying to establish new mechanisms of borrowing among societies at different levels of economic performance. His goal was neither to primarily steer foreign direct investments to Bangladesh, since he would prefer to see investment within the context of joint ventures, for example, as part of setting up a specific social business. One example to mention here is the partnership with Danone, who contributed their experience and production capacities for yoghurt production. This is consistent and appropriate because the population of Bangladesh was not yet in a position, despite recent expansions of its educational infrastructure and technological capabilities, to leap frog to being able to mass produce foodstuffs in a sustainable, cost-efficient manner. It is well known that also in this context the **existing rules for the protection of intellectual property** constitute major limitations on such development and thus buttress the continued dominance of the rich north.



## 7. Abuse of Micro-Credit: An Ugly Chapter in Profit-Maximizing Market Radicalism

Any lending mechanism can be abused, especially if loans are not financed from funds on deposit, but instead when money is “made” against property as collateral. In international business, this is the main mechanism of loan financing. Money is created when a loan is granted to a borrower in exchange for a **security interest**. Of course, the valuation of collateral is subject to manipulation, as is the case with real estate. The most recent financial crisis has demonstrated the various possibilities to everyone, where pure exploitation and serving one’s own interests through deception from **a privileged position** in the system was called “value creation”. As such, we can pinpoint the start of the financial crisis not in 2007 or 2000. The increasing indebtedness of the world, the growth in loans occurred at the beginning of the new millennium with the explosion of the new economy, and the attacks on the World Trade Center and the Pentagon shortly afterwards ushered this into a new phase [58, 63].

The reason for this is partly due to the increased valuation of assets with the so-called **fair value** method and the lowering of interest rates around the world in response to the lowering of interest rates by the US Federal Reserve. [60, 63] Due to this reduction in interest rates, the valuation of loans already granted, treated as assets by the commercial banks, grew enormously. This resulted in large profits being posted on their books, resulting in massive increases in the equity they were reporting. This equity, investors demanded, was supposed to generate the same levels of returns as before.

The bank’s business model is based on lending; therefore, in a phase of the global economy dealing with problems, the banks’ managers needed to **ex-**

**pand lending significantly.** [58, 60, 63] For this reason, it is not surprising that activities in the micro-finance segment, not different from those in the **sub-prime loan** market in the US, massively expanded. With every conceivable promise and structures, loan offers were designed to attract even more customers. This was made easier by the establishment of **constantly expanding options for securitization**. The sale of loans just granted became known as “**selling risks**”. Great care in lending was now no longer so important. In addition, once each loan was sold, the equity that had been tied up was now free and available for another loan.

Globally, according to official statistics, the amount of loans granted doubled in just seven years from 2000 to 2007 from \$100 to \$200 trillion. [58] Compared to the global ability to create value, indebtedness has been growing faster than productive assets for more than 40 years now. The process increased the **instability of the global financial system**, which in turn led to the outbreak and near collapse of the system in 2007. This financial crisis made almost all of us poorer and only a very few much richer. It has especially impoverished states. But no one dared label the role of local and regional banks as problematic or abolished the monetary system and the creation of money against collateral or even the regional lending system based on deposits just because we were in this crisis. This was no option, because if we suppressed all that, our economy would collapse. Therefore, the right conclusion is to improve the system. For this one has to enquire where the system has been undermined.

How was it possible that such massive exploitation took place during the financial crisis? A key was the **manipulation of the concept of security**, especially through unimaginable volumes of credit default swaps under opaque conditions. This was a **gateway to the world financial crisis**. Even assets with little value were transformed into seemingly solid securities.

The same happened later with micro-credits. Namely the manipulation of the security that for a while Yunus had been able to demonstrate, i.e. that the integrity of poor people who want to take advantage of their chance for a better life is sometimes more security than a house as collateral. Whilst Muhammad Yunus ensured adequate identification of this security before the credits were issued and then subsequently worked on maintaining the “intrinsic value” of this security, others turned this mechanism into an instrument for expanding the system without putting the necessary quality controls in place, namely giving poor people credit (for a while), only for them to be later unable to pay it back. All the while, they were collecting placement and growth bonuses while the credit risk was being sold off to others through reinsurance or bundling. This is exactly how the so-called “Ninja” loans (No Income, No Job, No Asset) operated in the US sub-prime segment. Add to this the fact that the poor countries lack bankruptcy protections for debtors, who instead would have to put up with anger and violence if they could not pay back their loans, at least until they finally surrender by **suicide**. This is reminiscent of the trouble, though in a much weaker form, that many in Germany are having with **debt collection firms**, regardless of whether the claims are legitimate or not.

Yunus had previously predicted that this would eventually happen on a large scale and it has, as expected, **had a terrible effect**. Especially when loans are granted to people with extreme financial problems who lack a business model and the capacity to perform, the best one can achieve is a postponement of the inevitable, with subsequent multiplications of the negative effects. And, as actually happens, this leads to suicides and a **complete disavowal of the idea of micro-credits**. Even though they had other causes, Yunus’ politically motivated problems with the Bangladeshi government in recent years have only contributed to the negative perception of this issue. Interestingly, some of these same recipients of critical studies on micro-

finance have also taken up the attacks on Muhammad Yunus in a way that moves to the edge of outrageous conspiracy theories [24, 25].

### **The Key Difference between Micro-Credits and Loan Sharks**

It has since become fashionable in certain circles to discredit micro-credits. Unfortunately, not enough distinction is made between the different forms of micro-credit. As is being done in the present study, it is important to be precise in making the crucial distinction between most of the micro-finance institutions based on Yunus' concept that now exist around the world and those, for example in the Indian state of Andhra Pradesh, that have been studied and criticized by the likes of Klas and Mader. [24, 29]

Yunus has repeatedly explained the concept of his micro-finance idea: **“It’s not charity, but business.”** On the other side, it was essential to him that it the Grameen Bank should operate as a **“social business”**, as demonstrated by Munzinger in his contribution to the report on the Global Marshall Plan Initiative, entitled “Strength of the Poor and the Power of Dignity” stating on page 83: [34] *“The crucial question (for Yunus) is how he combines the objectives of the free market with social responsibility?”* Yunus answers this question by saying that the interest he charges merely covers costs and is not targeted towards the yield made possible by the market.

It should be noted that moneylenders in the poor developing countries charge an average of 20% interest per month, so 240% a year (without compounding). The Grameen Bank charges just 22% a year, less than one-tenth of what the moneylenders make on the open market.

It was unfortunately to be expected that Grameen Bank's concept of “social micro-finance” would be misused by market liberals in line with early capitalist forms of exploitation. Interest rates designed to cover costs plus an appropriate return were not applied; instead the plight of the world's poor and poorest people was exploited as the opportunities of these markets were seized. Interest claims running between 60% and 120% became a part of the business model.



Since Yunus' concept is based on the notion that the possibilities of the market must be connected with social responsibility, it has, of course, met criticism from those with a fundamental distrust of the market.

Yunus has always placed an extraordinarily high value on the importance of good governance. For him, good governance is a key issue. However, he has also repeatedly dealt with the question of what to do if such good governance does not exist.

*Professor Winfried Pinger, CBH Rechtsanwälte, former member of the German Bundestag, long-time development spokesperson for the CDU/CSU parliamentary group, and a member of the Bundestag Committee on "Economic Cooperation and Development", writing from his personal observation and involvement.*

In other words, Muhammad Yunus created a powerful instrument for change with micro-credits, which others have over-expanded with clever marketing to the point where enormous damage has been inflicted on people and the **micro-credit systems**, figuratively speaking, has been partially **thrown up against the wall**, just like what recently happened with the **entire global financial system**.

None of this speaks against Yunus' innovations, ideas, or the viability of what he has done with the Grameen Bank. Grameen loans work because of the bank's principles and micro-credits also work elsewhere when operated according to Yunus' principles as adapted to local circumstances.

### **A Microcredit Crisis Averted: The Case of Bangladesh**

CGAP Focus Note, July 2013, by Greg Chen and Stuart Rutherford  
*an abridged version, N. Wimmer*

**By 2002 Bangladesh's major MFIs** were the world's largest, and among the most efficient. Moreover Bangladesh had shown not only how to establish microcredit, but how to scale it up. Microcredit was in good shape and an euphoric period of even faster growth set in between 2002 and 2007.

Then in late 2007 microfinance institutions began to worry that continued rapid growth could have negative consequences. The country's big four MFIs – ASA, BRAC, Buro and Grameen Bank which constituted two-thirds of microfinance supply for the last decade – in aggregate stopped adding branches and staff around 2008, note Chen and Rutherford in their recent study and conclude: this change in course happened without notice or wider public discussion and before microfinance crises in other countries, such as Nicaragua, Morocco, and India, came to light. It also preceded the international financial crisis that began in late 2008.

Senior management of the four large MFIs took these decisions independently of each other and were right to anticipate serious trouble. But why were the MFIs in Bangladesh – in contrast to those in some other markets - able to act in time to head off problems before they got worse? Why was a microcredit crisis averted in Bangladesh? Chen and Rutherford conducted an in-depth study to explore these questions. Here, in brief, their findings.

- *Using experience to see through the “fog of growth”.* The four largest MFIs have been operating for a long time - in each case over 20 years and in the case of BRAC and Grameen Bank for more than 30. Having already lived through many small difficulties and having survived some larger ones, their managers - many of whom had been in place since the founding of their institutions - knew that the underlying health of microcredit cannot be taken for granted. The numbers were good, but there were many conflicting signals and they sensed potentially deeper problems.
- *Motivations to act-in it for the long-term.* Each organization has staked its reputation on microcredit, and its future viability depends on a healthy microfinance industry. The main stakeholders in MFIs are senior management, and for them there is no exit strategy, no personal shares to cash out. Many count microfinance as a large part of their life's work. They think long-term and expect to continue providing microcredit in the years ahead.
- *Experienced clients helped, too.* Borrowers in Bangladesh have long experience of working with MFIs and the basic microcredit product whose rules they know well. A striking feature of the study's household interviews revealed the care with which potential borrowers approach the decision to take a loan. Often this simply means not taking any more loans: the interviews show many such cases.

- *Promoting savings helped as a buffer in the MFI-client relationship.* Savings products have proven to be a critical tool for managing credit risk for both clients and MFIs. For the clients their balances offer not only a cushion in times of need, but also in case of difficulties with their loans, because they can net off their savings against their debts. For the MFIs, savings is both a growing source of funding necessary to maintain national scale and a vital device for maintaining strong credit discipline. The authors note, however, that this risk management tool was not available in some other national markets where MFIs' ability to raise savings was more restricted, or banned outright.
- *What contribution, if any, did the social goals of MFIs make to the change in course?* Bangladesh microfinance began soon after a brutal war of independence followed by a famine that left the country impoverished. The influence of historical forces is thus large and the belief that microfinance exists primarily to draw people out of poverty is widely accepted. This is not to say that Bangladesh MFIs are purely socially driven. MFIs take pride in the surpluses they generate.

However, interviews with senior management revealed a common Bangladeshi view about microfinance which underscores the risk of commercially driven private equity. True, with more capital raised from private savers and from bank loans, Bangladesh microfinance has become increasingly commercial. But although Grameen Bank has member-shareholders, none of the four MFIs has ever sold equity to outsiders, so management has never had to respond to the expectations or timelines of external investors. This helped the four large MFIs to adapt quickly and avoid a crisis.

The authors stress it is difficult to say what would have happened had more outside investor interests played a role. There are countries where external investors and commercialization have built responsible microfinance sectors. But it would be defying the obvious to ignore the development roots and founding visions in motivating MFIs to pause and reconsider their growth trajectory. Efforts to remain true to their professed beliefs in development helped shape behavior during this critical change in direction in Bangladesh.

*Nancy Wimmer, microSOLAR, expert for microfinancing and rural electrification in developing countries. Contemporary witness from personal view and participation*

Reference:

Chen, Greg, and Stuart Rutherford. 2013. "A Microcredit Crisis Averted: The Case of Bangladesh." Focus Note 87. Washington, D.C.: July.

It is interesting what Werner Raza, a critic of the micro-finance industry, had to say in [25, p. 87]: "*The success of local financial systems as shown in the history of cooperative or SGEI organized financial systems in many countries is based on their integration into the local economy and society.*"

This is precisely the fundamental principle behind Grameen, although it is not acknowledged. Instead, Grameen is not mentioned as a positive example. Grameen is frequently mentioned as an initiator when the discussion turns to the extremely negative effects of the micro-finance industry, holding Muhammad Yunus with his Nobel Peace Prize responsible for the negative excesses of micro-credit hype. This is a fine tactic for generating publicity, as seen in what Gerhard Klas writes in [25, p. 72]: "*As a mecca for micro-finance activities in India, the state of Andhra Pradesh has already frequently seen many such crises. In 2006, just months before Muhammad Yunus received the Nobel Peace Prize, it was mainly in the Krishna district of the state where several over-indebted borrowers of micro-finance institutions had committed suicide.*" The fact that the type of micro-credit established in Andhra Pradesh contradicts many of Yunus' important principles is not mentioned; rather, the focus is on the coincidence of these events with Yunus' award. That such a disavowing reference can be made, whether intended or not, is not up for discussion here: the fact is that a temporal coincidence becomes an actual correlation in the minds of the reader or listener. This is obviously intended and does not represent the truth.

## 8. The Counter-Narrative: A Campaign against Micro-Credit

The success of the Grameen Bank led to Muhammad Yunus' receiving the **Nobel Peace Prize**. This then triggered a **micro-credit hype**. As shown, this evolved in certain circles into a **narrative** that suggested that small loans could solve all the problems of poverty, whether other key conditions were met or not and regardless of people's actual income situation. Yunus' testimony that humanity could successfully eradicate poverty over the coming decades and **leave it only as a matter for the history books** was interpreted by some within the hype narrative of "micro-credit's solving all the problems of poverty", which, of course, was never Yunus' position. His statement in [75, p. 205] makes this clear: *"Poverty is not created by the poor. It is created by the structures of society and the politics pursued by society. Change the structure as we are doing in Bangladesh, and you will see that the poor change their own lives."*

Poverty can be eradicated worldwide, but it is going to require much more than just lending. Other massive technical and social innovations compatible with sustainability, private and government investments, and corresponding consumer behavior will all be required. Central is massive government action designed to drive **a growing and balanced economy** compatible with sustainability. However, this was undermined by the hype narrative. International advocates focused fully on the credit idea as the base for more development. Small loans could thus even be granted by interested parties to build up social systems as an alternative to development aid: **Microcredits were hyped into a kind of "magic bullet"**, a completely different kind of aid that would finally bring prosperity, even where social welfare approaches and transfers and global development cooperation had failed before.

It should again be emphasized that micro-credits cannot solve all the problems of poverty. This is, in fact, why Muhammad Yunus got involved in

**social enterprises** to solve social problems and set up the Grameen family of social enterprises. Micro-credits thus served as “enablers”, always as part of the solution, but only as a part. Even this assumes that the right micro-credit structuring can be found and implemented. For Muhammad Yunus, this was an avowedly difficult path of “trial and error”, but which was ultimately successful with the Grameen initiative. At several points, this text describes the associated and necessary innovation processes in detail.

Unfortunately, Yunus’ statements have not been universally followed. Rather, the **micro-finance sector** has been massively expanded. As a result of the world financial crisis, there have been excesses in this sector, even **states of crisis** and profoundly ugly developments which Muhammad Yunus had long warned against. He had named the risks. Micro-finance, which was supposed to help the poorest, had often exacerbated their situation. Where people had previously been poor, they were now burdened with **loan payments** which had **worsened** their situation and exposed them to the brutal tactics of debt collectors. The highly acclaimed solution was disavowed and the consensus dissipated.

In this situation, critics have transformed the positive micro-credit approach (“Micro-finance can help you, if ...”) into a naive and damaging **counter-narrative** that has systematically discredited micro-credits as a concept by referring to the excesses that occurred at the height of the hype (“Micro-credit will solve all the problems of poverty”).

Yunus’ work was thus being dismantled subcutaneously, without necessarily being explicit. The attention and public presence experienced by the counter-narrative has now - to some extent - put Muhammad Yunus into a negative light.

Critics of the micro-credit approach have what is to some extent a legitimate concern. They expose the initial hype surrounding micro-loans as driven by certain interests and therefore exaggerated. This aspect is, as indicated

earlier, true, but not new. The only thing that is new is the clarity and exaggeration of the findings. Muhammad Yunus had warned against the possibility of counter-narratives early on [74, 75]. In the context of FAW/n and the eco-social movement, there have, for some time, been publications that describe the limits of the micro-credit idea given the fundamental restrictions and social, environmental and economic problems, connected with the structure of the world financial system [58, 60, 63]. It was clearly stated that micro-loans cannot replace a social system, development cooperation, or a functioning state with functioning institutions. For this good reason, the Global Marshall Plan Initiative, the eco-social movement, the Senate of Economy, and the Genesis Institute for Social Innovation have always argued for a global **green and inclusive economy** and adequate transfers, even on an international level. In the meantime, this has become the position of international organizations such as the G20, the OECD and the UN [66, 69, 70].



*Improved cook stove to go, 2013 - © Nancy Wimmer*

Of course micro-loans do not provide the prospect of financing one's livelihood for everyone. Those who have no assets and have to scratch to make a living need an adequate base income or promising business model coupled with an appropriate entrepreneurial attitude and personal capacity to make it happen. Even beggars must generate an income that secures their livelihood.

It is regrettable that Muhammad Yunus' central achievements have failed to find adequate appreciation from many critics. The positive effects of micro-credits offered according to Yunus' model (requiring a viable business model as a condition of lending), the interaction with social networks, and the complementary idea of social business are not being acknowledged. Instead of showing which aspects of cooperative ideas underlie Yunus' strategy and approach, glib and unjustified statements are made suggesting that modern micro-finance has almost nothing to do with the cooperative idea. Elsewhere, it has been even more extensively argued that every loan is designed to exploit the borrower's work output and is therefore fundamentally bad. In saying this, central cornerstones of our social order's ability to perform and Yunus' own thoughts are being ignored. It has been suggested that Grameen and its social business initiatives established by Muhammad Yunus to serve the public good have nothing to do with cooperative ideas and are instead focused on nothing more than maximizing profits and exploiting the poorest of the poor in this process.

It is important to take a stand against such blanket condemnations of Yunus that ignore the complex realities. This is the concern of this text which intends to provide a differentiated analysis of a difficult situation. Muhammad Yunus and his ideas are too valuable to be put in a negative light through inappropriate generalizations. If we allow these to stand without comment,



important instruments would be discredited that have provided many people with one of the few directly implementable options for improving their personal situation.



*Village woman cooking on improved cook stove in Pfulpur, 2011 - © Nancy Wimmer*

The idea is to draw the right conclusions from both the good and bad experiences, not unlike the necessary restructuring of the entire global financial system in recent years. The aim is to create regulatory measures to limit the possibilities of abusing micro-credit and promote the positive potential of this form of credit. Micro-credit should also be driven by promoting co-operative networking and social businesses wherever possible. In the long run, all approaches of this kind, both nationally and internationally, will contribute to the establishment of a worldwide **green and inclusive economy**, orientated towards economic, social, and environmental sustainability. In this context, loans and micro-loans, like insurances and micro-insurances will be given legitimacy within a suitable regulatory framework. Without them, prosperity will be difficult to achieve, let alone the necessary

catching-up in the development of a world that will soon be home to 10 billion people. Only by using these instruments in the right way in the coming decades will it actually be possible to **overcome poverty and consign it to the history books**. On this point, Muhammad Yunus is right, even if there is a lot of evidence suggesting that the world will not go down this path, i.e. there is no guarantee for a route towards sustainability and a balanced world [49, 58, 59].

## 9. Limits to Quantifying the Success of Micro-Credits

The great interest in micro-credit has also led to research attempts to back-up Muhammad Yunus' success. The difficulty has generally been the lack of robust data. The data situation is inadequate even in the developed world, let alone in developing countries. Data is needed at the family level and in the form of long-term studies. The concrete situations and socio-economic contexts of the families observed must be broadly similar. Since this is extremely problematic, one ultimately lands up asking general questions whether causal explanations of the concept's effectiveness are acceptable or whether the correlations can be demonstrated with hard, statistical evidence. It is all about **causation** or **correlation**. In addition, there is also the question of a link between **qualitative** and **quantitative** approaches. There are a number of qualitative references, particularly in Chapter 4. This text also includes reflections by many stakeholders on their personal experiences. The positive development in Bangladesh since the founding of the country is another indicator. But all this does not constitute a quantitative correlation derived from causal relationships, although some impact studies in the literature point into this direction [19, 20, 53].

Overall, this means: for several years, the question has been discussed extensively by researchers whether there is any evidence of the positive impact of micro-finance services on development. This is where many critics also seek their arguments. There is indeed a wealth of publications, the majority of which **ascribe positive effects to micro-finance**. Many of these formulations are based on qualitative, i.e. causal explanations supported through case studies or data analysis. In recent years, critics of micro-finance have doubted the quality of these studies. Often cited are the investigations [9, 10] of these authors who identified at the time **2,643 impact analyses** via internet and database searches and stated that almost all of these evaluations showed defects with inadequate base data and

“soft” methodology. Qualitative considerations, such as [14, 19, 32, 35], are as a rule dismissed as methodologically weak and therefore not open to further consideration, which from the point of view of the author of the present text is completely inappropriate.

Consequently, the mentioned studies [9, 10] concluded that there was no statistical evidence for the positive effects of micro-credit. This does not mean that there are no positive effects from micro-credit, but only that such effects cannot be statistically proven. In addition, the statements should be viewed in the context of other studies’ results, such as [1, 2], that come to the conclusion that there is no statistical evidence for negative effects, either. An important question then is what conclusions should be drawn from such studies. To relate this to Yunus and his multifaceted commitment: Given the indisputably positive development of Bangladesh since independence as shown in Fig. 1 earlier, does this mean that Yunus’ commitment contributed nothing to this growth or would development in Bangladesh have been even better without the Grameen family’s involvement? This is a crucial point for those schools of thought that are discrediting Yunus, either intentionally or not.

While authors such as Duvendack use these results [9, 10] to demand the development of better evaluation methods and more adequate base data, even critics present the same results, as follows [29, p. 7]: “The best possible estimate of microfinance’s impact on poverty reduction, on average, therefore is *none*.” This view is very risky, because the overview reviews only confirm that to date no conclusions based on correlation analyses, i.e. statistics, are possible. This is a long way from concluding that micro-finance has had no impact on the reduction of poverty.

Beatriz Armendáriz de Aghion and Jonathan Morduch have worked this out in detail and pointed to difficulties that explain why it has so far proven too complicated to provide effective, conclusive statistics [1, 2].



*Grameen Bank Borrowers, 1995 - © Nancy Wimmer*

Even David Roodman, who published a study much-cited by critics with Jonathan Morduch [54], points out how difficult it is to use the instrument of correlation analysis to prove a qualitative correlation. In one article, he emphasized: *"Statistical studies are important, but they do not substitute for deeper reflections on the process of development and how financial services can contribute to it"* [51]. Even more significant is the problem when you consider that many micro-finance institutions have very different strategies for dealing with customers and for their own debt financing. Very important is namely the question of who the specific creditors and owners of micro-finance institutions are and what their expectations are in terms of earnings. This is exactly what Muhammad Yunus had noted before [74]. The most effective micro-credits in his view are those in a savings and loan association of people at a common level of economic performance, in keeping with the cooperative spirit of self-help. David Roodman detailed this

aspect, so very important to Yunus, in his open dispute with Virkann Akula at the 2010 Clinton Global Initiative Conference [52]. It is not reasonable to expect to be able to use general evaluation reviews to come up with **undifferentiated, blanket statements about the impact and effectiveness of micro-finance** [51, 53]. There are many indications that the quality of answers can be found at the **detail level**, where, in particular, the different types of micro-finance need to be distinguished from one another.

As repeatedly pointed out, there is a crucial distinction between creating credit within poor communities (peer-to-peer lending) and credit relationships between poor borrowers and creditors from outside the poor population, i.e. the wealthier classes.

The key difference is usually that, in the first case, the granting of a loan results in higher capacity to create value and the value created stays in the region or target group, whereas, in the second case, the value created flows out of the region away from the borrowers to the creditors' pockets. This not only raises the question of whether the granting of micro-credits has a positive or negative impact on poverty reduction, but also quite specifically on the kinds of impact micro-credits have under various constitutional, institutional and other constraints.

This is obviously a question of **qualitative analysis** that cannot fundamentally be done through quantitative correlation analyses. Often, the results depend on the individual construct and concrete chains of results. It is about **causation**, not **correlation**. If this is properly assessed and taken into account, effects will become traceable – obviously with research only based on generalizations about influences on micro-finance, e.g. only taking lending volume into account, will be less than helpful. Many of these studies demonstrate a poverty impact on poverty reduction, but will not go on with these findings with the argument, that these findings are inherently biased.

Important when it comes to micro-finance are the intentions of those involved, especially when it comes to any potential outflow of the value created from the region. Once again, the identity of the creditors and their earnings expectations in both economic and social terms are crucial. If the creditors seek to make substantial economic gains, this tends to indicate that the value will be removed from the local region. Expectations for social returns, on the other hand, aim on keeping the value created in the region where the loans are granted. Such approaches tend to help **overcome poverty, locally**.

Another important question is whether the micro-finance institution hires staff from the local region or if they come from outside. That question applies equally to for-profit companies and non-profit NGOs offering micro-finance services. Such aspects are crucial to addressing the impact of respective forms of micro-finance and, in particular, the initiatives promoted by Muhammad Yunus, and what particular aspect he brought to the table. The **testimonials of numerous stakeholders** make clear that many positive developments are connected with Yunus' work. His kind of micro-finance fundamentally makes a positive contribution. Looking at what Yunus has done, this becomes obvious. It is thus not dissimilar to lending in general with appropriate regulation. This does not mean that this applies equally to other forms of micro-finance; it is quite the contrary: the differences in the design, entrepreneurial intentions, and the socio-economic environment are crucial. To highlight these is also one of the intentions of this study.

So it is worth repeating: even as a proponent of a strong role for the state, for the anchoring and financing of institutions of social equality and the provision of infrastructure as part of a strong state, that provides the necessary foundations for a competitive ability to create value, there is no reason to be **inherently negatively biased** against Muhammad Yunus only

because he has positioned himself repeatedly as a supporter of free markets, including in his Nobel Prize acceptance, centered on people **taking responsibility and ownership** for their lives.

Even this side of the issue is central. The **problems of poverty** in the world **cannot** primarily be solved by social transfers. Initiative, self-responsibility, entrepreneurial action on the side of at least a sufficiently large part of the population are in any case necessary if enough prosperity is to be achieved to be able to finance social systems in part. Functioning markets are a prerequisite for this. That way trade can take place immediately. Often it is also important to allow the poor **access to markets** even when it runs counter to the interests of others, combine their positions into **collective force**, and block outsiders such as loan sharks from permanently enslaving their victims to servicing their debt. Those who play the fundamentally correct approach of increased social transfers against the equally important and correct approach of promoting the entrepreneurial capacity of the poor is in effect maintaining what has over decades become a persistent dependence of the poor on the chronically inadequate social transfer readiness of their own governments, the international community, and aid organizations depending on charitable contributions. The effect has also included the stabilization of power over the economically powerless.

It is therefore essential to consider a **comprehensive understanding of economic cause and effect**, as was done in chapters 4 and 5 of this study, and to consider a holistic approach to identifying those aspects that are crucial to liberating poor regions from the poverty trap in the medium term. This is an issue for development economics that needs to be further studied and concerns one of Muhammad Yunus' key contributions.

It is clear that the subject is difficult. It is not suitable for simple black and white polarities. Of course, many interests are acting with and against each



other. And of course, some believe what they say, while others say something in order to affect policies in their favor, even against their better judgement. In this sense, there is much to suggest that micro-finance is being promoted and perhaps exploited in certain places in the world as part of a campaign to propagate **radical market liberalism** and possibly to evade responsibility for the socially disadvantaged and for international development cooperation. Many, who act in this direction, are too happy to explain to the poor that they are to blame for their poverty. In religious cant, this is then often interpreted even as a “punishment from God”. Similarly, some US administrations have preferred to strengthen lending to the poor than to funding proper social systems, as was seen with the sub-prime mortgage crisis of 2007.

But all this is not the issue when attempting a critical appreciation of the positive impact of Muhammad Yunus’ work. Muhammad Yunus cannot and will not solve all the problems of the world or even the problems of poverty. And he is not to blame if others exploit his experiences for their own purpose and benefit. After all, many views are allowed in a complex world that appreciates intellectual freedom. And even from a logical point of view, many things can, on first inspection, appear to be correct; in other words, questions are often clarified only when investigated in detail.

Muhammad Yunus was working on another project than the creation of a correct design of a global economy orientated to long-term sustainability. He instead wanted to do something with immediate effect in situations of great poverty in economically backward countries, thus contributing to a better world, free of poverty. He appealed to the **multidimensional nature of human beings** and put the focus on his social business model. This was his way of making the world better through his commitment.

One can hardly laud those concepts enough, the success which Muhammad Yunus has proved with his work. That he confirms **liberal players on the market** with their focus on personal responsibility is not surprising. Nor is it surprising that he, like the authors of this text, is an advocate for regulated, but liberal markets that are green and inclusive. Here he provides arguments for the requisite frameworks for the micro-finance industry, which are good and should be pursued. Such a framework would be comparable, for example, with the trade union laws in Germany that date back to 1 May 1889. Muhammad Yunus would likewise hope to see his initiatives lead to a corresponding **social business law**, because he has identified many principles that should be followed and included in such a law.



*Village woman cooking on chula, 1997 - © Nancy Wimmer*

Many of these principles also correspond to the philosophy of consistent market fundamentalists which likewise addresses some important aspects of social development. But that does not mean that Yunus is advocating a no-other-option strategy of unconditional market fundamentalism. Ultimately, we need a strategy that is based on the art of bringing together all of the positive forces: the market, but also, for example, social and environmental conditions, and the rules of the game, what could then in total be called a **sustainability strategy**.

The delimitation of the different approaches will therefore have to bring about an answer whether the social business ideas pursued by Muhammad Yunus based on his concept of micro-credits will ultimately provide a positive contribution to the development of poor regions. This is something different than a generalizing positive or negative evaluation of micro-finance or systems of credit in general. Because the micro-finance approach, as stated above, should be considered in a highly differentiated manner, just like the financial sector as a whole. We agree with critics that, after the tech bubble of the new economy burst at the turn of the century, **less economically capable populations were financed as part of a massive extension of credit**. This has already been debated in detail [58, 60, 63]. This was by its very nature nothing other than the misuse of credit in the context of the sub-prime crisis, particularly for loans in the construction sector, that were bundled by the thousands and “pimped up” with deceptive packaging in the form of credit default swaps, in a process of plundering entire populations entirely legally [46, 67].



## 10. Narrative and Counter-Narrative: Half Right is Still Wrong

One German exponent of the **counter-narrative** in criticism of Yunus is Philip Mader's dissertation "Financializing Poverty: The Transnational Political Economy of Microfinance's Rise and Crises" [29]. It originated at the Max Planck Institute for the Study of Societies (MPIfG) in Cologne and at the Faculty of Economics and Social Sciences of the University of Cologne and led to Mader's doctorate in 2012.<sup>7</sup> It resonated within the field and subsequently led to extensive media coverage and was awarded both the Körber Foundation prize for German studies in the social sciences and the Otto Hahn Medal of the Max Planck Society in 2013. Philip Mader works together with the journalist Gerhard Klas, who also writes on micro-finance issues [24, 25].

Philip Mader's dissertation is now carrying the banner for the criticism of micro-finance in Germany. The work is very critical of the micro-credit system with reference to many examples where micro-credit proved to be the wrong instrument. The author describes in a detailed way why micro-credits cannot replace social welfare systems because many people do not have a business model. He also points out, that some people have made a lot of money by flooding the micro-credit sector, resulting in much suffering. All this is true and important, but not entirely new. It is presented in a polarizing way, perhaps with the goal of reaching many interested parties through media coverage, which, in this case, has both positive and negative aspects.

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<sup>7</sup> Philip Mader's dissertation is still not accessible via the customary methods, despite the time that has passed since it was accepted in 2012. The response to an October 2014 inquiry with the Dean's Office of the Economics Faculty at the University of Cologne was that it has not yet been published. The publication deadline was extended to July 2015, which does not seem to be allowed under current doctoral regulations. Thus an essential requirement for the conclusion of the doctorate procedure appears to be unfulfilled.

Where is the great interest in this thesis coming from? People are interested in the **counter-narrative** it offers. Micro-credits, deemed to have the potential to overcome poverty, have been used too many times in the past as arguments against people and organizations who have campaigned for more development aid, social welfare systems, and more donations and charity, and who knew that loans alone cannot solve the problems of the poor. The authors of this text know many dedicated representatives of NGOs who have suddenly been faced with pressure to justify their work, stigmatized, and simply confronted with a massive slump in donations because micro-loans were supposedly more effective and also cheaper. Many traditional players in development cooperation were presented as being out-of-date in their methods.

A successful presentation of this counter-narrative needs to avoid arguing over Muhammad Yunus' successes. Instead, it is necessary to disavow a narrative that has been exaggerated and is actually wrong in many ways. So it is right to fulminate against the micro-credit hype and against the absurd notion that micro-loans can replace social welfare systems and development assistance. The fact is that Muhammad Yunus never represented this position. But for the uninformed listener or reader, this is what comes to mind when one sees: *"By the time Muhammad Yunus began lending, South Asia, and particularly Bangladesh, had a long tradition of credit-based development initiatives, with mixed effects. It is likely that, by adding stronger notions of self-help and profitability to this older lineage, Yunus applied the teachings of his American economics background, thus 'downloading' and combining liberal ideas with an older imported heritage"* ([29], p. 56). This generalizes the concept of micro-finance, naming Yunus its "father figure" in the introduction ([29], p.1), and finally asserts: *"The conception of microfinance acting as facilitator for a whole range of developmental services is a logical extension – or perhaps better defined, a radicalization – of the original concept of microfinance as espoused by its father*

*figure, Muhammad Yunus. Microfinance for welfare is a radicalization of microfinance because it more fundamentally puts into practice Yunus' expressed political vision."* ([29], p. 142).

The hype surrounding micro-credit based on a completely exaggerated narrative becomes an opportunity to scrutinize Muhammad Yunus and accuse him of being the perpetrator of abuse. This is further promoted by one-sided journalism, represented in this case by Gerhard Klas, who throws around allegations without empirical argument [24, 25]. *"Muhammad Yunus has been turned into an icon by his influential supporters in the US and Europe. The poor in Bangladesh he claims to be helping don't see him as a benefactor. Behind his superficial pragmatism hides an economically neo-conservative attitude strongly influenced from the United States."* ([24], p. 131).

In the continuing aftermath of the crisis in the world's financial system and revelations of tax fraud and wiretapping scandals, many have concluded that there is something rotten in our system. Others make it clear: capitalism is in crisis, capitalism and its proponents are the fundamental evil, and Yunus is one of them. Klas has stated as much by taking quotations out of context: *"Grameen, of course, believes in the laws of market efficiency. 'If Grameen didn't make any profit [...], we would soon be ruined.' Efficiency in terms of economic 'sustainability' can only mean one thing in capitalism: permanent growth, which became an anachronism at the latest by this age of climate change and scarce resources. But that does not bother Yunus. As with Adam Smith's 'invisible hand', Yunus' faith in capitalism is not based on rational analysis, but instead carries religious overtones."* ([24], p. 263). Klas thus believes to have once again confirmed the bad impact of capitalism by viewing Muhammad Yunus and his micro-loans in this way, even though Yunus is a **Nobel Prize winner**. This is an effective **counter-narrative** guaranteed to draw public attention, but at a price: it is unfair to

Yunus whilst putting the positive potential of micro-credit and those who benefit from it at risk.

**Microcredit as an effective tool for promoting entrepreneurship and employment in disadvantaged rural regions**

Inspired by the successful implementation of cooperative women's initiatives in neighboring Bangladesh with the help of Grameen micro-credits, the Childaid Network successfully launched similar concepts in the isolated and poor areas of north-eastern India.

The foundation was a broad-based literacy campaign. Young people who had never enrolled in primary school attended night classes not only in reading, writing and arithmetic, but also in hygiene and alternative farming methods. In three to four years, almost all of these pupils at these community schools had achieved sixth- to eight-grade levels. The aim was to train a generation of leaders to lead the transformation of the isolated and poor rural region in the foothills of the Himalayas. More than 1,000 tribal leaders were trained in the early years of the project.

To keep them from migrating to India's cities, these young leaders needed a chance to earn a living in addition to this basic education. Since agriculture was no longer sufficient to feed the region's people, the only real alternative was to promote entrepreneurship. Consequently, Childaid Network in cooperation with local partners worked on identifying young people with entrepreneurial drive. These young people received micro-credits on favorable terms so that they could set up small handicraft companies. In exchange, they promised to train and employ a number of unemployed young people.

More than 70 such craft centers have been created in Assam in recent years and now several thousand young people qualify professionally each year and can now earn a living. These centers are all self-supporting and have largely begun to repay the loans granted. With the help of micro-credit institutions, this concept will be expanded in the coming years across all of north-eastern India. This represents further proof, that the basic concepts of Grameen, if properly implemented, combat poverty and support change.

*Dr. Martin Kasper, Childaid Network, a witness for development cooperation and micro-credit*



## The “Counter-Narrative”

The counter-narrative that also includes institutions such as Grameen and BRAC that are so important to the fight against poverty in Bangladesh and in the world runs like this: The modern segment of micro-finance, going back in Asia to the Raj with the Co-operative Credit Societies Act of 1904, long before its internationally celebrated, alleged inventor Muhammad Yunus was on the scene, has nothing to do with the successful cooperative models such as those in Germany or Austria. **Micro-finance is rather a profoundly neo-liberal instrument** to allow the rich part of the world to exploit the poor even more and further aggravate their situation.

The starting point for this development of micro-finance, based on the British imperialist approach, is cooperative lending as a social policy tool. These cooperative models failed because the members were not equals and included corrupt political and economic elites, who had previously exploited cooperatives for their own benefit under the covering of a program to fight poverty.

The Asian initiatives established on these foundations, in particular BRAC, SEWA (Self Employed Women’s Association), and the activities of Muhammad Yunus, have generated attention and international visibility, which led to growth in the micro-finance sector, that can be viewed in a similar way as the failures of the past without even having anything to do with the cooperative idea. Against the backdrop of the **ideological shift to neo-liberalism** in the 1970s, NGOs began institutionalizing the micro-credit concept based on experiences and successes with models of cooperative responsibility, but without anchoring them in a cooperative organizational structure. This type of micro-finance instead results in the following constellation: rich creditors with a profit motive for their invested capital on the one side are put together with poor borrowers on the other. The latter are

unable to repay loans with high interest rates and enter into the quicksand of indebtedness. This has become possible especially because important institutions in development aid and the political elites began promoting the hype that micro-credits will reduce poverty and solve all social problems.

It is thus unclear what roles Muhammad Yunus, his Grameen initiative, and other players in the development of this story actually and intentionally had. Authors like Klas [24] and Cramer [7] are invoked to link Yunus to power brokers whom they believe to have identified as these other players. Nonetheless, they fail to mention in any way the extent to which Yunus himself had warned against such missteps and how he had called for appropriate regulations. Rather, a mostly suggestive image of Muhammad Yunus is created to portray him as a staunch representative of a **strictly neo-liberal theory of free markets**. This is forced through a clever selection of quotations taken out of context and partly also in comments contained in footnotes.

This also leaves open whether the Grameen Bank and BRAC Banks, both of which have **banking licenses**, should be assigned to the modern micro-finance segment described as exploitative. There is no discussion whether these institutions have made a positive contribution to Bangladesh's development, to the fight against poverty at the global level, and to the empowerment of women.

What is critical in such situations is to clearly distinguish unfair loans from "good loans", granted under fair terms and interest rates. When all micro-loans are lumped together, this is neglected, even aggravated, e.g. if Mader asserts *"Microfinance is credit relations at the extreme, so to say. They are credit relations which run from the very richest people in the world to the most destitute, in a direct way."* ([29], p. 142).

However, such types of credit relationships are just not those espoused by Yunus and Grameen. Muhammad Yunus stated early on that it was not appropriate to inflate the use of the micro-credit concept to include the various initiatives and commitments of a number of providers that followed their own specific project. Concerning his own initiatives, Yunus has clearly indicated what aspects of **Grameen loans** are crucial in his view [74]. If one contrasts the key criteria for describing “good” loans against those criteria for describing “bad” loans, it becomes clear that the kind of generalized view of micro-finance such as that used by Yunus’ critics in any way does not do justice to his approach and achievements.

	<b>“Good” Loans</b>	<b>“Bad” Loans</b>
Loan purpose	development of untapped potential to create value	consumption
Credit relationship	between “equals” in a closed economy or balanced economies	unbalanced between different economies
Creditor intention	general prosperity and sustainability. ⇒ investment in expansion of a green and inclusive capacity to create value, social capital, community	maximize profits ⇒ plundering value created
Lending basis	trust	securitized with collateral
Loan terms	according to the principle of fairness and efficiency	monopolistic

*Fig. 2: Criteria of “good” and “bad” loans*

One of the conditions of “good” loans which Muhammad Yunus has made the main focus of his work is that they are granted to develop **untapped potential to create value** for the borrower and an economy as a whole. It should also be noted that the initial situation of Grameen Bank’s borrowers is shaped by the fact that there is no effective, tax-based, state-run

social welfare system in place in Bangladesh that would ensure survival, not to mention a life lived in dignity. Before the Grameen initiative and BRAC were founded, the alternative was borrowing from loan sharks who maximized their profits according to monopolistic principles by charging maximum interest rates and being ruthless in their collection practices. When people borrow from such loan sharks, an extremely large part of the value created by the borrower goes into the creditors' pockets, a truth that critics like Philip Mader try to apply to the entire micro-credit industry. Borrowers end up in a state of virtual indentured servitude coupled with exorbitant interest rates. It was exactly these kinds of situations that Yunus' initiatives were designed to break. The loan terms are adapted to the borrower's capacity; **even beggars get interest-free loans.** Activating untapped ability to create value is a key objective of the Grameen loans.

Using this potential to guarantee self-sufficiency and investing a portion of Grameen Bank's profits from interest revenues less expenses into expanding local community institutions as a shared basis for further capacity to create value are both important objectives of this work. This is what makes the difference. Income is not just siphoned away from the borrower's region and/or economy, but is instead reinvested there. The positive effects are obvious. "Good loans" with fair conditions focused on activating untapped potential to create value do not in any way indenture their borrowers, making them an "asset" to be traded by the finance industry, but instead put value creation into motion. The Grameen Group's business philosophy that is geared to the common good instead of maximizing profits invests its modest income into the further expansion of the capacity to create value in a region or economy. This corresponds in a direct way to how cooperatives work. This is something ignored by the critics if they lump the entire industry together, as done in Ch. 5 of Mader's dissertation. This in turn leads to contradictory statements out of a desire to demonstrate that loans are not needed for the development of an efficient economy. As Mader writes in one

place: *"Germany and England, for example, developed without a Grameen Bank branch anywhere in sight"* ([29], p. 252), but then has to admit a few lines later: *"The cooperative financial institutions set up by Raiffeisen and Schulze-Delitzsch doubtlessly contributed to the rise of the German industrial, artisanal and agricultural sectors, which in turn created jobs and food security."* ([29], p. 252).



*Grameen Uddog Weaver Village, 2000 - © Nancy Wimmer*

From an academic perspective, the discussion of renowned economic historians such as Niall Ferguson and Charles P. Kindleberger, who, like the authors of this study, see lending as a **social innovation of paramount importance** [11, 21, 22] must be quite irritating for the critics. Niall Ferguson e.g. writes: *"Despite our deeply rooted prejudices against 'filthy lucre', however, money is the root of most progress [...] and the ascent of money has been essential to the ascent of man. [...] The evolution of credit and debt was as important as any technological innovation in the rise of civilization [...]"* ([11], p. 8). Mader, however, restates it as follows: *"In the fairy-tale version, credit is a universally-appropriate tool which allows an individual*

*(whether "bonsai" or not) to undertake an entrepreneurial and profitable investment in their future."* ([29], p. 251).

This dissertation has moments of rhetorical brilliance, albeit questionable from an academic perspective, as it discusses whether one should consider systemically what Mader views as a deliberate, almost conspiratorial approach in the industry and the growth in the financialization of poverty designed to siphon off whatever value the poor can manage to create. The previously demonstrated positive effects could have been academically analyzed and discussed by simply asking how much of the profit remains with the poor or in their local economies. Such a question is not raised by Mader, who instead makes the generalizing claim that all of micro-finance is designed to exploit the productivity of the poor. Mader also fails to discuss how much potential to create value would have been lost or been left untapped without these micro-credits. So ultimately the diversification of loans and lending is deemed to be, in principle, something bad, as another way creditors control borrowers.

The "subcutaneous" way a public person such as Muhammad Yunus is accused of being an advocate and, in a sense, progenitor of the anti-social excesses in the micro-finance segment, without appreciating his real achievements, is reflected on page 143 of Mader's dissertation. Here he presents a statement made by Yunus taken so far out of context that Yunus comes across as a protagonist for providing all welfare through micro-finance, rather than seeing it as a duty for the state. Mader cites Yunus' political vision from the first edition of Yunus' 2003 biography "Banker to the Poor": *"Government as we now know it, should pull out of most things except law enforcement and 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."* [29, p. 142].

This vision focusing on the public sector's role in providing law enforcement, defense, foreign policy, and the legal system, whilst leaving all other functions to a private social welfare sector à la Grameen are what Mader alleges were Yunus' motivations behind micro-finance. But that is not what Yunus said. This becomes clear when you see that this statement is from that chapter in his biography discussing Grameen in the 1990s, how the approach lies in the tension between left-wing and right-wing ideologies by using certain principles from both extremes. If one quotes the text in the biography immediately prior to the quotation above, Yunus' goal of finding a reasonable middle becomes clear: *"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 the elderly."*

Thus Yunus reflects his recognition that the free market, in its current form of organization, is not going to provide solutions for most of the social problems in a country like Bangladesh. Many people have no economic opportunities in this form of market organization. Health and education for the poor and care for the elderly are not regulated. He emphasizes in his biography, that administrations in his part of the world are an elite class. But since they are not motivated by profit, they have little incentive to increase their efficiency. This contributes to welfare not being provided as extensively as needed. The sad pinnacle comes with teachers who lease out their positions to less competent individuals for a share in their salaries so that they can pursue other work during school hours and earn double or triple income.

Maybe it is Yunus' public commitment to free markets and the free market economy, repeated many times, including in his Nobel Peace Prize acceptance speech, which makes him ideologically vulnerable in the micro-credit debate. He then readily appears as an advocate of an ideology that has contributed significantly to the global financial crisis and turmoil around

the world with the deregulation of the financial system. Also distortions in the real economy and current environmental and resource problems can be attributed to free market ideology.

It should, however, be emphasized at the same time that markets are the best mechanism for creating value that we know and that Yunus sees a significant defect in the free order of the market, even if one can share his conclusion. He thus did not explicitly state in his Nobel Prize acceptance speech the need for clear social and environmental regulations, but instead identified the shortcomings of the free market economy in the myopic perspective of Homo Oeconomicus, i.e. the pure profit maximizer. In the spirit of a moral-philosophical position of Adam Smith [57], Yunus emphasizes that people are not one-dimensional, but have political, emotional, social, spiritual and environmental dimensions in their lives.

The result is his conclusion that one has to ensure that these diverse target vectors replace the one-dimensional profit motive, so that then the efficiency mechanism of a free market can eliminate the shortcomings concerning many aspects of life and thus solve many of the unsolved social and economic problems. Maybe that is true. Government action can do much, but people and companies need to do most of it. Much of it has to be organized via markets.

It is from this perspective that Muhammad Yunus has been advocating for his concept of **social business** in recent years. The goal of social business is not only to help people solve social problems on their own but also to create businesses that are set up accordingly. Socially and economically disadvantaged people can thus profit from businesses providing goods and services in the most efficient way possible, but orientated towards the common good and not as profit-driven structures.



Such considerations are even consistent with Mader's observations in India described in his dissertation, where he notes policymakers have problems providing welfare even with co-financed projects because public capacities are too minimal to tackle so many issues. It is often a question of values, whether welfare can be so generously provided that the society as a whole benefits from it. Providing services to the poorest is a particular problem. Yunus does not address such issues with a separate micro-finance concept; instead, his concept is much closer to cooperative systems. Starting from the public and cooperative pillar of the financial industry so widespread in countries like Germany to this day and which includes the Grameen Bank, other social enterprises will be built. The bank's earnings are used to provide welfare. Some of the businesses are being successfully run by the poor themselves as employees.

As a result, the Grameen family of enterprises now includes social enterprises that provide information and communication technologies, telecommunications companies, training institutions, providers of alternative energies, etc. There are also systems being put into place to provide venture capital and other partnerships to further the cooperative concept and social business in Bangladesh.

Philip Mader's position is instead, that the widespread provision of welfare in poor countries via the public sector is feasible. But this is only an assertion, not a fact. As desirable and useful this may be, he fails to clarify how this can be practically achieved. These authors of this study, meanwhile, understand why Muhammad Yunus prefers the cooperative approach as a pragmatic bottom-up solution approach to the exclusively state-driven top-down approach, especially given the specific local conditions in Bangladesh. It should be emphasized once again that this does not exclude a meaningful collaboration and complementarity of the different approaches, as happens in the German-speaking and other affluent countries. In Germany, for example, the water supply is mostly in the hands of associations or municipal

companies. Often these are also cooperative institutions with a non-profit, public welfare character. For example, the **Emscher Cooperative** organizes waste-water treatment along the Emscher river in the Ruhr region since the late 19<sup>th</sup> century.

## Summary

The current differentiated debate on micro-credits is a good thing. Like all other forms of credit, also micro-credits must be considered and evaluated in a differentiated manner. It is not acceptable for the poor to be driven into bankruptcy by the mechanisms of micro-credit because only loans are being offered instead of social assistance. One solution would be to promote the development of social systems, possibly co-financed by the rich world. For this reasons, the authors and many others involved in the creation of this study advocate a **global economy that is green and inclusive**. Such a step still seems inconceivable or perhaps possible only in the distant future. But as long as there are no such systems in place, other local solutions must be found to bring people out of poverty. One such solution is micro-credits similar to the way they have been implemented in Bangladesh by Muhammad Yunus.

It should no longer be necessary now to point out again that micro-credits cannot, of course, replace social welfare systems. In F.J. Radermacher's book with B. Beyers [46], this statement was made on pages 282-3. The book was first published in 2007, when enough statements had already been made by the authors and others on this issue. Muhammad Yunus expressed himself in the same way, because the irreplaceability of social systems is **obvious**.

However, the fact that micro-credit is no substitute for social systems does not invalidate the use of micro-credits as a tool for those areas where it has a positive effect. It is unfortunate that some parts of the academy have opted to make generalized arguments against micro-credits which have since then been communicated widely to Muhammad Yunus' discredit and without making clear just how important a properly placed micro-credit and self-evident availability of such credits can be for the poorest amongst us.

As Yunus has shown many times, the situation of the poor can quickly improve with the help of micro-credits, even if what we might consider to be self-evident social conditions are not available. This fact alone speaks in favor of micro-credits when designed accordingly.

Not to broach the issue of these broader contexts is a grievance. That such important insights are slurred out when assigning significant academic prizes such as that of the Körber Foundation (whose goal is to shape our social future) and the Max Planck Society is truly unfortunate. The fact that these generalizations also put Muhammad Yunus in a bad light or should have at least considered this as a possibility is inelegant and unacceptable. The allegations intended to demonize Muhammad Yunus with a neo-liberal label are not to the point. We remind here all readers that Yunus' concept of social business includes the essential obligation that social investors waive *any* return on their capital, including protection against inflation. The authors of this text would not go so far.

Muhammad Yunus' major lifetime achievement has been unduly tainted by generalizing criticism of the micro-credit instrument. The purpose of this present study is to clear these questions and to put things right.

If one compares the problems caused by the abuse of the micro-credit concept with the problems in the world financial system, the following analogy is evident: The crisis of the world financial system does not invalidate the positive role of savings banks and cooperative banks in Germany. The same is true despite the fact that savings banks and cooperative banks can never replace our social welfare systems. The situation is similar with the micro-credits offered by the Grameen Bank. The positive aspects of micro-credits embodied by Yunus are clearly separate from the potential abuses. These relate in particular to the negative effects of asymmetric relations between lenders from the rich north on the one side and people in the poor south as

creditors and debtors. This is in principle problematic, especially if high returns are expected from such loans.

The path towards a better world in balance is far. Finding a way from the present situation into a prosperous future for all people is the greatest the human race is facing. Differences about which path to choose will be inevitable and have to be studied. Previous experience has shown that the best solutions are usually those that are balanced. This balance concerns various forces and influences in a structure as complex as today's world. Creating prosperity and social balance represents a complex challenge that requires the consideration of many factors. It includes the architecture of the financial systems, including the design of lending and micro-lending practices and how bankruptcy, insurance, and the financing of investment and innovation are handled. Muhammad Yunus' micro-credit approach thus represents an important component of a balanced solution that has already opened a path to greater prosperity for many people.



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We would also like to thank additional partners for their contributions of content, especially Professor Winfried Pinger, who, in his previous long-term role as CDU/CSU development policy spokesperson in the German Bundestag and as a longstanding member of the Bundestag Committee for Economic Cooperation and Development, has been collaborating with Muhammad Yunus on the micro-credit issue since a long time, and Nancy Wimmer, an expert in micro-finance and rural electrification in developing countries. She has worked side-by-side with Muhammad Yunus since 1990 and knows the workings of the Grameen Group in the hinterland of Bangladesh in detail from her own experience. Both co-authors have added considerable insight and riches to the text of this study.

For the micro-credit side and adding his own perspective, we thank Consul Peter Hesse of the Hesse Foundation, a long-time player in shaping the German development cooperation, who has been and is still active in concrete developmental projects. We are also grateful for the participation of Dr. Martin Kasper, with reference to the work of the Childaid Network for

overcoming poverty, particularly in northern India and Nepal. These activities also include micro-credit programs.

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*The causes of the systemic problems lie in inadequate regulations on a global scale and in disharmonies in national regulations. The result is a problematic domino effect. In essence this means that the global market is not a regulated form of competition, but instead a system, where the rules compete. There is a lack of "shared environmental and social rules (including standards for taxation and social welfare systems), their implementation and compliance."*



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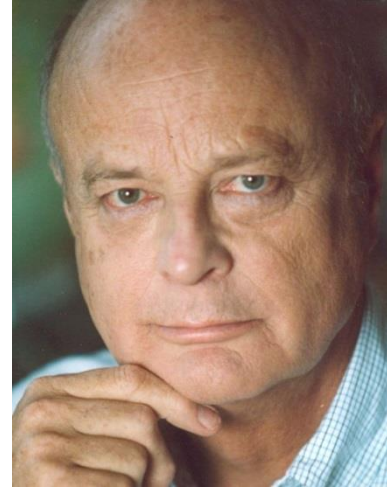
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## ***Philipp Jung***

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*In 1988, Jung founded the company “Quest”, which was expanded in 1996 to Quest-Team Philipp Jung GmbH. Together with his partners Andreas Dünow and Georg Wiedemann, he founded Quest-Team GmbH & Co. KG in 2009, with three sites across Germany.*

*Through his work in developing effective training workshops and buildings a broad, interdisciplinary cooperative network, Philipp Jung has built a reputation for creative and sustainable personal, team and organizational development measures. In 2000, his work on a project for Daimler was awarded the German Training Award by BDVT e.V. Philipp Jung is the author of several books and publications, has a teaching position in creativity and visionary leadership at EFH Darmstadt, and is training and business coach certified by the European Coaching Association.*

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*Together with his wife Dr. Brigitta Cladders, Dr. Kasper founded the Childaid Network in 2007 with private funds. The foundation is committed to access to education for children and young people who could not otherwise go to school. The foundation's work currently focuses on disadvantaged ethnic groups in north-eastern India, Nepal and Laos. With exemplary model projects, effective project management, and a large network of partners, the foundation has in recent years become an influential NGO for educational justice in Germany and the project countries.*

*Due to the quality and effectiveness of its projects and the exemplary volunteer work of its teams, the Childaid Network was selected as foundation of the year in Hesse in 2011 out of 1,700 eligible organizations. The Rheingau Music Festival and the Frankfurter Allgemeine Zeitung chose Childaid Network as their charitable recipient in 2012 and 2013 respectively.*

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Photo credit: Stefan Obermeier

*He began his career in 1986 as deputy branch manager of what is now Sparda-Bank Hessen eG. He was then appointed branch manager two years later. Between 1991 and 1996, Helmut Lind worked as an instructor for Verband der Sparda-Banken e.V., addressing general issues of customer service and as a trainer for behaviour, sales, communications, and coaching at the Sparda banks. In 1996, he moved to the Sparda-Bank München eG and took over the responsibility as director of assets management in the credit department.*

*Since 2001, Helmut Lind has been a part of the management team at Sparda-Bank München and has been its CEO since September 2006. In this role, he is responsible for corporate development and communications.*

*Helmut Lind is involved in numerous volunteer projects. He has been a member of the Senat der Wirtschaft since 2010 and is currently a vice president. In 2007, DEVK Deutsche Eisenbahn Versicherung in Cologne appointed him to its supervisory board; he was elected as its deputy chairman in 2009. In addition, Helmut Lind has been a member of the board for Gewinn-Sparverein der Sparda-Bank München e.V. since 2001 and has been on the association board of the Verband der Sparda-Banken e. V. in Frankfurt am Main since mid-2011.*

## ***Professor Dr. Winfried Pinger***

*Winfried Pinger (born 15 May 1932 in Lindlar) is a German jurist and politician (CDU). He started his studies in jurisprudence, economics and business economics at the University of Cologne in 1952. He graduated in 1955. Three years later, he received his doctorate in*



*law from the University of Cologne with a dissertation on a constitutional subject. He passed the second bar exam in 1960. From 1960 to 1974 and from 1980 he has been a lawyer at the Regional Court of Cologne. In 1972, he wrote his habilitation and was professor of civil law and civil procedural law at the University of Bielefeld from 1974 to 1984.*

*Winfried Pinger was a member of the CDU/CSU parliamentary group for 25 years. For 18 years of his service in the German Bundestag, he was a member of the Committee on Economic Cooperation and Development; he also served as the CDU/CSU spokesperson on these issues for 16 years. This work has given Pinger decades of experience observing and monitoring the activities of the Grameen Bank and the initiatives of Muhammad Yunus.*

*Winfried Pinger is now a partner working on corporate successions and inheritance with the CBH law firm in Cologne. He is a member of the supervisory board of Deutsche Vermögensberatung AG in Frankfurt am Main. He is chairman of the board of trustees of the Peter Hesse Foundation which works on supporting self-help projects in Haiti. In addition, he is active as chair of the board of trustees of the W.P. Schmitz Foundation, Düsseldorf, a charitable foundation for development aid. He is also a scientific advisor to the Bund Katholischer Unternehmer (BKU), where he heads the research group on entrepreneurial development cooperation, focusing primarily on micro-finance.*

*Winfried Pinger is married and has six children.*



## ***Hans Reitz***

*Hans Reitz, born in 1966, was born and raised in Bad Abbach in Bavaria. He has always been interested in art and culture. Within a few years, he established a creative circle and organized various theatre and cultural projects. In 1994, he founded the event agency “circ” and began continuously expanding its field of activity. Today circ serves renowned companies such as adidas, Autostadt, BASF, E.ON, T-Systems and Volkswagen, for which the Wiesbaden-based agency has become a solid anchor in the world of live communications.*



*As a creative consultant for Nobel Laureate Professor Muhammad Yunus, Hans Reitz has been dedicated since 2007 to spreading the “Grameen Social Business” concept. Together with Professor Yunus, he later founded the Grameen Creative Lab, which advises a number of major corporations around the world. Today, he accompanies Professor Yunus at official occasions and has since the beginning of 2010 been the creative director of the Yunus Centre in Bangladesh.*

*Since the end of 2008, Hans Reitz has also been giving lectures at international conferences and conducted numerous workshops at various universities on these issues. In the 2009 summer semester, he also accepted an invitation to hold guest lectures on social business at the Free University of Berlin.*

*Hans Reitz is father of five children.*

## ***Peter Spiegel***

*Founder and director of the Genesis Institute and of Vision Summit; studied sociology; author and editor of more than 25 publications including “Muhammad Yunus – Banker der Armen”“, ““The Power of Dignity – The Grameen Family” (with photos by Roger Richter) and „Eine bessere Welt unternehmen”; co-initiator of Senate of Economy International; previously general secretary of the Club of Budapest International.*



## ***Nancy Wimmer***

*Nancy Wimmer is director of the research company microSOLAR, which specializes in microfinance and rural electrification in developing countries. She has been involved with the Grameen Bank since 1990 and with the renewable energy company, Grameen Shakti, since it was founded in 1996. Her work with microfinance, village banking and rural entrepreneurs has taken her to Bangladesh, Egypt, El Salvador, India, Honduras, Nepal and Peru.*



*Nancy's recent book, Green Energy for a Billion Poor - How Grameen Shakti Created a Winning Model for Social Business, describes for the first time how a rural energy service company started from scratch and after 17 years became a world leader in off-grid solar energy. By revealing its inner workings, services, strategies and values, the book has guided entrepreneurs in developing countries.*

*Nancy holds a Masters in Philosophy, has lectured widely in the USA and Europe, and is an advisor to the World Council of Renewable Energy (WCRE).*

*Meet her at [www.microsolar.com](http://www.microsolar.com)*

## **Josef Zolk**

*Mayor of Flammersfeld since October 1999,  
born 13.09.1949 in Heidelberg, married, 3  
children*

*Hobbies: gardening, jogging*



- *Studied history, political science, German: state exam and Master of Arts (MA)*
- *Scholarship from the Konrad Adenauer Foundation*
- *16 years' work in adult education (including vocational training)*
- *many years part-time lecturer at 2 universities and a cooperative education academy*
- *long-time employee at the Ministry of Labour and Social Affairs*
- *Board of Trustees of the State Center for Political Education in the state of Rhineland-Palatinate since 2001*
- *Member of the Altenkirchen district council*
- *long-time state chairman of the Rhineland Palatinate CDU social committee*
- *Member dbb-Komba*
- *Member of the board of the Altenkirchen Lebenshilfe*
- *Deputy chair of Deutsche Friedrich-Wilhelm-Raiffeisen-Gesellschaft*
- *Chairman of the Altenkirchen District Job Centre Board*
- *Treasurer of the CSP Foundation, sponsor of the Königswinter workers' center*

## Cooperation Partner

*Allianz SE*



*The people most vulnerable to risks associated with natural disasters, accidents and illness are those with low-incomes, living in developing countries. Micro-insurance offers an affordable way of protecting against these risks. Allianz already provides millions of people with micro-insurance, but anticipates that demand will continue to grow and is expanding its business in this area.*

*Micro-insurance offers low-income people in developing countries protection against the risks of life. Premiums are affordable and start at just €1 per year. Currently we insure over 24 million people with micro-insurance, mostly in Asia, but increasingly also in Africa and Latin America. Our product portfolio ranges from life insurance and savings plans to index-based crop insurance. The products offered are driven by those risks our customers actually face so that we can offer a genuine added value. Although the market for micro-insurance is not fully developed, it has a potential to collect an estimated \$40 billion per year.<sup>8</sup> In our view, the demand for micro-insurance will continue to rise in the coming years and with it the number of people who take out such insurance cover.*

Source: <https://www.allianz.com/de/nachhaltigkeit/themen/mikroversicherung.html>

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<sup>8</sup> Swiss Re, 2010, Sigma 6/2010 “Microinsurance Risk protection for 4 billion people”

*Many children do not have good prospects for the future simply because they were born in the wrong place. They are victims of hunger and preventable diseases. Without assistance, they will be unable to escape the vicious circle of poverty.*

*The Königstein-based Childaid Network supports children who are among the poorest of the poor in order to give them the chance to lead a self-sufficient life in dignity. Our projects are in the rural areas of south-eastern Asia, currently in Nepal, north-eastern India and Laos, and soon also in Bangladesh and Myanmar.*

***Education is capital that is never lost***

*Our aim is to provide access to education for children and adolescents. We are already helping more than 25,000 young people gain new prospects for the future. In more than 300 small schools funded by us, they are learning reading, writing, and arithmetic as well as the basics for better survival. We also take care of orphans and refugee children and work on establishing decentralized training courses to create new sources of income for the next generation.*

***Our support helps people help themselves***

*We work in partnership with the village elders and tribal leaders and experienced, reliable local partners.*

*In Germany, the Childaid Network works mainly with volunteers. Our low costs (just 5% of revenues in 2013) are covered by the founders and other revenues so that 100% of your donations are spent on working with the children.*

*Childaid Network was named foundation of the year in 2011 by the state of Hesse for the voluntary work of its team and the quality of its projects.*

*The Forschungsinstitut für anwendungsorientierte Wissensverarbeitung/n (FAW/n) was founded in 2004 as a non-profit organization to continue the successful work of the Research Institute for Applied Knowledge Processing (FAW) at Ulm from 1987-2004, although it is not the legal successor institute of that organization. FAW/n works closely with Professor Radermacher's department of computer science at the University of Ulm. The foundation conducts research and development in the field of application-oriented knowledge processing related to business and industry, politics, public institutions and society. This takes place against a backdrop of issues of globalization, sustainable development, global governance, global population growth, intercultural dialogue, environmental protection, the global energy situation, social issues, maximizing the creation of value, the function and structure of markets, international trade, the working of global financial systems, functions of the state, subsidiarity, and the path into a global information and knowledge society.*

*The foundation is committed to training and promoting the work of selected young researchers. It promotes the transformation of general knowledge into local action and the transfer of results into practice. FAW/n orients itself generally to the interests of its donors and aims to translate research into real world application. In concrete projects, FAW/n makes implied and innovative contributions to the solution of current, difficult problems. This results not least from the new challenges that arise from the constant state of change for companies and public institutions in the wake of globalization and on our way to an information and knowledge society.*



**GENISIS Institute**  
**for Social Innovation and Impact Strategies**  
**gemeinnützige GmbH**



*Genisis Institute was founded in 2008 by nine shareholders. Its creation was inspired by the social business ideas of Muhammad Yunus in 2007 and was initiated by Peter Spiegel, the founder of Vision Summit, annual gatherings for social innovations held since 2007. The co-founders of Genisis included the later personal adviser to Muhammad Yunus and co-founder of the Grameen Creative Lab, Hans Reitz, and the founders of social enterprises and social businesses such as David Diallo, Marianne Obermüller, Friedrich Kiesinger, Stephan Breitenbach and Michael Horbach.*

*The Genisis Institute is a think-and-do tank for social innovations. In addition to studies and publications for this purpose, it has established its own infrastructure facilities for the promotion of social innovation or other independent facilities of the kind. The Vision Summit has served as the continuation of this institution by the Genisis Institute in 2008 and 2009, having become the most important platform for social business ideas in German-speaking countries, driving the systematic development of further social innovation for social entrepreneurship and education for innovation. In 2014, the Genisis Institute discovered the megatrend WeQ as the common DNA in almost all recent trends such as car-sharing, Wikipedia, co-creation and social business. Genisis has helped drive the business magazine “enorm”, the online platform “goodimpact.org”, and the Bildungsstifter foundation for educational innovations.*

*Genisis has sponsored several publications on micro-credit and social business.*

*The present study “Microcredit: Addressing an Ongoing Debate” was based on a suggestion of the Genisis Institute.*



## **Global Marshall Plan Initiative**



Global Marshall Plan  
Balance the world  
with an Eco-Social Market Economy

*The Global Marshall Plan Initiative acts as a networking movement for the realization of a **world in balance**. The Initiative brings together a broad alliance of organizations and individuals who aim at achieving a fair and just world by naming and eradicating injustices and by bringing about a global green and inclusive economy. The Global Marshall Plan Foundation acts as a coordination office, hosts academies to train people to spread the word, operates a speakers' bureau, and sends relevant literature to funding sponsors.*

*The foundation links actors, organizes and finances networking meetings, and communicates activities via newsletter and Facebook. To spread the vision and promote commitment, it trains people as speakers as part of the Global Marshall Plan Academy. Various events building on the basic course are offered, for example, a seminar on the global financial system, in conjunction with the film "Too Big to tell". University students are inspired to work on solutions and alternatives to promote a green and inclusive market economy through events organized in conjunct with FAW/n. The foundation is financed mainly through regular donations from individuals who receive relevant literature and can build a library of resources for the future.*

<http://www.globalmarshallplanshop.org/de/foerderung>

## ***The Grameen Creative Lab GmbH***

*The Grameen Creative Lab is a think tank based in Wiesbaden, established in 2009 jointly by Nobel Peace Prizewinner Professor*



*Muhammad Yunus and Hans Reitz. The Grameen Creative Lab (GCL) shares Professor Yunus' vision of a world without poverty. With his support, in combination with a unique network and long-standing consulting and communications expertise, the GCL helps spread the concept of social business worldwide and supports initiators active in the implementation. The core activities are based on the pillars of the mission of the GCL: Interact. Incubate and create.*

*GCL participates in conferences and events on social business and has launched its own Global Social Business Summit and regional forums. The GCL is also involved in publications, speeches by Professor Yunus, and targeted networks mainly with young social enterprises. A network of university collaborations on integrating social business in research, teaching and practice and targeted experimentation with new ideas in the social business environment are laying the foundations for a sustainable development of the concept. In addition, GCL is creating an active social business community that will be extended through the initiation and support of social businesses and the development of partnerships and cooperation.*



*The Senate of Economy consists of individuals from the fields of economics, science and society, who are entirely aware of their responsibility towards state and society. They are ambassadors of the Senate and through their membership, they contribute to implement the aims of the Senate with respect to political, economic, cultural and media-related decision-makers.*

*The Senate of Economy thus revives the traditional idea of the Senate in ancient times. A well-balanced circle of friends with an independent mind strove for public good, and not merely for fulfilling personal interests.*

*The ethical principles of the Senate should be a foundation and a guideline for the economic activity of the members of the Senate. Equity and partnership in commercial life, social skills of enterprises and leaders shape the work of the Senate.*

*The Senate of Economy (Senate) is the German section of the Global Economic Network, whose honorary president is the Nobel Peace Prize Laureate, Professor Mohammad Yunus.*

## **Sparda-Bank München eG**



*Sparda-Bank München eG, established in 1930, is today the largest cooperative bank in Bavaria with today over 263,000 members, 46 branches and 24 self-service centres in Upper Bavaria. Total assets of the bank were about €6 billion at the end of 2013. Sparda-Bank München currently has around 730 employees.*

*As a cooperative bank, the goal is not to maximize profit, but instead promote the welfare and satisfaction of the bank's members. This includes wage, salary and retirement accounts without fees, personal and expert advice, friendly service and attractive conditions. Kundenmonitor Deutschland has shown that the bank's members and customers appreciate this fairness: for 22 years, the Sparda banks have been number one in customer satisfaction.*

*Employee satisfaction also plays an important role at Sparda-Bank München. This commitment has been rewarded for years with prizes as one of "Germany's Best Employers" by the Great Place to Work® Institut Deutschland. Sparda-Bank München received this award for the seventh consecutive year in 2014.*

*Sparda-Bank München is also committed to a change in society. That is why this bank was one of the first companies to support "Initiative der Gemeinwohl-Ökonomie". In April 2013, the Bank already submitted its second public welfare balance report. The financial aspect moves into the background, the focus is on the social and environmental commitment. The third balance report is due in 2015.*

*For more information, go to: [www.sparda-m.de](http://www.sparda-m.de)*



*Since its foundation in 1967, the youngest university in Baden-Württemberg has posted a remarkable upward trend, sometimes continuously, sometimes in small steps, and sometimes in striking expansion stages.*

*10,000 students enrolled at the university for the first time in the 2013-14 winter semester, divided into the four faculties of medicine, engineering, computer science and psychology, mathematics and economics, and natural sciences.*

*Despite ambitious expansion plans, the young university has been focused on its core fields: medicine, biology, chemistry, physics and mathematics. In the research field, however, the individual disciplines and the founding concept of “a university under one roof” have benefited from intensive interdisciplinary collaboration. This was realized structurally, however, only when they moved to the new campus in the early to mid-70s.*

*The solid basis of “university under one roof” later allowed innovative fields and specialties to be added to the classic courses of study. For example, the new field of business mathematics was created and first offered in Ulm in 1977.*

*With the addition of engineering and computer science, economics and psychology, the university has achieved a very attractive orientation.*

*In line with global and national developments in internationalization, there have been systematic expansions in the recent past, not least by allowing long-standing bilateral relations with numerous universities abroad.*

*The increased focus on the needs of the global academic enterprise and the changing needs for the labor force have led to the inclusion of six courses of study taught in English, intensive exchanges as part of European mobility funding programs, and some university cooperation agreements to allow students to earn double degrees.*

*Overall, the exchange program includes global partnerships with well over 100 universities. An international focus is the cooperation with the German University in Cairo (GUC), whose founding and construction has received extensive support from the University of Ulm.*

## Companies of the Grameen family (short profiles)



### ***The Grameen Family of Companies***

Source: [http://www.grameen.com/index.php?option=com\\_content&task=view&id=465&Itemid=547](http://www.grameen.com/index.php?option=com_content&task=view&id=465&Itemid=547)

*What is now termed as the “Grameen Family of Companies” has in fact emerged over time, with each social enterprise set up in response to a specific social development need or a particular social situation. Contrary to common belief, there is no evidence that new Grameen social enterprises were initiated by Grameen Bank following any master plan or blueprint. While there is now a large cluster of enterprises which carry the name “Grameen”, there is no special element that legally binds them together, although Professor Yunus chairs nearly all. Each has a mandate of its own, some focus very strongly on specific social issues, others on having an indirect social impact.*

*The “Grameen Companies” can be divided into the following five categories, which are not mutually exclusive:*

***Enterprises originating from operations within Grameen Bank.*** These are essentially enterprises born out of projects started by Grameen Bank. As operations were scaled up, each enterprise received a separate corporate identity as a not-for-profit organization. Each had a clear mandate for poverty alleviation, either directly or indirectly. Examples are Grameen Motsho o Poshushampad Foundation (the Fisheries and Livestock Foundation), Grameen Krishi Foundation (the Agriculture Foundation), Grameen Fund and Grameen Kalyan (Welfare).

***Enterprises for Financing Micro, Small and Medium Enterprises.*** Three enterprises fall into this category. Grameen Trust aids in international replication of the Grameen-based microcredit model for the direct alleviation of poverty. Grameen Fund provides venture financing for new technology-based micro-initiatives. Grameen Byabosha Bikash provides guarantees to Grameen Bank branches, enabling bigger enterprise loans for borrowers.

***Social Development Enterprises.*** Described by Professor Yunus as “social consciousness driven” companies, this category represents the first generation of Grameen enterprises focused on purely social issues. The enterprises combine social development objectives (health, education, revival of the handloom industry, marketing of rural products, services or functions not performed by any other institution) with financial self-sufficiency. Examples are Grameen Shikkha (education), Grameen Kalyan (health insurance for the rural poor) and Grameen Uddog (rural handloom weavers).

***New Technology Ventures.*** These enterprises introduce and apply new technologies capable of quickly raising the productivity of the poor and attaining socioeconomic development on a more sustainable basis. Striking examples are the new information and communication-based technologies, which allowed the poor to be connected to the global market for the first time. For instance, Grameenphone, a for-profit joint venture between Telenor of Norway and Grameen Telecom, a not-for-profit company, created a village phone program, which had more than 300,000 subscribers at the end of 2006.

***New Social Businesses.*** These enterprises combine social development objectives with profitability, ideally limiting the financial dividends paid to shareholders so that gains can be used to continue building the businesses. Thus, a social business might be defined as a non-loss, non-dividend business...ultimately, the surplus generated by the business is passed on to the target group of beneficiaries in forms such as lower prices, better service, and greater accessibility. The surplus might also be reinvested for further expansion of the business. An example is Grameen Danone Foods Ltd., which limits its dividends payouts after initial investment costs have been fully recouped, and Grameen Health Care Services, whose sponsors place a cap on their profit-taking in order to reinvest in further expansion of the program. Currently, only these two companies, along with Grameen Bank, are actual social businesses as defined by Dr. Yunus.

*These five categories of new social enterprises represent the unfolding of an unprecedented institution-building experiment designed to support poverty alleviation.*



## ***Grameen and Yunus Organization Network At-A-Glance***

*Updated November 14, 2014*

Source: <http://www.grameenfoundation.org/sites/grameenfoundation.org/files/Grameen-related%20Organizations%2C%20updated%20November%2014%2C%202014.pdf#overlay-context=about/related-organizations/global-list-grameen-related-organizations>

*This text is Grameen Foundation's first attempt to compile a list of Grameen and Yunus branded organizations. Immediately below is a list of the 28 most active organizations on the internet. Following the list is a profile of each organization including the date it was established, their mission, goals, scale, impact, and any recent news. At the end of the text we have included other less active Grameen and Yunus branded organizations.*

- |  |                                      |
|--|--------------------------------------|
| <i>1. BASF Grameen Ltd.</i>  | <i>14. Grameen Kalyan</i>            |
| <i>2. Grameen America</i>  | <i>15. Grameen Knitwear Ltd.</i>     |
| <i>3. Grameen Australia</i>  | <i>16. Grameen Shakti</i>            |
| <i>4. Grameen Bank</i>   | <i>17. Grameen Shikkha</i>           |
| <i>5. Grameen Creative Lab</i>   | <i>18. Grameen Solutions</i>         |
| <i>6. Grameen Caledonian College of<br/>Nursing in Dhaka, Bangladesh</i> | <i>19. Grameen Telecom Trust</i>     |
| <i>7. Grameen Communications</i>   | <i>20. Grameen Trust</i>             |
| <i>8. Grameen Credit Agricole<br/>Foundation</i>                         | <i>21. Grameen UNIQLO Ltd.</i>       |
| <i>9. Grameen Danone</i>   | <i>22. Grameen Veolia Water Ltd.</i> |
| <i>10. Grameen GC Eye Hospital</i>                                       | <i>23. Grameen Yukiguni Maitako</i>  |
| <i>11. Grameen Health Care Services<br/>Ltd.</i>                         | <i>24. Grameenphone</i>              |
| <i>12. Grameen in the UK</i>   | <i>25. Kyushu University</i>         |
| <i>13. Grameen Intel</i>   | <i>26. Rikkyo University</i>         |
|  | <i>27. Yunus Centre</i>              |
|  | <i>28. Yunus Social Business</i>     |



<b>Name:</b>	<b><i>BASF Grameen Ltd.</i></b>
<b>Date Established:</b>	<i>2009</i>
<b>Mission:</b>	<i>Improve the health of Bangladeshis through better nutrition, and provide protection against insect-borne diseases. BASF Grameen sells long-lasting insecticidal nets and multi-micronutrient sachets to the poor at an affordable price.</i>
<b>Goals, Scale and Impact:</b>	<i>By distributing nets in urban and rural areas, BASF Grameen aims to provide effective protection to nearly 11 million people in Bangladesh at risk of malaria.</i>
<b>Recent News:</b>	<i>Not available</i>

<b>Name:</b>	<b><i>Grameen America</i></b>
<b>Date Established:</b>	<i>2008</i>
<b>Mission:</b>	<i>Offer microloans, training, and support to help women build small businesses and fight poverty in the United States.</i>
<b>Goals, Scale and Impact:</b>	<i>As of 2014, loans of over \$198 million have been disbursed to over 38,000 women. 45,000 jobs have been created across 11 US cities.</i>
<b>Recent News:</b>	<i>In September 2014 at the Clinton Global Initiative Annual Meeting, Former U.S. Secretary of State Hillary Rodham Clinton announced Grameen America's commitment to invest \$50 million in over 7,000 women-owned businesses in Harlem through 2020. This expansion follows successful Implementation of the microfinance model in Queens.</i>

<b>Name:</b>	<b><i>Grameen Australia</i></b>
<b>Date Established:</b>	<i>1998</i>
<b>Mission:</b>	<i>Promote and deliver microfinance programs and social businesses through both direct involvement and advice on creative program delivery.</i>
<b>Goals, Scale and Impact:</b>	<i>Currently operating in three countries: the Philippines, Bangladesh, and Cambodia. In Bangladesh, Grameen Australia is supporting its partner Dana Asia to establish an Auto Mechanic Training College and Workshop. The project is a partnership between a Japanese Foundation and Grameen Shikkha Foundation and will pro-</i>

	<i>vide comprehensive training and hands-on experience in auto mechanical service, repair, and panel beating to the children of Grameen Bank micro-credit borrowers. The school will commence in early 2015.</i>
<i>Recent News:</i>	<i>Grameen Australia's latest project involves partnering with PricewaterhouseCoopers (PwC) to establish Philippines first Micro-finance Business Hub for the most marginalized entrepreneurs. Launched in Manila in February 2014, the Grameen Microfinance and Social Business Hub combines microfinance with education and mentoring to help very poor people living in informal settlements with developing income-producing businesses.</i>

<i>Name:</i>	<b><i>Grameen Bank</i></b>
<i>Date Established:</i>	<i>1983 (1976 as a pilot project)</i>
<i>Mission:</i>	<i>Grameen Bank pioneered a microfinance model that gives small, nontraditional loans to the rural poor of Bangladesh, primarily women. This model is now used worldwide for areas with similar situations.</i>
<i>Goals, Scale and Impact:</i>	<i>The Grameen Bank serves more than 8.4 million borrowers, 94 percent of whom are women, and is the only rural bank that is owned entirely by its borrowers. It has lent over US\$12.5 billion to date.</i>
<i>Recent News:</i>	<i>In October 2014, Grameen Bank's founder Professor Muhammad Yunus was honoured by Dublin State University with an honorary Doctor of Philosophy. In other news, Grameen Bank's battle to remain free of government control continued is in its fourth year. The government appears to be laying the groundwork to dismiss the elected borrowers on the board before their term is up in early 2015, or just to wait until their terms end and have the government-appointed board members (who would constitute a quorum under new rules) govern the bank without any role for elected borrowers. They also seem to be working to appoint a hand-picked managing director. The U.S. government and many civil society organizations inside Bangladesh and outside are protesting these moves, and there is much sympathetic media coverage. The elected borrower-board members continue to protest loudly as well.</i>

<b>Name:</b>	<b><i>Grameen Creative Lab</i></b>
<b>Date Established:</b>	<b><i>2009</i></b>
<b>Mission:</b>	<i>Grameen Creative Lab is a social business venture between Yunus Center and circ-responsibility in Germany. Its mission is to accelerate social business by enabling access to corporate knowledge and funding, and ensuring quality control. Grameen Creative Lab connects with leading universities worldwide to design curricula for social business, initiate social business activities for students, and conduct relevant academic research. This stems from the belief that universities play an active role as incubators for fresh and innovative ideas.</i>
<b>Goals, Scale and Impact:</b>	<i>GCL has helped put together several joint ventures, including BASF-Grameen and Grameen Danone Foods.</i>
<b>Recent News:</b>	<i>Currently, GCL is working with Andheri-Hilfe in India and Bangladesh and Menschen fur Menschen in Ethiopia to provide development assistance. In May, the GCL team travelled to Latvia to participate in a pilot project with the Stockholm School of Economics in Riga for a holistic workshop approach in the field of social business. GCL organized the following events in 2014: European Social Business Forum, Social Business Boot Camp at the Monterey Institute of Technology, and International GCL Klassentreffen. The Global Social Business Summit organized annually by GCL has also been announced to take place between November 27 and 28 in 2014 in Mexico City.</i>

<b>Name:</b>	<b><i>Grameen Caledonian College of Nursing in Dhaka, Bangladesh</i></b>
<b>Date Established:</b>	<b><i>2010</i></b>
<b>Mission:</b>	<i>Grameen Healthcare Trust and Grameen Health Care Services Ltd. with NIKE Foundation and Glasgow Caledonian University have partnered to establish a high quality college for the education of midwives and nurses in Dhaka.</i>
<b>Goals, Scale and Impact:</b>	<i>GCCN aims to develop nursing and midwifery standards in Bangladesh through the provision of high quality education and research. In 2013, the college reached a major milestone as its first batch of 38 students graduated with a diploma in Nursing and Midwifery.</i>

<i>Recent News:</i>	<i>The top three students from the graduating batch have received fully funded scholarships to pursue their higher studies at the Glasgow Caledonian University. On July 8, the Grameen Caledonian College of Nursing won a Unilever International Award for demonstrating the positive difference businesses can make in development.</i>
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<i>Name:</i>	<b><i>Grameen Communications</i></b>
<i>Date Established:</i>	<i>1997</i>
<i>Mission:</i>	<i>Grameen Communications, established by Professor Yunus, is a non-profit company in Bangladesh that provides IT services, such as, innovative software, training and hardware support of products, and internet service that is available to everyone, particularly on the rural level.</i>
<i>Goals, Scale and Impact:</i>	<i>Grameen Communications specialty is microfinance software, which is currently implemented in all Grameen Bank branches along with many other like-minded organizations. They have offered cutting-edge IT solutions to over 3,815 different branches of organizations.</i>
<i>Recent News:</i>	<i>A project started in early 2013 called Social Business Pedia was created by Grameen Communications as a resource, archive, and hub for anything and anyone involved in social business.</i>

<i>Name:</i>	<b><i>Grameen Credit Agricole Foundation</i></b>
<i>Date Established:</i>	<i>2008</i>
<i>Mission:</i>	<i>Support the development of microfinance institutions and social businesses by providing them with financial and technical assistance.</i>
<i>Goals, Scale and Impact:</i>	<i>The foundation is working with 48 microfinance institutions in 22 developing countries with 48 partners, half of which are located in Sub-Saharan Africa. All MFI partners together have 2.3 million active borrowers. In 2013, the number of partners of the Foundation increased by 27% compared to 2012.</i>
<i>Recent News:</i>	<i>The first nine months of 2014 have seen a continued increase in the number of partnerships. The foundation funded new partners in</i>

*Kenya, Mali, the Democratic Republic of Congo, Indonesia, Cambodia, Uganda, Madagascar and Palestine. In June 2014, Grameen Credit Agricole participated in the annual meeting of the Micro Insurance Network, held in Germany and attended by around 60 practitioners and experts from the microinsurance sector. Within the framework of the Social Business Day conference on June 28th, the Grameen Credit Agricole Foundation partnered with the travel agency Voyager Autrement and organized a study tour of Social Business enterprises within the regions of Dhaka and Bogra in Bangladesh. The social businesses visited were: Grameen Danone Foods, Grameen Eye Care Hospital, Grameen Veolia Water project and Grameen Shakti.*

<b>Name:</b>	<b><i>Grameen Danone Foods Ltd.</i></b>
<b>Date Established:</b>	<b><i>2006</i></b>
<b>Mission:</b>	<i>To fight malnutrition among the children of Bangladesh. Grameen and Group Danone entered a joint venture to create yoghurt enriched with crucial nutrients at a price of 6 BDT (= US\$0.08), to ensure that the poorest can afford it.</i>
<b>Goals, Scale and Impact:</b>	<i>Responsible for creation of about 1,600 jobs within a 30km radius around the plant. Expansion plans include establishing 50+ plants and creating several hundred distribution jobs within the next 10 years. A trial designed by The Global Alliance for Improved Nutrition in November 2011 showed a positive impact on growth and cognitive performance of children from regular consumption of the yoghurt.</i>
<b>Recent news:</b>	<i>Not available</i>

<b>Name:</b>	<b><i>Grameen GC Eye Care Hospital in Bogra, Bangladesh</i></b>
<b>Date Established:</b>	<b><i>2007</i></b>
<b>Mission:</b>	<i>The flagship hospital established by Grameen Healthcare Services Ltd., Grameen GC Eye Care Hospital provides affordable eye care services and performs simple operations for the poor in Bangladesh.</i>
<b>Goals, Scale and Impact:</b>	<i>The GC Eye Care Hospital provides care to all classes in Bangladesh by providing their services in 2 different forms, at a traditional</i>

*hospital and at a remote satellite camp that offers its services for free. The hospital serves a population area of 3.5 million among whom it is estimated that 70,000 need cataract surgery. As of July 2014, the hospital has served over almost 400,000 patients with minor problems with over 94,000 of those being treated free of cost at the satellite camp. Almost 16,000 have received cataracts operations with over 7,000 of those being subsidized or free of cost at the satellite camp.*

*Recent news:* Not available

*Name:* **Grameen Health Care Services Ltd.**

*Date Established:* 2006

*Mission:* *Grameen Health Care Services Ltd. (GHS), founded by Professor Yunus, is a non-profit, social business enterprise that centers on improving the health industry of Bangladesh by creating health care facilities and institutions that are affordable and reach the most rural areas of Bangladesh.*

*Goals, Scale and Impact:* *Along with the many services GHS provides, it has also established 3 affordable eye hospitals with its flagship hospital being Grameen GC Eye Hospital in Bogra, Bangladesh in 2007. These eye hospitals combined have treated almost 700,000 people and have completed close to 25,000 cataract operations on Bangladeshis of all classes. They also collaborated in establishing the Grameen Caledonian College of Nursing in Dhaka and are preparing to open 2 more nursing colleges soon. Finally, GHS is one of the members of a joint partnership that established Grameen Veolia Water Ltd. All of these programs have their own unique profile within this document.*

*Recent news:* Not available

*Name:* **Grameen in the UK**

*Date Established:* 2014 (2009 as a pilot project)

*Mission:* *Grameen in the UK will use Muhammad Yunus' microfinance model to provide microfinance loans to the people of the United Kingdom, primarily in West Scotland, that do not meet the requirements for traditional loans. They are hoping that these efforts will*

	<i>substantially improve their economy and help people become less dependent on welfare programs.</i>
<i>Goals, Scale and Impact:</i>	<i>After testing Grameen style lending in Scotland a few years ago, Grameen in the UK officially launched this year in 2014. According to Grameen in the UK, their goals are to support 400 borrowers at each center location and increase their original branch Glasgow's capacity to support 1,500 borrowers. No information is available on their current impact.</i>
<i>Recent News:</i>	<i>Not available</i>

<i>Name:</i>	<b><i>Grameen Intel</i></b>
<i>Date Established:</i>	<i>2011</i>
<i>Mission:</i>	<i>A Grameen Trust and Intel Collaboration to create inexpensive software and/or other IT solutions in rural areas that are adaptive to the social issues that needs assistance, such as agriculture, learning, and health in rural areas.</i>
<i>Goals, Scale and Impact:</i>	<i>The agriculture software gives recommendations for fertilizer type, seed selection, pest control, and sales while their health software provides prenatal doctor recommendations and vaccine reminders. Their learning software teaches young children languages. There is no information available on their current outreach.</i>
<i>Recent News:</i>	<i>Not available</i>

<i>Name:</i>	<b><i>Grameen Kalyan</i></b>
<i>Date Established:</i>	<i>1996</i>
<i>Mission:</i>	<i>A non-profit founded by Professor Yunus that provides health care service that cover general health, maternal health, family planning, immunizations, and nutrition for Grameen Bank borrowers and others in rural communities.</i>
<i>Goals, Scale and Impact:</i>	<i>Grameen Kalyan reaches 2,031 villages and includes 54 health care centers. They also offer micro health insurance for inexpensive health care services with a reduced rate for Grameen Bank borrowers. Due to these efforts, 932 people in rural areas now hold insurance cards.</i>
<i>Recent News:</i>	<i>Not available</i>

<b>Name:</b>	<b><i>Grameen Knitwear Ltd.</i></b>
<b>Date Established:</b>	<i>1997</i>
<b>Mission:</b>	<i>Grameen Knitwear is owned by two Grameen Family nonprofits, Grameen Kalyan and Grameen Fund. It is an export based, quality clothing manufacturer based outside of Dhaka, employing disadvantaged Bangladeshis, providing an unprecedented opportunity for them.</i>
<b>Goals, Scale and Impact:</b>	<i>Any given day they produce, among other things, 2,500 dozen t-shirts.</i>
<b>Recent News:</b>	<i>Not available</i>

<b>Name:</b>	<b><i>Grameen Shakti</i></b>
<b>Date Established:</b>	<i>1996</i>
<b>Mission:</b>	<i>Grameen Shakti, which translates from Bengali to “rural energy”, is a successful non-profit village renewable energy scheme pioneering solar systems for homes in Bangladesh. Besides Solar Home Systems, Grameen Shakti also offers other clean energy products such as Bioga Plants and Improved Cooking Stoves.</i>
<b>Goals, Scale and Impact:</b>	<i>After 16 years Grameen Shakti reached its first landmark of one million Solar Home Systems (SHS) installations on November 30, 2012. It is one of the largest and fastest growing rural based renewable energy companies in the world, and targets a second million homes, for solar photovoltaic installations, by the end of 2016. Alex Counts, founder and CEO of Grameen Foundation, wrote a passage on Grameen Shakti’s efforts in New Pathways Out of Poverty edited in 2011 by Sam Daley-Harris and Anna Awimbo.</i>
<b>Recent news:</b>	<i>Not available</i>

<b>Name:</b>	<b><i>Grameen Shikkha</i></b>
<b>Date Established:</b>	<i>1997</i>
<b>Mission:</b>	<i>Grameen Bank’s sister organization, Grameen Shikkha was set up in Dhaka to improve the educational system in Bangladesh. It does this through their scholarship management, high education loan, vocational training, early childhood development and preschool programs.</i>



<i>Goals, Scale and Impact:</i>	<i>By June 2010, Grameen Shikkha received more than \$2 million from 177 persons and institutions from all continents of the world to support more than 2,500 poor students. Grameen Foundation has been a long-time supporter of Grameen Shikkha's scholarship program and has raised over \$1.2 million in funds to provide educational support to 470 impoverished students in Bangladesh.</i>
<i>Recent News:</i>	<i>In August 2014, Grameen Shikkha and Swedish company Edumanity AB signed a Memorandum of Understanding that signified the continuance of online education for the disadvantaged people of Bangladesh.</i>

<i>Name:</i>	<b><i>Grameen Solutions</i></b>
<i>Date Established:</i>	<i>1999</i>
<i>Mission:</i>	<i>Founded by Professor Yunus, Grameen Solutions is the original cutting-edge, high technology company for Grameen's family organizations, that manufactures technology solutions for any major issue within Bangladesh and its rural villages.</i>
<i>Goals, Scale and Impact:</i>	<i>As of October 2014, Grameen Solutions has constructed 33 sophisticated products that have made Bangladesh as a country more efficient and organized.</i>
<i>Recent News:</i>	<i>Not available</i>

<i>Name:</i>	<b><i>Grameen Telecom Trust</i></b>
<i>Date Established:</i>	<i>2010</i>
<i>Mission:</i>	<i>Formed under the Trust Act in 2010, Grameen Telecom Trust sets to diminish poverty by providing financial and IT assistance to Grameen modeled social businesses in the areas of healthcare, education, industrial parks, and environment.</i>
<i>Goals, Scale and Impact:</i>	<i>They are currently supporting 13 social businesses worldwide.</i>
<i>Recent News:</i>	<i>Not available</i>

<b>Name:</b>	<b><i>Grameen Trust</i></b>
<b>Date Established:</b>	<i>1989</i>
<b>Mission:</b>	<i>Grameen Trust is a poverty alleviation based non-profit NGO, established by Professor Yunus, that teaches his microfinance model through a Grameen Bank Replication Program which trains and facilitates the model to organizations all over the world.</i>
<b>Goals, Scale and Impact:</b>	<i>As of May 2014, Grameen Trust serves 14,071,954 members in 41 countries through partnerships with 151 organizations.</i>
<b>Recent News:</b>	<i>Not available</i>

<b>Name:</b>	<b><i>Grameen UNIQLO Ltd.</i></b>
<b>Date Established:</b>	<i>2010</i>
<b>Mission:</b>	<i>To stimulate the economy and relieve social issues by providing jobs for local Bangladeshis in the retail business, from clothing design to sales, and open new stores that provides inexpensive and useful apparel.</i>
<b>Goals, Scale and Impact:</b>	<i>The first Grameen UNIQLO store opened July 2013. One year later in July 2014 they opened their 9th store in the Dhaka region at Bangladesh's largest shopping mall.</i>
<b>Recent News:</b>	<i>As mentioned above, they just opened their 9th store in July 2014.</i>

<b>Name:</b>	<b><i>Grameen Veolia Water Ltd.</i></b>
<b>Date Established:</b>	<i>2008</i>
<b>Mission:</b>	<i>Grameen Healthcare services Ltd. and Veolia Water AMI French Company established a social business that provides access to clean, safe drinking water to the people living in rural villages in Bangladesh .</i>
<b>Goals, Scale and Impact:</b>	<i>Grameen Veolia Water builds and operates water production and treatment plants in some of the poorest villages in the center and south of Bangladesh, and aims to combat the problem of chronic arsenic poisoning from naturally high levels of arsenic present in Bangladesh's groundwater. After successfully providing 4,000 residents of 4 villages with water, 'Jar Business' was launched in 2011.</i>

	<i>Jar business sells excess supply of clean water to schools and offices in urban areas to generate profits that are then invested in extending the network.</i>
<b>Recent News:</b>	<i>In June 2014 they announced that more than 700 jars of water were being sold per day.</i>

<b>Name:</b>	<b><i>Grameen Yukiguni Maitako</i></b>
<b>Date Established:</b>	<i>2011</i>
<b>Mission:</b>	<i>Japan shared their agricultural expertise of a Japanese crop, the mung bean, to Bangladeshi farmers by helping them improve the quality of their mung bean harvest and increase their income by exporting 60% of the crop to Japan. The other 40% is sold at a low price in Bangladesh markets in an effort to improve the community's nutrition.</i>
<b>Goals, Scale and Impact:</b>	<i>Currently, Grameen Yukiguni Maitako reaches 4 districts in Bangladesh and 7,000 farmers that harvest the mung bean. This project has also given women unprecedented entry into this area of the workforce by separating beans after they have been harvested.</i>
<b>Recent News:</b>	<i>Not available</i>

<b>Name:</b>	<b><i>Grameenphone</i></b>
<b>Date Established:</b>	<i>1997</i>
<b>Mission:</b>	<i>To provide the everyday person in Bangladesh with mobile technology.</i>
<b>Goals, Scale and Impact:</b>	<i>It all started with its award winning program, the Village Phone Program, that gave rural women in Bangladesh phone service and a job as a telephone operator. Grameenphone is now the largest cellular network in Bangladesh with over 50 million customers and cellular service covering 99% of the country.</i>
<b>Recent News:</b>	<i>Grameenphone recently won an award, the Green Mobile Award, at GSMA's Mobile World Congress 2014 for their Climate Change Program. The program "strives to reduce CO2 emissions, fossil fuel consumption and the environment and climate impact of GP [Grameenphone]'s operations," according to GSMA Mobile World Congress. Grameenphone, in addition, holds a competition each</i>

*year called the Telenor Youth Summit where Bangladesh's brightest, young minds submit ideas on how digital communication could improve a community. The winner wins a trip to Oslo, Norway to be a part of the Nobel Peace Ceremonies.*

<b>Name:</b>	<b><i>Kyushu University</i></b>
<b>Date Established:</b>	<b><i>2010</i></b>
<b>Mission:</b>	<i>Kyushu University has established a Grameen Creative Lab (GCL) and Grameen Technology Lab (GTL) that provides education and research for social businesses in collaboration with other organizations.</i>
<b>Goals, Scale and Impact:</b>	<i>Kyushu University carried out 611 collaborative research projects with organizations in 2009. In 2007 a Grameen family organization, Grameen Communications, requested that the GCL @ Kyushu collaborate with them for a project that focused on formulating a way to computerize Grameen Bank's microcredit services in Bangladesh. Since 2009 there has not been any information in English on their current endeavors.</i>
<b>Recent News:</b>	<i>Not available</i>

<b>Name:</b>	<b><i>Rikkyo University</i></b>
<b>Date Established:</b>	<b><i>2009</i></b>
<b>Mission:</b>	<i>The Yunus Centre and Rikkyo University partnered together to create a Grameen Creative Lab (GCL) due to Japan's increased interest in social business. The GCL will offer bright students the opportunity to highlight their ideas for social businesses that will benefit poverty alleviation.</i>
<b>Goals, Scale and Impact:</b>	<i>Rikkyo University piloted Japan's first Grameen Creative Lab (GCL). There is no information in English on their current endeavors.</i>
<b>Recent News:</b>	<i>Not available</i>

<b>Name:</b>	<b><i>Yunus Centre</i></b>
<b>Date Established:</b>	<i>2006</i>
<b>Mission:</b>	<i>The Yunus Centre, which is chaired by Professor Yunus, primary purpose is to spread Professor Yunus' teachings and support social business that improve people's lives. It does this by promoting events, networking, researching, and archiving data on anything Grameen or social business related.</i>
<b>Goals, Scale and Impact:</b>	<i>The Yunus Centre acts as a hub to Professor Yunus' and his accomplishments, philosophy, and current endeavors and an archive for resources and activities of social businesses related to Grameen principles worldwide.</i>
<b>Recent News:</b>	<i>As of January 2013, the Yunus Centre has implemented a monthly, single-day program, overseen by Professor Yunus, called Social Business Design Labs where people of different backgrounds come together to brainstorm over specific social business topics and conceptualize these ideas into practice. In addition to Social Business Design Labs, Yunus Centre also hosts an annual conference, Social Business Day, to celebrate what social business has accomplished. Social Business Day 2014 was held June 28th.</i>

<b>Name:</b>	<b><i>Yunus Social Business</i></b>
<b>Date Established:</b>	<i>estimated 2011</i>
<b>Mission:</b>	<i>Professor Yunus co-founded Yunus Social Business, which identifies passionate individuals and teaches them how to create strong social businesses and furthermore supports those social businesses by facilitating donors to keep them sustainable.</i>
<b>Goals, Scale and Impact:</b>	<i>As of now, Yunus Social Business supports 20 social businesses in 7 countries. The countries involved are Albania, Tunisia, Uganda, India, Colombia, Brazil, and Haiti. These 20 social businesses have created over 800 jobs and have reached over 10,000 people.</i>
<b>Recent News:</b>	<i>Yunus Social Business's most recent endeavor is their Haiti Forest Initiative, which aims to plant over 1 million trees in Haiti annually. They are currently looking for a \$4.6 million start-up investment.</i>

*We have identified 9 additional Grameen and Yunus branded organizations about which there is minimal information online. Even this list, however, does not constitute a comprehensive list of all the organizations that have permission to carry the Grameen and Yunus brands. They are: Grameen Bayboshia Bikash, Grameen Bitek Ltd., Grameen Check, Grameen Shamogree, Grameen Uddog, Grameen Cybernet Ltd., Grameen Felissimo, Grameen Krishi Foundation, Grameen O Pashusampad Foundation.*

*We have identified 15 additional Grameen linked university partnerships. Included, but not limited to: North South University and Daffodils International University in Bangladesh, Sun Yet-San University in China, HEC in France, European Business School in Germany, University of Florence and Bocconi University in Italy, University of Kebangsaan Malaysia in Malaysia, National University of Singapore in Singapore, Asian Institute of Technology in Thailand, Okan University in Turkey, Glasgow Caledonian University and Glasgow University in the UK, California State University Channel Islands and Elizabethtown College in the USA.*

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