

# Grameen bank case

Business



Banker to the Poor Book Review The book “ Banker to the Poor” by Muhammad Yunus is the story of the Grameen Bank Program, which is founded in Bangladesh by Yunus to help the poor. Born in 1940 in the city of Chittagong, Professor Yunus studied at Dhaka University in Bangladesh, and then received a Fulbright scholarship to study economics at Vanderbilt University. He received his Ph.

D. in economics from Vanderbilt in 1969 and the following year became an assistant professor of economics at Middle Tennessee State University.

Returning to Bangladesh, Yunus became the head of the economics department at Chittagong University. Yunus founded the Grameen Bank in Bangladesh in 1983 with the hopes of helping poor people escape from poverty by providing them loans which no other bank would. With Grameen Bank, he pioneered microcredit and has created a new dimension for capitalism which he calls “ Social Business”.

(Yunus, Yunus Center, 2011)(Biography. com) Yunus had a dream of helping the poor people help themselves. While serving as the department head of Economic at Chittagong University, he began to get involved in the neighboring village, Jobra.

The story of a woman named Suflya in this village encouraged Yunus to help poor people which in a few years turned into the Grameen Bank. Suflya was one of the forty-two women who worked all day to make bamboo stools.

She had to barrow twenty-two cents from the middlemen to buy the raw materials she needed to make the stools. When she was done with the

stools, she had to sell them back to the middlemen for a two cent profit.

According to Yunus this was a miserable sum and he was shocked to discover this. He was frustrated that the course he taught at the school did not reflect this situation at all.

In his words: " In my university courses, I theorized about sums in millions of dollars, but here before my eyes the problems of life and death were posed in terms of pennies.

" Yunus decided to distribute money to these villagers without charging any interest and this is how the Grameen Bank project was born. (Yunus, Banker to the Poor, 1997). In the early chapters of the book, Yunus focuses on how the micro-lending business came together. He says " All I wanted was to solve an immediate problem" and he took action. He did not have a business plan or anything.

I think the fact that he was passionate about helping people he was able to struggle through any obstacles. Yunus said that he was " walking blind" and learning as he went. Like we discussed in class, an important skill of a successful entrepreneur is to cope with ambiguity and uncertainty. He and his partners made mistakes along the way but adapted their ideas and changed their procedures as they grew. For example, when they realized that support groups were crucial to the success of our operations, they required each applicant to join a group of people living in similar economic and social conditions.

Yunus also started with daily repayments which ended up not working.

I think the fact that they adapted and learned from their mistakes played a big role in Grameen Banks success. After learning from mistakes and adapting Yunus came up with strict rules to run the bank. Yunus decided to have the loan period last one year, with weekly payments. The repayments started after one week of grace period. The interest rate was decided to be 20%.

This structure and Yunus's plans changed as the business grew. When our group went to Convergent Dental for our video case, we asked the CEO of the company, Mike Cataldo, how they deal with the uncertainty.

Cataldo said that ambiguity is inevitable and it is the entrepreneur's job to stay flexible and adapt to changes. For example, he said that their initial plan was to have two working systems by the end of their first year. They had to change it to five working systems due to unexpected changes in circumstances. It is important for start-up companies to be able to adapt to changes and work with uncertainty.

In the chapter "Growth and Challenges for the Bank of the Poor", Yunus talks about the challenges that the bank faced during the growth phase.

This chapter directly relates to our class discussions as we have spent a lot of time discussing growth of companies. One of the challenges for the Grameen Bank was the fact that Bangladesh is a land of natural disasters. Sometimes a city can be hit by a natural disaster up to four times a year. This was a problem for the bank because people stopped paying back the bank when a natural disaster hit. To deal with this situation Grameen Bank lent the poor more money to start up again.

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They did not wipe out the old loans, but convert them to really long term loans.

Another challenge that Grameen Bank faced was that it received great criticism. Grameen Bank trusted the borrowers and this was against traditional methods. Yunus was very passionate about what he wanted to do and did not give up when he received criticism. Passion is a characteristic that we have seen in many of the entrepreneurs in the case studies we discussed in class. While starting up the Grameen Bank, Yunus had to bootstrap.

One of the ways that he bootstrapped was to have volunteered workers. His students donated their time into this service and Yunus only covered their expenses; they did not get any salaries.

Since the return on the loans were very slow, it was crucial to save money at the beginning. Yunus also sought funding from several sources. He tried really hard to get a loan from local banks and he eventually convinced them. Getting funded is crucial for every startup company.

I found “ Banker to the Poor” to be a very easy read. The book consists of short and well written chapters and it is filled with ideas and insights accompanied by examples that illustrate them. I found the examples from Yunus’s experiences very insightful and interesting.

Overall the book is very convincing in that micro-loans can alleviate the effects of the global problems such as poverty. One of my learning objectives for ETR 4930 was to learn about how to build strong business models.

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Yunus's Grameen Bank project provided me with a whole new perspective to starting a business.

It explained a new alternative business structure which I might take into consideration if I ever decide to start my own business. The book also made me think what kinds of social businesses my home country, Turkey, could benefit from.

It got me really brainstorming about possible social businesses and I started to think about how satisfactory and enjoyable would be to start a social business to help people. Bibliography Biography. com. (n.

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