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# Micro-lending genius Yunus: Why he was done wrong

The Bangladeshi government's treatment of Muhammad Yunus, the Nobel Peace Prize winner who has lifted millions out of poverty with his micro-lending program, is shameful. And it does nothing to help the poor.

By Jacques Attali

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Paris

Rarely does a man in the mold of Muhammad Yunus come along who has devoted his life to the least fortunate among us.

Instead of living the peaceful and comfortable life he could have had, he chose to engage in a crusade against poverty through the use of micro-credit that has succeeded far beyond any expectations.

Yet, as happens so often in history, no man seems to be a prophet in his own country.

The Nobel Peace Prize he received in 2006 — along with the organization he founded back in 1983 — symbolizes for millions of people today the best chance to create “a world without poverty.” Starting from an experiment led in the village of Jobra, Yunus worked day and night, helped by a team of dedicated associates, to patiently and progressively build up the Grameen Bank. Today it is the largest and most famous organization dedicated to microfinance in the world. Its 8.4 million active borrowers — of which 96 percent are women villagers — received more than \$1 billion in loans during the year 2010.

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Grameen Bank has become the flagship enterprise of an industry that in 2009 enabled 190 million poor families all around the world to access financial services.

## History of government interference

Even as he tirelessly pushed forward this remarkable revolution on behalf of the world's poor, Yunus has encountered difficulties in dealing with his own government

For years the government of Bangladesh has argued against high interest rates — which are part and parcel of the microfinance system because they permit it to cover intense administrative costs and to develop sustainably — as a way to bring down Professor Yunus. Recently, an excuse was served on a silver platter to government officials.

A Norwegian documentary accused Yunus of improperly diverting funds in 1996 that had been donated by the country's aid agency. Bangladeshi Prime Minister Sheikh Hasina promptly used the opportunity given by this documentary to assert that Dr. Yunus treated the Grameen Bank as his “personal property” and claimed that he was “sucking blood from the poor.”

As a result, on March 2 Yunus, who at 70 is full of youthful energy combined with sagacity, was relieved of his duties as managing director of the Grameen Bank on the legal basis that he was beyond the mandatory retirement age of 60. This is morally reprehensible. Clearly, the more likely reason was Yunus' criticism of the government in recent years and his 2007 bid to start a political party.

On April 6, his appeal against forced retirement was rejected by the top court in Bangladesh.

## No evidence of wrongdoing

The fact that the Norwegian government has said there was no indication Grameen ever engaged in corruption or embezzlement apparently was not taken into account in the Bangladeshi government's action.

Nor did it take into account the fact that before the Nobel Committee decided to award the Peace Prize to Professor Yunus and Grameen Bank in 2006, it had thoroughly vetted them and found nothing to question their integrity. (A later study by David Bergman showed the allegations in the documentary were untrue).

Only 25 percent of Grameen Bank is owned by the Bangladeshi government while the borrowers themselves control 75 percent of the board seats and have supplied 96.5 percent of the paid-up share capital. These facts alone suggest it is the government that has abused its property rights, not Muhammad Yunus.

More is at stake than the personal conflicts that appear to be at the center of this political fiasco.

Grameen Bank could probably withstand the departure of Muhammad Yunus. The 25,000-employee institution is strong and well managed. Professor Yunus himself had expressed his intent to retire on many occasions, and hand over his responsibility to a competent person who can maintain the confidence of the millions of members who own the bank.

But he has more than the right to say a word in this matter. The notion that he could be simply replaced is irresponsible, since such a sudden break risks undermining confidence among employees, savers, and borrowers alike, perhaps even triggering a run on savings and loan defaults. If the impression is left that political manipulations are taking over, the repercussions would be irreversible and could jeopardize the bank's future.

Grameen Bank is unmatched in the world of traditional banks. Its workers care tremendously about helping the poor, all spending nearly a year living among the population they are going to serve. With the organization being so intimately associated with the precepts of its founder, the leadership transition has to be handled with great care.

Any responsible observer has to ask, "What is the point of destabilizing the leading institution of the microfinance industry?"

After a golden age of expansion, the field of microfinance has become a mature sector of the global economy. To be sure, it still has to face some very legitimate questions about profitability, interest rates, over-indebtedness, and the ability to generate real economic activity beyond subsistence. Answering these tough questions requires the presence of someone as experienced and authoritative as Muhammad Yunus.

## A humble visionary

I personally know Muhammad very well. We first met in 1998, when I came to implement a G7 project that aimed to help Bangladesh prevent its regular flood disasters. We became close friends and created PlaNet Finance together.

What has most impressed me about him is that he has never said he knows the answers. He has always experimented and adapted his organization to the needs and opportunities on the ground. Though he might have sometimes overestimated the direct impact of microfinance, he never closed his eyes to the concerns that were raised on the path he followed, particularly that some in his own organization might start to think more about profitability than poverty. For that reason, he has been one of

the primary advocates of intelligent microfinance regulation, which is essential in order to permit this industry to fulfill all its promises.

Political decisions should never be motivated by personal conflicts, especially when dealing with global poverty. The Bangladeshi government's treatment of Muhammad Yunus is shameful. It does nothing to help so many who are so desperately poor in his own country.

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