The following is a transcript of the full presentation made by 2006 Nobel Prize Laureate Professor Muhammad Yunus for the Second Annual Health and Human Capital Congress.

Introduction: "The Grameen Bank built up by Professor Muhammad Yunus as founder and Managing Director has grown from 47 borrowers in 1976 to almost 7 million in Bangladesh alone in 2007 and over 100 million worldwide. In Bangladesh the default rate of its borrowers is about 1%, and 50% of those defaults are health care related. While Professor Yunus is a US educated PhD in economics, his bank focuses on the health and welfare of its borrowers. In the 1970's the basic health indicators in Bangladesh were among the lowest in the world, and well below that of neighboring India. Bangladesh was one of the few countries in the world where men outlived women because of the high risk of child birth and disease for women. Now in 2005 Bangladesh has surpassed India in most health indicators even though India has improved considerably itself and is wealthier than Bangladesh. The reasons have been attributed to improvements brought about by the Grameen Bank and its competitors in Bangladesh."

This is the wording from our 2005 report on the macroeconomic improvements Bangladesh has made, as seen in the both the World Bank study and the UNDP Report.

Perhaps the most compelling data on the impact of microcredit to date can be found in two important documents published in 2005. One is Shahidur Khandker's1[1] in-depth study of three Bangladeshi MFIs: BRAC, Grameen Bank, and RD-12, the latter a

1[1] Khandker, Shahidur R. "Microfinance and Poverty: Evidence Using Panel Data from Bangladesh." *World Bank Economic Review*, Volume 19, Issue 2, 2005.

government program. The additional findings are in the United Nations Development Program's *Human Development Report 2005*. Khandker, a World Bank researcher whose study spans 14 years, was able to draw from research done in 1991/92 and again in 1998/99 by the World Bank and the Bangladesh Institute of Development Studies. Khandker found:

- Moderate poverty in all villages declined by 17 percentage points, 18 points in program areas and 13 percentage points in non-program areas.
- Poverty declined by greater than 20 percent for program participants who had been members since 1991/92, which is about three percentage points per year.2[2] Greater than half of this reduction is directly attributable to microfinance.
- The impact was greater on extreme poverty than moderate poverty.
- Spillover effects among non-participants due to growing economic activity: Microfinance reduced poverty among this group by some 1.0 percentage points annually for moderate poverty and 1.3 percent annually for extreme poverty.

Based on his data, Khandker concluded that microfinance accounted for 40 percent of the entire reduction of moderate poverty in rural Bangladesh.

These findings become even more significant when viewed alongside data from the UNDP's *Human Development Report 2005*. The report compares India and Bangladesh in its discussion of how low income need not be a barrier to progress on the Millennium Development Goals.

> At a lower level of income and with far lower growth, Bangladesh has overtaken India [in reducing its child mortality rate]. These differences matter. Had India matched Bangladesh's rate of reduction in child mortality over the past decade, 732,000 fewer children would die this year [in India].

The *Human Development Report* goes on to explain that countries that are first in being connected into global markets are not necessarily seeing those benefits trickle down.

> Integration into global markets has manifestly enhanced wealth creation, generated economic dynamism, and raised living standards for many millions of people in India and China. At the same time the human development benefits of economic success have been slow to trickle down to large sections of the population.

2[2] In a working paper for Grameen Foundation USA, Nathanael Goldberg (2005) writes, "Readers may recall Khandker's estimate in *Fighting Poverty with Microcredit* (1998) that five percent of Grameen households left poverty each year. This [two percent reduction] is a lower estimate, either because of improvements in the model, or as Khandker argues, because of diminishing returns to additional borrowing for older members."

In a section focused on Bangladesh's moderate growth and rapid human development, the report cites four factors in transforming Bangladesh's human development landscape: 1) active partnerships with civil society, 2) targeted transfers, 3) extended health programs, and 4) virtuous cycles and female agency. This last area is described as follows:

> Improved access to health and education for women, allied with expanded opportunities for employment and access to microcredit, has expanded choice and empowered women. While disparities still exist, women have become increasingly powerful catalysts for development, demanding greater control over fertility and birth spacing, education for their daughters, and access to services.

MOHAMMED YUNUS: Welcome to the second Health and Human Capital Management Congress. I am very happy to be with you today.

I run a bank called Grameen Bank in Bangladesh. This is a bank which I started back in 1976 with a small loan for a few people, 42 people. Actually total loan that I gave was $27 dollars, split to 42 people. It's a strange situation in Bangladesh where people need such a small amount of money. Even I was not aware that money needed was as small as that. And for that money they were caught up by the money lenders because that's the only way they could borrow money at that time.

So I was trying to de-link them from the money lenders, so I gave this money from my pocket, telling them to return the money they borrowed to the money lenders and be free, do your thing. And they did that. And they were so excited that they could get away from the money lenders and all those harsh conditionalities that they imposed.

Seeing their excitement, I thought maybe I should continue with this. So I went to the local bank branch right on the campus, asking them to lend money to the poor people. They said bank cannot lend money to the poor people. So I got into an argument and it continued for several months. They couldn't persuade me and I couldn't persuade them. They wouldn't give the money to the poor people. I kept on insisting that this is something they need to do, to lend money to the poor people.

Seeing no other option, I offered myself as a guarantor. So I became a guarantor, and started giving money to the poor people, taking money from the bank. And it worked, and gradually that's what became the Grameen Bank today. Today we have nearly seven million poor borrowers in our bank, mostly women; 97% of them are women. And for the last 30 years, we are doing this.

And every time right at the beginning people were expecting this thing will collapse; it cannot really function because if you don't have collateral, why should people pay back? The poor people cannot give collateral and we are not asking for any collateral, so this cannot work. This is going to collapse. People will just run away without paying any money.

That prediction never came true. They continued to pay. Not only do they they pay, they pay at a very high rate. 99% is our repayment rate. Currently we lend out nearly a billion dollars a year, with loans averaging $130

dollars. And the payment is excellent, 99%. And we have seen women, their families moving out of poverty consistently.

The amazing thing that we see with this money, they not only change their life for the current generation, also they are changing their next generation. The young children are going to school, going to college now, going into higher education, and Grameen Bank is giving them loans for higher education and more and more of their children are going into higher education.

As we move from step by step, we saw people, some of them borrowers, move out of poverty faster than others. And we wanted to understand why some women after several years, 10 years, 12 years, and 15 years, still cannot get out of poverty. Although we are amazed by the fact that many others are moving out of poverty quickly, but some cannot. And when we did the study, and there are associates who have spent a lot of time with them to understand their problem, and one common findings come up: bad health, poor health. For poor health, for herself or even her husband being sick or she being perennially sick makes it impossible for them to come up.

So we have been since then, trying to see how to address the health issues. And we have been talking about their problems in their group discussions and month after month and over years, and during this period we came out with some decisions, some of the things they find for themselves that they must achieve and those became known as decisions, and 16 of them. Finally we stopped after we adopted 16 of those decisions.

And these 16 decisions, most of them are related to health issues. At that time we were not looking at them as health issues or social issues or religion issues, we are simply adding whatever they were talking about and whatever decision they are coming about. Now looking back, when you look at those 16 decisions, nine of them are health-related.

We shall grow vegetables all year-round and plenty of it. This is one decision. The reason? Why do they want to have vegetable cultivation? Because at that time when the decision was taken, night blindness among the children was rampant. Most of the children of the poor families had night blindness as a disease. And we tried to understand why they are having this particular disease and soon we were told by the experts that this is because of vitamin deficiency. How do you improve the vitamin intake for these children? One advice is take vitamin A pills. We thought the other option is better, grow vegetable and eat plenty of vegetables and feed them plenty of vegetables. We took the second option.

So we started campaigning to encourage them to grow vegetables, particularly colored vegetables with lots of vitamin A. And we started selling vegetable seeds to encourage them to grow vegetables. Soon we became the largest seed seller in the country, because everybody wanted to buy those seeds. It's a very attractive little packet, almost like a penny packet, and people can just take the packet and put it into the soil and vegetable grows. Today, night blindness became a history. It doesn't exist in Bangladesh anymore.

Drinking water is a problem, so we encouraged them to put tubewell and have pure water, safe drinking water, and this became part of our campaign and also part of our credit program. We give loans to sink a tubewell so that you get a pure drinking water. And then came to the second stage where drinking water had arsenic, so came another program to filter away the arsenic. So now we are going in a big way to filter away the arsenic.

Those people who do not have a tubewell don't have the arsenic problem but they have the other surface water problem, pollution and so on. So we are encouraging them to put alarm in it, so 16 decisions say we shall boil our water or put alarm in it to purify it so that we have safe drinking water.

Sanitation was a big problem, and most of the poor families in Bangladesh go out and excrete right in the open because they don't have any sanitary restroom. It spread diseases. Children become the first victims. Children get all kinds of worms and so on. So we started promoting the decision taken by the borrowers that we should have sanitary latrine in our home. Before that, dig a hole. So it became a standard practice; if you join Grameen Bank, the first thing you do as you come to apply and join Grameen Bank, first you dig a hole and use it as a pit latrine, and gradually hoping that as you grow within Grameen Bank you take a loan for sanitation and have a sanitary latrine.

So one after another, you see if you look through all our 16 decisions, they are related to health-related issues. Because health plays such an important

role in changing people's life, in giving you the capability to do it and mobility. If children are sick, their mother cannot work peacefully. So it makes sense that children remain healthy and the mothers remain healthy, every member of the family remain healthy.

We introduced health insurance to bring health services to the poor people, because health services do not reach out to the poor people most of the time, particularly in Bangladesh. It never gets there. Although government spends a lot of money on their health programs, on the health ministry, in the name of the poor people. But it doesn't reach out to the poor people.

So what we did, we said why don't we build our own health program for the poor people. Why do we have to wait for them? And we wanted to do it in a way that it's cost-effective, that you bring money and you get the return enough to, you get your revenue enough to cover your cost. So we introduced health insurance. Basically it costs something like $1.50 or even $2 per person. Then that $2 will cover the whole family with basic medical coverage. To honor that commitment, we have a doctor in the village and paramedics and health assistants looking after the health issues of the poor families so that they can have a better health. And we do the treatment and so on. So they can see that they can afford health services with their own money.

And then they have the problem of maternal mortality, infant mortality, because of the fact that nobody pays any attention to the pregnant mothers. So you are taking chances all the time. And when you take chances all the

time, mortality becomes very high. So we wanted to reduce that mortality. Today Bangladesh child mortality has declined very sharply. Maternal mortality also declined very sharply.

So these are the consciousness and the people's awareness about the health services, about the health issues. The birth rate has gone down in Bangladesh. Population growth rate has gone down in Bangladesh. The fertility rate used to be 6.6 twenty years back; today it is 3.5 or 3.6. It has been cut almost by half in 20 years. It's an amazing success. Because people became health-conscious, they wanted to make sure children are born as healthy children, healthy kids. They are not sick, so the mother can take care of them.

So all these things were integrated into the system. And still there are many children who are not in the Grameen program who join Grameen program much later. Their children are malnourished. So we created a company to produce yogurt, fortified yogurt with vitamin, iron, zinc, everything that is missing in those children, and make it very cheap to attract the poor families to buy those cups of yogurt to feed the children so that they can replenish the vitamins and all that and macro-nutrients which were missing in them. They can improve the health situation so malnourishment can be improved, so that children once they grow up with good health they have better chance in fighting disease as they grow up. So this is another way, and micro-credit helps them to buy those cups of yogurt. And many of the borrowers of Grameen Bank's facilities, many of the Grameen Bank loans, they sell this yogurt so that they can make it an income source.

Information technology plays a very important role in helping poor people fight poverty. That realization brought us to the creation of a mobile phone company called Grameen Phone. At that time everybody ridiculed the idea: why you want to give mobile phones to the poor people? After all, mobile phones belong to the rich people. Poor people cannot afford them. It will be extreme luxury for them to have a mobile phone. I always argued that a mobile phone is a very important tool in fighting poverty and similar other technologies can also fight poverty.

Anyway, we started that company. People were expecting maybe we'll have a couple of hundred thousand mobile phones in the country. We were betting that there will be a much bigger number, because people need it and they will be asking for it. There will be tremendous demand for it. And it turned out to be true. In ten years since we began the company, in ten years it became the largest mobile phone company in the country, not only the largest mobile phone company in the country, this is practically the largest company in the country. It pays the biggest amount of taxes to the government. So you can imagine where it started and where it ended in ten years. Today there are more than ten million cell subscribers through this company.

The important part of that is that we have spread it all over the rural areas and then started giving loans through the borrowers of Grameen Bank to buy the mobile phones and start selling service. And we are calling them telephone ladies. They became a very popular business, people selling

telephone service, and make lot of money. Today there are over 300,000 telephone ladies serving telephone services to the people in villages.

And once you set up telephone services, not only does it generate income for the family for those telephone ladies, but also it brings in a lot of information. And one advantage of having information available to the rural areas, now you can have medical information back and forth. You can consult doctors who are not there in the village, who are in the city. You call him up for any problem that you have. Now you can add the internet services into it and have telemedicine provided in the villages right now.

So you have created an infrastructure which can revolutionize the whole health services in the rural areas. For emergencies, it still is a very convenient thing if you need just advice from a doctor in an emergency situation. You can all up any doctor you want. We have websites on the health-related issues, about diseases and how you tackle those diseases. The most common diseases have websites. People can access those websites just to find out what am I supposed to do since they have this particular kind of symptoms. Does it mean that I have this disease? Do I have to do something? What are the precautions I must undertake? So this becomes very important thing.

And with telecommunications system reaching out, this won't be far-fetched that when you are talking to a doctor, you want to do the pathological test, you don't have to rush to the city to do this complicated pathological test or some other test which needs your presence in the city. You can do it right

out there from the village by touching the sensors in whatever sample you have. The sensors get into that and there are reports generated in the in the city. So the distance is overcome.

There are a lot of possibilities that you can have, and we want to bring those facilities in collaboration with health companies like yours. We'd be very happy to explore, first of all explore the medical science and this frontier, what is doing well, what medicine creates what kind of responses, all kinds of clinical research, medical data. We can analyze them and make it available to them: health-related research issues with seven million families who are very disciplined in the sense that we meet them every week. Within a week we meet all those seven million families, we can talk to them, communicate with them. So that's a tremendous force.

So if you're interested to have something that you'd like to do with us in the health area, because we feel health is a very, very important area because people's future lies in it, children's future lies into it, we would be very happy to do it. It doesn't have to be a nationwide big project; it could be just a tiny one that you want to see, check it out as long as it's helping poor people. After all, being poor also means being poor in health. It's synonymous. So if we can turn it around, if we can improve their health, even the poverty will be reduced because they will be more active, more productive and so on.

So this will be wonderful even as a contribution to human life. So whichever way you want to think about it, we'd be delighted to talk about it.

And I hope you'll get in touch with us. But I'm delighted to have this opportunity to talk to you. Thank you very much. Wishing you all the success in your congress.

Questions and Answers

Q: Professor Yunus, is it important for your customers to pay for part of their health care services themselves out of their own money?

MY: I think it is very important to have the patients, the people who are asking for health services, to pay. How that payment will be made, it can be variety of ways, but the important thing they must pay something, they must feel that this is a service they are buying, so that they feel equal, they don't feel small. When you are taking something free, you feel small. You cannot claim, you cannot demand something, because you have not established any claim because you're not paying. Payment is a claim that I do this and you do this. It's a kind of two-way relationship.

But that payment can be made in several ways. One, I pay in installments. I can't pay it at one go and I pay this amount, I pay that amount. I can do you in several installments. That's payments over time. Or I pay you in future: if I go through this, I'll come and pay back to you. Or I pay a part of it now and part of it later. Whichever way. But I make a commitment that I admire your work and I appreciate what I am receiving; here is my payment. I even say that it's so important that if you cannot pay in cash, you pay in kind. You bring the vegetable that you grow and give it to them. These are my

vegetables and please get me a checkup. It's possible. So that he and she feel that this is an equal relationship.

We have just started to build cataract eye care hospitals, and there we made a system, which is not operational yet-- it's under construction-- that in our scheme of things is we'll operate everybody for cataract eye surgery. And we'll operate everybody. Rich people, well-to-do people, pay regular market price, which is attractive price in the market. And we'll make money out of that. And as we go down, those who cannot afford to pay, there is no way they can pay the full cost, we'll make them pay small amount. And this will be compensated, the remaining will be compensated by the profit we're making on the market price surgery that we do.

So as a whole, the whole hospital will be self-financed. It will not be dependent on any donor or anybody else. Whatever the cost is involved, it will be all recovered from the revenue. And that's very important, and that's the kind of business we are saying is a social business. Social business is a kind of business where you don't do the business to make money out of, you do the business to help people, to bring services to people. Otherwise they will not have the service.

So healthcare is a wonderful example of social business, where you can build the whole thing, whole enterprise, whole program, in a way that you recover all your cost and everybody gets the health service, nobody is rejected. That's the most important thing. Nobody should be rejected.

Nobody should be denied of the service. At the same time, you don't lose money. That's very important.

Q: Do you have health insurance plans for your borrowers and for your own staff?

MY: Health insurance is very effective way to bring health services to everybody. We have done health insurance ourselves for our borrowers, for our staff. We have different shades of health insurance. For Grameen borrowers we charge a low premium for them, and for non-Grameen we charge a little higher, because within Grameen we have a system, we know everything will be according to the rules we formulate, and for non-Grameen they are not part of our system so we charge a slightly higher premium. And they don't mind paying higher because that's the only way they can get health service. So not only health insurance is important, also within that you can have a variety of procedures and so on to bring health services.

When we are dealing with seven million families, which translates into something like 35 million people, a little premium, a little insurance program can yield a large amount of money to justify and finance a whole healthcare program. So we are moving towards that so that you can have a general health insurance program covering not only all the 35 million people but all the other villagers who are in the village who would like to join in the health insurance program.

So I think health insurance is very important, particularly for the poor people. And I strongly advocate that we pay attention to it and build it up as we go on.

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