

CHAPTER

FOUR

*The Stool Makers  
of Jobra Village*

In 1976, I began visiting the poorest households in Jobra to see if I could help them directly in any way. There were three parts to the village: a Muslim, a Hindu, and a Buddhist section. When I visited the Buddhist section, I would often take one of my students, Dipal Chandra Barua, a native of the Buddhist section, along with me. Otherwise, a colleague, Professor H. I. Latifee, would usually accompany me. He knew most of the families and had a natural talent for making villagers feel at ease.

One day as Latifee and I were making our rounds in Jobra, we stopped at a run-down house with crumbling mud walls and a low thatched roof pocked with holes. We made our way through a crowd of scavenging chickens and beds of vegetables to the front of the house. A woman squatted on the dirt floor of the verandah, a half-finished bamboo stool gripped between her knees. Her fingers moved quickly, plaiting the stubborn strands of cane. She was totally absorbed in her work.

On hearing Latifee's call of greeting, she dropped her bamboo, sprang to her feet, and scurried into the house.

"Don't be frightened," Latifee called out. "We are not strangers. We teach up at the university. We are neighbors. We want to ask you a few questions, that is all."

Reassured by Latifee's gentle manner, she answered in a low voice, "There is nobody home."

She meant there was no male at home. In Bangladesh, women are not supposed to talk to men who are not close relatives.

Children were running around naked in the yard. Neighbors peered out at us from their windows, wondering what we were doing.

In the Muslim sections of Jobra, we often had to talk to women through bamboo walls or curtains. The custom of *purdah* (literally, "curtain" or "veil") kept married Muslim women in a state of virtual seclusion from the outside world. It was strictly observed in Chittagong District.

As I am a native Chittagonian and speak the local dialect, I would try to gain the confidence of Muslim women by chatting. Complimenting a mother on her baby was a natural way to put her at ease. I now picked up one of the naked children beside me, but he started to cry and rushed over to his mother. She let him climb into her arms.

"How many children do you have?" Latifee asked her.

"Three."

"He is very beautiful, this one," I said.

Slightly reassured, the mother came to the doorway, holding her baby. She was in her early twenties, thin, with dark skin and black eyes. She wore a red sari and had the tired eyes of a woman who labored every day from morning to night.

"What is your name?" I asked.

"Sufiya Begum."

"How old are you?"

"Twenty-one."

I did not use a pen and notepad, for that would have scared her off. Later, I only allowed my students to take notes on return visits.

"Do you own this bamboo?" I asked.

"Yes."

"How do you get it?"

"I buy it."

"How much does the bamboo cost you?"

"Five taka." At the time, this was about twenty-two cents.

"Do you have five taka?"

"No, I borrow it from the *paikars*."

"The middlemen? What is your arrangement with them?"

"I must sell my bamboo stools back to them at the end of the day as repayment for my loan."

"How much do you sell a stool for?"

"Five taka and fifty poysa."

"So you make fifty poysa profit?"

She nodded. That came to a profit of just two cents.

"And could you borrow the cash from the moneylender and buy your own raw material?"

"Yes, but the moneylender would demand a lot. People who deal with them only get poorer."

"How much does the moneylender charge?"

"It depends. Sometimes he charges 10 percent per week. But I have one neighbor who is paying 10 percent per day."

"And that is all you earn from making these beautiful bamboo stools, fifty poysa?"

"Yes."

Sufiya did not want to waste any more time talking. I watched as she set to work again, her small brown hands plaiting the strands of bamboo as they had every day for months and years on end. This was her livelihood. She squatted barefoot on the hard mud. Her fingers were callused, her nails black with grime.

How would her children break the cycle of poverty she had started? How could they go to school when the income Sufiya earned was barely enough to feed her, let alone shelter her family and clothe them properly? It seemed hopeless to imagine that her babies would one day escape this misery.

Sufiya Begum earned two cents a day. It was this knowledge that shocked me. In my university courses, I theorized about sums in the millions of dollars, but here before my eyes the problems of life and death were posed in terms of pennies. Something was wrong. Why did my university courses not reflect the reality of Sufiya's life? I was angry, angry at myself, angry at my economics department and the thousands of intelligent professors who had not tried to address this problem and solve it. It seemed to me the existing economic system made it absolutely certain that Sufiya's income would be kept perpetually at such a low level that she would never save a penny and would never invest in expanding her economic base. Her children were condemned to live a life of penury, of hand-to-mouth survival, just as she had lived it before them, and as her parents did before her. I had never heard of anyone suffering for the lack of *twenty-two cents*. It seemed impossible to me, preposterous. Should I reach into my pocket and hand Sufiya the pittance she needed for capital? That would be so simple, so easy. I resisted the urge to give Sufiya the money she needed. She was not asking for charity. And giving one person twenty-two cents was not addressing the problem on any permanent basis.

Latifee and I drove back up the hill to my house. We took a stroll around my garden in the late-afternoon heat. I was trying to see Sufiya's problem from her point of view. She suffered because the cost of the bamboo was five taka. She did not have the cash necessary to buy her raw materials. As a result, she could survive only in a tight cycle—borrowing from the trader and selling back to him. Her life was a form of bonded labor, or slavery. The trader made certain that he paid Sufiya a price that barely covered the cost of the materials and was just enough to keep her alive. She could not break free of her exploitative relationship with him. To survive, she needed to keep working through the trader.

Usurious rates have become so standardized and socially acceptable in Third World countries that the borrower rarely realizes

how oppressive a contract is. Exploitation comes in many guises. In rural Bangladesh, one *maund* (approximately 37 kilograms) of husked rice borrowed at the beginning of the planting season has to be repaid with two *maunds* at harvest time. When land is used as security, it is placed at the disposal of the creditor, who enjoys ownership rights over it until the total amount is repaid. In many cases, a formal document such as a *bawnanama* establishes the right of the creditor. According to the *bawnanama*, the creditor usually refuses to accept any partial payment of the loan. After the expiration of a certain period, it also allows the creditor to "buy" the land at a predetermined "price." Another form of security is the *dadan* system, in which traders advance loans against standing crops for purchase of the crops at predetermined prices that are below the market rate. Sufiya Begum was producing her bamboo stools under a *dadan* arrangement with a *paikar*.

In Bangladesh, the borrowing is sometimes made for specific and temporary purposes (to marry off a daughter, to bribe an official, to fight a court case), but sometimes it is necessary for physical survival—to purchase food or medication or to meet some emergency situation. In such cases, it is extremely difficult for the borrower to extricate himself or herself from the burden of the loan. Usually the borrower will have to borrow again just to repay the prior loan and will ultimately wind up in a cycle of poverty like Sufiya. It seemed to me that Sufiya's status as a bonded slave would only change if she could find that five taka for her bamboo. Credit could bring her that money. She could then sell her products in a free market and charge the full retail price to the consumer. She just needed twenty-two cents.

The next day I called in Maimuna Begum, a university student who collected data for me, and asked her to help me make a list of people in Jobra, like Sufiya, who were dependent on traders. Within one week, we had a list prepared. It named forty-two people, who borrowed a total of 856 taka—less than 27 dollars.

"My God, my God. All this misery in all these families all for of the lack of twenty-seven dollars!" I exclaimed.

Maimuna stood there without saying a word. We were both sickened by the reality of it all.

My mind would not let this problem lie. I wanted to help these forty-two able-bodied, hard-working people. I kept going around and around the problem, like a dog worrying a bone. People like Sufiya were poor not because they were stupid or lazy. They worked all day long, doing complex physical tasks. They were poor because the financial institutions in the country did not help them widen their economic base. No formal financial structure was available to cater to the credit needs of the poor. This credit market, by default of the formal institutions, had been taken over by the local moneylenders. It was an efficient vehicle; it created a heavy rush of one-way traffic on the road to poverty. But if I could just lend the Jobra villagers the twenty-seven dollars, they could sell their products to anyone. They would then get the highest possible return for their labor and would not be limited by the usurious practices of the traders and moneylenders.

It was all so easy. I handed Maimuna the twenty-seven dollars and told her, "Here, lend this money to the forty-two villagers on our list. They can repay the traders what they owe them and sell their products at a good price."

"When should they repay you?" she asked.

"Whenever they can," I said. "Whenever it is advantageous for them to sell their products. They don't have to pay any interest. I am not in the money business."

Maimuna left, puzzled by this turn of events.

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Usually when my head touches the pillow, I fall asleep within seconds, but that night sleep would not come. I lay in bed feeling

ashamed that I was part of a society that could not provide twenty-seven dollars to forty-two skilled persons to make a living for themselves. It struck me that what I had done was drastically insufficient. If others needed capital, they could hardly chase down the head of an economics department. My response had been ad hoc and emotional. Now I needed to create an institutional answer that these people could rely on. What was required was an institution that would lend to those who had nothing. I decided to approach the local bank manager and request that his bank lend money to the poor. It seemed so simple, so straightforward. I fell asleep.

The next morning I climbed into my white Volkswagen beetle and drove to my local branch of the Janata Bank, a government bank and one of the largest in the country. Janata's university branch is located just beyond the gates of the campus on a stretch of road lined with tiny stores, stalls, and restaurants where local villagers sell students everything from betel nuts to warm meals, notebooks, and pens. It is here that the rickshaw drivers congregate when they are not ferrying students from their dormitories to their classrooms. The bank itself is housed in a single square room. Its two front windows are covered with bars and the walls are painted a dingy dark green. The room is filled with wooden tables and chairs. The manager, sitting in the back to the left, waved me over.

"What can I do for you, sir?"

The office boy brought us tea and cookies. I explained why I had come. "The last time I borrowed from you was to finance the Three Share Program in Jobra village. Now I have a new proposal. I want you to lend money to the poor people in Jobra. The amount involved is very small. I have already done it myself. I have lent twenty-seven dollars to forty-two people. There will be many more poor people who will need money. They need this money to carry on their work, to buy raw materials and supplies."

"What kind of materials?" The bank officer looked puzzled, as if this were some sort of new game whose rules he was not familiar

with. He let me speak out of common respect for a university head, but he was clearly confused.

"Well, some make bamboo stools. Others weave mats or drive rickshaws. If they borrow money from a bank at commercial rates, they will be able to sell their products on the open market and make a decent profit that would allow them to live better lives. As it is now, they work as slaves and will never manage to get themselves out from under the heel of the wholesalers who lend them capital at usurious rates."

"Yes, I know about *mahajons* [moneylenders]," the manager replied.

"So I have come here today because I would like to ask you to lend money to these villagers."

The bank manager's jaw fell open, and he started to laugh. "I can't do that!"

"Why not?" I asked.

"Well," he sputtered, not knowing where to begin with his list of objections. "For one thing, the small amounts you say these villagers need to borrow will not even cover the cost of all the loan documents they would have to fill out. The bank is not going to waste its time on such a pittance."

"Why not?" I said. "To the poor this money is crucial for survival."

"These people are illiterate," he replied. "They cannot even fill out our loan forms."

"In Bangladesh, where 75 percent of the people do not read and write, filling out a form is a ridiculous requirement."

"Every single bank in the country has that rule."

"Well, that says something about our banks then, doesn't it?"

"Even when a person brings money and wants to put it in the bank, we ask him or her to write down how much she or he is putting in."

"Why?"

"What do you mean, 'Why?'"

"Well, why can't a bank just take money and issue a receipt saying, 'Received such and such amount of money from such and such a person?' Why can't the banker do it? Why must the depositors do it?"

"Well, how would you run a bank without people reading and writing?"

"Simple, the bank just issues a receipt for the amount of cash that the bank receives."

"What if the person wants to withdraw money?"

"I don't know . . . there must be a simple way. The borrower comes back with his or her deposit receipt, presents it to the cashier, and the cashier gives back the money. Whatever accounting the bank does is the bank's business."

The manager shook his head but did not answer this, as if he did not know where to begin.

"It seems to me your banking system is designed to be anti-illiterate," I countered.

Now the branch manager seemed irritated. "Professor, banking is not as simple as you think," he said.

"Maybe so, but I am also sure that banking is not as complicated as you make it out to be."

"Look, the simple truth is that a borrower at any other bank in any place in the world would have to fill out forms."

"Okay," I said, bowing to the obvious. "If I can get some of my student volunteers to fill out the forms for the villagers, that should not be a problem."

"But you don't understand, we simply cannot lend to the destitute," said the branch manager.

"Why not?" I was trying to be polite. Our conversation had something surreal about it. The branch manager had a smile on his face as if to say he understood that I was pulling his leg. This whole interview was humorous, absurd really.

"They don't have any collateral," said the branch manager, expecting that this would put an end to our discussion.

"Why do you need collateral as long as you get the money back? That is what you really want, isn't it?"

"Yes, we want our money back," explained the manager. "But at the same time we need collateral. That is our guarantee."

"To me, it doesn't make sense. The poorest of the poor work twelve hours a day. They need to sell and earn income to eat. They have every reason to pay you back, just to take another loan and live another day! That is the best security you can have—their life."

The manager shook his head. "You are an idealist, Professor. You live with books and theories."

"But if you are certain that the money will be repaid, why do you need collateral?"

"That is our bank rule."

"So only those who have collateral can borrow?"

"Yes."

"It's a silly rule. It means only the rich can borrow."

"I don't make the rules, the bank does."

"Well, I think the rules should be changed."

"Anyway, we do not lend out money here."

"You don't?"

"No, we only take deposits from the faculty members and from the university."

"But don't banks make money by extending loans?"

"Only the head office makes loans. We are here to collect deposits from the university and its employees. Our loan to your Three Share Farm was an exception approved by our head office."

"You mean to say that if I came here and asked to borrow money, you would not lend it to me?"

"That is right." He laughed. It was evident the manager had not had such an entertaining afternoon in a long time.

"So when we teach in our classes that banks make loans to borrowers, that is a lie?"

"Well, you would have to go through the head office for a loan, and I don't know what they would do."

"Sounds like I need to talk to officials higher up."

"Yes, that would be a good idea."

As I finished my tea and got ready to leave, the branch manager said, "I know you'll not give up. But from what I know about banking, I can tell you for sure that this plan of yours will never take off."

A couple of days later, I arranged a meeting with Mr. R. A. Howladar, the regional manager of the Janata Bank, in his office in Chittagong. We had very much a repeat of the conversation I had with the Jobra branch manager, but Howladar did bring up the idea of a guarantor, a well-to-do person in the village who would be willing to act on behalf of the borrower. With the backing of a guarantor, the bank might consider granting a loan without collateral.

I considered the idea. It had obvious merit, but the drawbacks seemed insurmountable.

"I can't do that," I explained to Howladar. "What would prevent the guarantor from taking advantage of the person whose loan he was guaranteeing? He could end up a tyrant. He could end up treating that borrower as a slave."

There was a silence. It had become clear from my discussions with bankers in the past few days that I was not up against the Janata Bank per se but against the banking system in general.

"Why don't I become guarantor?" I asked.

"You?"

"Yes, can you accept me as guarantor for all the loans?"

The regional manager smiled. "How much money are you talking about?"

To give myself a margin of error and room to expand, I answered, "Altogether probably 10,000 taka (\$300), not more than that."

"Well," he fingered the papers on his desk. Behind him I could see a dusty stack of folders in old bindings. Lining the walls were

piles of similar pale blue binders, rising in teetering stacks to the windows. The overhead fan created a breeze that played with the files. On his desk, the papers were in a state of permanent fluttering, awaiting his decision.

"Well," he said. "I would say we would be willing to accept you as guarantor up to that amount, but don't ask for more money."

"It's a deal."

We shook hands. Then something occurred to me. "But if one of the borrowers does not repay, I will not step in to honor the defaulted loan."

The regional manager looked up at me uneasily, not certain why I was being so difficult.

"As guarantor, we could force you to pay."

"What would you do?"

"We could start legal proceedings against you."

"Fine. I would like that."

He looked at me as if I were crazy. That was just what I wanted. I felt angry. I wanted to cause some panic in this unjust, archaic system. I wanted to be the stick in the wheels that would finally stop this infernal machine. I was a guarantor, maybe, but I would not guarantee.

"Professor Yunus, you know very well we would never sue a department head who has personally guaranteed the loan of a beggar. The bad publicity alone would offset any money we might recover from you. Anyway, the loan is such a pittance it would not even pay for the legal fees, much less our administrative costs of recovering the money."

"Well, you are a bank, you must do your own cost-benefit analysis. But I will not pay if there is any default."

"You are making things difficult for me, Professor Yunus."

"I am sorry, but the bank is making things difficult for a lot of people—especially those who have nothing."

"I am trying to help, Professor."

"I understand. It is not you but banking rules I have a quarrel with."

After more such back and forth, Howladar concluded. "I will recommend your loan to the head office in Dhaka, and we will see what they say."

"But I thought you as regional officer had the authority to conclude this matter?"

"Yes, but this is far too unorthodox for me to approve. Authorization will have to come from the top."

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It took six months of writing back and forth to get the loan formalized. Finally, in December 1976, I succeeded in taking out a loan from the Janata Bank and giving it to the poor of Jobra. All through 1977, I had to sign each and every loan request. Even when I was on a trip in Europe or the United States, the bank would cable or write to me for a signature rather than deal with any of the real borrowers in the village. I was the guarantor and as far as the bank officials were concerned I was the only one that counted. They did not want to deal with the poor who used their capital. And I made sure that the real borrowers, the ones I call the "banking untouchables," never had to suffer the indignity and demeaning harassment of actually going to a bank.

That was the beginning of it all. I never intended to become a moneylender. I had no intention of lending money to anyone. All I really wanted was to solve an immediate problem. Out of sheer frustration, I had questioned the most basic banking premise of collateral. I did not know if I was right. I had no idea what I was getting myself into. I was walking blind and learning as I went along. My work became a struggle to show that the financial untouchables are actually touchable, even huggable. To my great surprise, the repayment of loans by people who borrow without

collateral has proven to be much better than those whose borrowings are secured by assets. Indeed, more than 98 percent of our loans are repaid. The poor know that this credit is their only opportunity to break out of poverty. They do not have any cushion whatsoever to fall back on. If they fall afoul of this one loan, they will have lost their one and only chance to get out of the rut.