

# Financial Inclusion as Viewed from the Perspective of Microfinance

The idea of microfinance advocated by Grameen Nippon and the concept of financial inclusion promoted by MARUI GROUP are connected on a level that exceeds the boundaries of each organization. The following is a conversation between two individuals that met Grameen Bank founder Professor Muhammad Yunus around the same time and that both have visions for finance that opens itself toward the future. Sharing the same ideals, these two individuals will discuss the potential of financial inclusion.

## Masahiro Kan

President  
Grameen Nippon



## Hiroshi Aoi

President and Representative Director  
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MARUI GROUP CO., LTD.

### Meeting with Grameen Bank Founder Professor Muhammad Yunus

**Aoi:** My first encounter with Grameen Bank founder Muhammad Yunus came at a lecture he delivered in Japan in 2007. This experience prompted me to establish Social Business Platform, a general incorporated foundation, with my friends. We invited Professor Yunus to serve as a special advisor to this foundation. Mr. Kan, I would like to ask how you met Professor Yunus and

what inspired you to create Grameen Nippon.

**Kan:** I first met Professor Yunus in 2008 on a visit to Grameen Bank in Bangladesh. Even today, I still vividly remember the professor's explanation of how microfinance was without a doubt applicable to Japan. It took a decade, but I was finally able to establish Grameen Nippon in 2018. I had previously been involved in government finance and financial policy at the Ministry of Finance. A major turning point came when my family's liquor store, which my uncle had taken over, was forced

to close around 2004. Seeing how those around him reacted to the closure, I was shocked at how cold others were to him. I did not want to live in a cold society when I grew older. My first encounter with microfinance and Professor Yunus came when I was mulling over these feelings. After this encounter, I came to view my prior government experience as having been the preparation for microfinance. Each subsequent time I met Professor Yunus, I left feeling even more empowered. The professor is truly the person I respect the most in this world.

**Aoi:** It was around the time of my first encounter with Professor Yunus that I was searching for ways to contribute to society through our main business. Not finding an answer, I remember being moved by the creative idea of Professor Yunus to "put poverty in the museum." Up until that point, the common approach was to use the earnings of one's business to fund charities or CSR activities. However, the professor advocated an idea for social businesses in which dividends are not paid because investments are used to fund the actual business.

**Kan:** One of Professor Yunus' Seven Principles of Social Business is "Investors get back their investment amount only. No dividend is given beyond investment money." Under this principle, if an investor puts ¥10,000 into a social business, they will only get that ¥10,000 back, even if the business grows this ¥10,000 to ¥12,000 or

¥13,000. A normal public company would return the additional ¥2,000 or ¥3,000 to investors in the form of dividends, but the dividends issued by a social business are zero. Any returns that exceed investments are used to improve and expand the social business.

**Aoi:** Listed companies like MARUI GROUP seek to realize social contribution through their business by paying dividends. Accordingly, Professor Yunus' ideas were most stimulating. We define corporate value as being represented by the intersection between the happiness of all stakeholders. I arrived at this idea when my way of viewing the world was transformed by Professor Yunus, leading me to see intersections between concepts I previously thought to be completely separate.

### Mutual Trust Bridging Gap Created by Information Asymmetry

**Aoi:** Grameen Bank has arms in both developing countries and developed countries like the United States. What type of customers do you serve in Japan?

**Kan:** The individuals that come to borrow money from Grameen Nippon are people with a desire to work but who are unable to do so because of their own poverty. For example, we cater to single mothers looking to

## Masahiro Kan

President, Grameen Nippon

Born in Fukushima Prefecture, Mr. Masahiro Kan was involved in financial policy at the Ministry of Finance and served as an executive director for Japan at the World Bank Group before he became a professor at Meiji Gakuin University in 2017. A meeting with Professor Yunus in 2008 proved to be a turning point in his life. Committed to promoting microfinance in Japan, Mr. Kan created the preparatory institution that would become Grameen Nippon with his colleagues in August 2017. Grameen Nippon was formally established and commenced operations on September 13, 2018.



improve their lives through work, members of the working poor who are proactive toward work, and other individuals that have previously been excluded from financial services. The only condition for receiving financing is for borrowers to form mutual aid groups of five people. Loans are then provided with no need for collateral or guarantors. In this manner, we simultaneously supply the seed money for funding their aspirations and provide an opportunity to work or give support to their job search. Borrowers can start their own business or look for employment. Those that want to become a care worker, financial planner, or some other specialist can receive funds to cover the tuition payments for obtaining the necessary qualifications or education.

**Aoi:** Is the need to form groups of five a standard world-wide rule for Grameen branches?

**Kan:** Yes, the group of five rule is a core aspect of Grameen Bank's approach, and Grameen Nippon also requires prospective borrowers to form mutual aid groups of five people. We provide funds to people that want to work but lack the money without asking for collateral or guarantors. A normal bank would not loan money under such conditions. The true goal of financing should be to supply money to the people who really need it, but the reality of finance is much different. This is because we are unable to resolve information asymmetry issues. The Grameen model aims to address this issue by having borrowers form groups of five and holding weekly

meetings among these groups. In other words, you could say that we will not provide financing if borrowers cannot build trust among themselves. Mutual trust is therefore crucial to our approach to financing.

### Overlapping Ideas from Different Backgrounds

**Aoi:** MARUI GROUP's credit card services business is not only unique in that it arose from a retailing business but also in the credit philosophy that has guided it since its inception. We do not assign customers credit limits based on their income, assets, age, or job. Rather, all customers start off with low credit limits that are gradually increased in conjunction with their usage amounts and payment histories. Although most credit card businesses only achieve return on invested capital of between 1% and 2%, we boast a return of 3.8%. One reason for this difference is that around half of our cardholders are in their thirties or younger. While they may not have a lot of income or assets, they spend a lot due to life events, such as renting housing, getting married, or having children. As a result, their card usage rates are high. Regardless of this younger cardholder base, our ratio of delinquent debt is the lowest in the industry, a fact that is hard to comprehend for European and U.S. investors. Our founder believed that creditability should be built together with customers. This belief gave rise to

our concept of the co-creation of creditability, which is the wellspring of value, the core value that has supported us throughout our 87-year history.

**Kan:** That concept is the same as the business model of Grameen Bank. At Grameen Nippon, we refer to borrowers as "members." This is because, rather than the one-sided provision of credit, we seek to foster mutual trust with borrowers, a desire that overlaps with MARUI GROUP's concept of co-creation.

**Aoi:** When I first heard of Grameen Bank, its philosophy resonated with me. I was struck to know that we were not alone in our thinking. Up until then, I had thought that our approach toward finance was unique, an approach that no one else could understand. What Grameen Bank preached was the same as the financial inclusion we pursued. Our backgrounds may be completely different, but our ideas overlapped. It was fate. Professor Yunus made me realize that, while financial inclusion was an approach to finance that differs from the traditional approach seen around the world, it could be seen as an approach oriented toward the future. If we view the entirety of financial services, not just credit cards, from the perspective of financial inclusion, we will see that the vast majority of financial services are primarily offered only to the wealthy. As such, younger generations and other individuals have been excluded from these services. Recognizing the problems with this situation, we chose to establish a securities company specializing in cumulative

investments. It is clear that the model of Grameen Bank and our business are connected on some deeper level that transcends their form and origin. This connection is visible in our approaches toward co-creating creditability and in our stances toward including everyone.

**Kan:** There are many aspects to the society that Grameen Nippon aims to create, but first and foremost is our vision for a society free from poverty in which everyone is empowered. This goal entails including the socially disadvantaged. Microfinance is truly an endeavor in financial inclusion. I am confident that financial inclusion will prove to be a pioneering initiative representative of future social and global trends. One such trend is the United Nations Sustainable Development Goals, the first of which is to "end poverty in all its forms everywhere." This goal means to eradicate poverty, not just in developing countries, but also in developed countries like Japan. One defined target for this goal is to "by 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions." The quest of Grameen Nippon coincides completely with this goal. There is an African saying that goes "fast alone, far together." Grameen Nippon adopted this saying as its motto. If we are united together, even if one of us may falter, our aspirations will travel far. We are committed to moving forward with our comrades.

**Grameen Bank loans money to people  
with no money without asking for collateral.  
Mutual trust is therefore crucial.**

**Masahiro Kan**

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