



DIGITIZED

*The Role of Microfinance in the Establishment of
Peace, Human Rights and Sustainable Development
in Bangladesh*

GIFT

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Consent by the Supervisor

Blagomir

Dear Madam,

In response to the letter (নং-৭৩৪৫/শা-২/প) issued by the Office of the Controller of Examination, University of Dhaka dated on 21st January, 2015; I am hereby seeking your permission to sublimit my thesis paper for further proceedings.

It should be noted that the aforementioned letter asked the author of this study to make some corrections and subsequent decorations which have been fulfilled as per the prescribed recommendations. After working six consecutive months with all the stakeholders of the study, it is now ready for resubmission.

I have no hesitations to acknowledge that this version of the study is more worthy in terms of quality and research value and ethics. On doing it I was fortunate again to be properly guided by the supervisor of this study together with one of the examiners who really helped me make all necessary corrections and ornamentations for this version.

I hope you will allow me to submit this work to the authority accordingly for necessary formalities.

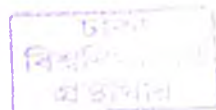
With regards,



(Sk. Kamran Hasan)

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*Recommended -
D. B. Khan
12/6/15*



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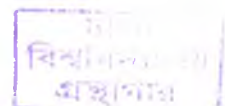
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Human is a social being where none can go ahead even a step without the help of others. Like this statement, probably I would not be able to accomplish this huge task in a very short span of time where scarcity of various logistic supports prevailed. I acknowledge with deep honor and gratitude to the invaluable guidance and research supports I got from my Research Supervisor Professor Dil Rowshan Zinnat Ara Nazneen, Professor, Department of Political Science, University of Dhaka. As I do not have any substantial prior experience of conducting research, I would not be able to do this mammoth task without her proper encouragement, suggestions and guidelines.

In case of data collection, I am owed to some other persons who were not acquainted to me before the study and in some occasions I had to meet them and their urged help encouraged me to go ahead working with such a sophisticated issue. Branch managers of BRAC, Grameen Bank, ASA, and BURO Bangladesh of seven thanas of seven divisions within the scope areas. Union parishad Chairmans of different unions of Bangladesh, BRAC, Grmeen Bank and ASA Head Offices, Dhaka; and others really deserve credit for this initiative.

Some institutions also deserve credit for this also, such as the central library of the Grameen Bank Library, BRAC University Library, Dhaka University, the World Bank Library, the United Nations Information Center (UNIC), The Ain O Shalishi Kendra, the Center for Policy Dialogue (CPD), the Secretariat of Amar Desh, a leading national daily, the Paper Section of DU Library etc are the main sources of my secondary data analysis.

I am grateful to be a frequent host of peoples at the seven thanas, whose name I can not remember and list here now, because of profound cooperation during my fieldwork. Actually they are the life of the work.

Sometimes I become hopeless and fade up to everything and I started thinking why I was doing all these things. Then the answer would come to me was that the causes are my parents. They were very humble personalities and not conscious about my study but one thing they were carrying for me was their expectations that one day I should overcome all the obstacles from the way to the world where everybody will deserve his or her rights to explore the inner respective potentials.

However, I found a great opportunity to rectify this study more precisely and redecorate the whole study with the guidance of Prof. Dalem Ch. Barman, one of my evaluators of the study. His just scrutiny and subsequent guidance and directions add more value and quality to this work.

Preface

The study has been carried out following a research monograph to be accomplished and to be submitted, for the completion of my M. Phil. degree to the Department of Political Sciences, University of Dhaka. I felt very proud to have the chance of conducting such a research work, which is considered to be one of the fields of interest of people all over the world these days.

At the end of the 2006 when the nation was down and despondent over the political conundrum the nation has been thrust into, especially with the looming of a possible attack on our civil and political rights and just when we were reeling under unprecedented economic strain--the news of Dr. Mohammad Yunus's winning of Noble Peace Prize (October 13, 2006) has all of a sudden spotted sunlight to break out in joy and relief over the nation.

The Noble Peace Prize was conferred upon Dr. Yunus for his and Grameen Bank's efforts in institutionalizing development and peace through poverty reduction. In fact poverty and peace are mutually exclusive: peace cannot enter where there is poverty and vice versa. It is true not only in the case of Bangladesh but also in other parts of the world that a peace loving nation must be a pro-poor nation in terms of the persuasion of state policies. However, as a student of Political Sciences, I think myself responsible to establish the interrelationships among Microfinance, Poverty Eradication, Development and at large Peace both form the theoretical and practical point of views. However, I remain responsible for any commission and omission in this study.

June, 2015

Sk. Kamran Hasan

Chapter-1

Introduction to the Study

Introduction

Originating from Bangladesh, microfinance by now has evolved as a very effective instrument of poverty eradication, hitherto helped much in the achievement of Millennium Development Goal (MDGs) and improvement of the quality of life of the rural poor throughout the world as well. The word 'credit' comes from Latin word 'credo' meaning 'I believe' or 'to trust'. Hence, 'credit' entails someone, the lender, to believe or trust someone, the borrower, with funds to be used by the borrower for his/her purposes (i.e. business, consumption, etc) to be repaid to the lender with interest at a later stage on agreed terms and conditions. With the advent of institutional credit and flourishing micro credit originating from Bangladesh as mentioned above, essentially, credit may be viewed as a 'power concept' or device of providing 'monetary ability'/ 'economic power' by an institutional source to the poor disadvantaged persons on agreed terms and conditions of borrowing and lending benefiting both the borrower and the lender aimed at eradication of poverty and improving the quality of life of the poor borrower.

Parallel to this to talk about finance is the study of how investors allocate their assets over time under conditions of certainty and uncertainty. A key point in finance, which affects decisions, is the time value of money, which states that a unit of currency today is worth more than the same unit of currency tomorrow. Finance aims to price assets based on their risk level, and expected rate of return. Finance can be broken into three different sub categories: public finance, corporate finance and personal finance.

Bangladesh is no different from any third world country with the problems of endemic corruption, deepening poverty and exploding population, the country grows poorer with each passing year even as billions of dollars are

pumped in aid which vanishes into thin air but there is an exception to this. Microfinance- a concept, which has transformed the lives of thousands of impoverished people through some development organizations, has turned the tables upside down.

The problem first came into focus during Dr. Mohammad Yunus's winning of Noble Peace Prize in 2006 while some controversial debates were going on regarding the subject of his prize winning. As a banker Dr. Yunus should have had Noble in Economics. Why was it in Peace? As a student of Social Sciences I think myself responsible to justify its rationality to the peace loving people of this land and beyond.

Rationale of the Study:

The following points may be considered as the fundamental sources of the rationality of the study:

1. Bangladesh is a land where the concept Microfinance found its inception and expanded remarkably for the first time. The study is rational in order to find out the causes of successes/failures, which uphold the devotion of Bangladesh eradicate poverty from its land.
2. It has been proved that there is no reason to keep poor out of banking facilities as they have proved themselves more dedicated in repaying the installment and put it forward on the way to development. The study has been rational on the ground that we have to find out some more effective measures so that credit can be accessed by the poorest section of the society and to the most remote parts of the country as well.
3. Bangladesh is socially and economically and environmentally vulnerable small state in many ways. Poverty is hindering its economy, social harmony, and political stability. The study is rational

on the point that is to sort out causes, which are being considered as a threat to the development of Bangladesh.

4. Bangladesh is an underdeveloped country where resource constraints are a common phenomenon. To combat with the combat with poverty Bangladesh is spending a lot of resources now, which is assumed to bring an economic evacuation in near future. So the rational of the study is to provide a scenario of MF programs in Bangladesh and find out ways how to measure its successes/failures and to address the pockets of potential social inequalities.
5. In case of Bangladesh the word “microfinance” is a very frequently discussed issue where hundreds of NGOs are involved directly or indirectly. There is few updated study on this issue so far. In order to provide an updated glimpse on the whole scenario of MF activities in Bangladesh the study may have been rational.
6. While some similarly situated countries remain bogged down in the poverty in their countries, the recent success of MF Sector appears to be a milestone for Bangladesh. So, it is the rationale of the study to find out how we can embolden this achievement and continue the eradication of poverty from Bangladesh and the institutionalization of peace and development in the society in a peaceful way.
7. In the international level Bangladesh is being criticized for poverty, poor governance, corruption, fundamental terrorist activities etc. and in this respect many sometimes mention to define Bangladesh as a failed state. The rationale of the study is that it will unveil the actual situation of the growth of MF operation in this land and justify its actual image as a nation state.

Objectives of the Study:

The overall objective of the proposed study is to determine the interrelationships among Microfinance, Sustainable Development, Human Rights and Peace as a tool to poverty reduction. The optional objectives of this study were operational as following:

1. To provide an updated glimpse on MF activities in Bangladesh and the perceptions of people about MF and its implications in the societies of Bangladesh;
2. To examine the impacts of MF on social, political, economic, and cultural structures of Bangladesh;
3. To find out a diagnostic set of indicators of success of MF operations in Bangladesh;
4. To judge the relevance of MF interventions with poverty eradication, and the establishment of peace, human rights and sustainable development in Bangladesh;
5. To articulate a set of research findings and policy recommendations that could deal with the problem in MF sector in a realistic manner;
6. To create mass awareness among people through which a clear and specific scenario about fundamental status of MF operation in Bangladesh will be crystal clear to all.
7. To construct a basic 'Building Block' in Bangladesh so that the approaches of sustainable development, human rights, peace and MF can be converted into an integrated approach.

Limitations of the Study:

It is relevant to clarify at the scope and limitations of this study. In particular, the study does give us much opportunity to offer a rigorous analysis of economic, political, social and regional dimensions of development and peace in Bangladesh within a specialized disciplinary framework. It will not be wise to define it to be a comprehensive study on peace, development and their interrelations.

As it is a sophisticated and to some extent controversial issue in some segment of the Bangladeshi society these days, the respondents of the questionnaire were not as enthusiastic always as expected. In case of literature review I haven't found sufficient substantial materials on this particular subject. However, the daily newspapers were one of the prime sources of secondary data of the study.

Setting an interrelationship among MF, Human Rights, Sustainable Development and Peace was a difficult task from the discussion of academic parlance. All the operational definitions were to confine with in some limit to specify the study acutely.

Time and resource constraints compelled me not to articulate me the research up to the mark. I could manage only 11 months to conduct this huge mammoth task for this data collection and provided no economic support to culminate the field survey. I systematically narrowed down my study to those chapters I have listed in my research contents. Certainly, accuracy of data was one of the limitations of the study. It perhaps tends to undermine my study, as it was difficult to find any reliable and accurate data on MF activities in Bangladesh both from the service providers and receivers end.

Operational Definitions

Our topic of the study was “The Role of Microfinance in the Establishment of Peace, Human Rights and Sustainable Development in Bangladesh”. The topic contains the following technical terms:

Microcredit: By the term, here in this study it is meant to be a tiny collateral free loan aimed at the poorest of the poor to help them start or expand their self-employment pursuits

Microfinance: Provision of a range of the poor’s financial service needs, including credit, savings, insurance, remittance management and other subsidiary services. Gradually microfinance now is being ornamented with Small and Medium Enterprise (SME) loans as well.

Establishment: By the term here it is meant that it is a process of ‘course of events’ or a culture to ensure/make peace, human rights and sustainable development processes in the Bangladeshi societies through MF interventions.

Bangladesh: By Bangladesh, an independent and sovereign state has been meant here.

Peace: Simply peace means development. Here, in positive point of view development has been put forward as the precondition of peace.

Sustainable Development: By the term here, we mean that development is achieved by poverty eradication among the poor rural people of Bangladesh. The components of Sustainable Development were listed from the Human Development Index (HDI), 1994.

MFIs: Usually NGOs, but also government bodies, banks etc.

Chapter-2

Methodology

Method Used

To conduct the research both primary and secondary data resources have been used. Primary data has been collected by fieldwork in seven different thanas of seven divisions in Bangladesh. Secondary data have been collected on the basis of a vast range of literature review and going through contemporary newspaper articles and reports. Details of the nature and modalities of framework, as well as the methods of investigation and data collection, are depicted below:

Fieldwork

To date there have been a lot of works done on microfinance but in case of determining the interrelations among microfinance, human rights, peace and sustainable development there are few works available. Few significant researches or studies have been done on this issue in a comprehensive volume.

My way of fieldwork was very simple but participation oriented. In every case I first met local thana Social Welfare Office informing them about the theme and purpose of the study as sometimes it was being considered as very puzzled issue to the target respondents. I got a lot of peculiar experiences during my fieldwork, as people were not very much enthusiastic to answer all the questions as I expected. In those cases I went to the Union Parishad Chairman/members to convene people to achieve their cooperation.

Techniques of Data Collection

The primary techniques used to generate and collect information during my fieldwork were in structured model of interviews, open-ended group discussions, and Focus Group Discussions (FGDs). Long duration interviews were held with key informants and important individuals such as

the NGO and other MFI leaders, MF beneficiaries, local Govt. officers, local MFI staffs and others.

Apart from fieldwork in the seven selected thanas, a limited extent of primary data collection took place in various offices and agencies in the Dhaka city. A major portion of my data have been collected from various development related issues in the national and international newspapers and journals, think tanks in the organizational levels, members from both government and NGOs personnel, social workers and representatives of donor agencies and others concerned to the subject matter of the study.

In some cases, written notes were taken during those discussions and interviews. In addition, the conversations were recorded on portable cassette records wherever the circumstances made that feasible. These recordings were subsequently transcribed. Typed into computer files and printed out. These Bangla transcripts proved invaluable during the drafting of the report, enabling me to check back and clarify points made during discussions and interviews, or pick up information and themes not noticed during the fieldwork.

Secondary Sources

The research made use of various documentary sources of data on MF activities, which are listed in the Bibliography. Among these were: scholarly books and journal articles; reports by various government and donor agencies as well as development organizations; academic theses and dissertation; news paper articles and clippings; copies of policies and regulations; ordinances and applications and petitions addressed to the government and concerned departments and regulatory authorities; publications by NGOs and organizations doing work on this field, and various internet sources

Literature Review:

Previous studies or works conducted regarding the title of this study mainly focus on three larger areas. Human rights and peace related works are put in one cluster, development, poverty eradication and sustainable development related studies are put in the second cluster and Microcredit, Microfinance or Microenterprise related works are put in cluster one. The primary aim of this literature review is to analyze what has been researched in relation to the topic under study. This will provide profound insight into the topic and facilitate the interpretation of the findings. The source of this literature has been academic journals, the internet, newspapers and magazines, newsletters and reports of specific institutions.

Cluster-1: Microfinance

Research interest in the subject is recent. Even so, the broader context of the role of microfinance and microenterprises and their response to development challenges in meeting the first millennium development goals is of greater interest to researchers. Thus, a large number of studies and research articles are available. The greater focus is on poverty alleviation by microfinance and their inter-relationship. There are some mentions about microenterprises; however, these are passing references and are not suggestive of any in-depth study having been made. A deep intellectual understanding of the nature, sustainability, efficiency of microenterprises in creating opportunities

for sustainable employment appears to be missing in most of the available literature. Most studies lacked in articulation of the research problems and the methodologies applied. These findings of these studies appear to more

of impressions and less about the dynamics of the process. Some studies by the practitioners Mayoux Linda, Vijay Mahajan, Thomas Fisher, Malcom Hopper etc. have suggested that livelihood aspects of microfinance be critically studied; microfinance in itself is not the panacea for poverty alleviation. Hence, the microenterprises operated by MFIs require a critical and scientific scrutiny by a thorough the empirical study and interaction with the subject. With this consideration in mind, this researcher has reviewed literature in the context of the present study. A comprehensive bibliography was compiled before commencing the literature review, from which select works were subject to a critical review. The review included some basic theoretical works, historical reports, empirical research articles in academic journals, books based on field studies, and the documented experiences of professionals. A few recent books that discussed the relevant concepts were also reviewed.

The concept of microfinance is still a developing one. For better understanding the concept clearly, it was also necessary to review literature on Microcredit and Microenterprises. References were also found on microenterprise related to non-farm sector, rural industrialization, rural development and entrepreneurship development and there were reports of multidisciplinary approach to the subject. Since the late 1990s, specifically 1997-98, there are increasing references to Microfinance and Microenterprise in studies related poverty alleviation, non-farm sector and self employment.

Morduch Jonathan (Dec, 1999): The ‘Microfinance Promise’ is pioneering study on microfinance institutions and their sustainability. The work has been referred to and cited by researchers and scholars across the world. The

study applied the case study method to discuss and review microfinance practices in various countries. MFI approaches and strategies - mostly from the developing countries of Asia and Latin America (Grameen, SEWA, and Banco-sol)- are reviewed. The group approach practiced by the MFIs has shown considerable promise in safe delivery of finance as well as timely repayment by the borrowers. An interesting observation in the study was that many of the MFIs did not just provide microfinance; they also offered a variety of support services to the poor beneficiaries of microfinance. These services were necessary for the proper and effective utilization of microfinance. In some cases, MFIs kept aside a portion of the loan amount which could be used to fund the training of the members. Some MFIs were connected to institutions that offered services like building capacity and capability, training and consultancy and so on. The aim and objective of these services was to maximize the benefits of the microfinancing. The viability of Micro Financing is a matter of concern. Most MFIs are sustainable only at high rates of interest which is in the region of 38-40%. The author notes that even the pioneering Grameen Bank still needs grants to operate its microfinance services. It is yet to sustain itself. The alternative to grant support is to keep interest rates high, along with adequate collateral from the client. However, it is not clear why, if Indian banks can offer microfinance at 10-12%, MFIs should charge 38-40%. This leads one to wonder whether the profit motive is more important than the need to alleviate poverty. However, the study is about microfinance and its sustainability; not much has been written about micro enterprises. The nature of the microenterprise that the group members have started are equally worthy of study as, ultimately, they determine the sustainability of livelihood and the ability to repay on time.

Ghate Prabhu (2007): 'Indian Microfinance Rapid Growth' is a detailed review of the microfinance sector in India. The report is based on secondary data and the available literature and contains a comprehensive discussion on the microfinance sector in India. He suggested that microfinance must make provision for business training or livelihood counseling to its clients. This will enhance the skills, increase productivity, and also bring about improvements in production, marketing and financial management among the borrowers. Social service provisioning along with the financial provisioning enhances the quality of impact of microfinance. The study on 'SEWA' evident that training or financial counseling prior to loan disbursement create more business prospects and financial skills also empowers the borrowers take risks , visualize scenarios in the long term. The training imparted to the borrowers in SEWA has helped to change their business perspective. However, these aspects are not discussed in further detail and, as a result, there is not much clarity on the matter. But the author emphasizes (op.cit, p. 211) and accepts that training inputs on social services to clients of microfinance are important along with financial training.

Karmarker K.G. (2008): Karmarker-who worked with NABARD on microfinance-, accepts that a good number of borrowers in India are struggling to graduate from the microfinance to the microenterprise stage. A lack of marketing linkage affects the members in the microenterprise stage. He adds that many NGOs and agencies are not in a position to provide beneficiaries with the requisite backward and forward linkages and market survey reports. This affects setting up of microenterprise in a sustainable manner. He also observes that beneficiaries are used as delivery channels for insurance or products manufactured by big organizations e.g. Hindusthan Unilever, ICICI etc.

P.J.Christabell (2009), carried out an empirical study to know and understand the contribution of microfinance in bringing about changes among the members of various MFIs in the Ullor panchayat in Kerala of India. The study is an effort to determine the effect of microfinance on the development of various capacities of economic, social, democratic, and political- among the members. The availability of microfinance provisions and access to it has helped to develop the self confidence of the women members are provided opportunities for self employment (p.34). The study covered a sample of 34 groups by a two staged sampling process.

The study used the qualitative tools of data collection – case studies, observations, schedules (open- and close-ended). The main theme of the study is microfinance and its role in building capacities presented evidence from a review of literature to support the claim that microfinance has transformed the borrower-members from a state of unemployment to a state of self-employment. Yet, in another place in the same work, references are made to literature which reports that the benefits of microfinance have not reached the extremely poor in society (op-cit, pp 51-52). Thus, it is evident that the author has is unable to arrive at a definite conclusion.

The author also mentions that the members do not have the capacity to manage the large amounts of credit. Some women set up enterprises with the help of their husbands. However, the businesses could not attain a minimum turnover in volumes and value to become profitable. An example was given by the researcher in which the wife puts up the capital and the husband provides the entrepreneurial inputs (op.cit,p.56).

The author has mentioned that livelihood development needs local level participation but it is not clear about whose participation and at what level? The author also questions whether group based enterprises model is the right

template in all cases (op.cit, p. 61). Due to the inherent risks, if some members of the group are entrepreneurial and some are dormant risky borrowers, microfinance may not yield the desired outcomes. The author also stresses that skilled, trained and conscientious members of groups can effectively invest the credit in the profitable ventures.

Christabell also cites (Berger 1989), who concluded from his studies that credit is not the cure for the problem of unemployment. Other institutional problems, too, must be addressed-illiteracy and low education levels. Poor management skills also hamper the efforts of the women micro-entrepreneurs to increase their income. Berger recommended training and technical assistance- oriented to the informal sector- would be helpful to the women.

Christabell also reports that, in Kerala, NGOs like the Bharat Sevak Samaj (BSS) do provide training on microenterprise, so that group members can participate in income generating activities (op.cit,p.140). The statistics are encouraging- out of the 323 women surveyed 63(20%) are engaged in income generation. The women started trade and small business units rather than production and manufacturing where the risk of sale is higher. Most of the members had taken up activities related to their traditional skills and used available the natural resources (p. 168). About 50% of women had started their activities- enterprises after joining the groups. This shows that groups do support and help members to take up the enterprises/ self employment production and processing units were run by members in a group form (op.cit,p.172). A matter of concern is the absence of coordination among the members of the members and at local and Panchayat levels. This affects the working of the groups and their effectiveness. Coordination is a necessary prerequisite for the development and growth of

groups and their effectiveness in promoting and sustaining the groups (op.cit,p. 176).

Sinha Debotosh (2008): In his study, Sinha reported the experiences of women who set up businesses after joining MFIs.(ibid, pp 6-33). They had joined with their husbands in their businesses (ibid,pp 26-61) experienced considerable growth. A common constrained, voiced by the women was insufficient training inputs and lack of institutional support. Sinha suggested a need- and local resource -based training inputs to enable group members to take up suitable economic activities that are based on locally available raw material.

Murty G.R.K, Samanta Pradeep Kumar (2008): In the section on public and private partnership, the authors have clearly stated that microfinance alone is not the panacea for eradicating poverty. It is just one of the tools to help the poor to develop themselves. The delivery of microfinance must be backed by support to address other issues related to their socio-economic status. Some of the concerns are ill- health and poor nutrition, poor education levels, lack of capacities and capabilities, and so on. It is only when the right environment is created that people will be in a condition to work to put the credit to good use. The authors suggest that corporate sector take up some responsibility for creating an enabling environment and strengthen the credit recipients' movement. However, no specific proposals have been put forward. The authors also recommend that the government increase its efforts to develop skills and capacities.

Bhide and Mehta (2004): Bhide and Mehta emphasized that education is paramount in enabling an individual to escape poverty. Thus, investment in education must be accompanied by making available income generating opportunities.

Harper Malcom (2005) says in his writing that government should provide the public services which enable poverty stricken people to take advantage of the synergies between nutrition, education and family planning and so they can exit poverty. Thus, along with microfinance, other issues also must be taken care off while working on the poverty alleviation strategies. He further adds telling- that need for achievement motivation has been seen as the driving force for an individual to take risk and venture in to business.

Fisher Thomas and Sriram M.S (edited,2002), edit ‘Beyond Micro Credit-Putting Development Back into Microfinance’. Several practitioners and thinkers have contributed critically on the various aspects and the changes required in the present micro-credit and microfinance sector in the Indian context. It has been discussed that there are two schools under the microfinance sector one is poverty and second is microfinance for earning profit through inclusion. There is a critique on financial school of thought of microfinance and concludes that development of the poorest by providing micro-credit will not bring the change in poverty alleviation state. Hand-holding and support is necessary.

The authors have quoted the example of microfinance institutions who have clubbed micro-credit package with capacity building, business and financial counseling, and another support services. Such initiatives have yielded better results in the use of credit and income generation among beneficiaries. The microfinance services must be integrated and which encompass both credit and business support services to the clients of microfinance (op.cit p. 74).

‘...success of microenterprises depends on a whole range of resources (e.g., natural human,social, financial) and opportunities (e.g., markets, the policies and institutional environment) other input are required not just business support and training, but also the identification of livelihood

opportunities, establishing market linkages for inputs and outputs, adapting technologies, organizing producers, sub sectoral analysis and policy reforms (ibid,p.75).

Joshi-Pant, Deepali (2006): Joshi-Pant dealt with contemporary issues in her book ‘Social Banking’ where she mentions that the credit groups members securing access into formal financial institutions failed to do as their loans were not linked to the provision of credit. Microfinance for the poor/women is now widely recognized as a strategy for poverty alleviation, employment and economic empowerment. The author further explains how microfinance helps the poor increase their income, build viable businesses and reduce their vulnerability to external shocks. It is also an instrument for self empowerment and enables women, who bear the double burden of being poor and being women, to become agents of economic change (ibid, p.13).

She mentions that micro-credit addresses most of these problems as it incorporates innovative financial practices. Micro-credit implies small loans extended to groups of poor persons who undertake self-employment projects that in turn generate income, enabling them to provide for themselves and their families. The targeted population comprises poor women and micro-entrepreneurs of low income households (Social Banking, p-129,).

Joshi, further critically brings some basic questions to examine the worth of microcredit. *Is micro credit a panacea? Is it the Holy Grail for development practitioner? Does it successfully provide a safety net for the poor even the asset-less and the destitute in all situations? Does it combat economic uncertainties, loss of livelihood, seasonal unemployment or natural disasters? Can it effect distributive justice and ensure growth with equity which will enable the poor to access development recourses and use them to their best advantage?(p-13)*

Joshi also talks about the formal commercial banks' have some constraints: (1) They are unable to distinguish the credit worthy borrowers from non credit worthy borrowers. (2) They lack the presanction and post loan monitoring processes and supervision is weak. Thus, they do not have the capacities to monitor and ensure productive use of the loan. In traditional banking, it was not the expected practice by the staff of banks. But in the new challenges, the changes and inbuilt mechanisms need to be developed as microfinance is now considered a priority sector in social banking. Human resources development and skills and capacity development of staff with a multidisciplinary background may help in managing the challenges that are present in the microfinance sectors (ibid, p.128). Such a structured approach may help in enterprise development and provide means of livelihood to the poor.

Joshi-Pant also stressed the need for an integrated approach for financial services and the nurturing of MFI groups. Non- subsidy driven micro- credit by MFIs and banks will assure the success of microfinance strategy. Joshi in her study also mentions about several models of social banking in the world were studied:

Grameen bank model: This model of microfinance only provides the microfinance to the poor who want to take up self employment as a means of earning an income. Such individuals are required to join a group. There are clusters of 6-7 groups each. Each cluster is closely monitored and supervised by bank representatives on a weekly basis.

Bank Rakyat Indonesia)- Unit Desa System: This is the largest state owned bank in Indonesia. Loan interest rate is 1.5% per month. It functions as a business organization and does not provide any training to people. Unit Desa

System is a sister organization of the same bank. Here no group lending by the bank but the loan to individual. This is a self sustainable model of MFI.

Banco-sol-Bolivia, NGO turning in to a bank (1986): This is a unique example of a NGO formed into a bank with the support of three funding agencies ACCION, USAID and Canadians Calmeadon

Foundation. This model follows the group approach. 6-8 local business people are the group members and called solidarity group. Interest is charged at the rate of 24% p.a. and this model has achieved operational self sustainability. (Banco-Sol) participates in group lending to micro-entrepreneurs at the commercial rates.

The New paradigm: The poverty school of thought, where a government and donors provide subsidized credit to the poorest of the poor. The financial sector provides credit at market rates of interest to economically active, which poor microentrepreneurs hardly able to afford it. They also support them with proper supervision and building their existing skills and capabilities to run their enterprises efficiently so that a healthy cash flow is generated. In turn, this enables the micro-entrepreneurs to pay back the loan taken and become eligible for fresh financing for expansion and growth of the enterprises. This model sustains both the MFI and the micro-entrepreneurs. Both approaches stress on group financing.

Mohanty Smrutirekha (2004), studied credit needs and the related institutional aspects of rural artisans in Orissa, India. The needs and requirements these artisans-turned micro-entrepreneurs were examined with empirical evidence. Mohanty showed that these microenterprises are home-based, and their products are commonly sold in the local markets. The study also reported difficulty in obtaining adequate raw material mostly supplied by co-operatives. The enterprises also suffered from lack of proper market

access, poor infrastructure- roads, warehousing, power etc. There was also no agency to support the artisans in obtaining appropriate technology, getting suitable market access and the right price for their products. (pp. 44-45). Microenterpreneurs in rural areas mostly come from traditional artisan backgrounds. It is there a matter of interest to know whether the credit groups support the traditional occupations or whether the microenterprises are based on entirely different skills. This is a matter of concern to the current study. It also will help to understand why it so?

Seibel Hens Dieter and Uben Parhusip (1990): The vast majority of microentrepreneurs do not have access to Institutional finance. The conventional approach to financing microenterprises faced the hurdle of high transactional cost to both lenders and the borrowers. The financial institutions could not afford credit subsidy and the borrowers-the micro entrepreneurs- could not pay market rates of interest. The borrowers have helped in finding a way out. They have helped micro entrepreneurs realize their full potential. The cohesive nature of SHGs instilled a collective goal, group peer pressure ensured discipline among the members, and group savings served as collateral. Thus, MFI group members made for more reliable intermediaries. In 1986, the workshop held by the Asian and Pacific Regional Agricultural Credit Association (RACA) in Nanjing, China, the members adopted a novel programme involving a financial system built around Self help Groups. The SHGs would serve as grassroots intermediaries between banks and rural microenterprise (Harper M, edited,2003, pp.12-13).

Jerinabi U. & Kanniammal K. (2008): ‘Micro-credit-Anti Poverty Tool’ a quantitative study conducted on 202 beneficiaries of credit supplied through various MF groups in rural India. The study revealed that middle-aged

women were more interested in becoming entrepreneurs. 42% of the women had started a microenterprise to increase income level. 33% of women respondents found employment through a microenterprise, which made them self reliant. 88% women earned a profit from their microenterprises. However, the study makes no mention of the systemic contribution to the results. It is important to know how these microenterprises were set up and developed.

The researchers also found that the micro-entrepreneurs to whom credit was provided were not extremely poor. They recommended that micro-credit must be made available to the poorer sections and not just to the credit-worthy. Effective use of the Micro credit is as important as access to it. The study further recommended that micro credit should be accompanied by support in the form of capacity building and training programmes for economically deprived communities. It must be assumed that the poor members are in need of such inputs. The study also accepted that micro credit provided through MFI groups helps in promotion of income generation activities that offer opportunities to make the members economically independent and change their social status too (Lazar D. & Palanichamy,P,edited , pp 232-242).

Chinnammai, S. (2008): The author conducted an empirical study – ‘Microcredit and Upliftment of Women through education’ which found that women do not receive proper technical and science inputs. Thus a special provision must be made for guidance and counseling services to women. This approach may help them to develop. This study also reinforced the potential for socio-economic changes among the members. (ibid, pp. 256-267).

Mahalakshmi, V. (2008): In her evaluative study, the focus is on micro insurance for the poor borrowers of micro credit. The study hardly mentions about the need of insurance covered for microenterprises of poor by MFIs (ibid, pp. 387-398). For a big enterprise, while providing loan by financial institutions its insurance is also made as compulsory requirement then why the insurance coverage for microenterprises is also the research interest will be inquired?

Stemper Gloria Almeyda (1996): Stemper describes 'finance' as just one step of developing micro enterprises. The other important factors are training, marketing and technology. The author also describes the practices of MFIs, NGOs and Banks in Latin America. *'...entrepreneurs, reduces the risk in lending to their microenterprise. After the training, women are asked by the NGOs to get formed in solidarity groups, which assured and control the risk factors for the MFIs for safe lending of microfinance.* It is important to note that, for women micro-entrepreneurs, it is a matter of survival rather than profit as most of them are excluded from the public life. The group acts as guarantee.

Bhat, K. & Durai Raj,K (2008): It is an evaluative study conducted among the PMRY beneficiaries in India by using a proportionate sample of 400 individual entrepreneur beneficiaries from the Union Territory of Pondicherry. The study mentions the various problems faced by the beneficiaries of the programmes but there is no discussion on the group based approach to develop and promote entrepreneurs. Under the PMRY loans are provided to groups of five individuals or to established group members. Many small and microenterprise development programs in US, Bangladesh and in Mexico, to which microfinance loans are provided

through groups of entrepreneurs, have benefited by reducing the problems and better support. (Lazar D. & Palanichamy,P, edited,pp-492-500)

K. Shobha (2008), conducted a study of women entrepreneurs of Coimbatore, Tamil Nadu. They were motivated to entrepreneurship to supplement family income and to come out of poverty. Non-economic motivating factors were - the desire to be independent, make productive use of spare time, interest in a particular area of work and advice and encouragement by friends and relations. The main problems faced by these women were difficulty in obtaining material, labour issues, problems in availing the credit, competition, inadequate knowledge of government schemes and programs, difficulty in acquiring new skills, harassment, lack of marketing facilities and networking, lack appropriate technology and equipment etc.

In both the above studies, the women entrepreneurs were mostly in the middle age group of urban areas. Their children were sufficiently grown up and the husbands were busy with their jobs. Such a situation left the women with enough spare time to consider entrepreneurship and was able to devote enough time to their ventures. However, in a situation where a woman is compelled to take up entrepreneurship as the only livelihood option, the pressures and priorities are likely to be different. The focus on income and profit will be different.

Vyas Jayshree (2008): While working with SEWA, author found that *'...financial service alone is not enough for poor people to transform their economic activities into profitable economic enterprises. Access to market, information, technical know-how and social support services are as important as money, if the poor are to share in economic growth. If poor are going to build incomes, assets and livelihood in substantial ways, they need*

access to - market information and commercial linkages, technologies and methods to improve production, market infrastructure, health and social security services , information and to know how to develop entrepreneurial abilities and representation on the decision making bodies... (Microfinance in India, 2008, p. 266).

Thanksy Francise Thekkekara (2008): The author mentions that microfinance today is conceived as a holistic programme for microenterprise development. The program included, chiefly, capacity building, organization of poor, planning of cluster of activities, infrastructure building etc. (Microfinance in India, p. 191). Since the mid-1980s, women micro and small entrepreneurs have received increased attention and assistance from government. Microenterprise is seen as having particular advantages for women e.g. their flexibility and locations (at or near their homes), ease of entry into and links with local markets. Women entrepreneurship is *‘...small enterprises need to be assisted by holistic strategy and comprehensive programme that accessing labour opportunities and their low skill levels. While ILO as a member of UN council of the Micro Credit Summit at Copenhagen, supported this goal, it should be said that microfinance is not a panacea. The provision of microfinance is only one instrument among others that will help female micro and small entrepreneurs to grow and develop...’* (Swa-Shakti Bulletin, Jan-June 2003, pp 105-111,).

The government must provide the infrastructure where the training and guidance are imparted. The members must receive training in microenterprises so that the credit availed by them may be used productively (Samal A.P, cited by Das, Nanda and Rath, p. 82,).

Devi S. Kavitha (2014) has reviewed on the topic “Micro Finance and Women Empowerment” this topic in this article is the presentation in a succinct and applicative manner of several decision making processes”. Microfinance gained impetus primarily because it promised the social and economic uplift of women in developing countries across Asia, Latin America, and Africa. Countries in these regions have patriarchal societies that harbor gender-biased traditions preventing the liberation of women. The ability to generate and control their own income can further empower poor women. Research shows that credit extended to women has a significant impact on their families' quality of life. Of these methods microfinance providers tend to involve the husbands of their female clients when talking business, because his support is vital. Additionally, any plan to fight poverty cannot solely focus on one gender and circumstances therefore; many microfinance programs serve men as well.

Mayous Linda(1995,2007): Linda explains two approaches to micro-credit initiatives- market and empowerment. Author explains that both the approaches to micro-credit development have a number of inherent tensions. She makes it clear that microenterprise development for women is unlikely to be an all- win, bottom-up solution to wide a range of development problems. Micro-credit cannot be seen as a substitute for welfare or direct efforts to support labour and address gender inequality.

Even in terms of the narrow aim of increasing beneficiary incomes, microenterprises development is unlikely to succeed for the vast majority of poor women (rather than a small number of better-off women) unless it is part of a transformed wider agenda. There are particularly serious implications for reliance on microenterprise as the main focus of a wider

strategy for poverty alleviation and change in gender inequality (Examining Self Help Groups, 2007, p.137,).

According to Linda Mayous (1995), female entrepreneurs have particular characteristics and they have developed strategies to overcome economic and other discrimination. They invest in and use social networks, and also exhibit a reluctance to take risks. There is a built-in tendency to diversify in order to minimize risks.

According to her constraints faced by the women entrepreneurs are; a) lack of access to productive resources due to discriminations in property ownership and in employment b) lack of time because of unequal gender division of labour in unpaid productive and reproductive activities c) lack of skills due to lower levels of literacy and formal education d) lack of access to labour as a result of norms of gender hierarchy and separation and finding, e) lack of access to markets due to their exclusion from most lucrative markets.

Cluster 2: Poverty Eradication and Sustainable Development

Rushidan Islam Rahman and Lila Rashid (2001): The edited book of the authors ‘Microfinance Regulations for Development-Global experiences’, specifically put 5 points which indicate that MF made credit available for the poor women, generated overall income, successive opportunity to come out of poverty box, raised social capital and power through group formation, and generated synergic effects of multiple development interventions in the areas of health, education, environment , human rights etc.

Dr. Mostaq Ahmmed (2002): Dr. Mostaq in his book ‘Key to Achieving Sustainability-Simple and Standard Microfinance Services of ASA puts a wide range of data set where he specifically tends to set some indicators to

establish the relationships between Microfinance and Poverty Alleviation through diagnosing the social and economic impacts of Microfinance activities quoting the study/works of Hossain (1985 &1988), BIDS (1990), IMEC (1995), Pitt & Khandker (1995), Rahman (1996) etc.

Andreas fuglesang dale chandler (1994): His book ‘Participation as Process, -what we can learn from Grameen Bank, Bangladesh-Grameen Bank Dhaka’ focuses especially on the indicators of nontraditional indicators of development achieved and shaped by the interventions of the MFIs. He discusses the power of microfinance which can unleash the vicious cycle of poverty and create a culture of penetration through the culture of poverty. He rightly quoted Adam Smith here whole was convinced that a division of labour in society is the clue to development and growth. He also discussed on social accountability method with group formation approaches of the MFIs which increases the credit discipline in one hand and sitting together may produce more mutual understanding about each-other and in result may contribute to the culture of social stability. He also outlined the reasons of poverty addressed by the MFIs during the long course of operational experiences especially in the cases of Bangladesh which indicate that there are some common assumptions regarding poverty and over all development processes which can be handled by listening skills, memory skills, survival skills, resource utilization techniques, occupational skills, incorporation women in market etc.

Karmarkar K.G. (1999): Microenterprises face constraints such as the inability to grow due to a lack of resources, inadequate infrastructure like water, power, markets, insufficient market information, inability to access finance, the absence of a brand image, lack of standards and standardization, absence of clear cut government policy etc. Karmarker further shares the

experiences of various countries like China, Malaysia, Singapore, Thailand, Japan and Korea where a unified concentrated approach was adopted by all the concerned institutions, organizations, NGOs, and government for the promotion of microenterprise. Further, he says that India too needs to take certain hard decisions to strengthen and develop the microenterprises sector for better employment and economic growth of rural India (*ibid*,p. 163).

After several decades of centralized planning it is now clear that government alone cannot ensure employment. The industrial and agricultural sectors are also unable to absorb the growing labour force. Microenterprises- whether they are in informal, unorganized or in the organized sectors- can provide opportunities for gainful employment and bring about changes in the social structure (*op.cit*, pp.175-176,).

Saguna, B (2006), had conducted a study in the Chittoor district of Andhra Pradesh, India which tends to determine the relationship between the borrowers and level of empowerment among their women members in rural areas and the resulting impact on rural women's status. Primary data was collected through stratified sampling of a total of 300 borrowers from three revenue divisions of the district. Secondary data was collected from various sources. The tools used for data collection were interview schedules, personal interviews, and observation and official documents. The author has explained in detail the concept and theme of empowerment and discusses their current status of MF borrowers in India. The author has used literature study and empirical data to give the reader a good understanding of these themes.

The author suggests that beneficiariess go through three stages- group formation, capital formation and skills development, and the start of economic activities to generate income. Special case studies are discussed to

provide specific evidence to highlight the various types of empowerment processes which the women of the MFI had undergone. The study revealed that a majority of the loans taken by the members was invested in income generation activities. The outcome helped in their economic empowerment. The economic activities that were financed were dairy activity (18.67%), business related (18%), animal husbandry (12.33%). A significant portion- 19.67%- the loans were not used for the purposes for which they were taken. However, the author has not clarified the circumstances and the reasons for this. Possible reasons are a lack of market access, lack of skills and capacities of members or lack of business guidance etc. In any case it is indicate of a gap in the analysis. Unless and until our understanding of this gap is clear, it may be difficult to understand and predict possible failures and plan preventive action to reduce such incidences (op.cit, p. 198).

The research also points to the problem in the marketing of the products made by the borrowers. Often the quality is poor and they are unable to compete with similar products made on commercial scales by larger entities. The products are sold in local markets and access to larger markets is limited. The borrowers that have government contracts and are well connected have some exposure to state and national level exhibitions and are able to promote sales.

But the study also pointed out instances in which the dominant group leaders exploit poorer and less empowered members. The case studies show that economic empowerment has been the most visible effect of the borrowers. However, the author also admits to the difficulty in measuring social empowerment. The study falls short in some areas. For example, it does not mention whether the this study also indirectly reinforces the perception that borrowers need qualitative guidance and support to derive the benefits of

micro-financing. At the same time, the support and training needs are not identified.

Titus Mathew (2002), says *'attention to microfinance service must be a part of wider policy engagement with poverty alleviation and as he suggested above, with micro-enterprise, including a deep understanding of their role in providing livelihood and contributing to national economic development'* (Beyond Microcredit, p. 316,).

Mahajan Vijay (1997): Mahajan, critically analyzed the status of microfinance and its functioning in India. In this scenario, all microfinance borrowers are required to take up self employment as source for the livelihood. (Is micro -credit the answer to poverty eradication?pp.8-9). The poor often do not opt for the self employment or for enterprise development; they first seek wage employment, which is an easier and faster means to provide for their daily necessities.

Enterprises promotion was a focus of development activity until the early 1990s. Many involved in those endeavors felt that the minimal growth of micro-credit diverted attention from the challenges of promoting enterprises. Finance was often not the overriding constraint. Yet, thinking and practice on wider needs of enterprises progressed little since the early 1990s. It is now gradually gaining importance under the name of business development services. (Beyond Micro-Credit, p. 27)

MFOs must develop the skills and capacities of the staff they recruit for microfinance related work. Their competencies must be upgraded through a human resource development initiative so that they can guide and counsel the poor borrowers of microfinance. A well trained staff can integrate the financial as well as development objectives, mobilize resources, help with costing and marketing and so on (ibid, pp-312).

Farida Handy, Ranade, Kassam (2007): In their study on non-profit and for-profit women entrepreneurs in the city of Pune, India; they found that all the non-profit entrepreneurs who worked for women and children receive a high payoff from promoting social causes. In contrast, there is no single unifying payoff for for-profit entrepreneurs. Family background and support did play an important role for both sets of entrepreneurs. They found that experience in the sector, social class, caste and education influence entrepreneurial behavior and that this influence differs by sector. The entrepreneurs studied were from middle or from higher income groups. The researchers also experienced that women entrepreneurs gave more importance to family than their business or enterprises. Most of them started with a low risk enterprises to avoid any disturbance of family responsibilities. Family responsibility may not be get disturbed due their enterprises. The women considered financial stability at home to be essential before they turned to entrepreneurs. Then its an interesting to know how and why the MFI members are opting and getting in to starring a microenterprise.

Cluster-3: Peace and Human Rights

Gaby Ore (2008): *The Local Relevance of Human Rights*-The specific purpose of the paper is to “offer an introduction on how local communities' use of human rights in the context of field studies can be researched.” It puts forward a 'localising human rights framework' for “examining how [human] rights become relevant to the most excluded individuals and communities and [...] assessing local participation in human rights development and elaboration.” The author frames 'localisation' as a programme to counter the negative effects of 'socio-economic globalisation', and situates the

localisation of human rights as a key part of this. This means working alongside 'local communities who act to defend their rights, and – most importantly – examining the impact of these actions on the human rights framework'. The methodology for this research is based on studying local communities (ensuring sensitivity to issues of representation and internal inequalities/marginal groups) affected by globalisation. If networks of actors are critical for realising human rights, they are only able to do so when “the human rights experiences of communities set the agenda for the entire network” (De Feyeter 2007, p.83 in IOB 2008). However, there is a common danger that NGOs working for human rights often fail to include those they work with/for in key decision-making processes. There is, thus, a clear need to assess: power dynamics amongst network actors; the extent to which human rights claims reflect the actual priorities of the most excluded; the community's exposure to human rights language and standards; and the required capacity building.

Cooke and Kothari (2001) Participation: *The New Tyranny* While the growth of 'participation' in development discourse can be traced from the 1970s onwards, its widespread use can be attributed to the endorsement of participation by a variety of international agencies, including the World Bank. In that mainstream guise, participation was typically understood as a means of reducing costs, benefiting from local knowledge and increasing efficiency and sustainability of development interventions. The new-found popularity of participation led to the rapid uptake of participatory methods and approaches across a wide variety of governmental institutions and NGOs. With this up-scaling, it was found that the values and practices required to realise the transformative potential of participation were often overlooked, often getting co-opted by – and therefore replicating –

prevailing institutional prerogatives and social biases. Such issues are explored extensively in this book which, through a series of case studies, looks specifically at the ways in which participation has failed to deliver on its promises and even served to legitimize a perpetuation of the status quo.

Miller, Vene Klasen and Clark (2005): *Rights-Based Development: Linking Rights and Participation – Challenges in Thinking and Action*. IDS Bulletin 36 (1). This short article provides a useful conceptual clarification of the meanings of ‘participation’, ‘rights’ and ‘empowerment’. It also discusses the internal and external implications and challenges of building a shared understanding of those meanings and linking rights and participation into integrated change strategies, both for development and for human rights organizations. Apart from conceptual clarifications and strategic shifts, new skillsets are needed as human rights organizations and rights groups move beyond strengthening the human rights framework and achieving legal reform and engage actively with ensuring that formal rights are recognized on the ground and people develop a sense of themselves as subjects of rights and the capacity to engage and reshape power. Understanding power dynamics, adult learning theory and practice and community organising are highlighted as key to successful capacity-building with local counterparts. The article also points out that ‘adjustment in the pace of operations’ inside organisations may be required so ‘that people have space to analyse connections before they implement’ and suggests ‘investing in creating learning systems for capturing and integrating lessons from innovation and allowing space for some mistakes and learning by doing’.

Peter Uvin (2007): From the right to development to the rights-based approach: how ‘human rights’ entered development. *Development in Practice*: 17(4-5) Uvin explores the relationship between rights and

development, starting with the 'right to development', adopted as a United Nations resolution (i.e. not binding like a treaty) in 1986: "The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized." While the right received further attention, it has generally been heavily criticized from both legal and political perspectives. Uvin highlights the rhetorical reference to rights and corresponding self-framing of activities of agencies such as the World Bank and the United Nations Development Programme as founded on or contributing to the realisation of rights without any substantive changes having taken place. However, he also notes that this discursive shift may signal that potential for further change is emerging. So far, it has not entailed a close examination of the tensions that exist between human rights and development. Uvin also notes the tendency to consider 'development cooperation' as contributing to ESC rights while failing to acknowledge that engaging with human rights means addressing the relationship between citizens and the state. So human rights is about: "having a 'social guarantee' (Shue 1980), which implies that it is about the way the interactions between citizens, states and corporations are structured, and how they affect the most marginal and weakest in society." In relation to 'good governance', Uvin makes the case that the discourse of rights has largely been one of 14 repackaging, effectively implying the co-optation of 'human rights' as powerful agencies use the terms in ways that preserve existing institutional arrangement and priorities. He then examines the relationship between human rights, development and freedom, noting that Sen's contribution – essentially framing development as freedom – is not as ground-breaking as it

may seem and, more critically, that it missed a genuine political analysis of the challenges inherent in its realisation. While numerous measures have been launched to strengthen the drive toward realising human rights, Uvin argues that it is only the creation of a 'rights-enabling economic environment' that can actually contribute to substantive change, rather than the creation of new human rights bodies and legislation. Some NGOs are pioneering the work on human rights through the adoption of 'RBAs'. Perhaps most significantly, RBAs address human rights at the level of both process and outcome, lead to the re-framing of issues in terms of rights (rather than needs), duties (rather than charity), embracing accountability and an array of axes for change beyond policy and legislation. He emphasises that RBAs are about political struggle: "If an RBA to development means empowering marginalised groups, challenging oppression and exclusion, and changing power relations, much of this task lies outside the legal arena, falling squarely in the political realm."

P. Christuraj and S. Saraswathy (2009), studied the socio-economic changes and empowerment among the various MFI members. Their focus was on the group approach and the resultant benefits. The socio-economic changes were measure with twenty parameters with parameter rated on a scale of one to five. The study concluded that the group approach has resulted in socio-economic changes among the members. (opcit,p.2).

The study also found that membership of groups gained them better access to a variety services. Being a part of a group also enabled members to voice their concerns-against exploitation, living conditions, social harmony, conflict mitigation and other issues- more confidently. Thus being a part of a credit group went beyond credit financing. It also enabled collective action by the poor and marginalized to bring about the desired changes to their

lives. This would not have been possible otherwise. It would not be wrong to say that the credit groups are creating space for marginalized and poor women members to explore new horizons (op-cit,p.4).

Doyle (1998), argues in the case of post conflict reconstruction process of Kosovo that beside the fact that microfinance may definitely resemble standard, and as an ordinary strategy, there are differences that reveal as important as the other side. As further noted by Doyle (1998), the best example that shows that components of building a sustainable microfinance sector may play a crucial role, is for instance, trust building, toward those institutions (Doyle, 1998).

European Scientific Journal February 2014 edition vol.10, No.4 ISSN:1857–7881(Print) e - ISSN 1857- 7431271 exploring relationship between microfinance and post-conflict environment, is by exploring the relationship amongst the social environment (emerging from conflict in a particular area or county), and microfinance that tends to be established, in order to determine the influence microfinance has on post-conflict environments.

Kosovo signifies an important example of how microfinance impacts post-conflict environments. Kosovo's economy was ruined during the war, and microfinance has shown to be auxiliary for small and medium enterprises (SMEs) and for the local population. However, Kosovo's example mirrors a broader discussion about the impact of microfinance, where divided opinion practitioners regarding to the impact and contribution of microfinance to Kosovo's overall development.

Quantitative Data from Secondary Sources

The analysis has also made use of the available quantitative data on ongoing MF Operations in Bangladesh. Most of the statistical sources were collected

from national and international dailies. Some important quantitative data were also gained from scholarly and research publications, academic theses and dissertation, as well as various project reports of government, donor and development agencies. Internet exploration was a great help for me to collect secondary data.

Sample Designing

A simple stratified and random sampling technique was used to select sample study areas and persons who were interviewed. Seven thanas were selected randomly out of others of each seven divisions. The thanas are Hathazari in Chittagong, Bakergonj in Barisal, Digholia in Khulna, Poba in Rajshahi, Mithapukhur in Rangpur, Dohar in Dhaka and Zokigonj in Sylhet. From each Thana, I took three villages, unions or spots randomly. Suppose I took three Unions From Digholia Thana of Khulna named Shenhati, Barakpur and Digholia out of 8 Unions. The geographical distribution of sampling countrywide is mapped in the next page:



D-1: Diagram of Area of Study.

Process Followed

The study was started with review of the selected literature from respective organizational publications, books, periodicals, daily newspapers and websites. Sample survey has been conducted to collect primary data. Face to face, interviews through structured questionnaire have been done.

Different circulars, related meeting-minutes, memos and other administrative documents have also been considered and examined to collect primary data. Focus Group Discussions (FGDs) and interviews with the stakeholders at different levels have been conducted to get the better insight of the actual scenario of MF Operations in Bangladesh.

Constraints Faced During Data Collection

Any research involves hard work and long period of time. The limited time that had been allotted to accomplish the study was not enough to acquire both first hand and second hand data properly. However, the constraints those I faced during my fieldwork in seven different remote areas of Bangladesh are enlisted below:

1. The real problem that I faced was my economic inability to conduct a full pledged research. Staying in the remote areas for couple of days was too costly. Considering my economic inability I could not reach all the target sites to collect data. And there are some situations where it costs money to have proper data from proper persons;
2. Ordinary people fear to cooperate about these very contemporary issues especially while they are the members of MFIs. They do fear if I have had any affiliation with any particular NGO dealing with MF. If I were a member of any intelligence agency and whether they would to face up any

problem if they disclose information regarding their income-expenditures, cash, assets etc.;

3. As a student it was not possible for me to take interviews of those key persons that I was supposed to do myself, because of access constraints, economic limitations and other technical obstacles;
4. I had a very bitter experience during one of my fieldworks when I tried to collect data from homemaker women at Paba thana in Rajshahi division. However, I went to a Union Parishad Chairman near police station and asked its principal to cooperate me. After hearing from me about my intention he proposed me pray Asor Namaj over there when I would get more opportunity to discuss about the issue but what happened really is that some people tried to humiliate me and there created an embarrassing situation.

Chapter-3

Understanding Microfinance

Defining Microfinance:

“A tiny collateral free loan aimed at the poorest of the poor to help them start or expand their self-employment pursuits”.

(Proposal of South-South Partnership on Microfinance, 1998).

Microfinance, according to Otero (1999, p.8) is “the provision of financial services to low-income poor and very poor self-employed people”. These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

However, the word “microcredit” did not exist before the seventies, since then it has become a buzz word among development practitioners. In the process the word has been imputed to mean many things to many people. No one gets shocked if somebody uses “micro-credit” to mean agricultural credit, or rural credit, or cooperative credit or consumer credit or credit from savings or loan associations, or from credit unions or from money lenders. As a result, this is creating a lot of confusion in the discussion about microcredit and in the designing of strategies.

There are many terms that are used to describe the microfinance and which seem to be related or interchangeable, such as microcredit and microfinance.

However, it is important to know that there are differences among them. As stated by Sinha (1998) “microcredit refers to small loans, whereas microfinance is appropriate where MFIs supplement the loans with other financial services (savings, insurance, etc.)”. According to Sinha (1998), it seems that microcredit is an element of microfinance, whereas the main goal of microfinance is providing credit to the poor.

From the 1950s through to the 1970s, donors mainly through governmental support offered their support in the form of subsidies to local population, mainly in rural location and which were more related or related to agriculture. These forms of support often resulted in high loan evasions, creating higher losses than the receiver of the donation have appeared to be incapable to return the credit. Hence, those forms of the supporting rural inhabitants reviled its inability to reach poor rural households (Robinson, 2001). As remarked by Robinson (2001) and Otero (1999), microfinance has become known in the form in which is also know now, firstly in the 1970s.

It all started as Muhammad Yunus through the Grameen Bank, made the first step toward creating a new era of supporting poor people. He commenced with his activities in a small in Bangladesh, with the aim to provide loans to poor women, which were located in rural areas, in order to
European Scientific Journal February 2014 edition vol.10, No.4 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431 272 start small businesses. The main purpose was that through small loans to enable the improvement of their living conditions in their households. The good intention of the initiator was reviled, and is a rare example of good will, as none of the usual collateral forms were used other than their oral promises given by the women that took the loan. Even if the loan was minimal, compared to today’s requests and

needs, it has helped the community to stand on their own and to create a source of income by their own.

After this success story in Bangladesh, many other developing and underdeveloped countries (such as Brazil, Peru, etc.), started with the application of similar programs with the goal of providing support to their local population that had no access on other financial sources. Whereas, only at the 1980s microfinance has undergone crucial changes and was the turning point, which has changed the form and functionality of microfinance (Robinson, 2001). As further stated by Robinson (2001), MFIs such as Grameen Bank and stated to develop a strategy that aimed to provide more loans to a much large scale of people, and they have proven that it is achievable. The purpose was also to create institutions that can stand on their own, and they received no permanent subsidies. Hence, those institutions were commercially funded and fully sustainable, and were able to attain wide outreach to clients (Robinson, 2001).

Only in the 1990s, the number of MFIs has increased with a remarkable amount of financial potential to provide in a form of loans (mainly small loans) (Robinson, 2001, p.54). Whereas, Dichter (1999) states that the 1990s is the decade of microfinance. Starting as a small investment providing support (in a form of loans) to the poor people, microfinance had now turned into an industry (Robinson, 2001). Furthermore, the advance in microcredit institutions, attention transformed from just the providing of credit to the poor (microcredit), to the providing of additional financial services such as savings and pensions, which complement an MFI (Armacost, 2011). The global microfinance industry again posted a growth of almost 20% in 2012. The forecast we made last year turned out to be right. There is much to

suggest that the sector will maintain this rate of growth in the upcoming years as well.

MF is a very new concept of Economics, is concerned with the individual decision units—families, households and individuals, who avail the MF to bust up their income and productivity and thereby reducing poverty. Microfinance is the extension of very small loans to the unemployed, to poor entrepreneurs and to others living in poverty who are not bankable. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimum qualifications to gain access to traditional credit. Microcredit is a part of microfinance, which is the provision of financial services to the very poor; apart from loans, it includes savings, micro insurance and other financial products and services through innovations.

Microfinance is a financial innovation which originated in developing countries where it has successfully enabled extremely impoverished people (mostly women) to engage in self-employment projects that allow them to generate an income and, in many cases, begin to build wealth and exit poverty. Due to the success of microfinance, many in the traditional banking industry have begun to realize that these microfinance borrowers should more correctly be categorized as pre-bankable; thus, microfinance is increasingly gaining credibility in the mainstream finance industry and many traditional large finance organizations are contemplating microfinance projects as a source of future growth. Although almost everyone in larger development organizations discounted the likelihood of success of microfinance when it was begun in its modern incarnation as pilot projects

with ACCION and Muhammad Yunus in the mid-1970s, the United Nations declared 2005 the International Year of Microcredit.

A good definition of microfinance was provided by Robinson refers to small-scale financial services for both, credits and deposits that- provided to people who farm or fish or herd; operates small or micro enterprises, where goods are produced, recycled ,repaired, or trade; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools, and to other individuals and local groups in developing countries in urban and rural areas (*Robinson. Marguerite S, 1998*). Microfinance is not limited to credit and savings. Depending on the needs of the situation, microfinance also includes micro insurance, remittance services, and micro pensions. It is an instrument or means- somewhat like the fuel needed to run vehicles. It is seen as a basic requirement for any economic activity in the present economic condition. Microfinance is deeply concerned with the poor and those who have limited or no access to formal financial services.

Definitions defer, of course, from country to country. Some of the defining criteria used include- size - loans are micro, or very small in size target users – micro entrepreneurs and low-income households utilization - the use of funds - for income generation, and enterprise development, but also for community use (health/education) etc. terms and conditions - most terms and conditions for microfinance loans are flexible and easy to understand, and suited to the local conditions of the community.

Microfinance and microcredit:

In the literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (1998, p.2) states “microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc)”. Therefore microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Okiocredit, 2005).

Features of Microfinance:

The typical MF program has the following key features (Alamgir, 1993):

1. It is collateral free so that the poor and the landless may easily avail it;
2. To get loan, the poor members are mobilized into groups, ranging from 5-30 members by a particular Micro Finance Institutions (MFI);
3. The members meet once a week and make small savings deposit with the concerned MFI. After certain waiting period, which usually varies from 2 weeks to 6 months, members receive loans taking collateral responsibilities repaying the same;
4. Loans are usually given for one year and recovered in weekly installments. A few MFIs recover loans in monthly installments;
5. The field staff of MFIs supervise utilization of loan;
6. The loans are usually provided for common petty trades, and activities in other rural areas, so that the members can pay the weekly installments;

7. The majority of the borrowers (as high as 90%) are women;
8. MFIs are usually set branches in remote areas that help the poor members in receiving loans. The field staff collects loan installments at the meeting held at the members' premises;
9. The MFIs start with small loan (Tk 5000/ US\$ 62) and provide repeater loans of increasing amount as long as payable of early loan are satisfactory.

Classification of Microfinance:

According to Muhammad Yunus this is creating a lot of misunderstanding and confusion in the discussion about microfinance. We really don't know who is talking about what. He proposed that we put labels to various types of microfinance so that we can clarify at the beginning of our discussion which microfinance we are talking about. This is very important for arriving at clear conclusions, formulating right policies, designing appropriate institutions and methodologies. Instead of just saying microfinance we should specify which, category of microfinance. Muhammad Yunus has classified microcredit in the following way:

- A) Traditional/informal microfinance (such as, moneylender's credit, pawn shops, loans from friends and relatives, consumer credit in informal market, etc.)
- B) Microfinance based on traditional informal groups such as, tontin, su su, ROSCA, etc.
- C) Activity-based microfinance through conventional or specialized banks (such as, agricultural loan, livestock loan, fisheries loan, handloom loan, etc.)
- D) Rural loans through specialized banks.

- E) Cooperative microfinance (cooperative loans, credit union, savings and loan associations, savings banks, etc.)
- F) Consumer microfinance is used to purchase goods.
- G) Bank-NGO partnership based microfinance.
- H) Grameen type microfinance or Grameencredit.
- I) Other types of NGO microfinance.
- J) Other types of non-NGO non-collateralized microfinance.

The point is every time we use the word microfinance we should make it clear which type (or cluster of types) of microfinance we are talking about. Otherwise we'll continue to create endless confusion in our discussion. Needless to say that the classification that have suggested is only tentative. We can refine this to allow better understanding and better policy decisions. Classification can also be made in the context of the issue under discussion. Muhammad Yunus argued that we must discontinue using the term "microcredit" or "microfinance" without identifying its category.

Grameen Finance

According to Dr Mohammad Yunus 'Whenever I use the word "microfinance" I actually have in mind Grameen type microfinance or Grameencredit. But if the person I am talking to understands it as some other category of microfinance my arguments will not make any sense to him. Let me list below the distinguishing features of Grameencredit.' This is an exhaustive list of such features. Not every Grameen type programme has all these features present in the programme. Some programmes are strong in some of the features, while others are strong in some other features. But on the whole they display a general convergence to some basic features on the

basis of which they introduce themselves as Grameen replication programmes or Grameen type programmes.

Mission: Its mission is to help the poor families to help them to overcome poverty. It is targeted to the poor, particularly poor women.

Purpose: It aims to create self employment for income generating activities and housing for the poor rather than for consumption.

Basis: The most distinctive feature of Grameencredit is that it is not based on any collateral or legally enforceable instrument. It is based on 'trust'.

Methodology: In order to obtain loans, a borrower must join a group of borrowers and make payments in weekly or bi-weekly installments. Compulsory and voluntary savings products are offered wherever possible. The bank is required to go to the people, rather than requiring the people to come to the bank.

Ownership and Cost: Generally Grameen Credit is provided through non-profit organizations or institutions owned primarily by the borrowers.

Social Development: Grameencredit gives high priority to building social capital among the poor. To define relevant social agenda, locally tailored visions of the 16 decisions/10 indicators are developed through an intensive process of discussion among the borrowers.

However the general Features of Grameencredit are:

- a) It promotes credit/finance as a human right.
- b) Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women.

- c) Most distinctive feature of Microfinance is that it is not based on any collateral or legally enforceable contracts. It is based on "trust", not on legal procedures and system.
- d) It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption.
- e) It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be "not creditworthy". As a result it rejected the basic methodology of the conventional banking and created its own methodology.
- f) It provides service at the door-step of the poor based on the principle that the people should not go to the bank, bank/NGOs should go to the people.
- g) In order to obtain loans a borrower must join a group of borrowers. In recent trends in many cases group approach is being replaced by the individual approach of lending.
- h) Loans can be received in a continuous sequence. New loan becomes available to a borrower if her previous loan is repaid.
- I) All loans are to be paid back in installments (weekly, bi-weekly, monthly basis).
- j) Simultaneously more than one loan can be received by a borrower as good/seasonal/top up loans.
- k) It comes with both obligatory and voluntary savings programmes for the borrowers.

Grameencredit is based on the premise that the poor have skills, which remain unutilized or under-utilized. It is definitely not the lack of skills which make poor people poor. Grameen believes that the poor do not create the poverty; the institutions and policies, which surround them, create it. In

order to eliminate poverty all we need to do is to make appropriate changes in the institutions and policies, and/or create new ones. Grameen believes that charity is not an answer to poverty. It only helps poverty to continue. It creates dependency and takes away individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty.

Three 'C's of Microfinance

Character: means how a person has handled past debt obligations: From credit history and personal background, honesty and reliability of the borrower to pay credit debts is determined.

Capacity: means how much debt a borrower can comfortably handle. Income streams are analyzed and any legal obligations looked into, which could interfere in repayment.

Capital: means current available assets of the borrower, such as real estate, savings or investment that could be used to repay debt if income should be unavailable.

There are following terms which are very much synonymous to the concept of MF and it is needed to be clarified clearly:

Microfinance: It is a combination of microcredit with other financial services such as savings and insurance, specially designed for very poor clientele.

Microfinance Institutions (MFIs): Financial institutions specializing in the delivery of microfinance products at a per unit cost that of mainstream lending institutions. Examples of MFIs are Grameen Bank (Bangladesh),

CARD (Philippines), SEWA (India), BancoSol (Bolivia), KREP (Kenya), etc.

MF brought credit/finance to the poor, women, the illiterate, and the people who pleaded that they did not know how to invest money and earn an income. Grameen created a methodology and an institution around the financial needs of the poor, and created access to credit/finance on reasonable term enabling the poor to build on their existing skill to earn a better income in each cycle of loans.

Historical Back Ground of MF

According to Wikipedia, the concept of microfinance can be traced back to portions of the Marshall Plan at the end of World War II in the middle of the 20th century or even back to the mid-1800s and the writings of abolitionist/legal theorist Lysander Spooner who wrote concerning the benefits of numerous small loans for entrepreneurial activities to the poor as a way to alleviate poverty. It is also tied to New York's Providence Fund. However, in its most recent incarnation it can be linked to several organizations starting in the 1970s and onward.

According to Dr Mohammad Yunus the word microfinance did not exist before the seventies. Now it has become a buzz-word among the development practitioners. In the process, the word has been imputed to mean everything to everybody. No one now gets shocked if somebody uses the term microfinance to mean agricultural loan, or rural credit, or cooperative loan, or consumer loan, loan from the savings and loan associations, or from credit unions, or from money lenders. When someone

claims microfinance has a thousand year history, or a hundred year history, nobody finds it as an exciting piece of historical information.

However, MF was first successfully inaugurated in Bangladesh informally in 1976 when Prof Yunus started a pilot project providing \$27 from his won pocket to some poor women to make basket. Formally, it started its activities in 1983 through establishing Grameen Bank (GB), while parallel to this there was some other interventions like BRAC formally started its microfinance operations from 1974 and the Bolivians started Village Banks in 1950s. (Stuart Rutherford, *Portfolios of the Poor*, 2010)

Chapter-4
Credit Strategy of
Various
Microfinance
Organizations

National Organizations

The underlying philosophy behind Grameen is to improve the lives of the poor by helping them to help themselves, by extending small loans. It sees credit as an empowering agent, powerful weapon and a fundamental right helping in the development of socio- economic conditions of the poor who have been kept out of banking orbit. It's like a social safety net that helps poor through short-term stress and calamities. It is the most successful and cost effective way to enable poor to attain self-sufficiency.

Credit Strategy of Grameen Bank (GB)

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. It essentially adopts the following methodology:

Organizational Framework of GB: Grameen Bank-I Model: The model of operation of GB- I was organized in four administrative levels:

- a. Branch Level: Branch level is the field organizational unit of the bank which served the borrowers directly at the village level. The branch is headed by a branch manager and supported by roughly 10 staffs. Each branch provides credit facilities to 350 to 400 groups having 1750-2000 plus borrowers;
- b. Area Office: The branches are supervised by area the office which is staffed by 6 people;
- c. Zonal Office: The area offices were looked after by zonal offices having 35 staff and they are quite independent to take any management and strategic banking decisions.

- d. Head Office: The Head office of Grameen Bank is located at Mirpur in Dhaka, which overviews the zonal, area and branch level operations.

A bank unit is set up with a Field Manager and a number of bank workers, covering an area of about 15 to 22 villages. The manager and workers start by visiting villages to familiarize themselves with the local milieu in which they would be operating and identify prospective clientele, as well as explain the purpose, functions, and mode of operation of the bank to the local population. Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive, a loan. The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of fifty weeks do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan.

Credit Delivery Model of GB:

The GB loans are small, but sufficient to finance the micro-enterprises undertaken by the borrowers, 97% of which are women. The micro-enterprises comprise rice husking, weaving, small scale poultry firms, raising of milk cows, buying goats, pottery, rickshaws, establishing machine repair shops, various other village enterprises etc. The interest rate on all loans is 27% (reducing). The repayment rate is currently 98.45%, for reasons of group pressure and self interest evoked earlier, as well as motivation of borrowers. Mobilization of savings is also being perused alongside activities in GB.

GB credit delivery model has the following features:

- There is an exclusive focus on the poorest of the poor;
- Borrowers are organized into small homogenous groups;
- Social loan conditions which are particularly suitable for the poor;
- Simultaneous undertaking of a social development agenda addressing basic needs of the clientele;
- Design and development of organization and management system capable of developing program resources to targeted clientele;
- Expansion of loan portfolio to meet diverse development needs of the poor.

Credit Classification of GB: Under GB-I model GB members were given five types of credit facilities. Those were:

1. **General Loan:** It is most common type of GB loan. It is generally extended for financing the general occupational activity of the members. It, in most cases, ranges from Tk 5000 to 8000 with a maximum limit of Tk 10,000. When any new member enters the GB, general loans are at first extended to them.
2. **Seasonal Loan:** Seasonal loans are extended for financing several activities of the members. It generally ranges from Tk 2000 to Tk 5000. GB members become eligible for seasonal loans after successful repayments of general loans. Seasonal activities covered under this loan include cultivation of seasonal agricultural products, seasonal trading activities etc.
3. **House Loan:** In GB's loan portfolio housing loan occupies a very significant proportion. A GB member can borrow up to Tk 18000 for constructing a simple tin-proof house. Loans are paid back in 10-18

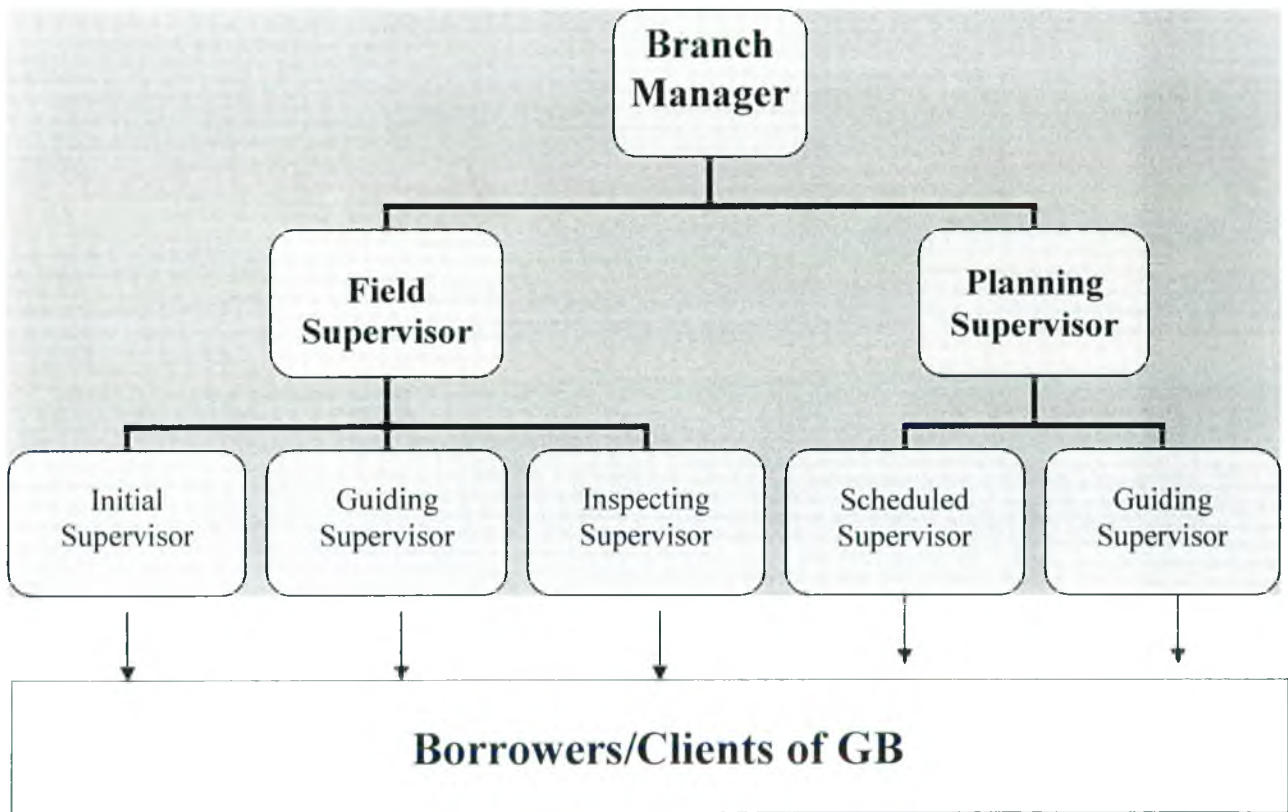
years in weekly installments. About 1, 57,334 such houses have already been constructed by 1993. As on date an amount of Tk 1659.69 million has been disbursed to the loaners. In order to be eligible for the housing loans, the member must have the land of his own and he/she must be attached with the GB for at least two years.

4. Leasing Loans: Leasing loans brought lease-financing facilities to the doors of the GB members. Under the leasing loan arrangements, the members can apply for buying capital instruments for earning generating activities. Goods like power pump, tractor, mobile phone etc. are financed under this credit scheme.
5. Group Fund Loan: Group fund loans are extended to meet up unforeseen expenditure need for the members. Such loans are extended from the group fund savings of the members. Such loans are free of interest. Typical amount of group fund loan ranges from Tk 1000 to Tk 3000. A member cannot borrow loan from this scheme exceeding his/her savings in group fund.

In the Grameen Bank II, gone are the general loans, seasonal loans, family loans, and more than a dozen other types of loans; gone is the group fund; gone is the branch-wise, zone-wise loan ceiling; gone is the fixed size weekly installment; gone is the rule to borrow every time for one whole year, even when the borrower needed the loan only for three months; gone is the high-level tension among the staff and the borrowers trying to steer away from a dreadful event of a borrower turning into a "defaulter", even when she is still repaying; and gone are many other familiar features of Grameen Classic System.

Supervision Model of GB:

GB's supervision never bases on the traditional concepts of supervision. To achieve the best possible result and to ease the supervisory function, the term of supervisors are categorized into two main groups viz. Field supervisors and planning supervisors. These two groups are again divided into some sub-groups. All the groups maintain proper relation to their assigned borrowers. The GB Model of Supervision can be clarified by the following diagram:



According to the model, the initial supervisor conducts the pre-lending supervisory function. The guiding supervisor's operation starts from the loan disbursement to utilization of loan. The inspecting supervisor oversees whether the initial and guiding supervisors are doing as per the regulation

and expectations of the bank. The planners group of supervisors show the way that the field supervisors to follow. This model also depicts that every sphere of operation associated with loan, GB employees more than one person as supervisors.

Supervision Within Group: It must be remembered that the supervision of loan does not depend on the aggressive and brilliant performance of the supervisors alone. The institutional setting is also important. In GB, the borrowers themselves also conduct the supervision. Before loan disbursement a group of persons engaged in same occupation and similar mentality is organized and the loan is primarily extended to only two persons of the group. The rest three persons will be entitled to get loan if the previously extended loans are usefully utilized and the credit discipline is strictly observed. The key features of Grameen Trust's programme are that it extends loans, rather than grant, to provide incentive to create sustainable programmes. It has created new microfinance institution by supporting startups. It has developed methodology to select NGOs or individual persons to start NGOs in far away countries, speaking different languages, to provide funds to these NGOs to start a microfinance program and run it successfully. Grameen Trust's location in Bangladesh has enabled it to keep its administrative costs quite low. The success of the Grameen model has inspired similar efforts throughout the developing world and even in industrialized nations including the United States. In 2006, Yunus and the Grameen bank were honored for this achievement with the Nobel Peace Prize.

Credit Strategy of PKSF (Palli Kalyan Sohayk Foundation)

Delivering microfinance to the poor and the poorest still is basically an NGO activity. That's probably the reason why we see all the dynamism around it. We'll not be too far off the mark, if we guess that globally at least three-fourth of the borrowers receive credit from NGOs. For quick expansion of outreach of microfinance, NGOs proved to be the best vehicle. New concepts needed experimentation. Institution building takes time; creating new legal framework needs experience. Now, of course, many NGOs have matured in their management skill of handling microfinance. But at the same time they have started facing new problems because they are not part of the formal financial structure. Time has come that selectively some of the NGOs are allowed to assume the role of formal financial institutions, if they are interested in it. We should open the door. Let the NGOs decide who will enter when, if they'll enter at all. Most critical problem faced by NGOs today is finding money to lend out to the poor. Existing microfinance programs are coming to virtual halt in their expansion program, and finding it difficult to continue their present programme because of lack of funds.

One solution that Bangladesh found to this problem was the creation of national wholesale fund or PKSF. Government and the World Bank put their money into PKSF, which in turn makes this money available to the NGOs. The reason NGOs in Bangladesh demonstrated a hefty growth rate is because of this existence of the wholesale fund.

As on December 2012 it has provided about US \$ 2460 million to nearly 200 NGOs to carry out microcredit programs with the recovery rate of 98.16% (PKSF Website). It has been argued that in countries where there are not

enough microfinance programs, the establishment of a wholesale fund cannot be justified. This is a chicken-and-egg issue. One can argue the other way around by stating that the main reason for microfinance programs not getting off the ground in a country is that there are no a priori funds available for start up of microfinance programs and for their expansion. Bangladesh microfinance NGOs have benefited from PKSF enormously. Philippines, Pakistan and Nepal also have created wholesale funds. Important consideration in creating these wholesale funds is to make sure they are kept away from government influence and control. Wholesale funds can be created in many different ways. Two or more banks can join hands to create microcredit wholesale funds. A single bank can do that too. Foundations and trusts can create wholesale funds. Business enterprises, NGOs, any civil society organization (such as, Rotary Club, Lions etc.) can create wholesale funds. It would be a good idea to have several wholesale funds, rather than just have one national wholesale fund. There should be local, regional wholesale funds as well.

MF Strategy of ASA

The prime objective of ASA activities is the economic emancipation of the underprivileged and the poor. This body has the following products and services in its MC Operation:

1. Primary Loan: Economically active poor to undertake or strengthen income generating activities (IGAs). BDT 8,000-20,000 or US\$ 105-265 depending on the economic potential of area and client's capacity as well, but entrepreneurs and traders can be provided maximum BDT 50,000 or US\$650 at

first loan cycle. Maximum 27% declining rate of interest. 4, 6 or 12 months based on nature of IGAs. Generally weekly or monthly for all term loan. But repayment can be made in one installment at maturity of 4 or 6 months term loan. BDT 10,000 or US\$130 (Maximum) in each loan cycle.

2. Special Loan: Informal or formal small/micro enterprises or entrepreneurs and traders to promote and scale up production, business activity and employment generation. BDT 51,000-500,000 or US\$ 662-6500 depending on the economic potential of area and client's capacity. Maximum 27% declining rate of interest. 12, 18, 24 or 30 months based on nature of enterprises. Weekly or monthly installments. Any amount within limit depending on the economic potential of area and client's capacity.
3. Mandatory Savings: Clients belonging to ASA's Loan Programs are required to deposit a fixed amount. BDT 10 or US\$ 0.15 at least. Annually 6% (Paid on the basis of monthly average balance). Continue throughout the membership tenure. Depends on Loan repayment mode. Clients can withdraw anytime but need to keep 5% equivalent of loan (principal) as balance.
4. Voluntary Savings: Clients who participate in mandatory savings is optional. Any amount above mandatory deposit can be saved. Annually 6% (Paid on the basis of monthly average balance) interest gain. Continue throughout the membership

tenure. Depends on Loan repayment mode where clients can draw anytime but need to keep 5% equivalent of ongoing loan (principal).

5. Long Term Savings: Any client can participate in this product; an installment based deposit with fixed return usually higher than regular savings but close to fixed rate of return. 50/ 100/ 200/ 300/ 400/ 500 Tk. Installments. For 5 years duration 9% and for 10 years duration 12% at maturity. Clients can draw any time before maturity but with lower rate of return.
6. Loan Insurance: All loan clients must contribute and participate in this product by paying a fixed premium in each loan cycle. BDT 5 (for loanee) or BDT 10 (for loanee and his/her spouse or guardian) per thousand loan disbursement. Non-refundable but in case of death of Borrower or Borrower's spouse, the total outstanding loan is written off. Continue throughout life as borrower. At each time of borrowing and must be paid in cash before disbursement.
7. Life Insurance: All Loan Clients of ASA must have to contribute and participate in this product. Installment BDT 10 (equivalent to US\$ 0.13) per week. Refundable with 4% interest but 6 times the amount of balance paid in case of client's death. Tenure: Eight Years. Premium mode: Cash with loan installment

ASA has emerged as one of the largest, cost-effective and financially sustainable MFIs in the world. Through a gradual process of reducing

dependency on foreign funds, ASA has established itself as a financially self-reliant MFI and does not accept any grant or donation since 2001. ASA's total fund for providing microfinance services was BDT 66,221 million (USD 809 million) as of June 30, 2012.

Credit Strategy of Bangladesh Academy for Rural Development (BARD)

Dr. Akhter Hameed Khan introduced the revolutionary idea of microcredit (microfinance), thereby opening a new door for billions of destitute and underprivileged. As head of the Pakistan Academy for Rural Development (now Bangladesh Academy for Rural Development, BARD) in Comilla, Bangladesh, Dr. Khan pioneered microcredit through the Comilla Cooperative Pilot Project in 1960. Source:

- "The Works of Akhter Hameed Khan" Vol: I-III
- "Rural Development in Action" by Arthur F Raper

International Organizations

Role of UN and others in the Globalization of Microfinance:

The World Bank estimates that there are now more than 7,000 microfinance institutions, serving some 16 million poor people in developing countries. According to *Le Monde* newspaper, World Bank experts estimated that 500 million people benefited from these small loans (about 80 euros), on a total of three billion poor people. Cambodia and Kenya were put forward as examples. Asia and the Pacific region represent 83% of the opened accounts in developing countries, which is equivalent to 17 accounts for 100 persons^[3]. In November 1997, more than 2000 delegates from 100 countries gathered at a Microcredit Summit in Washington, DC, with the goal of

reaching 100 million of the world's poorest families, with credit for self-employment and other financial and business services by the year 2005. Support for these goals has come from prominent world leaders and major financial institutions.

A. United Nations

The United Nations has taken many-folded steps to bust up microfinance globally. Some of the arrangements are articulated below:

United Nations General Assembly Resolution 52/194: The General Assembly, in its resolution 52/194 of 18 December 1997, noted that, in many countries microfinance programs have proved to be an effective tool in freeing people from poverty and have helped to increase their participation in the economic and political processes of society. Among other provisions, the Assembly called upon the relevant organs, organizations and bodies of the United Nations system, in particular its funds and programs and the regional commissions, as well as relevant international and regional financial institutions and donor agencies involved in the eradication of poverty, to explore including the microfinance approach in their programs as a tool for the eradication of poverty.

Regional Commissions: As a follow-up to the World Summit for Social Development, and in response to General Assembly resolution 52/194 on the role of microfinance in the eradication of poverty, the regional commissions are undertaking a number of initiatives in the area of microfinance... In this regard, 1997, ECA carried out a study on reconciling indigenous informal and formal micro-financing systems and practices in Africa, with recommendations to Governments, financial institutions, non-governmental

organizations, the private sector and grass-roots organizations. The work programme for 1998-1999 also includes a study on the role of micro-financing on the sustainable development of small and medium-sized enterprises.

Like other regional commissions, the Economic and Social Commission for Asia and the Pacific (ESCAP) provides a mechanism for exchange of experience on microfinance facilities among interested countries and a way of drawing up best practices and modalities of assessment and of proposing new approaches. In preparation for a regional consultation on strengthening of rural financial institutions, ESCAP undertook five country studies (Bhutan, Indonesia, Nepal, Philippines and Viet Nam) during the second half of 1997.

The Economic Commission for Latin America and the Caribbean (ECLAC) carried out a project on small and medium-sized enterprise financing in seven countries (Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador and Mexico). The project showed that current approaches to small business finance were based on the experience of previous policies that focused on credit subsidies and had meager results.

The Economic and Social Commission for Western Asia (ESCWA) has a number of activities for promoting entrepreneurship in small enterprises, including the provision of assistance to countries and institutions of the region. One of its major activities is providing support to start up business and building national training capabilities. A number of "starts your own business" courses for potential entrepreneurs, and potential trainers, in cooperation with local institutions, have been conducted since 1990. To that

effect, ESCWA produced a trainer's manual in Arabic on starting your own business.

In assessing the role of microfinance in the economies in transition, the Economic Commission for Europe (ECE) underlined the fact that, although many countries, including the Czech Republic, Hungary, Poland, Slovakia and Slovenia, have recognized the need to develop micro enterprises, particularly in areas facing high unemployment rates, entrepreneurs have limited access to sources of finance. The reasons include the following: (a) financial institutions consider it risky to lend to micro and small businesses because of the high failure rate, economic uncertainties and lack of collateral; (b) commercial and credit banks have no experience in dealing with micro enterprises, and the high administrative costs involved in processing small loans; (c) lack of transparency in evaluating loans and lack of skills of financial institutions in dealing with micro enterprises; (d) in almost all countries of the region, the national clearing systems are poor and outdated and, consequently, the majority of the transactions are made in cash because of uncertainties and delays encountered by the electronic money transfer systems; and (e) lack of reliable data regarding markets. To help overcome these problems, ECE is supporting the following: (a) favorable national policies on micro enterprises and microcredit organizations; (b) evaluation of current experiences through surveys and workshops; (c) elaboration of medium-term and long-term capacity-building programmes to create cost-effective and self-sustaining microfinance organizations; and (d) creation of long-term national and international grants and funds to implement national programmes.

United Nations Capital Development Fund: Since its creation in 1966, as a capital funding window under the UNDP umbrella, the United Nations Capital Development Fund (UNCDF) has been the channel for UNDP to fund microfinance interventions. It has so far approved more than US\$ 100 million of investment credit activities, the majority being microfinance related, with the balance to small and medium-sized enterprises. At the present time, UNCDF has an active microfinance portfolio of about \$70 million, of which 70 per cent is in Africa, 20 per cent in Asia and 10 per cent in Latin America.

United Nations Children's Fund: The United Nations Children's Fund (UNICEF) integrates microfinance into its programs in countries where lack of access to small loans is identified as an obstacle to the improvement of the situation of women and children. In those countries, UNICEF works with communities, non-governmental organizations and Governments to (a) stimulate national efforts to expand microcredit for women; (b) strengthen national and local capacities to deliver small loans and basic social services; and (c) monitor and evaluate its support to microfinance to improve its effectiveness and efficiency and contribute to the dissemination of best practices with a view to ensuring sustainable reduction in poverty.

United Nations Development Fund for Women: As part of its core strategy, UNIFEM recognizes the need to provide credit to women as a way of strengthening women's institutions at the grass-roots level. In that connection, UNIFEM has invested in a series of projects in Western Asia to ensure that women's capacities and skills are developed and to enable them to run small-scale businesses successfully. On the global level, UNIFEM has also facilitated the formation of the International Coalition on Credit, which

consists of 32 of the world's leading microfinance and business non-governmental organizations with more than 200 affiliated organizations.

International Labor Organization: ILO conducts research on various aspects of microfinance to fill information deficits, influence policy makers and identify best/good/bad practices. Its ongoing work covers such issues as enterprise creation by the unemployed; the role of microfinance in industrialized countries - an ILO action programme for 1998-1999; the impact of financial sector liberalization on the access of micro and small enterprises to financial services; gender and control over financial resources; the use of collateral substitutes in loan securitization; and strategies to reduce transaction costs in bank lending to micro and small enterprises.

International Year of Microcredit, 2005: The Economic and Social Council of the United Nations proclaimed the year 2005 as the International Year of Microcredit to call for building inclusive financial sectors and strengthening the powerful, but often untapped, entrepreneurial spirit existing in communities around the world. There are five goals associated with "The Year" which are:

1. Assess and promote the contribution of microfinance and microcredit to the MDGs;
2. Increase public awareness and understanding of microfinance and microcredit as vital parts of the development equation;
3. Promote inclusive financial sectors;
4. Support sustainable access to financial services, and
5. Encourage innovation and new partnerships by promoting and supporting strategic partnerships to build and expand the outreach and success of microcredit and microfinance for all.

United Nations Decade for the Eradication of Poverty (1997-2006): The objective of the First United Nations Decade for the Eradication of Poverty (1997-2006), proclaimed by the General Assembly in its resolution 50/107 or 20 December 1995, is to achieve the goal of eradicating absolute poverty through national action and international cooperation. Progress on the anti-poverty front was last reported to the General Assembly in the report to the Secretary-General entitled "Observance of the International Year for the Eradication of Poverty (1996) and recommendations for the rest of the Decade" (A/52/573). An updated report on the Decade has been prepared for the current session.

B) World Bank

One reason the original members of Consultative Group to Assist the Poor (CGAP) decided to locate the secretariat within the World Bank was to strengthen the Bank's growing microfinance-lending portfolio. CGAP expects the Bank to play a pivotal role in working with Governments to create an enabling business environment for microfinance institutions and making linkages between overall macroeconomic framework and microfinance. CGAP has formed alliances with World Bank Group entities involved in microfinance, including the Sustainable Banking for the Poor Initiative, the Africa Research Programme and the Rural, Microfinance and Small and Medium-sized Enterprise Thematic Group. Each alliance has generated joint products such as the Microfinance Practical Guide and case studies of microfinance institutions. In terms of World Bank projects with microfinance components, it is reported that, in 2007, there were 29 such projects being developed or in the pipeline in 19 countries, including 13 low-income African countries. In almost every case, CGAP was involved at an early stage, reviewing the choice of financial intermediaries, products and

services, capacity-building activities and other characteristics of the planned loan or credit. CGAP has also collaborated on World Bank projects in several countries to leverage the Bank's ability to create policy environments. In the past two years, the CGAP secretariat and the World Bank staff have held technical discussions on more than 40 existing and planned microfinance-lending operations and regional activities. This cooperation has improved the design of many lending operations, resolved operational and technical issues and expedited financial sector reform in a number of countries, including Angola, Argentina, Armenia, Brazil, the Republic of Moldova, Sri Lanka and Viet Nam.

C) International Fund for Agricultural Development

Over the past two decades of providing financial aid, much of it through microfinance programs for the poorest of the rural poor in developing countries, the International Fund for Agricultural Development (IFAD) firmly believes that the poor are "bankable". Its action plan is based on three fundamental propositions. The first stems from the Fund's mandate to address rural poverty by recognizing the importance of microfinance as a key of empowerment tool in ensuring improvements in incomes and sustainable household food security among the world's poorest families, especially the women of those families. The second recognizes the fact that, while access to credit and savings facilities is crucial, it is usually not enough by itself to ensure the sustainable development of the rural poor, who also need links to an efficient distribution system for their productions, including viable roads to market places, access to appropriate technology, technical training, fair prices for inputs and a favorable regulatory climate. Thirdly, rather than providing temporary services for the poor, the main

objective of IFAD is to develop viable and financially sustainable rural financial systems, especially for the very poor living in remote areas in many developing countries. While maintaining the prime focus on the poor, IFAD also emphasizes the need to safeguard loan funds, promote sector-wide performance standards and strengthen the provision of non-financial services. At the regional and local levels, IFAD is helping to build a cadre of microfinance technical experts, strengthen training centres and promote sustained linkages to commercial capital, while seeking to ensure a favorable regulatory environment. IFAD is an active member of CGAP and has thus far committed over \$1 billion in financial services and credit to the rural poor, which represents about one quarter of its total lending to date. An estimated 20 million persons have benefited from these services.

D) Some Other Arrangements:

World Summit for Social Development, 1995: The World Summit for Social Development, held in Copenhagen in March 1995, also underlined the importance of improving access to credit for small rural or urban producers, landless farmers and other people with low or no income, with special attention to the needs of women and disadvantaged and vulnerable groups. Governments were called upon to review national legal, regulatory and institutional frameworks that restrict the access of people living in poverty, especially women, to credit on reasonable terms; to promote realistic targets for access to affordable credit, providing incentives for improving access to and strengthening the capacity of organized credit systems to deliver credit and related services to people living in poverty and vulnerable groups; and to expanding financial networks, building on existing networks, promoting

attractive opportunities for savings and ensuring equitable access to credit at the local level .

Global Microfinance Institutions:

- Accion International, a large network of microfinance institutions working in Asia, Latin America, and Africa
- Adelante Foundation is a grass roots microfinance organization in Honduras, working with the poorest of the poor.
- ASA: One of the fastest growing MFIs working globally which originated in Bangladesh. Its features are characterized with cost effectiveness and own funding.
- BRAC: Relying on holistic approach of development this being world's largest NGO on earth gradually has become one of the prime MF actors now a days.
- Development Innovations Group (DIG), a private firm providing training, product and program design, and management support to commercial banks and to microfinance institutions.
- Fonkoze - Fondasyon Kole Zepòl Fonkoze - Haiti's Alternative Bank for the Organized Poor - is the largest microfinance institution offering a full range of financial services to the rural-based poor in Haiti.
- Freedom from Hunger, a large network of microfinance institutions focused on the very poor in Asia, Latin America and Africa. Freedom from Hunger is a pioneer for sustainable integrating education with microfinance. The Organization is currently exploring new models for increased scale under its Reach initiative and new innovations to integrate health and microfinance.

- Grameen Foundation, replicating the Grameen Bank model around the world.
- Grameen Bank, generally regarded as the originator of the microfinance movement in finance.
- Kiva, the only peer-to-peer Microfinance gateway, using the power of the internet to facilitate micro-lending. Allows anyone to participate in Microfinance with as little as a \$25 loan.
- Microfinance Information eXchange (The MIX), The global information service for the microfinance industry
- MIX Market, MIX's microfinance information platform featuring profiles on microfinance industry participants.
- NamasteDirect a non-profit devoted to providing credit for first-time women borrowers in Guatemala.
- Nirdhan Utthan Bank Limited "the bank for enlistment of the poor" is a microfinance bank, which provides microfinance services such as Loans, Deposits, Micro insurance and Remittance services to rural poor of Nepal.
- Omidyar-Tufts Microfinance Fund, a partnership between Pierre Omidyar and Tufts University.
- Opportunity International, a large microfinance network focusing on giving the poor around the world a working chance. Also a pioneer in using microfinance to fight HIV/AIDS in Africa.
- ProCredit Holding- ProCredit group consists of 19 different banks in developing countries. The core business of the banks is lending to micro and small enterprises.
- *SafeSave* pioneers basic banking services (not just microcredit) for very poor people. Stuart Rutherford is the founder.

- The SEEP Network, membership association of private and voluntary organizations that support micro and small business and microfinance institutions in the developing world.
- Tameer Microfinance Bank Limited. Currently poised to become Pakistan's second largest Microfinance Bank (MFB), Tameer is a commercial non-subsidized MFB.
- TrickleUp.org gives small grants to emerging entrepreneurs among the very poor. Currently operating in 14 countries including USA. Offers business training to the poor and encourages savings groups among the entrepreneurs. Started by Millie Leets and her husband 27 year ago, it has helped over 130,000 poor start their own businesses, gain self-esteem and join savings groups.
- Unitus, a global microfinance accelerator, acting as a social venture capital investor for the microfinance industry. In addition, they have launched a bog, which discusses microfinance and microcredit topics.

F) Humanitarian Organizations Supporting Microfinance:

- Orangi Pilot Project (OPP) A poverty alleviation project started by Dr.Akhter Hameed Khan in 1980.
- Self Help Development International (ISHDI): Is an Irish agency engaged in promoting long-term sustainable development projects in Africa. The organization promotes microfinance as a means of income diversification as part of its integrated development programmes.
- PlaNet Finance: PlaNet Finance is an international non-profit organization dedicated to the development of microfinance as a tool to alleviate poverty in the world.
- Coady International Institute: It provides educational program and technical support in community-based microfinance.

- *Appui au Développement Autonome (ADA)*: This NGO is specialized in microfinance, financial and non-financial supports to microfinance institutions.
- HOPE International: HOPE International is a global, faith-based, non-profit organization focused on poverty alleviation through micro enterprise development.

G) Microcredit Investment Groups:

It is possible to invest in microfinance via certain investment groups including:

- Microcredit Enterprises Ltd: It was founded in 2005 with the conceptual leadership, seed funding and policy analysis of Freedom from Hunger to promote microfinance worldwide.
- ACCION Investment Funds: Since 1984, ACCION's financial experts have been successfully investing for double bottom line returns, including the ACCION Global Bridge Fund, ACCION Latin America Bridge Fund, ACCION Investments in Microfinance, and the ACCION Gateway Fund.
- Calvert Foundation: Community Development Financial Institutions (CDFIs) are organizations, which provide financing programs to do micro enterprise lending, and microfinance development work, providing the means for community investment capital to affect disadvantaged communities. Many CDFIs accept direct investments from relatively wealthy individuals; on the other hand, financial intermediary facilities from socially-responsible investing organizations such as the Calvert Foundation allow individuals with a

smaller amount to commit (as little as \$1000) to purchase notes that is a piece of a larger pool of CDFI investments.

- The Council of Microfinance Equity Funds (CMEF): This is the first membership organization bringing together the leading private entities that make equity investments in microfinance institutions (MFIs) in the developing world. The Council's members seek both social and financial returns from their investments in these institutions, all of which provide a range of financial services to poor households in developing countries.
- PENSCO Trust Company: PENSCO Trust Company, chartered in New Hampshire, is a single-service special asset custodian for self-directed IRAs. Since 1989, the company has exclusively focused their services on the administration and custody of IRAs invested in non-traded assets, such as real estate and private placements. Permissible alternative self-directed investments include limited-liability companies, limited partnerships, corporations, and socially responsible charitable investing.
- Kiva: A more taking as an aggregator/enabler stance, Kiva collaborates with microfinance institutions across the globe that are on the ground vetting loan applications and working with entrepreneurs to ensure the best chance at their business succeeding. Kiva's partners are a critical link in the chain that reaches from your computer to an African goat herder or a Cambodian lunch cook. Their knowledge of the local population and presence in the area ensure a smooth loan process in a responsible and sustainable way.

H) Some other Microfinance Organizations:

1. The SEEP Network: The SEEP Network is an organization of more than 50 international non-governmental organizations that support micro and small business and microfinance institutions in the developing world. Its mission is to advance the practice of micro and small enterprise development among its members, their international partners, and other practitioners through innovation and practitioner-led tools and learning products.

In 2010, over 100 member volunteers contributed to 17 working group activities shaping action research agendas in a range of topics: Standardized financial statements, small enterprise market research tools, HIV/AIDS and micro enterprise, and environment and micro enterprise development. These peer learning groups produce practical and innovative solutions to real problems by leveraging member knowledge and resources. Additionally, SEEP opened up its membership to regional and country-level microfinance networks. SEEP members are the center of its operations, and SEEP will remain devoted to its members.

2. FINCA International: In the 1980s Foundation for International Community Assistance (FINCA International) continued the successful trend of microfinance in Bolivia. John Hatch, founder of FINCA, had worked on other international credit programs and started doing microfinance on his own in Bolivia, stressing local autonomy and putting the poor in charge of the programs. *"Give poor communities the opportunity, and then get out of the way!"* he said. He called the idea "village banking".

The mission of FINCA International is to provide financial services to the world's lowest-income entrepreneurs so they can create jobs, build assets, and improve their standard of living. In 2010, FINCA reached more than

600,000 clients, providing in excess of \$200 million in small loans averaging \$460. FINCA currently operates programs in 26 countries in Africa, Latin America and the Caribbean, Eastern Europe and Central Asia. Women comprise 80 percent of its small loan clients, and the organization has a loan repayment rate of 97 percent.

3. ACCION International: In 1973 Accion International, a Peace Corps-like group, started to switch their focus toward providing economic opportunity to poor people instead of working on construction/infrastructure projects in order to create lasting improvements in the lives of those they were helping. Their plan first appeared in Recife, Brazil in 1973 when ACCION staff began to offer micro loans to poor people eager to start small businesses. ACCION offered an alternative to the under-served population that were ineligible for traditional loans and wanted to avoid the exploitive lending practices of loan sharks.

4. Opportunity International: In 1971, Al Whittaker resigned as president of Bristol Myers and established Opportunity International's first US office in Washington DC. The first loan was made to Carlos Moreno in Colombia to expand his one-man spice and tea business - cited in *The Economist* as the first "micro loan." About the same time Australian philanthropist, David Bussau, began making micro loans in Indonesia. The two men met and formed the global organization, Opportunity International that provides opportunities for people in chronic poverty to transform their lives by creating jobs, stimulating small businesses, and strengthening communities.

Chapter-5

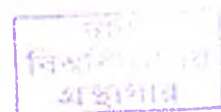
**Experience of
Bangladesh in
Microfinance Sector**

MF has become the core program for nearly all NGOs working with rural and urban poors in Bangladesh. Other programs are now playing supportive roles. The demand for MF from the poor and the opportunity of achieving financial validity has encouraged NGOs to introduce MF in large scale. Although there are several hundred NGOs registered in Bangladesh, approximately 200 NGOs have reasonable large MF programs. The large MFIs dominate the sector are the GB, BRAC, TMSS, ASA, BURO Bangladesh etc.

Bangladesh MF sector is regarded as the largest and most efficient in the world. We still lead the global microfinance industry both in terms of its sheer size and productivity. Microfinance has been making a difference in Bangladesh since long. Many individuals, families and even communities have been brought out of poverty through proper usages of microfinance; out of those many have graduated to micro entrepreneurs.

Microfinance institutions in Bangladesh directly or through their partner organizations have disbursed financial services to 6, 00, 00,000 people across the country in the last 35 years. Out of the total beneficiaries of credit, around 75% recipients are women. According to the latest data available in the Bangladesh Economic Review, the NGOs, conventional and non-conventional banks and other organizations have so far disbursed such credit of around Tk. 150, 278, 00, 00,000 until December 2010. The total coverage of MFP in Bangladesh is approximately 22 million households.

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Grameen Bank (GB)

Grameen Bank has come a long way since it began its journey in the village of Jobra (Chittagong, Bangladesh) in 1976. During this quarter of a century, it has faced many operational and organizational problems, gained a lot of experience through its successes and failures. It incorporated many new features in its methodology to address various crises and problems, or utilize new opportunities; discarded and modified the features, which became unnecessary or less effective. There were a number of major natural disasters in Bangladesh during the life span of Grameen Bank. The 1998 flood was the worst of all. Half of the country was under flood-water for ten long weeks. Water flowed over the roof-tops for a prolonged period. The learning of 1998 flood and subsequent damages encouraged GP to adopt Grameen-II model, a major shift taken in terms of methodology and practices.

Around the same time as ACCION's experiment, and apparently independently, Muhammad Yunus, a U.S.-educated professor of economics started a similar experiment. Around 1974 during a famine in his native Bangladesh Yunus discovered that very small loans could make a significant difference in a poor person's ability to survive, but that traditional banks were not interested in making tiny loans to poor people, who were considered poor repayment risks. In 1976, Yunus founded the Grameen Bank to make loans to poor Bangladeshis. Since then the Grameen Bank has issued more than \$10 billion in loans to several million borrowers - at the close of 2011 the number of outstanding loans is more than 8 million. To ensure repayment, the bank uses a system of "solidarity groups": small informal groups, nearly all of them exclusively female, that meet weekly in

their villages to conduct business with representatives of the bank, and who support each other's efforts at economic self-advancement. As it has grown, the Grameen Bank has also developed other systems of alternate credit that serve the poor. In addition to microcredit, it offers housing loans as well as financing for fisheries and irrigation projects, venture capital, Communications, textiles, and other activities like Grameen Trust, Grameen Fund, Grameen Telecom, Grameen Cybernet, Grameen Shakti, GrameenPhone, Grameen Education, Grameen Knitwear, Grameen Solutions, Grameen Kalyan, Grameen Byabosa Bikash and so on along with other banking services such as savings.

Grameen Bank at a glance

S	Particulars	Million US\$
1	Cumulative Amount Disbursed Since Inception	13,321.06
2	Cumulative Amount Repaid Since Inception	11,973.75
3	Amount Disbursed this Month	128.64
4	Amount Repaid this Month	117.73
5	Outstanding Loan	
	5 Basic Loan	901.14
	5 Flexible Loan	89.14
	5 Housing Loan	0.48
	5 Education Loan	34.27
	5 Other Loans	4.36
	5 Total :	1,029.65
6	Rate of Recovery	97.08
7	Total Outstanding of Borrowers	
	7 Basic Loan	6.88
	7 Flexible Loan	17.38

	7	Total :	24.25
8	Overdue Loan		
	8.		13.991
	8.	Flexible Loan	8.726
	8.	Housing Loan	0.010
	8.	Other Loans	0.000
	8.	Total :	22.728
9	Microenterprise Loan (Cumulative)		
	9.	No. of Microenterprise Loans	4,704,609
	9.	Amount Disbursed	2,061.65
	9.	Amount Repaid	1,779.24
1	Balance of Deposits		
	1	Members' Deposit	999.32
	1	Non-Members' Deposit	635.19
	1	Total :	1,634.51
1	Deposits to Outstanding		
	1	Deposits as Percentage of Outstanding Loans	159
	1	Deposits and Own Resources as Percentage of	176
	1	No. of Branches with more in Deposits than in	1,906
1	Beggar Members		
	1	No. of Beggar Members	80,278
	1	Amount Disbursed (Cumulative)	2.47
	1	Amount Repaid (Cumulative)	2.00
	1	Amount of Savings (Balance)	0.11
1	Cumulative Number of Village Phones		882,184
1	Cumulative Number of Houses Built with Housing Loans		693,738
1	Life Insurance Fund (Cumulative)		
	1	No. of Deaths Among all Borrowers	151,770
	1	Amount paid out from Life Insurance Fund	5.01

1	Loan Insurance		
	1	Balance in Loan Insurance Savings	96.98
	1	No. of Deaths Among Insured Borrowers (Cumulative)	268,070
	1	Amount of Outstanding Principal and Interest of the	36.76
1	Higher Education Loan (Cumulative)		
	1	No. of Female Students	11,997
	1	No. of Male Students	39,817
	1	Total :	51,814
	1	Amount Disbursed (Female)	11.12
	1	Amount Disbursed (Male)	31.30
	1	Total :	42.42
1	Scholarship (Cumulative)		
	1	Scholarship Recipient (Female)	92,462
	1	Scholarship Recipient (Male)	65,754
	1	Total :	158,216
	1	Scholarship Amount (Female)	2.14
	1	Scholarship Amount (Male)	1.54
	1	Total :	3.68
1	Number of Members		
	1	Female	8,087,330
	1	Male	316,185
	1	Total :	8,403,515
2	Number of Groups		1,313,660
2	Number of Centres		143,141
2	Number of Villages		81,386
2	Number of Branches		2,567
2	Number of Branches with Computerized Accounting and		2,567

Source: Grameen Bank Monthly Report, March 2012.

Today, the Grameen, is a hugely successful lending cooperative, with more than 2567 branch offices across the country serving more than 8 million member-borrowers in 81,386 rural villages. This year (2013), the Grameen Bank expects to provide more than \$1000 million in loans, most averaging less than \$100 apiece and most, 97 percent, going to poor landless women.

Bangladesh Rural Development Board (BRDB):

It is the premier government organization with a plethora of microfinance programs/projects geared towards poverty eradication and improving quality life of the rural poor... It has distributed Tk. 8796 million among 5, 364,636 people up to June, 2012. As on April 2013 it experimented with at least 68 completed and 16 current projects to increase income and unemployment opportunities for the rural poor by setting up a separate system of primary cooperatives (Khandakar, 1999) and other non credit projects. The eligible poor were men and women who owned less than half of an acre of land and dependent on manual labor as the main source of their income. With funds from the Canadian International Development Agency (CIDA), this program was strengthened in 1988 and renamed the Rural Development Project-12 (RD-12). RD-12 was based on the model of a two-tier cooperative structure with solidarity groups of five to six members, following the credit delivery model of GB. This small group –targeted approach was more successful than the large group approach of the BRDB in reaching the poor and recovering loans. Although with the small group delivery approach of GB, RD-12 adopted BRAC’s skill development approach for promoting productivity of the poor.

Current Ongoing Projects: BRDB runs the following credit and non-credit projects for rural development:

Microfinance Projects: Participatory Rural Development Project (PRDP), Employment Guarantee Scheme for Hardcore Poor of Northern Region Integrated Poverty Alleviation Program (IPAP), Revolving Agril Credit Program, Productive and Employment Program (PEP), Mohila Bittahen Kendrio Unnayan Samity (MOBIKUS), Self Employment Project for the Poor Women (DAMAK), Dostha Paribar Unnayan Samity (DOPOUS),

Other Development Projects: Chittagong Hill Tracts Development Program, Productive Employment and Awareness Raising Program for Rural Women, Adarsha Gram, Insolvent Freedom Fighters and their Dependents Training and Self- Employment Program (FF), Productive Employment and Development Program for Rural Women (PEDPRW-AARDO) etc.

Palli Karma Shahayak Foundation (PKSF):

It is a microfinance whole-sale fund, came into being in 1990. Over the years, its share in the revolutionary loan fund of MFIs increased from 9% in 1996 to 44% in 2012. The body's assistant means to effectively and efficiently provide funding to micrfinance partner organizations both government and non-government sectors. It has distributed Tk. 1,027,324 million among around 6,650,116 people upto December, 2012.

BRAC:

This is the world's largest NGO in microfinance operation, among many others. As on February 2013, it had 3 million borrowers. By that time, it distributed Tk. 715,140 million among its members. Where GB believes that the immediate need of the poor is create and expand self-employment opportunities, BRAC believes that the poor need skill development and other organizational inputs. BRAC's approach has been to combine lending with

the delivery of organizational input, such as skills promotion and consciousness raising (Lovell, 1992). It has never viewed credit as a central instrument for poverty alleviation. BRAC uses village organizations that comprise around 30 people from the target population. These village organizations are the central pillars of BRAC. But because the village organizations are difficult to manage, at least for credit delivery and repayment, BRAC introduced monthly collection system instead of weekly collection in some branches since 2011.

ASA:

ASA has emerged as one of the largest, cost-effective and financially sustainable MFIs in the world. Through a gradual process of reducing dependency on foreign funds, ASA has established itself as a financially self-reliant MFI and does not accept any grant or donation since 2001. The profile of ASA as a MFI is depicted below:

ASA at a glance

(up to February, 2013)

SL	Description				
1	Total number of Branch Offices				2,959
2	Total number of Villages				64,447
3	Total number of Upazila / Thana				511
4	Total number of Districts (All Districts in Bangladesh)				64
5	Total number of active groups (Function as a collection center)				190,270
6	Total number of active members	Primary	95.62%	4,518,459	
		Special	4.38%	207,082	4,725,541

	(end of the month)				
7	Number of Long Term Savings A/C (61.22% on active borrowers)				2,520,959
8	Savings (end balance)	Primary	48.28%	8,432,693,796	
		Special	7.66%	1,338,155,032	
		LTS	44.06%	7,694,627,856	17,465,476,684
9	Total number of Security Fund policy holders				4,688,295
10	Security Fund (end balance)				4,338,572,017
11	Total number of active borrowers (end of the month)	Primary	95.31%	3,924,841	
		Special	4.68%	192,554	
		Solar	0.01%	566	4,117,961
12	Loan Outstanding (with service charge)			Taka	58,900,090,635
	Disbursed (cumulative)		Taka	697,426,975,114	
	Realized (cumulative)		Taka	638,526,884,479	
13	Loan Outstanding (Principle)				53,525,977,437
14	Rate of Recovery (cumulative)				99.64%
15	Rate of Recovery (on going loan)				97.34%
16	PAR (%) – 1 day				2.97%
17	Total Number of Staff : (Male – 18,272 & Female – 2,422)				20,694

Source: [http:// www.asabd.org](http://www.asabd.org).

Nationalized Commercial Banks: Due to success of microcredit, the nationalized commercial banks have also introduced MF programs of their own.

The Sonali Bank Ltd. has been implementing its NGO linkage program since 2003 in regards of MF. Presently, 32 Micro Credit projects/programmes are being run by the Bank. Amongst the programmes, Bank-NGO Linkage wholesale credit programme is mentionable through which up to December, 2010 a total amount of Tk.422426 Lacs has been disbursed under various projects/programmes monitored by this Micro Credit Division, whereas it was Tk. 386529 Lacs Upto Dec. 2009. On the other hand total recovery position stands at Tk. 482839 Lacs as on December 2010, whereas it was Tk. 463854 Lacs upto Dec. 2009. The present outstanding position of Micro Credit is Tk. 98263 Lacs.

The Janata Bank Ltd. has different micro-credit programs of its own & in collaboration with other agencies. For successful implementation of these credit programs specially poverty reduction credit programs it requires close supervision and monitoring. Considering Bank's manpower/field staff it is not always possible to ensure intensive supervision at the grass root level. To make the micro credit programs time & cost effective bank has initiated linkage program using intermediaries/collaborating agencies (GOs & NGOs). Collaborating agencies are responsible for organizing the target groups (conducting survey, formation of groups, providing training etc.) including supervision and recovery of credit. Up to 2010 total 5,81,801 borrowers were served MF services from 844 branches through 29 different MF projects while the rate of interest varies from 2% to 14%. In addition Agrani Bank Ltd. and Rupali Bank Ltd. runs various Microfinance projects as well.

Private Banks: Many private banks like Islami Bank Bangladesh Ltd. have introduced MF by applying model of investments-leasing, hire purchase etc. But the program is basically a replication of GB model. In addition more than 30 private banks have started its operation on MF.

In addition to these, various formal financial institutions (nationalized commercial banks and specialized banks), specialized government organizations and semi-formal financial institutions (nearly 700 NGOs-MFIs) have implemented Microfinance Programs (MFPs) in Bangladesh, the Economic Review said. In fact, sustainable poverty reduction does not depend on Grameen alone. It is a function of wide array of variables, some of which are under the control of government, some of which depend on what is being undertaken in the universities and laboratories, some of which depend on the private sector, and some of which depend on natural climates. We have over the decades, made minuscule progress towards poverty reduction, social development and peace, even though Grameen has played a leading role in the voyage.

Chapter-6

**The Role of Microfinance in
the Establishment of Peace,
Human Rights and
Sustainable Development in
Bangladesh**

There can be no question that microfinance has been one of the most useful and effective innovations in modern time, and this one simple, brilliant, counter-intuitive idea has done more to pull people out of poverty and put them on the road to self-sufficiency, dignity, and independence than any other. By helping to unleash the dormant power of the poor, and especially women, microfinance has shown how can be a social force for social progress, as shown that if the poor are empowered, they can both take care of their own lives and contribute immeasurably to society to establish development and ultimately peace in a socio-politically conflict prone impoverished society.

Microfinance and Poverty Eradication

The appropriateness of MF as a tool for reducing poverty depends on local circumstances. Poverty is often the result of low economic growth, high population growth, and extremely unequal distribution of resources. The proximate determinants of poverty are unemployment and the low productivity of the poor. When poverty results for unemployment, reducing poverty requires creating jobs; when poverty results from low productivity and low income, reducing poverty requires investing in human and physical capital to increase workers' productivity. In many countries, such as Bangladesh, poverty is caused by lack of both human and physical capital. Consequently, the best way to reduce poverty is to deal with both problems: increasing productivity by creating employment and developing human capital.

Microfinance (MF) is considered by many as a tool for development to address issues of poverty and under-development. The idea of creating

microfinance institutions (MFIs) was to support poor people and all those that do not have access to other financial institutions by providing access to microloans and microcredits, with the aim of further development of small businesses. In other words, those businesses are known as micro-businesses, European Scientific Journal February 2014 edition vol.10, No.4 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431 273 which need small investments to start their activities (Hurst & Pugsley,2011).

MFIs often are supported by donor funding or through different financial or non-financial government support, especially when those MFIs starts their operation within a particular country. However, the intention of those institutions is to become commercialized, whereas their operations are oriented to create higher return (income) to be able to finance their operations and to become self-sustainable.

Poverty and development are closely related to each other, as there where poverty is present, which means that there I lack on development (Littlefield, et.al. 2003). As further stressed by Littlefield, Murdoch, and Hashemi (2003), MFplays a crucial role and is considered as an important factor in achieving development and fighting poverty in developing and poor countries. Donors interested to support developing countries and fighting poverty in those regions, do that by providing founds to MFIs that generally embraces the elements that take into consideration poverty and development. As noted by Littlefield et al. (2003), based on research findings collected during a review of studies on the impact of MFIs on the local population, they concluded that microfinance goes beyond just business loans – it has a wider effect on the lives of the borrowers and their families, such as in

health and education, management of household requirements, and other needs that are related or depend on cash or immediate payments.

To some, microfinance resembles the magic, as Boudreaux and Cowen (2008) have described the microfinance “the micro-magic of microcredit.” As further explained by Boudreaux and Cowen (2008), microcredits offer to poor people the possibility to better manage their daily life. Although, the enhancements might not show up as an obvious profit yield on investment made with engaging the loan borrowed from MFIs, on the other hand, “the benefits are very real” (Boudreaux and Cowen, 2008, p. 31).

Microcredit is considered by many as an alternative form of money lending (Boudreaux and Cowen, 2008), especially for the poor part of the population. However, it is clear that it may not be only an alternative way of borrowing and lending money, nowadays it is becoming clear that it is the only way of lending money by the poor people; hence, it is for many the only way to have access on finance.

As the majority of the poor population work on the informal sector, which is present and widespread phenomena in poor and indeveloping countries, banks do not allow credits to those people active in that sector. Compared to the traditional banks, the microcredit institutions lend to almost all that can prove that are active and engaged in any sector (Boudreaux and Cowen 2008).

To summarize, microfinance incentives help fighting poverty. The rapid growth of the microfinance sectors and as an industry, over the past two decades, has widened its impact even more than it was thought European Scientific Journal February 2014 edition vol.10, No.4 ISSN: 1857–

7881(Print)e-ISSN1857-7431274 initially. Nowadays, microfinance has reached approximately (by extending loans) more than 200 million clients by the end of 2010. Taking in concern different socio-economic relations of the borrowers related to the impact of borrowings to their families, in developing countries microfinance has affected upon the lives of around 1 billion people (Lützenkirchen and Speyer, 2013).

In the words of Dr Mahathir Mohammad, former charismatic leader of Malaysia, microfinance is an “important discovery”; “it is a powerful, effective, and efficient tool” and it “marks the beginning of a new era towards the ultimate eradication of poverty in our nations”.

UNDP Human Development Report 1994, which declares ‘eradicating human poverty worldwide’ as the agenda for 21st century, states: “eradicating poverty is a practical possibility-and in the long run an economic imperative for global prosperity. In addition, because poverty is no longer inevitable, it should be no longer tolerated. Time has come to eradicate the worst aspects of human poverty in a decade or two-to create a world that is more human, more stable, more just, more developed and more peaceful”

The role of microfinance in improving the lives of the poor in rural areas is now well-established fact. According to the latest survey of Bangladesh Bureau of Statistics (BBS) on household income and expenditure, poverty in rural areas is decreasing faster than in urban areas. The BBS figures show that poverty in rural areas reduced by 8.5% whereas 6.8% in urban areas in 2010. Simultaneously, according to Bangladesh Economic Review, around

58% or 38, 00,000 people of the total recipients have been able to break out of poverty line until February 2009.

According to a Proposal of South-South Partnership on Microcredit (1998), two following assumptions may be quoted in case of poverty eradication through microcredit:

1. That poverty is neither created nor sustained by the poor. It is the result of institutional arrangements. As soon, the poor get sustained access to working capital through credit, a place to keep and grow their savings, and insecure against emergencies, the poor demonstrate an incredible capacity to generate income, savings, assets, and wealth; and ultimately move out of the poverty group and into the mainstream of the national economy.
2. That the private sector can deliver these financial services and do so profitably. This means that once an MFI has reached the client numbers and organizational efficiency necessary to become viable, it can continue to deliver these services indefinitely without further support from the donor community.

The NGOs and Grameen approach reached the poor with microfinance and made the poor bankable, creditworthy as they are very good re-payers of loan, challenging the defaulter culture of traditional banking culture of traditional banking system. As MF generated income for the poor borrowers, it has stimulated the social, health, education and economic development of their families slowly and steady.

Despite poor initial conditions and its extremely high vulnerability to natural disasters, Bangladesh's achievements in macro-economic management and

social development have been impressive. During the 2000s economic growth averaged more than 5% with fiscal and current account imbalances contained at manageable levels, inflation, and low public debt. National poverty fell from 59% to 50%, infant mortality was halved, and life expectancy increased from 56 to 65 years. In the mid-2000's the average economic growth has, exceeded 5% and poverty incidence further declined. The first time in the last two decades, the Gross Development Product (GDP) growth rate exceeded 6% in FY 2004. The vast majority of children attend primary schools, and gender parity has been reduced in primary and secondary education enrollment. Some of the selected development indicators are given below:

Poverty Eradication in Bangladesh

Selected indicators	1970	1980	1990	2004
Poverty	92	59	49.8	41.4
GDP \$ billion	10	21.3	47.3	56.5
GDP gross %	--	3.5	4.8	6.3
Population (in	85	100	120	130
GDP per capita	118	213	390	470

Source: (The given data presented at the Expert Group Meeting and Round Table: The First United Nations Decade for the Eradication of Poverty, 6-8 July 2005: UNESCAP, Bangkok, Thailand.)

There is a certain amount of debate about whether impact assessment of microfinance projects is necessary or not according to Simanowitz (2001b). The argument is that if the market can provide adequate proxies¹⁰ for

impact, showing that clients are happy to pay for a service, assessments are a waste of resources (ibid.). However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFI (ibid.) Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning within MFIs so that they can improve their services and the impact of their projects (Simanowitz, 2001b, p.11).

Poverty is more than just a lack of income. Wright (1999) highlights the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He states that there is a HIV/AIDS, malaria and other diseases; (vii) ensure environmental sustainability; and (viii) develop a global partnership for development (Littlefield, Murdugh and Hashemi, 2003). 10 Such as good client retention and repayment rates. significant difference between increasing income and reducing poverty (1999).

He argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends what the poor do with this money, oftentimes it is gambled away or spent on alcohol (1999), so focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to “sustain a specified level of well-being” (Wright, 1999, p.40) by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.

It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators’ scepticism of the impact of

microfinance on poverty, studies have shown that microfinance has been successful in many situations. According to Littlefield, Murdugh and Hashemi (2003, p.2) “various studies...document increases in income and assets, and decreases in vulnerability of microfinance clients”. They refer to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all show very positive impacts of microfinance in reducing poverty. For instance, a report on a SHARE project in India showed that three-quarters of clients saw “significant improvements in their economic well-being and that half of the clients graduated out of poverty” (2003, p.2).

Dichter (1999, p.26) states that microfinance is a tool for poverty reduction and while arguing that the record of MFIs in microfinance is “generally well below expectation” he does concede that some positive impacts do take place. From a study of a number of MFIs he states that findings show that consumption smoothing effects, signs of redistribution of wealth and influence within the household are the most common impact of MFI programmes (ibid.).

Hulme and Mosley (1996, p.109) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programmes can improve the incomes of the poor and can move them out of poverty. They state that “there is clear evidence that the impact of a loan on a borrower’s income is related to the level of income” as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the “middle and upper poor” (1996, pp109-112). However, they also show that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets (1996, p.118).

Mayoux (2001, p.52) states that while microfinance has much potential the main effects on poverty have been:

- _ credit making a significant contribution to increasing incomes of the better-off poor, including women,
- _ microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves.

Johnson and Rogaly (1997, p.12) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction (ibid.) as this reduces beneficiaries' overall vulnerability.

Therefore, while much debate remains about the impact of microfinance projects on poverty, we have seen that when MFIs understand the needs of the poor and try to meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society.

However, the credit based poverty alleviation model introduced by the GB for the rural poor has become successful by creating self-employment and human capital development opportunities. The GB evolved from a model

that targeted the poor, incorporating the notion that the poor, like the rich, must have access to the formal credit. The poor lacked social and financial discipline and thus the bank introduced social and community development programs to bust up the poor to become more productive. It may be mention that in 1970 the county had 75 million people with a substantial food deficit. Since then the population became nearly doubled but Bangladesh is close to self-sufficiency in food now.

Microfinance and Sustainable Development

“Development in a broad sense refers to social and economical changes in society leading to improvement in the quality of life for all. At the most basic means providing with every person the essential material requirements for a dignified and productive existence.”-- (UN Administration).

The road to socio-economic prosperity must be a continuous process of creation of assets so that the asset base of an individual or a society becomes stronger at each economic cycle. This process of creation of assets can be accelerated with the support of credit. A poor person can convert his/her latent skill or in other words their survival skill into any economic activity, of course legal, with the aid of credit. When someone has an opportunity to acquire asset, or borrow asset to use for any benefit he no longer stop dreaming. Credit thus changes hopes and kindles ambition for a change. The experience of GB testifies it. GB had been dealing with the poorest of the poor who was not trusted by the conventional lenders, not to speak of the poor women of the conventional bound prejudiced poor economies. These women, about 93%, up to 1993 no more beg, or are not at the mercy of the legal tyrants (husband) or any of her alternatives. She has now become a

formal part of the development process. She is a small entrepreneur, always busy in reading the market signals, balancing the daily production and sales figures, procuring goods and services, attending the bank meetings, participating in the family decision making process etc.

Example: Momota Begum of Boruha, who had no farmlands, had to live with a sick husband occasionally used to face starvation, has now after her four years of association with GB purchased .15 acre of land, saved to 7000 (net) purchased two milch cows, constructed a tin-roofed house, married of her two daughters without dowry and arranged the treatment of her sick husband. Members of her family now can consume non-vegetarian food three days a week.

This change may sound a little magical. Yes, sometimes properly packaged credit can do wonders. The stories of Grameen loaners are mostly like that of Momotas. The tale of sorrows and deprivations are being slowly and gradually wiped out. If this is not development, then how should we co figurate it?

Grameen Bank which started its operation in 1976 as a pilot project, aimed to bring financial services to the poor, particularly women and the poorest, to help them fight poverty, stay profitable and financially sound. GB started with the brief that credit should be accepted as human rights, and builds a system where one who does not posses anything gets the highest priority in getting a loan. GB credit is a cost effective weapon to fight poverty and it serves as a catalyst in the overall development of socio-economic conditions of the poor who have been kept out of banking facilities because they are poor and hence not bankable. Prof Yunus reasoned that if financial resources

can be made available to the poor people on terms and conditions that are reasonable, the poor could create the biggest development wonder.

***Ahlin and Kiang Model:** Economics Professors Christian Ahlin and Neville Kiang of Vanderbilt University examined the long-run effect of MF in development on development in occupational choice model. The modeled MF as a pure refinement in the credit market that opens up self-employment options to some agents who otherwise could only work for wage or make ends meet. The authors argue that MF can either raise or lower long run GDP, since it can lower use of both subsistence and full-scale industrial technologies.*

The analysis predicts that MF typically lowers long-run inequalities and poverty, by making subsistence payoffs less widespread. A case exists, however, in which MF both lowers per capita GDP and raises poverty in the end. The key to MF's long run effects is dependent on the "graduation" rate: the rate at which the self-employed build up enough capital to start full-scale business firms. The model identifies two avenues for graduation: 'winner' graduation and 'saver' graduation.

The analysis indicates that "win-win" graduation, however high its rate of return, cannot alone bring long-term development. In contrast, if the saving rate and normal returns in self-employment are jointly high enough, then MF can bring an economy from stagnation to full development via 'saver' graduation. The lasting effects of MF may thus partially depend on simultaneous facilitation of micro-savings.

According to Noble Peace Committee, “Yunus and Grameen Bank have shown that even the poorest of the poor can work to bring about their own development.” It further added that, “At Grameen Bank, credit is a cost-effective weapon to fight poverty and serves as a catalyst in the overall development of socio-economic conditions of the poor who have been kept outside the banking orbit on the ground that they are poor and hence not bankable”.

In addition, the following indicators can judge the overall development through microfinance:

A. Per Capita Expenditure: The most important effect of borrowing from a microcredit program is its impact on per capita expenditure. According to a study of RD-12, a 10% increase in women’s borrowing increased per capita weekly expenditure by 0.43% for GB, 0.39% for BRAC, and 0.40 % for RD-12.

B. Net Worth: Borrowing did in deed increase the household net worth of borrowers. A 10% increase in male borrowing from BRAC increased household net worth 0.09%, 0.22% for RD-12 and 0.15% for Grameen Bank. In this case, the impact is much stronger for men than women.

C. Children’s Schooling: Microfinance has a significant impact on children’s schooling, especially for boys. The largest and most precisely estimated credit effects on both boys’ and girls’ schooling were the effects of female credit obtained from GB. At the mean, a 1% increase in GB credit provided to women increased the probability of school enrollment by 1.9%.

D. Children’s Nutrition: Women’s credit has a large and statistically significant impact on the nutritional well-being of both male and female children. Credit provided to men has no statistically significant impact

except for girl's body mass index about 3%. A 10% increase in credit provided to women increased the arm circumferences of girls by 6%.

E. Fertility and Contraception: Men's credit parameters for contraceptive use and fertility were jointly significant at the 5%, but only men's credit from GB has a significant effect in increasing contraceptive use among 14-50 year old women in participating households. The fertility effects of microfinance programs were consistent with the contraceptive use effects.

F. Self-employment: Right to work has been recognized as an important human right. Opportunities to work may be created in two ways either through wage employment or through self-employment. Employment may mean being condemned to a life in a squalid city slums or working for two meals a day for all his life. Thus road to socio-economic prosperity must be a continuous process of creation of assets, so that the asset base of a poor person becomes stronger at each economic cycle to enable him to earn more and more. To Dr Yunus, "Creating an employment is a much more dignified way of solving the unemployment then initiating a system of doles and welfare payments."

G. Savings and Insurances: If properly, administered credit and savings go side by side. Conventional theories dictate that income is the most powerful determinant in savings behaviors. Many have therefore dismissed the poor as unable to save and hence immune to the incentives designed to mobilize deposits. This belief led to the self-fulfilling prophecies: since the poor do not save, financial markets created little opportunity or stimulus among poorer populations to pay savings. However, a wide variety of saving schemes can be observed in Bangladesh wherein poor people contribute a fixed amount in a common fund out of their income. For example, the Didar

Cooperatives in Comilla, Bangladesh has created a fund with the contributions of poor Riksha pullers, peddlers, and day laborers.

H. Communication Technology: Grameen Communications have already successfully experimented with rural internet service, IT training and village kiosks. Grameen Bank and Grameen Telecom have pioneered the highly innovative Village Phone Program (VPP) that has been so successful that it has already drawn worldwide attention. The VP program clearly demonstrated the power and cost effectiveness of ICT when a number of factors work together: firstly, there is the need for an institution that is designed and dedicated to promote the technology and provide the poor with direct access to ICT. In response to this local initiative Telenor of Norway, one of the largest operators of Europe extended its hands.

Example: Nurjahan Begum of Dhelashwar village of Sirajgonj district invested tk 25,000 in mobile business under VP having credit from GB. Poor people from far off villages were coming to use her phone to either phone or receive calls from their relatives in India, Dubai, Saudi Arabia, Malaysia, and even in the United States. There is even a home delivery service, as Nurjahan takes the cell phone to the homes of neighbors and charges an extra amount especially for the elderly and people who may be ill. She has further diversified her business by taking another connection from another operator named 'Sheba' that provided well connection for operating a fax machine at cheaper rates. She has three CD players for renting out, fetching an extra income monthly. She has recently brought

a computer for his son who finished high school. Nurjahan now wants an internet connection.

I. Microfinance and Social Agenda: While credit is an efficient instrument that can quickly augment income, poverty has many dimensions since the poor have to fight battles on a number of fronts. To cope with them there is need to:

1. Raise the social and political consciousness of the newly organized groups;
2. Focus increasingly on women from the poorest households, whose urge for revival has a far greater bearing on the overall development of the family and encourage this participatory involvement in planning, implementing and monitoring social and physical infrastructure projects i.e. basic housing, sanitation, safe drinking water, children's schooling, family planning, homestead gardening for improved nutrition and clear environment etc.

However, GB's "Sixteen Decisions" form an integral part of the GB's credit delivery and recovery mechanism.

J. Women Empowerment: The Noble Peace Committee has uttered that, "Micro-credit has proved to be an important liberating force in societies where women in particular have struggle against repressive social and economic conditions". However, the experience of Grameen Bank shows that in the poor society's credit through the women can bring about the changes faster than that of male. To Dr Yunus, "When a poor father starts making extra income he starts dreaming about himself. When a poor mother starts making some income her dreams invariably center on her children". If the goals of development include improved standards of living, removal of

poverty, access to dignified employment, and reduction in social inequality, then it is quite natural to start with women. They constitute the majority of the poor, the unemployed, and the economically and socially disadvantaged in most societies.

“Development is ‘recognition of human potentials’

This includes both men and women.”-- Mahatma Gandhi.

A basic pillar of Graameen’s microfinance programme is the empowerment of women. From the very beginning, in translating his vision of making credit available to the poor into a reality, Yunus recognized the feminization of poverty. Today of the bank’s 7.5 million borrowers, 97 per cent are women. The expansion of micro credit is now recognized as an essential ingredient for women’s empowerment as poor women gain greater access to financial resources. Yunus considers providing small loans to the poor as an entry point for a process of transformation in the life of the individual member to change her own self-image from being a worthless woman to an important decision-maker in the family. According to the Microcredit Summit Campaign:

"1.2 billion People are living on less than a dollar a day. Women are often responsible for the upbringing of the world’s children and the poverty of the women generally results in the physical and social underdevelopment of their children. Experience shows that women are a good credit risk, and that women invest their income toward the well-being of their families. At the same time, women themselves benefit from the higher social status they

achieve within the home when they are able to provide income."

Microfinance has a very important role to play in development according to proponents of microfinance. UNCDF (2004) states that studies have shown that microfinance plays three key roles in development. It:

- helps very poor households meet basic needs and protects against risks,
- is associated with improvements in household economic welfare,
- helps to empower women by supporting women's economic participation and so promotes gender equity.

Otero (1999, p.10) illustrates the various ways in which "microfinance, at its core combats poverty". She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organisation building, enables people to move out of poverty (1999). By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999).

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) state that the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of

the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999).

More recently, commentators such as Littlefield, Murdugh and Hashemi (2003), Simanowitz and Brody (2004) and the IMF (2005) have commented on the critical role of microfinance in achieving the Millennium Development Goals⁹. Simanowitz and Brody (2004, p.1) state, “Microfinance is a key more members receive loans and after another period of successful repayment, the final member receives a loan (Ledgerwood, 1999).

The concept of poverty and the impact of microfinance in combating poverty are examined in more detail in the following section. The MDGs are:

- (i) eradicate extreme poverty and hunger;
- (ii) achieve universal primary education;
- (iii) promote gender equality and empower women;
- (iv) reduce child mortality;
- (v) improve maternal health;

Combat strategy in reaching the MDGs and in building global financial systems that meet the needs of the most poor people.” Littlefield, Murdugh and Hashemi (2003) state “microfinance is a critical contextual factor with strong impact on the achievements of the MDGs...microfinance is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale”. Referring to various case studies, they show how microfinance has played a role in eradicating poverty, promoting education, improving health and empowering women (2003).

However, not all commentators are as enthusiastic about the role of microfinance in development and it is important to realise that microfinance is not a silver bullet when it comes to fighting poverty. Hulme and Mosley (1996), while acknowledging the role microfinance can have in helping to reduce poverty, concluded from their research on microfinance that “most contemporary schemes are less effective than they might be” (1996, p.134). They state that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off by microfinance.

Rogaly (1996,p.109/110) finds five major faults with MFIs. He argues that:

- they encourage a single-sector approach to the allocation of resources to fight poverty,
- microcredit is irrelevant to the poorest people,
- an over-simplistic notion of poverty is used,
- there is an over-emphasis on scale,
- there is inadequate learning and change taking place.

Wright (2000,p.6) states that much of the scepticism of MFIs stems from the argument that microfinance projects “fail to reach the poorest, generally have a limited effect on income...drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor”. In addition, Wright says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from “more pressing or important interventions” such as health and education (2000, p.6). As argued by Navajas et al (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more. They state that governments and donors should know whether the

poor gain more from microfinance, than from more health care or food aid for example.

Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty. Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty, and about the characteristics of the people it benefits (Chowdhury, Mosley and Simanowitz, 2004). Sinha (1998) argues that it is notoriously difficult to measure the impact of microfinance programmes on poverty. This is so she argues, because money is fungible and therefore it is difficult to isolate credit impact, but also because the definition of 'poverty', how it is measured and who constitute the 'poor' "are fiercely contested issues" (1998, p.3).

Poverty is a complex issue and is difficult to define, as there are various dimensions to poverty. For some, such as World Bank, poverty relates to income, and poverty measures are based on the percentage of people living below a fixed amount of money, such as US\$1 dollar a day (World Bank, 2003).

Advocates for microfinance place great emphasis on lending to women. Total number of women microfinance borrowers has reached 15 million with a total microfinance debt of US \$ 1.8 billion (2.6% of GDP) and loan repayment rate prevails above 97%. Microfinance provided by government departments /agencies /NGOs /MFIs has given many benefits for village women, by increasing their mobility, income generation, decision-making in the family and community.

K. Improved Status of Families: Independent studies show that microfinance has a host of positive impacts on the families that receive it. A recent world

bank study by Shahid khondkar (2003) show that microfinance programs operating in Bangladesh over a long period of time have produced a greater impact on extreme poverty than on moderate poverty.” The results of this study indicate that microfinance not only affects the welfare of participants and non-participants, but also the aggregate welfare at the village level. In fact even in disaster situations and post conflict areas, it has helped rebuild economic activities and livelihoods. Hence, acting as the coping mechanisms of the poor this was successfully demonstrated during the floods in Bangladesh in 1998.

Grameen claims to have brought the service of banking within the reach of the poorest and weakest section of the population, viz. poor rural women, transforming it from being the preserve of the rich and economically powerful. This was nothing less than revolutionary as what Yunus tried to do was to turn the traditional theory of prudential banking on its head. Many microfinance organizations focus completely on women borrowers. Pro Mujer and Namaste Direct are two organizations that directly work with women, but the Grameen Foundation, UN Secretary General Kofi Annan, and Hillary Rodham Clinton all emphasize women when they speak about microcredit.

Microfinance and Peace

The narrowest definition of peace is that it is simply the absence of war. But real peace is more than that. A person who is not able to go about the ordinary business of life without the constant threat of murderous violence, whether from uniformed soldiers, ragged rebel forces, terrorists, or ordinary criminals cannot be said to be living in a state of peace.

Johan Galtung referred to the absence of war as “negative peace”. But Galtung argued that there was a richer, more complex meaning of peace,

“positive peace”. For it is not bullets and bombs alone that kill and maim people. There is also such a thing as “structural violence”, violence that is built into the structure of political, social and economic systems. People who die of malnutrition in a world with more than enough food; who are blinded, crippled or killed by preventable diseases; who become the targets of vicious crimes committed by desperate, marginalized people --- these are not the victims of war. They are the victims of structural violence. Yet they are just as damaged, just as dead as those we count as war casualties. Positive peace is more than just the absence of war. It is the presence of decency.

“Lasting peace cannot be created unless large proportion finds ways to break out of poverty. Microcredit is such a way”

-Norwegian Noble Committee (NNC), 2006

Following is the official english text of the Norwegian Noble Committee’s citation in awarding the 2006 Peace Prize to Muhammad Yunus and his Grameen Bank. The Committee has decided to award the Noble Peace Prize for 2006, for his efforts to create economic and social development from below. Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. MF is such one means. Development from below also serves to advance democracy and human rights.

Peace is required for democracy, and democracy requires a hunger free nation to flourish since hunger only facilitates corruption and backwardness. According to Dr Yunus, access to credit by the poor is not only a necessity, but also one of their fundamental rights. He also things that no peace is possible in the world when two-thirds of the population live bellow poverty line.

Microfinance is frequently considered both as a tool for fighting poverty in developing countries and as a tool for post-conflict reconciliation. Many countries have employed and created conditions for microfinance, especially after 1990s, as a resource and additional capital for poverty reduction.

Micro finance is present in different countries since early '70s. However, it has won on its importance and it was made clear its impact on supporting developing countries, after year 2006 when Yunus and Grameen Bank won their Nobel Peace Prize for their efforts to create economic and

European Scientific Journal February 2014 edition vol.10, No.4 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431270 social development from below. With this, international profile as a tool for poverty alleviation was secured and many post-conflict countries have incorporated microfinance within their restructuring strategies. The reality in the field has shown that in recent years, microfinance was incorporated within reconstructing and development strategies of post-conflict countries more than it is expected (Nagarajan and McNulty 2004).

Kosovo, for example after the war in 1999, has found itself in a devastating situation. The entire economy was diminished; and, within this, the banking system has been ruined. The need for need for financial resources was needed more than ever before. In this content, Kosovo has used and implemented both approaches of microfinance to fight the poverty (that was present in the entire country) and to create new development possibilities for small businesses and private sector, due to the lack of proper banking institutions. The Kosovo microfinance sector advanced rapidly, starting as

micro-finance (MFIs) as donor-funded in year 2000, and then transforming themselves into financially-sustainable microcredit organizations (MCOs).

Kosovo has created the legal basis regulating the activities of MCOs, and has steadily become institutionalized and part of the financial system of Kosovo. The majority of researchers see Kosovo's microfinance system, and within this, the entire microfinance sector in Kosovo, as a successful story. Though, some hesitate to give positive attitude and are evaluation, as the MFIs are seen as profitability oriented organizations, rather than the kind that would provide support to poor people, which is the case with post-conflict countries such as Kosovo (Bateman, 2012).

Due to the lack of knowledge and experience on microfinance within post-conflict situations, many presume that microfinance is used predominantly as a tool for development. It is principally supported through technical support and in the form of legislation support, whereas this is not always the best and most appropriated support for MFIs. As argued by Woodworth (2006), that to be able to support and to understand the impact of MFIs, especially in post-conflict situations, more research is needed due to its complexity.

Furthermore, Nagarajan and McNulty (2004) find that developing a sustainable and effective microfinance sector, specifically in post-conflict countries and regions, the contexts needs additional examination and research, as it has shown that many important issues pertaining to microfinance are still unraveled.

As poverty is mainly related to war and conflicts, microfinance is often seen as the first supporter providing to local population, access to finance. Hence,

one can say that, microfinance are tight (and most effective) in post-conflict situations. As the majority of post-conflict countries go through stages of reconstruction of financial institutions, it creates a lack of financial and social capital (Nagarajan, 1999). Hence, as noted by many, microfinance is seen as a tool toward managing the transition from humanitarian seeds and relief, which is considered as crucial for any post-conflict country, toward economic reestablishment and sustainable development (Seibel, 2006; Hudon & Seibel, 2007).

Microfinance is also becoming part of strategies of many post-conflict countries, aiming to provide needed support (mainly financial) toward rebuilding and recover local economies in those areas (Nagarajan, 1999). Many experts have also European Scientific Journal February 2014 edition vol.10, No.4 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431276 criticized microfinance for their adverse effect on comprehensive development.

This applies predominantly to post-communist countries, since the legacy of the communist countries, may differ from circumstances in developing countries (or better known as “the third world”). Further critiques are related to whether microfinance can challenge overall long and medium term economic development since it supports activities which are seen as inefficient toward developing a sustainable overall economy.

As argued by Roodman and Morduch (2009), positivity and achievements mentioned in various articles of the impacts of microfinance, are in fact, grounded on defective statistical analyzing methods. However, criticism should be a subject for further research, and will be limited only within any particular geographic boundary or arena.

However, it is hard to envision how microfinance would douse the burning fires in the Middle East or bring to an end to the senseless war on terrorism, which Mr. Bush and his allies have waged since 9/11. In a broader sense, however, the efforts of Professor Yunus and many like him engaged in easing the social and economic conflicts embedded in the war on poverty are intimately linked with promoting peace in the world. Only if peace is interpreted in the narrow sense of cessation of an armed conflict can Professor Yunus's contribution be considered as being not eligible for the Prize he has received.

Today's capitalist world is lengthening the gap between rich and the poor which is a concrete reason of various intra and international conflicts and this the main obstacle to the way of establishing sustainable peace on the globe. Historically the ruling classes have exploited the poor from the inception of the creation, so it logical that the poor have some valid rights to own credit to change their life. The NNC articulated, "Helping people rise out of poverty contributes to their empowerment and that can in turn lead to more peace in the world."

No one negates the opportunity that is given by MFIs to the poor population, by enabling them access on financial assets, especially in poor and post-conflict countries. However, the impact of MFIs on fighting poverty is an intensely debated issue. Many accept the fact that in general microfinance is not a "silver bullet" and it has not supported the overall economic development of any country, at least not as it was expected (Hulme and Mosley, 1996). Nevertheless, if implemented and managed carefully especially in cases of post conflict reconstructions, and all offered products

are designed to meet the needs of local population and communities, microfinance can be considered as a good opportunity for progress and overall economic development.

Development and Peace

“Lasting peace requires more than intervention of the blue helmets on the intervention. Effective peacekeeping demands a broader notion of human security. We cannot be secure amidst starvation, we cannot build peace without alleviating poverty, and we cannot build freedom on foundations of injustice.” (Kofi Annan, 1999).

Development is the precondition for peace and vice-versa. The attainment of development is understood in terms of establishing a peaceful, just and stable society. War is proved to the devastating effects on the development of a country. However, it is widely recognized that not war, but peaceful situations bring major economic benefits. Decrease in military spending generally frees up large amounts of capital and human resources, which could further stimulate economic and social development in the poor countries. The traditional notion of peace and development as absence of war is more or less obsolete. Now a days, peace and development are defined as poverty eradication and preserving the life supporting system. The Bruntland Report popularized the notion that poverty eradication and environment considerations need to be stressed in development and security system (Bruntland Commission on Sustainable Development, 1987).

Peace and demilitarization are important to establishing the conditions that encourage, support, or at least remove some of the obstacles that impede development. It is interesting to consider the extent to which progress in

political and economic development can also encourage, support or at least remove obstacles to demilitarization and peace.

The idea that political development has a direct, organic connection to peace is a main tenet of political liberalism, going back to the eighteenth century writings of Immanuel Kant (e.g. *Perpetual Peace*). It holds that republics in which individuals have fundamental civil rights are less likely to go to war than are autocratic forms of government. A more modern variant is the so-called “democratic peace” argument, as for example espoused by Bruce Russett:

“There are powerful norms against the use of lethal force both within democratic States and between them. Within them is of course the basic norm...that disputes can be resolved without force through democratic political processes.... Because other people living in other democratic States are presumed to share... norms of live and let live, they can be presumed to share... moderate behavior in international affairs as well.... Within a transnational democratic culture, as within a democratic nation, others are seen as possessing rights.... Acknowledgement of those rights both prevents us from wishing to dominate them and allows us to mitigate our fear that they will try to dominate us.”

It is important to emphasize that modern version of this argument does not contend that democratic nations are inherently peaceful and never go to war. That is certainly not true, as the Vietnam Wars (fought by France, then by the U.S.), the Falklands War (fought by Britain), the Persian Gulf Wars (fought mainly by the U.S. and Britain) and all too many other wars make perfectly clear. “Democratic peace” argues only that --- because of shared norms of peaceful dispute resolution and the unquestionable political legitimacy of governments freely chosen by their own people --- liberal

democracies do not go to war *with each other*. Empirically, this does seem to be true. Liberal democracies rarely do fight each other. Even if that does not mean that they have entirely backed away from war, it is still an important indication that political development has a meaningful effect in building international, as well as internal peace. What about the role of economic development?

Economic development can also help to build peace within and among nations. The poverty and frustration of so many of the world's people is a fertile breeding ground for violent conflict. There have been well more than 120 wars since the end of World War II, taking more than twenty million human lives. Nearly all of them have been fought in developing countries.

Microfinance and Human Rights

'Microfinance has a high record of success. It has been proven to elevate people out of poverty. Microfinance doesn't just tackle financial stability but it also achieves social objectives; reaching the excluded, empowering women and developing the capacity of small groups of people to take control of their own lives.'

Dr Milford Bateman (2012)

Microfinance has a proven impact ensuring sustainable development which in effect leads to the status of standard practice of Human Rights. This study explores Microfinance or microcredit programs from several perspectives, with particular emphasis on human rights issues. These programs involve making small loans to people who would otherwise be unable to borrow money to facilitate them starting their own businesses: frequently, the programs focus on women borrowers in the seven thanas. The emphasis of

MFI programs on women in rural Bangladesh makes it important to consider these programs in terms of both women's and indigenous rights, while MFI as an approach to poverty merits a discussion of economic rights.

Christopher Dunford points out in "A Failure to Communicate: Microfinance Confused" (May 2011) that public expectations of microfinance as a poverty solution have been greatly downsized. However, we believe microfinance programs offer much to celebrate and build upon-though we must look beyond nominal financial benefits.

Indeed, microfinance programs are one important tool that can alleviate economic duress enough to allow people to meet their basic needs, shift towards savings and invest in new or growing businesses. But poverty is not a purely economic phenomenon. Programs aspiring to alleviate poverty must also consider the social, cultural and structural dimensions of poverty that keep marginalized populations from overcoming barriers to economic self-sustainability. Microfinance programs that hold human rights objectives at their center-not poverty reduction-can help move people out of marginalization and attain wide-ranging social benefits.

In places where the political environment makes it difficult or even dangerous to work with local communities on human rights initiatives, community-controlled microfinance can be a safe and unobjectionable entry point for working on additional issues. These programs can provide both an incentive and a shelter for communities to come together and they can enable local, national and international NGOs to work with affected populations.

Services such as health and education, which have human-rights outcomes, can be linked successfully with microfinance programs. For example, in western Kenya, following the 2007-2008 post-election violence, a grassroots organization mobilized women who had been displaced and lost their livelihoods in the crisis. The women's participation in revolving loan funds helped them start small enterprises and gave them access to business training, counseling, family tracing and HIV testing.

In Myanmar, amidst political strife and extreme poverty, over 50,000 people in more than 150 conflict-affected communities have initiated revolving loan funds that have enabled them to begin meeting some of their most basic needs. In the process of working together, people are confronting their common challenges. They have been able to circumvent middlemen by buying in bulk, offset teachers' salaries and collectively negotiate with officials. Trust and reconciliation are increasing and communities are developing future plans.

Locally, in Bangladesh most of the established MFIs have their own programs on women empowerment, human rights, social development and so on. Out of Five MFIs we studied at least four have such programs linked to human rights issues. BRAC Community Empowerment Programme (CEP), Gender, Justice and Diversity Program (GJD), Human Rights and Legal Aid Services (HRLS), Safe Migration Programme etc. has a direct flow in ensuring various rights of its MF beneficiaries.

BRAC's Human Rights and Legal Services (HRLS) program provides legal education, legal aid and support services to protect marginalized communities from discrimination and exploitation in order to ensure access to justice for the poor through both formal and informal systems. Their work

goes beyond the scope of legal representation and reflects BRAC's awareness of the current socio-economic context and the underlying causes of vulnerability. Their work has the following 3 components:

Capacity Building: BRAC holds workshops with community leaders to increase gender/human rights awareness – which is a first step to reducing corruption and structural mistreatment of women within the government and communities. More than 15,000 community leaders attended these training workshops in 2008. By educating people at all levels, understanding of the legal system becomes common knowledge and translates into sustainable change. Following workshops, community leaders form a committee and make a commitment to promote fair treatment and proper implementation of laws throughout the region.

Legal Aid Services: In 1998, BRAC began the Legal Aid Programme to provide legal support and make the courts accessible to the poor. The HRLS programme operates 541 clinics in 61 districts of Bangladesh and is the largest NGO-led legal aid programme in the world. Over the past ten years, the Legal Aid Programme has grown to include the Alternative Dispute Resolution Programme, expanded legal offices and counsels, gender awareness training, and village-based law implementation committees. The focus has thus shifted from education to empowered action to improve legal legislation and the judicial system. Over the last five years, HRLS has provided legal aid support to 340 victims of acid throwing. They also do important work in representing individuals accused of a crime in Dhaka, working to clear out the prisons and alleviate overcrowding and horrible prison conditions.

Rights Awareness & Legal Literacy: Last, but not least – This study was especially impressed by the following innovations:

- **Barefoot Lawyers:** Shebikas (female paralegal volunteers) also referred to as “barefoot lawyers” provide legal support to women in villages. By teaching the Human Rights & Legal Education course, Shebikas establish social networks in the community and are able to quickly support and rescue victims. To make legal representation sustainable, the barefoot lawyers pose as critical leaders and access points within the community. With increased points of contact within the community, rural women can stay connected to the legal system and pursue formal and informal legal services via their own initiative.
- **Human Rights and Legal Education:** Without the basic knowledge of the laws and the legal system, women cannot protect themselves or others in the community. The Human Rights and Legal Education (HRLE) programme primarily targets women at the village level to increase legal awareness, improve understanding of the judiciary system and ultimately influence behavioral change. Focusing on laws, legal systems and methods for seeking help, HRLE is for many women their first exposure to the concept of legal and human rights. Since its inception, 3.5 million women have been educated through HRLE. Following the HRLE course, three women from each class form a law implementation committee (LIC) acting as observers in the community who help in conflict mediation and ensure access to legal resources. The LIC further raises awareness about legal rights and seeks to educate village courts of existing laws.

Needless to say, it is quite impressive work in legal empowerment as well as their comprehensive reports and studies done to evaluate the need and the effectiveness of their programs in Bangladesh.

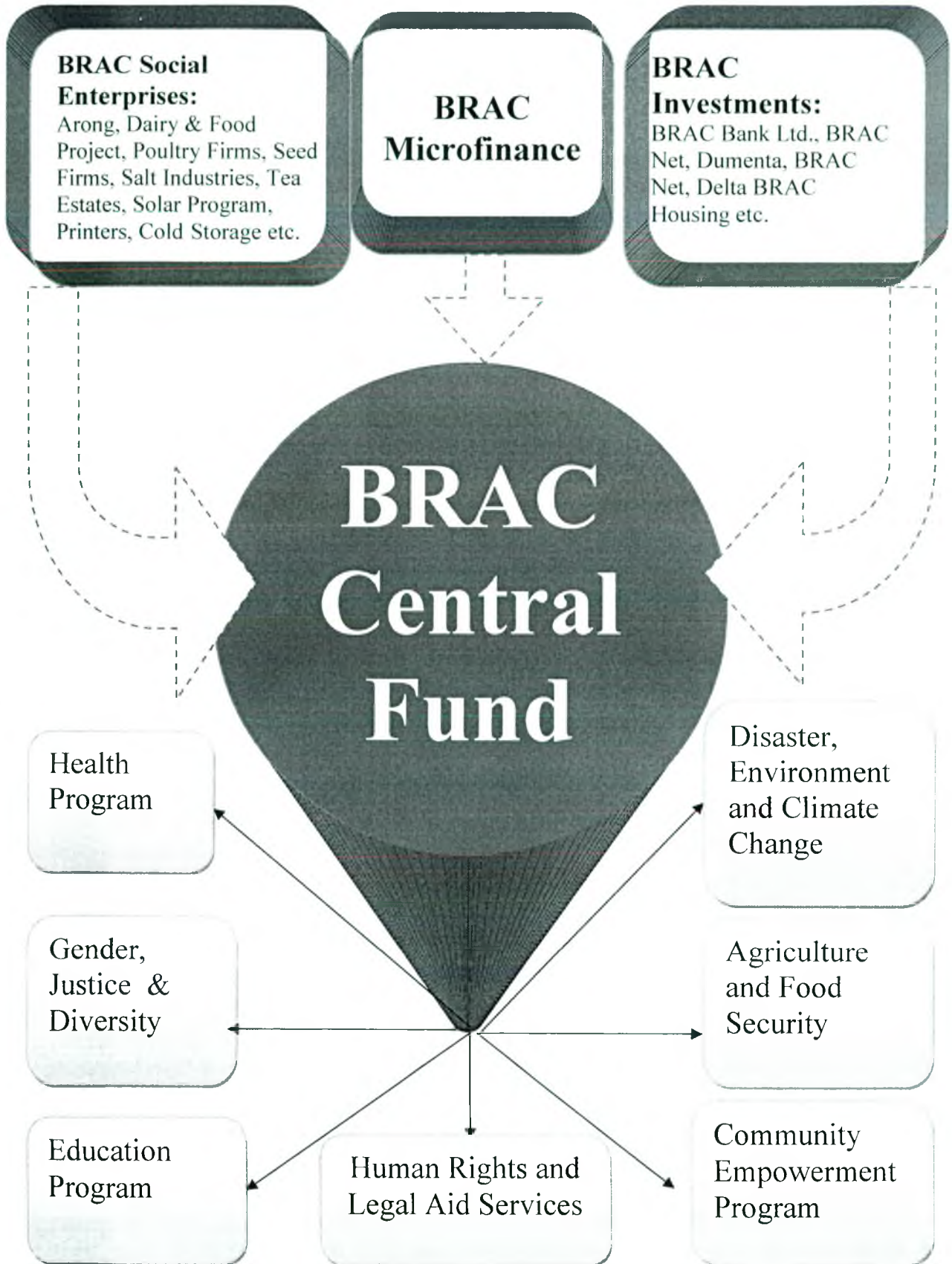
TMSS a leading MFI in Bangladesh started Human Rights and Gender (HR&G) Programme in 2011 to facilitate women empowerment through preserving Women Right & Gender Development in the Family & in Society. Rising social awareness of the community people regarding women and children rights and gender issue, ensure equal rights and justice and create environment for the women and children are its pre-set objectives. Core/Major Activities of this project cover providing Legal Support, Preventing early marriage, Human Rights Day Observation, awareness Meeting/Campaign, data Collecting on HR&G, publication & publicity, participating domain Meeting, departmental meeting and service charge for claim documentation etc.

However, in fine, poverty eradication and the promotion of equitable socio-economic growth are strategic paths on the road to a culture of peace and achieving sustainable development. People in dire economic situations are easily prey to polarization, extremism, violence and conflicts. In many developing and developed countries where young people constitute a significant proportion of the population, it has become crucial to foster environments where people can seize economic opportunities and seek dignity through employment. At the global level, both peace and sustainable development are indispensable for nations to work towards shared prosperity.

Interrelation among Microfinance, Human Rights, Sustainable Development and Peace

Microfinance is considered to be a precondition of development. It has been proved that by alleviating poverty development can be ensured and poverty alleviation is one of the mechanisms of MF operation. So the interrelation among MF, human rights, sustainable development and peace implies that MF ensures poverty eradication which facilitates sustainable development and finally development expedites human rights and peace. If we consider peace from positive point of view, according to Johan Galtung, Richardson, and Peter Wallensteen, peace means overall development as discussed in many academic parlances.

For example, BRAC the largest NGO on earth leads the multifaceted development activities initially supported by the donor which in course of time has turned into a self-dependent development organization. The BRAC Annual Report 2012 reveals that around 85% of its yearly budget comes from its own fund while the rest 15% comes from the donor consortium and previously granted revolving funds. According to the organizational sources BRAC generate its operating funds from the surplus generated by MF program and other social enterprises and investments like Arong, BRAC Bank Ltd etc. The surplus generated by its social enterprises and investments are not to be distributed among its drivers/owners like shares, rather the surplus amount is used to run other development programs like health, education, human rights, environment and so on. Thus the surplus amount generated by MF is channelized to BRAC central fund to run other development programs independently not relying on donors for their sustainability and smooth escalation.



The Culture of Peace, Human Rights and Sustainable Development in Bangladeshi Society

Microfinance Institutions: Mobilizing members in small groups and training them to foster group solidarity requires a flexible and nonhierarchical institution. A decentralized management structure that emphasizes constant monitoring and evaluation of group performance is the key to the successful innovation of such institution. The leadership also has to be committed, dynamic, and instrumental. Staff must have problem solving skill and high ethical standards.

A decentralized organizational structure is a key within microfinance institutions. It starts with branches at the grassroots level, where staffs are in close contact with borrowers. Branch staffs are trained on how to mobilize, train, and prepare groups for carrying out effective financial intermediation with and for the poor. Field staffs are also trained on how to provide social intermediation inputs to participating members.

Development Institutions: MF is just one dimension of development agenda. There are many national and international development organizations and institutions are working in Bangladesh. International bodies like the UNDP, UNICEF, SIDA, CIDA, GTZ, USAID, AUSAID, Action Aid, Save the Children, the City Group, Care Bangladesh, the World Bank, the ADB etc; and various national organizations like BRAC Bangladesh, Grameen Bank, PKSF, ASA, BARD, Aga Khan Foundation, Ahasania Mission etc. renowned organizations may work under a common shadow to give the MF operation an established and institutional form in Bangladesh to eradicate poverty from this land.

Establishment of Peace in Bangladesh

Peace is simply defined as the rule of law, return of refugees, reconstruction of the infrastructure, democratic election, ensure of human security and human rights, equal participation of men and women in all fields etc. that also be considered as the elements of positive peace. There are many national and international organizations and institutions operating in Bangladesh to establish peace in this land. Organizations like various UN bodies; Peace Corps, Amnesty International, Transparency International, Human Rights Watch, The Red Cross, Action Aid Bangladesh, Karitas Bangladesh, etc are working in Bangladesh to give peace an established and institutional phenomenon. To this end, all MFIs, Development organizations, Bangladesh Government, the uprising Civil Society, local and international NGOs are working together to establish peace and development in Bangladesh.

A Bangladeshi has won the Noble Peace Prize!

At last, the Bangladeshis as a nation has the recognition that we have the potential to overcome the curse of poverty and can pursue peace through overall development of the nation. Dr. Mohammad Yunus the proud son of the nation has been endowed as the Nobel Peace laureate of 2006 on 13 October 2006.

The Statement of Nobel Peace Prize Committee: The Nobel Peace Prize Committee has asserted the rationality of awarding Grameen Bank and its founder Mohammed Yunus the Nobel Peace Prize for 2006. The press release states:

"The Norwegian Nobel Committee has decided to award the Nobel Peace Prize for 2006, divided into two equal parts, to Muhammad Yunus and Grameen Bank for their efforts to create economic and social development from below. Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means. Development from below also serves to advance democracy and human rights."

Muhammad Yunus has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh, but also in many other countries. Loans to poor people without any financial security had appeared to be an impossible idea. Grameen Bank has been a source of ideas and models for the many institutions in the field of microfinance that have sprung up around the world. Every single individual on earth has both the potential and the right to live a decent life.

Microfinance has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions. Economic growth and political democracy cannot achieve their full potential unless the female half of humanity participates on an equal footing with the male. Yunus's long-term vision is to eliminate poverty in the world. That vision cannot be realized by means of micro-credit alone. But Muhammad Yunus and Grameen Bank have shown that, in the continuing efforts to achieve it, microfinance must play a major part."

Mohammad Yunus told a Washington news conference in 1994, as he accepted the World Food Prize, that the Grameen Bank's success provides an important lesson in the war on poverty. "If you are looking for one single action which will enable the poor to overcome their poverty, I would go for credit. Money is power. I have been trying to make the world accept and treat credit as a basic human right. If you can come up with a system that allows everybody access to credit, while ensuring excellent repayment, I can guarantee you -- poverty will not last long."

Why in Peace not in Economics?: It is always quite clear that Prof Yunus would never be given the economics prize primarily due to intellectual snobbery that refuses to recognize work as academic unless it is explained in abstract, scholarly jargon. Asked if the prize is appropriate for peace, Dr Yunus said, "I was not astonished to get the noble prize peace because economics and peace are interrelated--economics influences people's life".

Moreover, in 2009 Yunus received the 'Presidential Medal of Freedom' from US President Barack Obama. The year after, the US Senate and House of Representatives passed a bill to award Yunus the Congressional Gold Medal for 'his tireless efforts to serve the cause of humanity by poverty alleviation efforts through micro-credit' and subsequently awarded in 2013. In his reaction during receiving the award Dr. Yunus told that:

"The micro-credit model has received global acceptance because people in Bangladesh gave it all-out support. I dedicated this honour to the 160 million Bangladeshis."

Chapter-7

Data Editing and Analysis

This portion of the study articulates the data collected from the fieldworks in seven thanas from seven different divisions of Bangladesh. The thanas are Hathazari in Chittagong, Bakergonj in Barisal, Digholia in Khulna, Poba in Rajshahi, Mithapukhur in Rangpur, Dohar in Dhaka and Zokigonj in Sylhet. The raw data has been edited here with a view to keeping in memory the research subject, which has guided my study ultimately. Data has been collected through questionnaire containing suitable questions relevant to the research subject. Total 105 participants, participated in this structured but open ended questionnaire. Data collected here, have been speculated into various segments as per the requirements of the objectives of the study. In this respect, following tables are being presented according to the mode or nature of queries.

Three different sets of formatted questionnaires were laid down to investigate among three different sections of respondents. In total 40 questions were asked in various dimensions depending on the target respondents. Of course there were some common questions for all the three respondent groups as well.

Table 7.1) Sex Distributions of Respondents (%)

Res-pondents	Hathazari	Baker-gonj	Digholia	Poba	Mitha-pukur	Zoki-gonj	Dohar
Male	43	64	40	65	70	70	50
Female	57	36	60	35	30	30	50
Total	100	100	100	100	100	100	100

Table 7.2) Age Distributions of Respondents in Seven Thanas (%)

Age	Total %	Hathazari	Baker-gonj	Digholia	Poba	Mitha-pukur	Zoki-gonj	Dohar
10-20	10	20	14	1	2	5	0	30
21-30	25	47	45	10	11	7	23	27
31-40	47	31	41	80	80	73	22	5
41-50	9	2	0	9	4	13	3	26
51-60	8	0	0	0	2	0	45	12
60+	1	0	0	0	1	2	3	0
Total	100	100	100	100	100	100	100	100

(Age distribution has been shown in the Table 7.2 where age limit 31-40 has been identified as the mode of the chart.)

Table 7.3) Educational Status of the Respondents in Seven Thanas

Education	Total %	Hat-hazari	Baker-gonj	Digholia	Poba	Mitha-pukur	Zoki-gonj	Dohar
Can't Sign	16	38	0	0	2	13	23	25
Can Sign	17	24	5	2	11	7	45	22
Primary	37	18	12	40	79	68	22	26
SSC	12	10	20	30	4	5	4	12
HSC	11	5	40	15	2	4	3	10
Graduation	6	5	23	10	1	2	3	5
Masters	1	0	0	3	1	1	0	0
Total	100	100	100	100	100	100	100	100

(In the Table 7.3 the educational status of the survey shows that most of the respondents have come from primary education level.)

Table 7.4) Religion Distributions of the Respondents in Seven Thanas (%)

Religion	Total %	Hat-hazari	Baker-gonj	Digholia	Poba	Mitha-pukur	Zoki-Gonj	Dohar
Islam	65	68	60	57	70	73	69	61
Hinduism	19	7	29	37	11	17	14	22
Buddhism	6	18	7	3	5	3	2	5
Christian	4	5	3	2	5	2	4	5
Others	6	2	1	1	9	5	11	7
Total	100	100	100	100	100	100	100	100

(In the Table 7.4, Religion-based distribution has been shown as observed from the table total followers of Islam are 65% while to Hindu respondents are 19%.)

Table: 7.5) Principal Occupations of the Respondents in seven Thanas.

Occupation	Total %	Hat - hazari	Baker - gonj	Digholia	Poba	Mitha-pukur	Zoki-gonj	Dohar
Farming	21	23	27	16	23	25	17	13
Labourers	20	26	13	19	15	13	30	22
Teaching	5	7	6	5	8	4	3	5
Private Service	4	5	4	2	4	1	4	5
Business	10	4	7	15	9	4	16	12
Money Lenders	5	5	7	5	5	6	3	5
NGO Personnel	5	5	5	5	5	5	5	5
Borrowers	23	15	25	23	20	37	17	26
Students	4	1	4	5	5	4	3	3
Others	4	9	2	5	6	1	2	4

Review of Subject/section-based Question

Credit Recipients Part

Table 7.6) What do you mean by Microfinance?

Options	Total Responses	% of Responses
a) Certain amount of money provided by NGOs/Banks without collaterals;	25	24
b) Money usually distributed among poor which will be repaid within a certain period ;	19	18
c) Which is provided under specific conditions to eradicate poverty;	15	14
d) All of the above;	46	44

As observed above in the Table 7.6 a vast majority has supported the option 'd' as the answer of the question where the all mentioned terms have been identified as the definition of MF.

Table 7.7) How you heard the term "Microfinance" first?

Options	Total Responses	% Of Responses
a) From other credit recipients;	14	13
b) By propagandas of MC Operators;	28	27
c) Neighbors, relatives, friends and so on;	25	24
d) Medias: Radio, TV, Dailies, others mass medias;	38	36

Table 7.7 shows that no. 'd' got 36% supports while no 'b' got nearly supports of 27% where ill propagandas by MF Operators have also been identified by the respondents.

Table 7.8) In which sector you have employed your credit?

Options	Total Responses	% of Responses
a) Live stocks;	26	22
b) Handicrafts;	55	58
c) Farming (Agriculture);	14	12
d) Others;	10	8

The above given matrix shows that 58% response for no. 'b' which indicates that most of the credit holders have used their credit on handicrafts.

Table 7.9) Which improvements credit has brought to your life status?

Options	Total Responses	% of Responses
a) Assurance of basic needs;	15	12
b) Have become debt-free;	20	16
c) Have become self-dependent;	38	31
d) Social status has increased;	32	30
e) No change;	15	12

From the above given chart it becomes clear that no. 'c' & 'd' dominate among the options where overall self-dependency and increase of social status have been focused.

Table 7.10) Are you exercising more bargaining power in the family decision making factors?

Options	Total Responses	% of Responses
Yes	59	56
No	26	25
No Answer	20	19

Table 7.11) Did credit improve your housing?

Options	Total Responses	% Of Responses
a) No change;	23	22
b) Have made new house that I hadn't before;	25	24
c) Have made tin made house instead of straw made house;	33	31
d) Have lost house;	9	9
e) Others.	15	14

Table 7.12) Which kind of instruction you have got from the loan providers irrespective to loans only?

Options	Total Responses	% Of Responses
a) Women should not depend on husband or father;	49	47
b) Boys and girls should be treated equally;	29	28
c) Consciousness about legal protection in case of any social or economic discrimination;	9	9
d) Motivation for overall development;	10	10
e) Others.	8	8

Table 7.13) Does your meal is better than before?

Options	Total Responses	% of Responses
a) Yes;	97	98
b) No.	8	7

So there is no confusion that respondents are all in a consensus that their menu of meals has been improved.

Table 7.14) What kind of problems you face in case of paying installments?

Options	Total Responses	% of Responses
a) Family quarrel between husband and wife;	14	13
b) Conflict among group members;	30	29
c) Uncertainty of income generating activities;	43	41
d) Have to pay installments by selling or collateralizing household precise goods ;	18	17
e) Others (Sickness, political turmoil etc.)	0	0

As given above 41% people mind that uncertainty of income generating activities bars their installment process.

Table 7.15) From which body you have borrowed?

Options	Total Responses	% of Responses
a) BRAC;	52	50
b) Grameen Bank;	24	23
c) ASA;	14	13
d) Buro Bangladesh.	13	12
e) Others (TMSS etc)	2	2

Table 7.15 shows that 50% people take loan from BRAC which is one of the largest MFs of the country now days.

Table 7.16) What is your monthly income?

Options	Total Responses	% of Responses
a) Tk 2000-3000;	10	10
b) Tk 3000-4000;	15	14
c) Tk 4000-5000;	30	29
d) Tk 5000 or above.	50	48

As above 48% respondents says that the earn Tk. 5000 or above which is considered to be far above of the poverty life if we set 1\$ per day.

Table: 7.17) Do you think that there is any interrelation among MF and Human Rights, Peace & sustainable development?

Options	Total Responses	% of Responses
a) Yes	90	86
b) No	10	10
c) Don't know	5	5

Table 7.17 makes a clear indication that people think there are some interrelations among these components although most of them were not clear about how these are inter-connected.

Table: 7.18) Are you satisfied with the present rate of interest?

Options	Total Responses	% of Responses
a) Yes	16	15
b) No	89	85

Table 7.18 makes a clear indication that 85% credit recipients are not satisfied with the present rate of interest. Most of them think that it should be around 10% in reducing format.

Table: 7.19) Do you actually believe that credit can bring the borrowers out of poverty?

Options	Total Responses	% of Responses
a) No	10	10
b) Not Sure	15	14
c) May be	30	29
d) Yes	28	26
e) No answer	22	21

Table 7.19 makes a mixed indication that 55% (may be/yes) credit recipients more or less believe that credit can bring people out of poverty.

7.20) Is your life more peaceful than ever before while you were not a credit recipient?

Options	Total Responses	% of Responses
a) No	12	11
b) Not Sure	32	30
c) May be	30	29
d) Yes	11	10
e) No answer	20	19

Table 7.20 indicates that around 60% (may be/not sure) credit recipients more or less are not sure about the role of credit for a peaceful state of mind in their cases.

Credit Provider's Part (MFIs)

Table 7.21) What is your prime objective to provide MF?

Options	Total Responses	% Of Responses
a) Poverty Eradication;	20	19
b) To improve the life standard of poor	15	14
c) Overall development of society;	22	21
d) Establishing peace through ensuring development by poverty eradication.	48	46

Table 7.21 shows that 46% respondents believe that the ultimate goal of MF is to establish peace through development by poverty eradication in Bangladesh.

Table 7.22) What type of obstacles does your organization face in MF Operation in field level?

Options	Total Responses	% Of Responses
a) Uncertainty in loan repayments;	15	14
b) Religious and social obstacles;	50	48
c) Activities of Mohajons (Money Lenders);	20	19
d) Insufficient government patronizations.	20	19

Table 7.22 represents that the religious and social obstacles together with insufficient govt. patronizations are main obstacle of MF Programs in Bangladesh this time.

Table 7.23) What is the role of MF in poverty eradication?

Options	Total Responses	% Of Responses
a) Creating income generating opportunities;	33	31
b) Increase of GDP and GNP by clients;	15	14
c) Improving overall life standard of the clients;	20	19
d) Reaching communication technology to the poor;	12	11
e) Creating new sectors of employment.	25	24

The table depicted above shows that most of the respondents (33%) think that MFIs are creating new income generating sectors through ensuring necessary cash flow by which poverty is being reduced.

Table 7.24) How sustainable development ensures peace?

Options	Total Responses	% Of Responses
a) Keeping the society economically sound;	35	33
b) Creating socio-political stability ;	45	43
c) Creating social norms and values;	15	14
d) Preaching the academic knowledge among clients.	10	10

Table 7.24 indicates that most of the people think that socio-political stability has created a culture of peace in Bangladesh.

Table 7.25) How peace and human rights can be established in Bangladesh by MF Operations?

Options	Total Responses	% of Responses
a) Proper use of manpower by creating income generating activities and employment;	44	42
b) Creating a national spirit for peace by educating mass people	20	19
c) Providing more microfinance to people who need it;	25	24
d) Equipping MFIs with the theories of peace and development	15	14
e) Others.	1	1

From the chart it becomes clear that to MFI personnel think peace can be established by creating more income generating activities which will manipulate the idle potential manpower of Bangladesh.

Table 7.26) What should be done to sustain MF services effective in Bangladesh?

Options	Total Responses	% of Responses
a) Eliminating all kind of political affiliations of MFIs;	30	28
b) Reducing aid dependency and creating own funds for social business;	42	38
c) MFIs, the government and commercial sectors should work together;	28	28
d) Establishing more MFIs in Bangladesh;	5	6
e) Ensuring more foreign assistance in this sector.	0	0

Table 7.26 states that foreign aid dependency should be reduced and own funds should be created for social business.

Table 7.27) Besides credit program do you have any other services to be added in your agenda?

Options	Total Responses	% of Responses
a) Yes	98	93
b) No	7	7

Table 7.27 makes a clear indication that the MFIs have some other value added services to be incorporated in the credit package.

Table 7.28) Do you think that government steps taken to combat poverty through MF Programmes are sufficient?

Options	Total Responses	% of Responses
a) Yes	20	19
b) No	85	81

Table 7.28 makes a clear statement that MFIs do not think that steps taken by the government to combat poverty by MC is sufficient in Bangladesh.

7.29) Is there any relation between credit and sustainable development?

Options	Total Responses	% of Responses
a) No	12	11
b) Not Sure	10	9
c) May be	30	29
d) Yes	32	31
e) No answer	20	19

Table 7.29 indicates that around 60% (may be/yes) credit recipients more or less are sure about the role of credit for a state of sustainable development in their cases.

Government Official's Part

Table 7.30) How many MFIs are operating in your working area?

Options	Total Responses	% of Responses
a) 10-20;	30	29
b) 20-30;	42	40
c) 30-40;	28	27
d) 40-50;	5	5
e) None.	0	0

Table 7.30 states that in most of the thanas around 20-30 MFIs are operating.

Table 7.31 What kind of arrangements you have to regulate for MF Programmes?

Options	Total Responses	% of Responses
a) Monitoring and evaluating their activities;	30	29
b) Regulating their activities as per government regulations (MRA);	42	40
c) Maintaining law and order so that the MFIs can work properly;	28	27
d) Founding more MFIs;	5	5
e) There is no government control in this sector.	0	0

Table 7.31 states that most of the local govt. officials' activities cover regulating the MFI's activities as per the rules and regulations of the Microfinance Regulatory Authority (MRA).

Table 7.32) Do you think that government steps taken to combat poverty through MF Programs are sufficient?

Options	Total Responses	% of Responses
a) Yes	85	81
b) No	20	19

Table 7.32 makes a clear statement that 81% government officials think that steps taken by the government to combat poverty by MF are sufficient in Bangladesh.

Table 7.33) What should be done to sustain MF services more effective in Bangladesh?

Options	Total Responses	% of Responses
a) Eliminating all kind of political affiliations of MFIs;	25	24
b) Reducing aid dependency and creating own savings for social business;	27	26
c) MFIs, the government and commercial sectors should work together;	40	38
d) Establishing more MFIs in Bangladesh;	8	8
e) Ensuring more foreign assistance in this sector.	5	5

Table 7.33 states that 38% government officials think that the MFIs, government and other concerned parties should work together to make MF Operation successful.

Table 7.34) What type of obstacle does your department faces to regulate MF Operation in field level?

Options	Total Responses	% of Responses
a) Unethical role played by the MFIs;	49	47
b) Religious and social obstacles;	19	18
c) Activities of Mohajons (Money Lenders);	16	15
d) Insufficient government patronizations.	16	15

Table 7.34 shows that most of the government officials believe that unethical role played by the MFIs are main obstacles of MF Programmes in Bangladesh this time.

Table 7.35) What is the role of MF in poverty eradication?

Options	Total Responses	% of Responses
a) Creating income generating opportunities;	45	43
b) Introducing more government control;	20	19
c) Improving overall life standard of the clients;	18	17
d) Reaching communication technology to the poor;	7	7
e) Creating new sectors of employment.	15	14

The table depicted above shows that most of the respondents (45%) think that MFIs are creating new income generating sectors by which poverty is being reduced whereas 20% government officials think that government should apply more control on MF activities.

Table 7.36) How development ensures peace?

Options	Total Responses	% of Responses
a) Establishing rule of law and democracy;	35	33
b) Creating socio-political stability;	45	43
c) Creating social norms and values;	18	17
d) Preaching the academic knowledge among clients.	7	7

Table 7.36 indicates that most of the officials think that socio-political stability may create a culture of peace in rural societies of Bangladesh, whereas establishing rule of law has been supported by 35% respondents.

7.37) Do you really believe that MF can ensure development?

Options	Total Responses	% of Responses
a) No	30	29
b) Not Sure	32	32
c) May be	12	11
d) Yes	10	9
e) No answer	20	19

Table 7.37 indicates that around 62% (No/Not sure) local government officials more or less are not sure about the role of credit for a state of development in the society.

Table 7.38) How peace and sustainable development can be ensured in Bangladesh by MF Operations?

Options	Total Responses	% Of Responses
a) Proper use of manpower by creating income generating activities and employment;	22	21
b) Creating a national spirit for peace by educating mass people	20	19
c) Providing more microfinance to people who need it through GOB;	40	38
d) Equipping MFIs with the theories of peace and development	15	14
e) Integrating MC issues in local government agendas.	8	8

From the Table it becomes clear that to government officials peace can be flourished by distributing loans through various government bodies along with MFIs.

Table 7.39) How peace and human rights can be established in Bangladesh through MF Operations?

Options	Total Responses	% Of Responses
a) Creating more MFIs with the concepts of peace and development;	15	14
b) Allying MFIs, NGOs, think tanks, Government activities together;	45	43
c) Creating a culture of peace and sustainable development.	30	29
d) Promoting the concepts of peace among the target beneficiaries.	15	14

Table 7.39 Government officials think that working together with NGOs, MFIs, and various think tanks like universities may work together to this end.

Table 7.40) Is the any relation between MF services and the culture of peace in society?

Options	Total Responses	% of Responses
a) No	12	11
b) Not Sure	31	31
c) May be	31	30
d) Yes	10	9
e) No answer	20	19

The aforementioned table shows that most to the respondents among the govt. officials are not sure about the relations of MF services and social harmony.

Chapter-8

Research Findings: A Critical Analysis and Recommendations

Problems and Constraints for MF Sector:

Although, the growth of microfinance to the poor is encouraging, there are still a number of constraints to the expansion of microfinance. Bangladesh is still the only country where microfinance outreach is over 75% of the poor families. In most of the countries, it has not even reached 10% of the poor families. To reach the Summit goal of 100 million, each country must reach out to 50% of the poor families within that country. Therefore, there is a lot of catching up to do. Why this is not happening yet? Donors explain that there is not enough capacity on the ground to build a higher outreach. Microfinance organizations complain that they are stuck with unutilized capacity, but no money, grant money or soft loan or market money is available to them.

According to Gina Neff of the Left Business Observer, the MFI's high repayment rate does not reflect the number of women who are repeat borrowers, and have become dependent on loans for household expenditures rather than capital investments. Studies of microfinance programs have found that women often act merely as collection agents for their husbands and sons, such that the men spend the money while women are saddled with the credit risk. As a result, borrowers are kept out of waged work and pushed into the informal economy. However, some problems and constraints according to the prescriptions given by the respondents are as depicted below:

1. High Interest Rate Complexities: Another group of critics believes that traditional schemes of credit for the poor, such as and payday loans, are more effective, and claim that many microfinance schemes are simply disguised charity rather than an effective business model. Bangladesh's Finance and the former Planning Minister M. Saifur Rahman (Late) had

pointed out that some microfinance institutions charge excessive interest rates. The interest rates vary 18-30% and most NGOs charge nearly 30%, more than double the formal financial sector. Subsequently, the current Finance Minister of Bangladesh Abul Mal Abdul Muhit also asserted in the former's line, although recently MRA has set a cap on it (27%) on reducing balance mode.

2. Highly Donor Dependency for Fund: Microfinance programmes are caught in a strange situation. They are blamed that they always remains donor dependent. It is pointed out that they cannot scale up their programmes because they do not have absorptive capacity. However, in reality, most of the programmes neither want to be dependent on donors, nor do they have to be donor dependent at all, if they are allowed to take public deposits. However, law does not allow them to do so, because they are not financial institutions. Once they can take deposits they can be very independent from the donor money and scale up their programmes with the money they mobilize. Some of Grameen Trust's partners have transformed themselves into banks (CARD, Nirdhan), but others still struggle with the issue of legal identity and operate in gray area of the law. Creating the legal space for microfinance programmes is essential to enable them to grow unhampered.

3. Absence of a Legal Framework for Microfinance Programmes: Absence of a legal framework for microfinance programmes is a big constraint to their expansion. Microfinance institutions operate in a variety of institutional structures, research projects (China), NGOs, trusts, non-bank finance corporations, banks, financial companies, and so on. Since there is no berthing place in the legal slots where a microfinance programme can fit in, it adopts an uncomfortable home just to give itself a legal cover. While it

solves the immediate problem of legal cover, it runs into the problems of being a guest in an adopted "home". Many programmes that have reached scale and wish to convert themselves into financial institutions are unwilling to do so because of these problems. Then there are the problems of minimum capital requirement and the most terrifying requirement, of taking collateral against their loans.

4. The Mohajan (traditional money lenders) Legacy: Legacy Coverage of hard-core ultra poor and tomorrow's poor throughout the developing world, the significant fact is that even today after establishment of alternative sources of institutional credit for the poor in rural areas, non institutional sources like traditional money lenders (Mohajans), rich land owners and traders, white color service holders, relatives, etc. fulfill most of the credit needs accounting about 90% in many places. Generally non-institutional credit sources charge very high interest rate, which takes away most of the poor borrower's income leaving him/her in an adverse pecuniary condition under vicious circle of poverty trap benefiting the usury lenders alone.

5. Different Interest Rates: Interest rate and financial sustainability of MFIs vs. beneficiaries there lies different interest rate among the institutional microfinance providers and interest rate is calculated differently i.e., simple, compound, flat, declined, etc. However, in the case of Bangladesh this problem has been somehow solved by MRA.

6. Bureaucratic Legacy: Ministers and GOB Officials have repeatedly raised questions about microfinance and interest rates. The previous government's suspicions towards one of the largest NGOs have affected their large microfinance program, with one MP even advocating his constituents to refrain from repaying their loans. The government while owning only 6% of Grameen Bank continues to retain three seats on the board and other

powers disproportionate to their shareholding. The government has not approved in the last few years an amendment proposal of Grameen Bank -- whose poverty alleviation schemes through microfinance in rural areas have been successful to start similar activities in urban areas where around 30% people live below the poverty line. The prospects and problems are the basic elements or two sides of the MF sector. The following concrete pitfalls are visible on the way to microfinance revolution in Bangladesh:

- ⊗ Revolving fund crisis for lack of grants or bank loans;
- ⊗ Lack of initiative in creating financing institutions.
- ⊗ Lack of conceptual clarity;
- ⊗ Lack of initiative in creating financing institutions;
- ⊗ Absence of legal framework for creating microfinance institutions;
- ⊗ Barriers in accepting deposits;
- ⊗ Lack of conceptual clarity;
- ⊗ Turning a profit on the loan;
- ⊗ Inability to reach the poorest of the poor;
- ⊗ Microfinance dependency;
- ⊗ Durability of poverty reduction ;
- ⊗ Excessive political interference to gain a vote bank;
- ⊗ Duplication and unhealthy competition among MFIs;
- ⊗ Lack of good governance and effective self-regulation;
- ⊗ Lack of coordination and cooperation among various bodies;
- ⊗ Lack of institutional bank up for professional skill development;
- ⊗ Lack of infrastructure for micro-enterprise development;

- ⊗ Lack of user-friendly policy for the microfinance sector;
- ⊗ Lack of social insurance and diversification of savings and credit;
- ⊗ Gender inequalities in case of loan distribution, 97% women.

The problems enlisted above need systematic study and analysis for finding out appropriate solution to strengthen the MF sector and assurance of its success.

Prescribed Recommendations:

Our study attempts to analyze and review the related issues of poverty, microfinance and development oriented to an integrated approach of development and peace. Taking into account the whole sector along with its pros and cons, following recommendations are put for consideration for stakeholders as per the opinion of the respondents:

1. Fixing up Common Interest Rate: Interest rate of all the institutional microfinance providers should be uniform and calculation should be made in a unified harmonious manner. It is argued that different institutions may charge different interest rates based on their comparative, efficient and advantageous services to the borrowers. The borrower selects credit sources on his /her choice. This is a very idealistic high-flown talk and not matched with socio-economic situation and perception of the rural poor against the so-called quality of services, provisions and conditions of different institutional microfinance providers in Bangladesh, for example. Hence, a regulatory authority in the country with government representative in chair comprising members from the banking sector, MFIs, civil societies, NGOs and other concerned should fix up common interest rate of microfinance with lending and borrowing guidelines benefiting both the lender and borrower reciprocally to be followed by all concerned. Very recently,

however a govt. regulatory body named Microfinance regulatory Authority (MRA) has been formed and which in effect has capped the highest rate of interest in Bangladesh at 27% (reducing).

2. Ensuring Cost-effective Management: Much talks and arguments prevail on the financial sustainability of microfinance providing MFIs/NGOs/government departments/agencies vs. grass roots targeted beneficiary. MFIs/NGOs/government department/agencies should attain financial viability or sustainability not by raising interest rate at the cost of poor beneficiary but by minimizing overhead, unscrupulous and various unseen costs and establishing an efficient cost-effective management.

To ensure a cost effective management the following arrangements may be accomplished:

- a) Committed and honest staff ensure successful microfinance for poverty alleviation;
- b) Good relation and trust with borrowers are the foundation of sustainable MF for poverty alleviation;
- c) Effective monitoring and supervision guarantee quality performance and achievement of program targets on the time and prevent default culture;
- d) Systematic record and report assure sound documentation and transparency in MF programs;
- e) Timely disbursement and recycle of loan enhance borrowers' trust and satisfaction about MFIs and stimulate positively for timely repayment;
- f) Social insurance intervention may build a system of social security combined with savings for the borrowers, which may help regular good operation of MF programme;

- g) Good governance and self-regulation instrument is the tool that helps establishing accountability and transparency of the MFIs and enables it to set standard for quality MC.
- h) Regular group savings collection creates responsiveness among borrowers and providers for a large term operational bondage.
- i) The interplay of above given eight key elements and timely solution of identified problems in our study may ensure a management.

3. Some Issues for Lawmakers' Consideration: Here are some of the considerations, which should be kept in mind while drafting a law for creating microfinance banks:

- a) The most important consideration is that the law should be designed in such a way that it becomes attractive for the MFIs to convert themselves into formal financial institutions.
- b) The second important consideration is that a regulatory body should also be created simultaneously to oversee the operation of the microfinance banks and to facilitate their activities. Microfinance regulatory body should be independent from the central bank, but participated by the central bank. It can be created in the form of a Microfinance Commission. At least one of the commission members must be with grassroots microfinance experience, while one member should be from the central bank. First chair of the commission will play the most important role in creating the formal microfinance regulatory environment. He/she may be chosen very carefully so that the commission does not scare away the MFIs from entering the formal world. Rather they should queue up to become formal microfinance institutions.

c) The law may allow creation of microfinance banks with several options in terms of operational areas and levels of services. These levels may be defined by geographical areas, like, sub-districts, districts, provinces etc. I think defining by geographical areas would not only be convenient administratively, but also more meaningful in terms of making a Microfinance Bank (MFB) focus its services to a given area. Local pride may give impetus leading to the success of the MFB; Inter-area competition can also help improve the efficiency of MFB's.

Transforming MFIs into MFB is the only way to create self-reliance for microfinance programmes. Besides, creation of MFBs can strengthen the financial system of a third world country by filling in a vacuum justify by the conventional banks, and give a boost to the emergence of a local level grass-root economy.

For fastest expansion of the outreach of microfinance, the donors have to take the lead role. It has been well demonstrated already that the sure way to expand microfinance is to help NGOs to get involved with microfinance programmes. MFIs can do that if donors are willing to support them with grant money or soft loans. Donors can provide the money directly to the MFIs, but the best way to deliver it to MFIs would be to do it through wholesale funds. It is difficult for an MFI start-up to become financially sustainable immediately. During this phase, they need subsidized funds, not necessarily grant money. Giving grant money to microfinance MFIs may be rather a wrong strategy. Grant money can go to the wholesale funds, which can on-lend it to the MFI start-ups as subsidized loans. Gradually subsidy can be reduced as the microcredit programmes mature. MFBs, however, may not even need subsidized money.

4. Tax Exemption for MFIs: As poverty alleviation is the national policy priority, this sector addresses the social, and welfare needs of the poor 50% bottom population and MFIs are non-profitable organizations by legal mandates, there should be no tax imposition in any form and at any level. MF should be tax exempted as it is. On the other hand, at the same time politically motivated exemption of small loan, especially agriculture loan should be stopped.

5. Standardization of Criteria for Transparency and Accountability: There should be set of standard/criteria for good governance and self-regulation to ensure transparency and accountability for each MFI along with standard and effective operational manual/instruments.

6. User Friendly Policy and Regulatory Framework: There should be a user friendly policy and regulatory framework to ensure smooth operation of microfinance and address problems by an autonomous body composed of 9-11 representatives, including 9 from MFIs, one from Central Bank as head of the proposed body.

7. Common Code of Cooperation and Coordination: A common code of cooperation and coordination may be developed a practiced by all category of MFIs engaged in microfinance operation to secure healthy competition and success of MF sector.

8. Forming Institute of Microfinance Studies: Set up of an institute of MF studies for systematic research and professional training. Also, carry out action research by sectoral network and specialized research institutions (BARD, RDA, BIDS, Universities) for continuous innovations and diversification of MF services for sustainability. Institute of Microfinance (Inm) is successfully playing its role in Bangladesh.

9. **Introducing Social Insurance:** Diverse strategy for faster mobilization of savings and introducing insurance services for social security and alternative local source of revolving fund. This locally mobilized fund and the unused fund of one MFI may be used by another as “call fund” which is regular practice in all commercial banks, known as “call money”. The large MFIs should remove the ceiling of weekly savings for mobilizing more savings to finance MF. Based on the experience of some MFIs; other NGOs/MFIs should remove the restrictive rules regarding withdrawal of savings and allow members easy access to their savings.

10. **Establishing International Poverty Alleviation Bank (IPAB):** An International Poverty Alleviation Bank (IPAB) needs to be founded to help the billion poor of the world. This IPAB will have an affiliated bank, called National Poverty Alleviation Bank (NPAB) for each country. Based on the economic condition, representative countries will contribute 1-3% of GNP/GDP and rich countries will contribute 1-2% of their GDP. Thus, a fixed capital will be created for both the IPAB and NPAB.

MF should be a win-win deal for both concerned parties. People who have money to save can save, and people who need money to invest, can borrow. Finally, it may be prescribed that institutional shape of MF regarding lending, training, research and networking is very urgent to ensure a healthy microfinance market and sector for sustainable poverty alleviation, development and peace by NGOs and specialized financial institutions.

Legacy of Development: Most of the respondents of our study circle find some sort of relation between MF activities and overall development of the respective community members. It has been evident from this survey that respondents of any kind of credit repents are more economically empowered than the respondents of same community and financial status but never

borrowed from any MFIs or any other sources. While it was asked whether credits brought any financial prosperity for them, most of them answered not sure/may be/yes. Very few found to economically in decline mode for borrowing. It was a great challenge for the enumerators to set terminologies according to the local dialects. However, the major reflections were positive correlation between MF and development from the study.

Legacy of Peace: In setting correlation between Microfinance and peace was more challenging one while the term ‘peace’ varied respondents to respondents frequently. Most of the respondents of our study circle find some sort of relation between MF activities and a culture of peace within the respective community. In few cases it has been evident from this survey that respondents of any kind of credit repents are in a more peaceful situations than the respondents of same community and financial status but never borrowed from any MFIs or any other sources. While it was asked whether credits brought any state of peaceful solution for them, most of them answered not sure/may be/yes. On the other hand, very few found to in peaceful mode for borrowing. It was a great challenge for the enumerators to set terminologies according to the local dialects as well. However, the major reflections were positive correlation between MF and the culture of peace from the study., except some avoidable and minor controversies for the structured data sources, which we believe to be lak of understanding about the terminologies used in the questionnaire.

Chapter-9

Concluding Remarks

“You are endorsing a dream to achieve a poverty free world”

--Reaction of Dr Yunus after winning Noble Peace Prize.

Yes, we are now the “peace-makers” at the global level, since elimination of poverty is inextricably linked with true peace, and GB & other major MFIs have been universally recognized as being great contributors to this noble mission. The Noble Peace Prize will definitely provide inspirations for the daunting task of poverty eradication allover the world, particularly in the poverty ridden regions, including Africa, Latin America, South Asia and of course Bangladesh.

Next decade will be very critical in terms of making adequate institutional, financial, and policy preparations for reaching the MDGs of reducing the global number of poor by half by 2021. In 7 years, we will cross the way mark along the time span allocated for reaching the goal. If we fail to make appropriate preparations, we will fail to achieve the goal. Certainly, we do not wish to accept the option of failure.

Microfinance can play a vital role in attaining the MDGs. Information technology supported by microfinance can be a very powerful force getting half the worlds poor out of poverty by 2021. Issues raised in this paper need to be seriously considered to get the world ready for successfully completing the most exciting task humankind ever embarked on. Let us not fail in this endeavor.

Another message should be clear. With the coming to the Noble Peace Prize to this country, expectations with respect to Bangladesh and Bangladeshi MFIs have increased in the world. It is time to burry the ugly titles we have been bestowed with over the years, e.g. corrupt, fundamentalist, undemocratic, etc. We should stand by a truly democratic form of

governance, and resist all kinds of interventions to steal the people's choice. The whole nation should be interwoven to act for development and peace to evaluate the Noble Peace Prize, which is a prize for the nation's performance.

However, I tried to summarize the interrelations among MF operations, poverty eradications, sustainable development and lasting a culture of perpetual peace in together which at the end of the effort became clear to me that is not possible to analyze and summarize properly in such a tinny effort. I hope that someone in future will carry this job towards an international standards in terms of weight and quality.

Chapter-10

Appendix

Appendix -1

Impacts of BRDB in Selected Micro Credit Project Interventions among Cooperative/ informal Group Members in Project Areas:

Economic Indicators	
Members rising above poverty line	70%
<u>Change in food intake:</u>	
Better	86%
Improved	61%
Significantly improved	25%
Average annual household income	Tk.48,500
Average annual per capita income	Tk.09,500
Average annual consumption per household	Tk.31,000
Acquisition of additional wealth	44%
Undertake household gardening	76%
Homestead tree plantation	80%
Social Indicators	
Adult literacy	60%
Use of tube well water	98%
Use of sanitary latrine	67%
Use of oral saline water	98.50%
Improved housing	83.90%
All-tin shed and brick wall	30.30%
Standard clothing	76%
Women participation in decision making	92%
Adopt family planning	89%
Children covered under EPI	95%

Social action against injustice	67%
Settle disputes mutually or amicably	70%
Participate in village level shalish	81%
Knowledge in prohibition of dowry	85%
Knowledge of divorce law	80%
Knowledge of marriage registration law	79%

Source: SODEV Survey Report, RD-5 Project, Kranti Associate Evaluation Report, Rural Livelihood Project, 2004.

Appendix -2

Sector-wise Distribution of Loans of 369 including ASA, BRAC and GB:

Sector	% of Distribution
Agriculture	12.19
Fisheries	4.13
Food	10.17
Processing	42.13
Small	2.83
Business	3.39
Cottage	1.49
Industries	0.51
Transport	0.04
Housing	17.94
Health	4.81
Total	100.00

Source: CDF Statistics, 2013.

Appendix-3

Comparative Analysis: Summary of Rules of Mandatory Savings:

Indicators	ASA	BRAC	BURO	GB	BRDB
Minimum Weekly Savings	Tk 10; equal for all members	12% of the installment	10% of the installment	Tk 5, equal	Tk 5
Ceiling of Savings	No Ceiling	No Ceiling	No Ceiling	Tk 5 (with saving account)	Tk 20
Withdrawal of Savings	Allowed (10% balance needed)	Allowed anytime	Allowed ; Tk 10 as minimum	Allowed after 10 years.	Allowed
Rate of Interest on Savings	27% (Reducing)	27% (Reducing)	27% (Reducing)	12.5%	8-12%
Net Amount of Savings(million)	5200.36	6900.66	2700.01	6,320	2009
% of Savings	36.8%	28.58%	15.65%	67.74%	N/A

Sources: Respective MFIs, 2013.

Appendix-4
Features of Three MF Programs in Bangladesh

Features	GB	BRAC	BRDB
Membership Criteria	Maximum landholding of half an acre of land. Only one member allowed per household.	At least one household member must work for wages; since 1992 one member allowed per household.	Maximum land holding of half an acre of land; at least one household member must work for wages; more than one member allowed per household.
Group Features	Five members from a group. Five to eight groups constitute a center. Separate groups for men and women. Separate centers for men and women. Weekly meetings of groups	Around 30 members from village organizations. Village organizations are divided into solidarity groups of 5-7 members. Separate groups for men and women. Each man's group has a counterpart women's group. Weekly meetings of solidarity groups.	15-35 members from primary cooperatives. Primary cooperatives are divided into solidarity groups of 4-5 members. Separate cooperatives for men and women. Separate groups for men and women. Weekly meetings of cooperatives.
Savings Mobilization	Tk 1 per week. 5% of each loan (non-refundable) goes to group fund. 0.5% of each loan used for group insurance. Option to buy shares worth Tk 100 per member.	Tk 2 per week (TUP). 5% of each loan (non-refundable) goes to group fund in cash. 1% of each loan used for group insurance.	Tk 2 per week. 5% of each loan goes to group fund. Mandatory purchase of cooperative share of Tk 10 per member per year.

Credit Delivery Mechanism	No collateral but group liability. 50-week installment of loan. Interest at the end of the loan cycle. 12.5% interest for general loan.	No collateral is mandatory. 46-week installment of loan. Interest at the end of the loan cycle. 27% (reducing) interest for production loan.	No collateral but primary cooperative liability. 50-week installment of loan. Interest at the end of the loan cycle. 8-12% interest for general loan.
Skill Development	Training duration 15-30 days. Review of code of conduct at center meeting. Minimal skill-based training.	Training duration 3-6 days. Review of code of conduct at village organization meetings. Substantial skill-based training.	N/A

Source: Respective MFIs, 2013.

Appendix-5 Code of Conduct of Members of MF Programs

GB's 16 Decisions	BRAC's 18 Promises	BRDB's 21 Oaths
<p>1. Discipline, unity, courage, industry-these four principles of GB should be followed in every stage of life of GB members;</p> <p>2. We must earn the progress of our family;</p> <p>3. We shall not dwell in a broken house and as soon as possible we shall construct our new house;</p> <p>4. We shall cultivate vegetables, sell these in market and maximize our income, and in the season of plantation and seedling we shall plant as number as we can;</p> <p>5. We shall keep our family small;</p> <p>6. We shall eat diet food and keep our health sound;</p> <p>7. We shall ensure the access of education of our children and help the students to generate income so that they can run their studies their selves;</p> <p>8. We shall keep our houses</p>	<p>1. We will not engage in malpractice and injustice;</p> <p>2. We will work hard and bring prosperity to our family;</p> <p>3. We will send our children to school;</p> <p>4. We will adopt family planning and keep our family size small;</p> <p>5. We will try to be clean and keep our house tidy;</p> <p>6. We will always drink pure water;</p> <p>7. We will not keep our food uncovered and will wash our hands and face before we take our meal;</p> <p>8. We will construct latrines and will not leave our stool where it does not belong;</p> <p>9. We will cultivate vegetables and trees in and around our house;</p>	<p>1. We will remain united;</p> <p>2. We will be sincere and sympathetic to all;</p> <p>3. We will follow the principles of the cooperatives;</p> <p>4. We will strive for development through work and sincerity;</p> <p>5. We will educate ourselves and send our children to school;</p> <p>6. We will adopt family planning methods;</p> <p>7. We will drink boiled water and use hygienic toilets;</p> <p>8. We will fight against polygamy and the abuse of women;</p> <p>9. We will save a part of our income and deposit it with the society;</p> <p>10. We will take loans from the society and</p>

<p>clean always;</p> <p>9. We will build sanitary latrine by digging whole and drink deep tube well water, otherwise boil the water for drinking;</p> <p>10. In the marriages of children we shall avoid dowry and keep our center free of dowry; and we shall not allow child marriage;</p> <p>11. We shall not do any illegal act and refrain others from doing it;</p> <p>12. To maximize our income we shall take effort collectively;</p> <p>13. We shall help each other and if any one of the center falls in danger we shall help him recover from the event;</p> <p>14. In case of violation of rules and regulations in any center all shall secure discipline and peace;</p> <p>15. We shall build gymnasiums in all centers; and</p> <p>16. We shall do all the above tasks collective as a group effort.</p>	<p>10. We will try to help each other in all circumstances;</p> <p>11. We will fight against polygamy and injustices to our wives and all women;</p> <p>12. We will be loyal to the organization and abide by its rules and regulations;</p> <p>13. We will not sign anything without having a good understanding of what it means (we will look carefully before we act);</p> <p>14. We will attend weekly meetings regularly and on time;</p> <p>15. We will always abide by the decisions of the weekly group meetings;</p> <p>16. We will regularly deposit our weekly savings;</p> <p>17. If we receive a loan, we will reply it.</p> <p>18. We will use the loan for which it has been drawn.</p>	<p>strive to increase our incomes;</p> <p>11. We will not ask for aid from anyone;</p> <p>12. We will not run after relief;</p> <p>13. We will not be lazy;</p> <p>14. We will not remain illiterate;</p> <p>15. We will not sign any paper without reading it;</p> <p>16. We will not give or take any dowry;</p> <p>17. We will not have very large families;</p> <p>18. We will not break the rules and regulations of the cooperative societies;</p> <p>19. We will not delay payments of loan installments;</p> <p>20. We will not listen to bad advice from mischievous persons;</p> <p>21. We will not allow our organizations to damage any way.</p>
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Source: Respective MFIs.

Glossary

A

- ADB Asian Development Bank.
ASA Association for Social Advancement.
AUSAID Australian Aid for International Development.

B

- BBS Bangladesh Bureau of Statistics.
BIDS Bangladesh Institute of Development Studies.
BRAC Bangladesh Rural Advancement Committee.
BARD Bangladesh Academy for Rural Development.
BURO Bangladesh Unemployed Rehabilitation Center.

C

- CGAP Consultative Group to Assist the Poor
CIDA Canadian International Development Agency.
CPD Center for Policy Dialogue.

D

- DU Dhaka University.

E

- ESCAP Economic and Social Commission for Asia and the Pacific.

F

- FGD Focus Group Discussions.
FINCA Foundation for International Community Assistance

G

- GB Grameen Bank.
GDP Gross Development Product.
GOB Government of Bangladesh.
GT Grameen Trust.

H

- HDRC Human Development Research Center.

I

- ICT Information Communication Technology.
IFAD Fund for Agricultural Development.
IFC International Finance Corporation.

ILO	International Labor Organization.
IPAB	International Poverty Alleviation Bank.
M	
MCP	Microcredit Programs.
MDG	Millennium Development Goal.
MFB	Micro Finance Bank.
MFI	Micro Finance Institutions.
MRA	Microfinance Regulatory Authority.
N	
NGO	Non-Government Organization.
NNC	Norwegian Noble Committee.
P	
PBCP	Purbo Bangla Communist Party.
PKSF	Palli Karma Shahayak Foundation.
R	
RD	Rural Development Project.
S	
SIDA	Swedish International Development Agency.
SME	Small and Medium Enterprise
T	
TUP	Targeting the Ultra Poor
U	
UNCDF	United Nations Capital Development Fund.
UNDP	United Nations Development Program.
UN	United Nations.
UNIC	United Nations Information Center.
UNICEF	United Nations International Children's Emergency Fund.
USAID	United States Aid for International Development.
V	
VPP	Village Phone Program.
W	
WB	World Bank.

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