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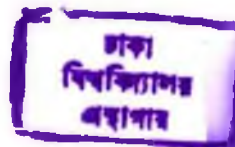
# Role of Micro Credit as a Means of Alleviating Rural Poverty : A case study on Grameen Bank

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401407



**Certificate by the Supervisor**

This is to certify that, the thesis entitled " **Role of Micro Credit as a means of Eliminating Rural Poverty** " - A Case Study on Grameen Bank is submitted for the M. Phil Degree by Ms. Tazeen Hossain is the product of her research work done under my supervision. The study is her original work and has not been submitted anywhere for any degree.

Station: Dhaka  
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**Declaration by the Candidate**

I hereby state that the thesis for the award of the Mphil Degree on “Role of Micro Credit as a Means of Alleviating Rural Poverty’- A Case Study on Grameen Bank” is my original work and that it has not previously formed the basis for the award of any Degree, Diploma, Associate ship, Fellowship or any similar title.

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AN ABSTRACT OF THE DISSERTATION OF

Tazeen Hossain for the **Mphil Degree** in Public Administration from University of Dhaka.

*Title: 'Role of Micro Credit as a Means of Alleviating Rural Poverty'- A Case Study on Grameen Bank*

Supervisor: Professor Dr. Muhammad Asaduzzaman

The dissertation deals with the role of micro credit in poverty reduction with special emphasis on Grameen Bank. The data for the study were obtained in 2000 through interviews from two villages in Munshigong district. Poverty situation and standard of living of Grameen borrowers have been analyzed through some indicators. These are: educational qualification, marital status, number of siblings, educational qualification of the siblings, level of income, savings and repayment behavior, the housing condition of the borrowers and their participation in family decision making.

The result of the study shows that the women's borrowing status, amount of income, experience and skill gained through years of participation of Grameen Bank significantly influence the economic, social and political condition of the borrowers.

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# Chapter : 1

## Introduction

### 1.1: Introduction:

Bangladesh is not only characterized by an alarming proportion of poverty stricken population but also is threatened by an increase in their proportion. The general causes of poverty are identified as i) lack of land and productive assets and a consequent involvement in low productivity and/or low paid jobs, ii) a low labor force participation rate resulting in high dependency ratio, and iii) a high rate of underemployment among those who actually participate in labor force.

The landless and near landless constitute nearly a half of the rural households in Bangladesh. According to the 1983-84 Agriculture censuses, 20 percent of the rural households operate no cultivated land and another 31 percent operate less than 0.5 acres (BBS, 1986). Over the last quarter century the number of landless and near landless household has increased at a rate of about three percent per annum as compared to a 2.0 percentage growth in the number of rural household (Hossain, 1986).

The wage employment generated in farming activities is inadequate for these large and growing pools of the landless. The average size of cultivated holding in the country is only 2.00 acres (1983/84) and large landholders cultivate most or part of their holdings by peasant sharecroppers. So the size of the agriculture labor market is small; and is gradually, shrinking because of i) increasing availability of family workers associated with the growing pressure of population on land and ii) slow growth of agricultural production which originates mostly from diffusion of new agricultural technology. In recent years there has been little growth in cultivated land or cropping intensity which could have increase labor demand in agricultural operations. It is also obvious that whatever additional employment is generated in the crop sector a large part of it is taken up by underemployed family workers. In view of the above, the landless are being pushed to take up self-employment in various non-crop activities so that they can transform the available non-marketed labor into commodities and services.

Supply of capital at reasonable rate of interest could make a significant dent in the life of these rural disadvantaged groups. But the financial institutions with their existing modality of operation have failed to cater to the needs of these people owing to (i) the practice of keeping collateral against loans which they can not provide ii) the cumbersome procedure of completing formalities for obtaining credit which the illiterate poor find it difficult to complete and iii) the banker's preference for handling big rather than petty loans which the poor need.

In rural Bangladesh, where financial markets are dominated by informal lenders, financial services targeted to the landless poor by Grameen bank and non governmental organizations using a similar methodology collectively disburse more credit than public sectors institutions (World Bank 1995). With over million borrowers, and repayment rates on collateral free loans as high as 98%, Grameen Bank has become a model for

group based systems on financial and social intermediation throughout the world. It has achieved operational self-sufficiency, and appears to be moving towards full self – sustainability (World Bank 1995). Grameen Bank was started in 1976 by Muhammad Yunus, an economics Professor at Chittagong University of Bangladesh, as an experimental project to combat rural poverty by providing credit to the very poor. Because they lacked access to commercial credit the poor were being exploited in traditional credit markets; as a result they often became caught in spirals of increasing indebtedness, forced sales of assets, and increasing destitution. Resources provided by Government loan programs for rural development tended to be monopolized by elite. Among the poor Professor Yunus recognized that rural women are particularly vulnerable because patriarchal norms restricted their ownership and control their ownership and control over assets as well as their ability to generate income. Grameen Bank was conceived to redress these inequities and to demonstrate that the poor were credit worthy. A group-based system was developed to reduce transaction costs and address the problem of asymmetric information and lack of collateral (Stiglitz 1990; Besly at al, 1991; Aghion 1994; Matin 1995).

## **1.2: Pre-Grameen Bank initiatives:**

The Grameen Bank's initiative to uplift the socio-economic conditions of the rural poor in Bangladesh is not the first of its kind. During the past decades, several attempts have been made to alleviate rural poverty and expedite the pace of development in the country. However, most of these initiatives have come under government patronage. They are the Integrated Rural Development Program (IRDP), the Rural Works Program (RWP), The Food for works Program (FWP), the Cooperative Credit Program (CCP), The Swanirbhar Bangladesh Movement (SBM) and others.

Before the break-up of Pakistan in 1971, the Social Welfare Department (SWD) of the Government of what was then East Pakistan ran a credit program very similar to the group-lending program of the Grameen Bank. Under the SWD's program, members of registered co-operative societies used to receive loans on a group liability basis. However, a lack of dedicated workers at field level meant that the SWD failed to popularize the program widely across the country. The widespread corruption and dishonesty of Society managers also contributed to the failure of the programme.

The IRDP is now a day primarily involved in the area of agricultural production. It is based on the Comilla Co-operative Approach (CCA) founded by Dr Akhter Hameed Khan in collaboration with a team of experts from Michigan State University. The CCA started with the establishment of the Comilla Academy (formerly, the Pakistan Academy of Rural Development). Dr Khan became the first director of the academy and started a decade-long experimentation in rural development with applied research. The institutional innovations that Dr Khan and his colleagues made in Comilla became internationally known and were often replicated. In the 1960s, the CCA was almost widely known as the Grameen Bank is today, although the CCA is virtually dead now, its

legacy and success stories are still present in today's Bangladesh. The spread of irrigation and seed-fertilizer technology and of the high-yielding varieties all over Bangladesh is basically the sole lasting contribution of the CCA; but had CCA failed in that task, Bangladesh would still remain as grossly a food deficit country, and millions would die of starvation and famine every year.

### **1.3 History of Grameen Bank:**

The Grameen Bank's development can be divided into three distinct stages: the experimental stage, the pilot scale stage, and finally the expansion and replication stage. The experimental stage began with the launching of the first Grameen Bank Project (GBP) in December 1976. The target area was Jobra, a village nearby Chittagong University. This project was directed by the Rural Economic Program (REP) led by Professor Yunus. To convince commercial banks of the Grameen banks system's feasibility was no easy task, as the whole idea was a revolutionary and unconventional approach to banking. The rural Economics Program made arrangements with the local branch of the Janata Bank to facilitate the loaning of money to the poor. After two years of the initial project's success, the Bangladesh Krishi Bank was persuaded to entrust the REP with the duplication of second GBP in Jobra (Kamal Siddiqui 1984).

By early 1978, the REP was successfully operating the Grameen bank Project in three villages, including Jobra. The managing Director of Sonali bank indicated his interest in beginning GBP in a village near the local Sonali bank Branch. this next project was launched in January 1978 (Kamal Siddiqui 1984).

The success of the Sonali Bank's enterprise, as well as continuing positive results from the first three GBPs led to the pilot scale stage in the Grameen Bank's development. The GBP had caught the attention of Bangladesh's banking sector. The Managing Directors of several banks as well as the deputy Governor of the Bangladesh Bank came to Jobra to see if it would be feasible to support an expanded GBP. A larger GBP was planned for the district of Tangail, and by November 1979, Bangladesh bank and several other nationalized commercial banks sponsored the first GBP field operations. Until 1982. (When the project headquarters were shifted to Dhaka), Tangail was to remain the GBP headquarters and the main theatre of activity (Dharam Ghai 1984).

The first Grameen Bank branch in Tangail district was the Khilda kalihati branch. In fact, this branch, the first in the Tangail district, is also the third oldest Grameen bank branch in Bangladesh.

The surprising success of the Khilda kalihati branch led the GB to expand its operations to the seven districts of Chittagong, Dhaka, Rangpur, Narsingdi, gazipur, Kurigram & patuakhali. In 1981, the GB borrowed US\$3.4 million from the International Fund for Agriculture Development (IFAD), this money was used to intensify its efforts in the eight preceding districts. In 1983 Grameen Bank became established as a specialized financial institution under government stature, regulated by the Central bank, but with a specific

mandate to provide financial service to the rural poor. This greatly liberated the GBP which had before depended on the Bangladesh Bank and other sponsors to hire and pay GBP staff, provide office space, equipment and material, and to sanction loans for a select number of loanees. Not having to seek the approval of the banks, which sponsored it, the GB could now act freely. This independent bank had its own capital and shareholders. The stage was set for the Grameen bank's expansion stage. In 1983, the government still owned 60 percent of the shares of the GB, while the remaining 40 percent was held by the borrowers of the bank. By 1987, Grameen Bank held 75 percent of the Grameen Bank, while the Bangladesh government still owned 25 percent. By 1991, only 16 percent of the GB was under government control, the remaining 84 percent belonging to its clients Muharram, Branch Manager, Gazipur District/ Personal Interview 7 January 1992).

Grameen Bank is governed by a 13 -member board of directors, among whom nine are Grameen Bank borrowers (poor rural women) and there are government-appointed senior civil servants; Professor Yunus, Managing Director of Grameen Bank, is a non -voting member appointed by the board. With the exception of Professor Yunus, board members serve three- Year terms. Ninety-three percent of Grameen Bank shares are currently held by members and seven percent by the Bangladesh Government . Funding of Grameen Bank has been primarily in the form of loans; over three quarters of the funds have come from the Bangladesh Central Bank and local commercial banks, and rest from international donors. Today Grameen Bank is owned by the rural poor whom it serves.

However, before successfully evaluating the GB's performance, it is important to understand the Grameen bank's concept of rural development. Regarding development of the poor Professor Muhammad Yunus responded the follows

*"It all depends what one has in mind what development means to people. To me, as I see development, I see it as a change of economic status of the poor people. If incremental income changes the status of the poor people, in any way if she can improve her income, I would call it development. To me, building a road, building a dam or a huge building does not mean a thing, so far as development is concerned... The question that I will be asking is, does it increase the income of a poor person? If it does, it is development. If it doesn't, it's not development. So that way, one has to go back to the origin of what development is" (Source: Yunus, Grameen Bank MD, USA/ Telephone Interview 1987).*

#### **1.4.Objective of Grameen Bank:**

The Grameen Bank Project (Grameen means "rural" or "village" in Bangla language) came into operation with the following objectives:

- extend banking facilities to poor men and women;
- eliminate the exploitation of the poor by money lenders;

- create opportunities for self-employment for the vast multitude of unemployed people in rural Bangladesh;
- bring the disadvantaged, mostly the women from the poorest households, within the fold of an organizational format which they can understand and manage by themselves; and
- reverse the age-old vicious circle of "low income, low saving & low investment", into virtuous circle of "low income, injection of credit, investment, more income, more savings, more investment, more income".

A basic principle of Grameen Bank is that the *bank goes to the poor people*, since it is difficult for the poor people to come to the bank. All banking transactions are done in the center meetings at the village level, attended by borrowers and the center manager who is a bank staff. The branch borrows from the head office whenever it needs funds, at the rate of 4 percent for housing loans (on-lending at the rate of 8 percent) and at the rate of 12 percent for income-generating loans (on-lending at the rate of 20 percent).

At the end of December 2002, the bank, through its 1,178 branches located in 389 *upazilas or sub-districts* and 60 districts of Bangladesh, was serving 2.48 million members. It had disbursed, by the end of December 2002, Tk. 169,973.67 million (US\$3,811.20 million) as basic loans. Grameen Bank members also deposit in various savings accounts and the balance of their savings stood at about Tk.7,305.08 million. The bank's services reached 41,636 villages, out of a total of about 68,000 villages in the country.

### 1.5 General features of Grameen-credit

According to Dr. Yunus the main features of Grameen Credit are as follows (Source: GB website):

1. It promotes credit as a human right.
2. Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women.
3. Most distinctive feature of Grameen credit is that it is not based on any collateral, or legally enforceable contracts. It is based on "trust", not on legal procedures and system.
4. It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption.

5. 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.
6. It provides service at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people
7. In order to obtain loans a borrower must join a group of borrowers
8. Loans can be received in a continuous sequence. New loan becomes available to a borrower if her previous loan is repaid.
9. All loans are to be paid back in installments (weekly, or bi-weekly).
10. Simultaneously more than one loan can be received by a borrower
11. It comes with both obligatory and voluntary savings programmes for the borrowers.
12. Generally these loans are given through non-profit organizations or through institutions owned primarily by the borrowers. If it is done through for-profit institutions not owned by the borrowers, efforts are made to keep the interest rate at a level, which is close to a level commensurate with sustainability of the programme rather than bringing attractive return for the investors. Grameen credit's thumb-rule is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible, without sacrificing sustainability. In fixing the interest rate market interest rate is taken as the reference rate, rather than the moneylenders' rate. Reaching the poor is its non-negotiable mission. Reaching sustainability is a directional goal. It must reach sustainability as soon as possible, so that it can expand its outreach without fund constraints.
13. Grameen credit gives high priority on building social capital. It is promoted through formation of groups and centers, developing leadership quality through annual election of group and center leaders, electing board members when the institution is owned by the borrowers. To develop a social agenda owned by the borrowers, something similar to the "sixteen decisions", it undertakes a process of intensive discussion among the borrowers, and encourage them to take these decisions seriously and implement them. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children's education, provides scholarships and student loans for higher education. For formation of human capital it makes efforts to bring technology, like mobile phones, solar power, and promote mechanical power to replace manual power.
14. Grameen credit 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 poverty is not created by the poor, it is created by the institutions and policies which surround them. 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.

15. Grameen brought credit to the poor, women, the illiterate, 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 on reasonable term enabling the poor to build on their existing skill to earn a better income in each cycle of loans.





## Chapter: 2

### Background

#### 2.1: Objective of the Study:

- a) The core objective is to analyze the impact of Grameen Bank on the borrowers in terms of social, economical and political development.
- b) Specific objectives:
  - To understand the concept of micro-credit
  - To analyze GB's methodology
  - To look into the socio economic perspective of GB members
  - To see the impact of MC on women by socialization and internalization
  - To analyze how the status of women member of GB has increased in the society
  - To analyze the approaches of Grameen Bank towards poverty alleviation.

#### 2.2 The study area

The researcher visited the Fegunashar Grameen Bank Branch area of Munshigonj district. The branch was established in 1986. It has 78 centers and 2,412 members. Like the rest of Bangladesh, the population is ethnically homogenous, and the majority of the population is Muslim. Agriculture and business are the main source of livelihood.

#### 2.3 Selecting the site:

As a staff member of Grameen Trust, which is the prestigious organization of 22 Grameen members and because of its international replication of GB model, GB head office staff cordially received the researcher to conduct her fieldwork. First time the researcher visited with GB worker at the field level and talked with members. The researcher visited Furshail and Nishing villages and talked with borrowers of Grameen Bank. Munshigong is situated on the northeast side of Dhaka district and the district is surrounded by Padma and Megna river. Most of the people of the area are Muslim and about 30% of the total population is Hindu. Till December 2000 Fegunashar branch disbursed loan to 4,729 Borrowers. Out of the total number 2,330 borrowers received general loan, 2,064 received seasonal loan and 335 received housing loan. The borrowers mainly utilize their loan in cultivation, fishing, vegetable gardening, small business, pottery, cane work etc. The farmers mainly grow potato and vegetable.

## **2.4 Sources of Data:**

The study has been conducted on the basis of both secondary and primary data collected from Grameen Bank head office and Malkhanagar Fegunashar branch of Munshigong district. The primary data were collected by direct interview with fifteen borrowers at branch level and secondary data were extracted from various published reports like annual report, books, journals, research report on world bank, BIDS, going through the banking documents, financial statements, brochures of the bank and from Grameen Bank's website. As a primary source of data the author directly talked with the respondents and filled up the questionnaire. The questionnaire was structured on respondent's credit information, credit terms, purpose, borrowers satisfaction, borrowers assets, personal savings and debt position. The questionnaire is attached as Annex- 1.

## **2.5 Methodology:**

The researcher followed survey method for analyzing the impact that GB has brought to the lives of the borrowers. In September 2000 the researcher visited Grameen Bank Malkhanagar, Fegunashar branch in Munshigong district and spend 7 days at the study area. The author interviewed almost 15 borrowers and 7 staff of the said branch through a questionnaire. The researcher visited GB center meetings, houses of the borrowers and examined the loan utilization of the borrowers.

## **2.6 Limitation of the Study**

As the researcher visited the study area as an employee of Grameen Trust it was difficult to get the negative impact of GB from the respondents. They didn't confess or mention the negative incidence that they had experienced from GB.



## Chapter: 3

### Review of Literature on GB

*Hussain (1986)* found that the Grameen Bank members had about 50 percent higher income compared to the target group in the controlled villages, and about one fourth higher compared to the target group non-participant in the projects villages. The positive income effect is mainly due to large increases in income from processing and manufacturing, trade and transport services, which the Gb loan Finance.” Hossain concluded “ the Grameen Bank has made a positive contribution to alleviation of poverty in the area of its operation. The achievement is particularly impressive in the backdrop of the disappointing experience of the past development efforts which failed to improve the conditions of the rural poor.”

*R.I .Rahman (1986) and Atiur Rahman (1986)* of BIDS conducted a series of surveys of the credit program of the Grameen Bank in different regions of Bangladesh. Both of them found a positive impact on women borrowers, specially in regard to income – generating work. In his study Atiur Rahman ( 1986) focussed on the conciseness raising efforts of the bank among women, institution building and empowerment among women and impact of micro credit programs on the rural power structure of Bangladesh. He mentioned that women in the loan center of the GB are able to gain strength in collective solidarity, to challenge traditional norms and value, and to fight against social injustice.

*Rahman and Hossain (1986)* summarized their findings in the following words: Grameen Bank operations have made substantial impact on the level of income of the rural poor. The per capita income of an average GB loanee was found to be about 59 percent higher in 1985 compared to that in 1982. GB operations have made positive impacts on the wage and employment situation of the poor, enhanced the level of their capital accumulation, substituted private loans with GB loans and reduced unproductive expenditure by making people more conscious. There has been a significant rise in the productive investment, thereby creating an increased productive capacity of the rural poor.”

In his study of “Consciousness Raising Effort of Grameen Bank” *Rahman (1986)* concluded: Although Grameen Bank is essentially a credit program for the rural poor, it is increasingly emerging as a human development program as well. . . . All these (activities of GB) have broaden their (loanee men and women) expectation horizon. They can now dream of a better future, if not in their own life time, may be their children will have a better life.” A study conducted by Mahbub Hossain (1988) revealed that one fifth of the members got new employment opportunity after getting credit from the Grameen Bank and that about 90 percent of the loanee women perceived their economic condition improved through using the credit facilities. The study also found that “ the incidence of absolute poverty was much lower in project villages. The proportion of moderately poor population was 62 percent in the project villages, compared to 76 percent in control villages- the per capita expenditure on food for household member was 8 percentage higher than for non participants in project villages and 35 percentage higher than the

control group--- the investment in housing by members was about six times higher than that of the target group in control villages-----

*Mabud et al (1990)* observed, “ Indeed there exists as empirical evidence suggests, a positive association between economic betterment and contraception acceptances”.

*Population Development and Evaluation unit (PDEU)* of the planning Commission conducted three studies on each of the three special projects undertaken by the government – Rural mother’s Center program, BRDB Cooperative Program, Women’s vocational training program. All the three studies have indicated an increased economic activity rate among the loanee women and also a very high level of contraceptive prevalence rate (CPR). It may be noted that unlike the GB project whose main focus is to extend credit to the rural poor women for bringing a positive change in their economic life, the major objective of these three projects is to achieve a decline in fertility through income generating activities.

*Dharam Ghai (1984)* in his mid-term evaluation of the Grameen Bank project found: “ By all indicators, the Grameen bank project has been highly successful. Its achievement is more remarkable when one considers that it has taken place in the context of a stagnant or declining economy----- . The project has had positive and beneficial effects in terms of income, production and consumption”. Ghai, added, “ The project has also had significant positive social impact in terms of sanitation, health care, nutrition, education, training, family planning and promotion of social reforms such as abolition of dowry. It has been particularly successful in enhancing the skills, economic capabilities, income and productive employment of the poor rural women. In addition, there have been major social gains in terms of consciousness raising of women, changes in attitudes on the role of women and upliftment of the status of poor working women within the household and in the community”.

Summing up his evaluation study on Grameen Bank operation, *Siddiqui (1984)* was of the opinion that “ GB is a remarkable rural development experiment in a poverty stricken country like Bangladesh. Perhaps, its significance will one day overshadow even that of the Comilla experience of the 1960s.”

*Ahmed (1985)* also had similar views: In sum, Grameen bank loan has the ultimate effect of increasing the actual and perceived socio-economic status of its female clients, their awareness of women’s right, marital adjustment and husbands’ perceptions of wives.

*S.M. Hasmemi and S.R. Scular (1997)* have conducted an anthropological research on “Rural Credit, Empowerment of Women and Contraceptive Use in Bangladesh”. They have produced a series of journal articles on the impact of credit programs on the contraceptive behavior and empowerment of women. The primary focus of their study is fertility and reproductive health, not the long-term economic and social implications of credits lending for women. In some of their recent journal articles, however, they argue that the credit programs of various nongovernmental organizations and GB, are helping poor rural women achieve socioeconomic empowerment in the society. They have also

developed a set of operational zing indicators, such as women's mobility and visibility and their assertiveness and insure the empowerment of the clients of credit programs.

*Anne Marie Goetz, a political scientist, and Rina Sen Gupta, an economist,* conducted their 1996 study of credit programs in a project titled "Women's Leadership in Rural Development in Bangladesh." They categorized the loan use patterns of three major micro lending organizations in the country (BRAC, GB and RD-12) and found male control over women's loan. On average, women in these programs retained full or significant control over loan use in 37 percent of the cases, whereas 63 percent of the cases fell into the three categories of partial (17.8 per cent), very limited (17 per cent), or no control (21.7 percent). This indicates a significant pattern of women borrowers systematically losing control over their loans; they are even victimized by the process. Many women borrowers bear the risk and burden of institutional loans without directly benefiting from them.

*Helen Todd (1997), a journalist and wife of a micro credit visionary from Malaysia,* conducted a study of forty women borrowers in only two loan Malaysia, conducted a study of women borrowers in only two loan centers in two villages in the Tangail district. The study populations consisted of women borrowers who had been involved with the credit program for at least ten years. Sponsored by the Grameen Bank, Todd worked trough local interpreters, which presents considerable limitations. With regard to the use of loans and installment payments by borrowers, she found many practices violating the principal of the bank. She pointed out that bank policy does not allow borrowers to use their loans in this sector, but women in her study claimed that investment in land provided them with increased status in their households. Todd also argued that the success of individual borrowers depends on many factors, such as the women's own personalities, their relations with their kin and household members, and the number of income earners in the family.

*Rahman A. 1999A and 1999B :* Both of his study was in-depth study on the Grmeen Bank. This is definitely a unique creation of the author, which is written from different perspectives. Real scenario of micro finance can be seen going through his writes up. He studied an ethnographic study on Grameen bank staying at a village in Tangail district over a year. He successfully showed the difference between the rhetoric and realities of Grameen bank lending through his thought provoking anthropological study. In his theoretical framework he showed the cultural hegemony of Grameen bank in the rural countryside.





## Chapter: 4

### The general Features of Grameen Classical System

#### 4.1 Targeting Criteria of Grameen Bank :

Grameen Bank targets its financial services of Bangladesh large and fast-growing population of landless rural poor, which it defines as rural families with less than one half acre of agricultural land , whose total assets do not exceed the value of one acre of land. The vast majority of Grameen Banks clients are women. Grameen Bank provides small .one year ,collateral-free loans to poor women and men for income-generating activities chosen by the borrowers.

#### 4.2 Lending Structure of GB

The GB lends the group of borrower rather than individual through a hierarchical system. A borrower herself can't make the loan proposal directly rather she has to do it through her group leader then from group leader to center leader.



*Fig: 01 Hierarchical stages of GB operation*

### 4.3: Methodology of Grameen Bank:

When Grameen Bank establishes itself in a new district of Bangladesh, it does not arrive empty handed. It brings with it an economic and social development program which has evolved over the last seventeen years in a process of continuous interaction with the landless poor. But the program is not imposed on people. It is merely a well-trying starting point for a new participatory process and needs. The Banks approach to the local community and its development is process-oriented and has a long-term perspective. It is activist, indeed, but not short term activist and confrontational. It is pragmatic and tactical but does not yield on its principles or objective. It may well take three steps forward in the longer term.

The prevailing view that guides practice is that the economic and social obstacles progress are more likely to be overcome through competence, strength and dignity growth from within the landless poor themselves and, above all to be overcome through an enabling organizational development. Grameen Bank sets out to prove that the weight is not difficult but how to hold it requires a steadfast heart and single-minded purpose.

The program involves people in long term learning process. Through participatory efforts and joint experience, people gradually build by themselves knowledge, in particular organization and managerial skills enabling them to cope together with increasing levels of complexity. In this way the program realizes the ideas on an endogenous and self-reliant development. Structural transformation is more likely to occur as a manifestation of strength and competence in management and decision-making.

When Grameen Bank opens a new branch office the procedure it follows illustrates its process orientation. Prior to locating a building, the very first task of a branch manager is to prepare a socioeconomic report on the locality and community under consideration. This is an extensive fact-finding study which takes the incumbent two to three months to complete. During this period, he generally seeks lodging with an educated man such as a school teacher, whose role is neutral in relation to the community. The study comprises an overview of the geography, economy, demography and the transport and communication infrastructure of the area. Social and cultural factors are taken into account and an analysis of the local power structure is made.

Upon approval of the report by head arrangements are made for a big, general public information meeting to be held. At that meeting, the branch manager introduces himself and explains Grameen Bank's purpose, rules and program. In particular he outlines the procedures for forming groups and centers, encouraging the landless are welcome to report to the Banks staff.

Since the meeting is an open invitation to the public, the local elite can see for themselves that the initiative is for the benefit of the poor only. The premise of the meeting is that it is an information forum and not one for the purpose of eliciting discussion. Therefore, only Grameen Bank representatives are allowed the floor. The constraint of discussion serves to confine the elite to the role of observing equitably and amicably in the company

of everyone. In this way, alienation is largely avoided while the important group formation process in getting started among the poor.

Staff and members of Grameen Bank are urged to concentrate on building their own economic and social strength. By performing well and having a professional and dignified public image, it is felt the Bank can only gain in stability and continuity. In its relationship to local elite's therefore, protocol is the guiding stance, not confrontation. By any measure, the Bank is a young initiative. An amusing indication of its success in the rural areas is that all the political parties of Bangladesh claimed some connection to it in their platforms as early as the election of 1985.

Among senior staff members there is the opinion that the role of the local power structure has been overplayed in the social science literature. Most analysis inadequately describe and understand the reality of poverty, placing an exaggerated emphasis on local elite's. Certainly the constellation and abuse of power are factors not to be underestimated.

In its efforts in the rural areas, the Bank works side with governmental and non-governmental agencies. There are over fifty million land-less poor in Bangladesh and the services offered by these agencies do not even being to meet the need. Grameen Bank sees itself working in complementary to voluntary or private organization and government extension services, adopting of a new branch in one area where a private organization was also working

Grameen Bank avoids placing a branch office in view of a mosque to offset possible initial disfavor from the local religious leaders. When a branch opens its own building in the locality it serves, it is quite an event. The local interested elite may attend, but what they witness is the foundation stone being laid by a representative of the landless themselves.

Following the branch manager's public information meeting, the idea of a bank which gives credit without collateral sparks a lot of discussion in the nearby villages. Reactions of disbelief, skepticism and hope circulate among the landless along with reservations of mistrust and fear. There is a predictable initial resistance voiced by some of the local elite.

#### **4.4 The Process of Group Formation and Loan Disbursement :**

Disbursing loans is not a simple matter of course in Grameen Bank. First, the candidates are obliged to participate in a *group training programme* which is a minimum seven days of continuous instruction. Under the supervision of a branch manager, this is a major responsibility of the bank workers. The training includes teaching thoroughly the rules and regulations of Grameen Bank which involves, for example, understanding the purpose of the various Bank procedures, knowing in detail the responsibilities of the group chairperson and the center chief, explaining the potential of fund-saving schemes for joint activities or children's welfare, introducing the issues in the social development program and learning to write one's signature.

Aside from the practical purpose of this training in terms of the Bank's efficacy, it has another implication which we feel has been over-looked. It ushers in feelings of achievement, self-worth and a sense of order in people's lives.

Although the minimum group training period is seven days, there is no upper limit to its extension. More often, 15 days is required but, for some it may continue for a few months. The Bank does not give up on people. A former branch manager who now works in head office recalls how one 60 year old woman took six months to learn to write her signature. While she was cooking, she would practice it with a stick in the sand. Working with dedication, the branch manager and bank workers helped her in this persistent endeavor until she succeeded.

Early in this training, the group is asked to elect a chairperson and a secretary from among its five members. Very soon the chairperson will be expected to know and carry out a set of duties and responsibilities relating to the group and center. Eliciting whenever possible, a social and experiential form of learning, Grameen Bank has devised a simple way to demonstrate savings as an individual and collective responsibility. It also serves to assess a person's dependability. Each group member must contribute one take per day into a common savings fund for the duration of the training. The fund is kept in turn first by the chairperson, followed by the secretary and then the remaining members. Trust is essential in relations with the Bank and among group members and this procedure can indicate an individual's capacity for honesty and reliability with an asset held in common. It is the beginning step in establishing the fundamental relationship of social and economic accountability in the community.

At the end of the seven days, the branch manager assesses whether or not the training is adequate. If so, he gives a *provisional recognition* to the group. If not, he will specify a further period of training. The group is again examined orally, usually by the program officer. The examination is thorough and members may be rejected or further training may be recommended. Special attention is paid to ensure that group members share the same attitudes and economic status. It is crucial to Grameen Bank's operation that the basic groups are homogeneous social entities. Experience shows that the processes of group formation and training are critical stages for long-term stability. If the discrepancies in social or economic status are too great in the group, the potential for equity in matters of decision making is lessened. At this time the program officer will also take the opportunity to visit the trainees' houses to see if the candidates really qualify for membership according to the rules and regulations. If all group attain *formal recognition* only then is the group a formal entity which can engage in transactions with Grameen Bank.

At this stage, the recognized group can turn its attention to the steps involved in getting loans. One of the truly remarkable features of the innovative credit system of Grameen Bank is that the groups themselves are allocated certain decision-making powers. Again, the significance of this has not been appreciated. From the beginning, loanees are not passive recipients of credit. The loanee has a part to play individually, as part of a group and as part of a center. The Bank has its part to play. What is taking place is a set of

complementary and overlapping decision-making powers, responsibilities and accountabilities around the focal point of loans by all the actors involved.

#### **4.5 Utilization of GB Loan:**

Over the years, loans have been given for almost 442 recorded purposes. No activity is found “unworthy” as long as the group and the Bank are convinced a person can earn an honorable income from it. Musical instrument making, umbrella repairing or fan making by hand are as viable as boat building, weaving or paddy husking. The activities are grouped into eight broad categories: (a) Processing-Manufacturing, (b) Agriculture-Forestry, (c) Livestock-Fisheries, (d) Services, (e) Trading, (f) Peddling, (g) Shop keeping, and (h) Collective Enterprises. Most loans are given for the categories a, c and e. Specific activities accounting for the greatest loan volume are milch cows, paddy husking, rice/paddy trading, cow fattening, rickshaw pulling, bullock tillage and various kinds of shop-keeping.

There are clear differences between leading income activities undertaken by men and women. Men engage more in various kinds of trading; women invest more in milch cows and paddy husking. The recipients of small loans up to 1500 taka tend to invest up to 150% of the loan amount. Among the poorest, the capacity for saving is remarkable and testifies to their skills in resource utilization.

The first set of decisions incumbent upon the group is deciding the amounts of the loans and which loanee will receive them. Two conditions apply to these decisions: 500 taka is the largest amount the group can sanction without higher approval and only two members may at first receive loans. To this second condition, it is preferred that the secretary and chairperson are the last group members to receive loans. In practice it works like this: The group selects two members for loans. After a short period of time, three to four weeks, if they have shown they can observe Bank discipline and meet their payments, the next two members become eligible for loans. The same requirements apply to the second set of loanees after which the last member may receive a loan. If the first set of loanees do not comply with the rules satisfactorily, it curtails the opportunity for the rest.

#### **4.6: The Procedure of Loan Disbursement:**

In Grameen Bank the experience to date is that the first loans tend to be small, with women choosing smaller loans than men. First loans range from 500 to 1500 taka but usually increase with each consecutive loan. Contrary to all the assumptions about the poor being unreliable or succumbing to opportunism, what many first-time loans suffer is a lot of anxiety before receiving their loans. When group members and a bank worker combine knowledge through an open discussion of the viability of a potential loan, misinformation or exaggerations regarding local values usually become apparent. It is in

everyone's interest that a bad loan does not jeopardize the future prospects of other members.

After the loan amount is agreed upon by the group, the loan can be proposed for approval. This involves three successive separate approvals which receive final sanction by the area manager. It is the center chief's responsibility to start the formal proposal process by filling in a *loan proposal form*, signing it and giving it to the bank worker. In turn, the bank worker completes her or his own loan proposal form and hands them both to the branch manager. After consulting with his colleagues about the various loan proposals, the branch manager will follow up with visits to the respective groups and centers. In these visits he will check again on the viability of some of the loan amounts and the stipulated business activity. He will also take into consideration the group's observance of bank discipline. The branch manager is responsible for assessing all the loan proposals and finally recommending them. They are then consolidated on a list and sent to the area officer for appraisal. The programme officer has the power to reduce the loan amount or refuse it, but has no power to increase it. On the program officer's recommendation, the area manager gives the final authorization necessary for releasing the loan. In effect, the area manager endorses the program officer's opinion which itself is already based on a thorough decision-making and supervisory process. Although this may appear to be a set of time-consuming steps-and would be in most bureaucracies-once a loan has been proposed, it is approved and the amount disbursed within three to seven days.

Once a loan is approved, the branch manager issues the loan money along with a *loan pass book*. Loans over 5000 taka need special approval by the area manager. A loan is given for one year, to be repaid in 50 equal weekly installments. These 50 weeks cover the 100% repayment of the principal while the remaining two weeks of installments are reserved for interest and a fee set aside in an Emergency Fund which is explained later. The calculation which is streamlined for simplicity is made as follows: The Bank charges the current official rate of 20% interest on loans, This corresponds to about 10.15% average interest considering the weekly repayment is amortized over 50 weeks. The borrower will pay 80 taka as her weekly installment during the first 50 weeks. In the 51<sup>st</sup> week, the interest charge on a loan of 4000 taka would be 407 taka and 25% of that or 102 taka is the premium for the "Emergency Fund" which falls due in the 52<sup>nd</sup> week. This procedure for the Emergency Fund was practiced up to 1991 when a change was made. The members now pay a fixed charge which amounts to 5 taka per thousand for loans in excess of one thousand take. Thus the fee for the Emergency Fund has been reduced significantly. At the same time loanees have the option of paying the interest in two amount: one in week 51 and the other in week 52 to reduce the stress.

Loan disbursement-an event. At the branch office, the longest moment in loan disbursement is observing the women signing their signatures with painstaking concentration. It's not long in time really, but in the touching total absorption the action demands. For hands familiar with steady hard work, holding a pen is an unsteady, unfamiliar experience that requires mustering all one's courage. Old women, young

women, frail women, women who endure, come to the branch offices in the afternoons to receive their new loans: general, group fund, housing or others.

Loans are disbursed every afternoon from Saturday to Wednesday, the main workweek in Bangladesh. Wednesday is reserved for closing the week's accounting and reporting. Each woman buys and brings her own stamp required for the loan form. The bank worker who is assigned to her center is entirely responsible for processing the loan. The loanee is required to sign the Loan Application Form and the Loan Disbursement Form as well as the original loan proposal. Witnessing this with their own signatures are the loanee's center chief and group chairperson (or another member from her group instead) who must accompany the member at the time of her loan disbursement.

At the center meetings which take place early in the morning on a regular day each week, the bank worker records the installment in the loan pass book of each member. Known as the heartbeat of Grameen Bank, the weekly installment begins as soon as the loan is disbursed. It places the member in a situation of immediate accountability to other members and the Bank. At the same time, by ensuring the rapid rotation of the available funds, the weekly installment is a major factor in the Bank's good fund management. The innovation of the weekly installment emerged quite early in the development of Grameen Bank's delivery and recovery system. This arrangement was preferred because money is a scarce resource in poor households. It became apparent that people found it easier to manage their funds on the basis of shorter intervals between installments rather than the more conventional practice of monthly repayments. So this accommodation was made and incorporated into practice.

Always an open forum, center meetings for loan transactions first took place under the village tree. In these conditions, it often proved distracting to carry through the business because of passers by and spectators. Thus the idea of a *center house*, now a requirement as centers become established, grew out of this experience with the first one built in 1979. Another practical problem faced by the Bank in its earliest stage was the question of the loan's signature for money received. To begin with, thumbprints were used in place of signatures. But the bank workers soon discovered that for women particularly, they could not verify whether or not the print was made by proxy. Since, by custom, most women wore veils and hence their faces were not clearly visible, it became essential to obtain the loan's real signature for banking verification. There was a situation in which one woman received three loans! When loanees can write their own name, falsification is almost impossible. Besides, when a woman signs a form, she must lift her veil just a little to see where to place her signature. This explains the importance attached to members learning to write their signatures during group training. For women and men, the ability to write their own signatures becomes a source of pride.

The need for loans to practice writing their signatures and the need to monitor the attendance of a center's members led to the use of an *attendance register*. Each member signs in when arriving at the center meeting. In this way, the pen and the written language become routinely demystified and people are encouraged to learn more. It is the feeling among the first bank workers that had they pressed for signatures at the outset, the

requirement would have been too inhibiting and even fewer women would have come forward for loans. As well as providing a record of a center's continuity, the attendance register indicates if a member is living up to obligations. Keeping this register is the duty of the center chief along with other responsibilities similar to those of the group chairperson, but more extensive.

From the Bank's perspective, regular center attendance and the payment of weekly installments do not, in themselves, constitute adequate supervision. Immediately following a loan disbursement, it is a regulation that *within seven days* the client must have invested the loan for the specified purpose and started utilizing the investment for income. Procedures for monitoring loan utilization start with the group chairperson who is easily able to check on how the loan is being used. If the utilization is adequate, the group chairperson appends her or his signature to a *loan utilization form* then reports to the center chief to hand over the form. The center chief rechecks the same member's loan utilization and, if satisfied, also signs the form. At the first opportunity, the center chief gives the form to the bank worker who also checks on the utilization of the loan, providing as well a written description of the investment. The description is quite detailed. For example, if a milch cow is purchased, the color will be noted, the age and the quantity of milk it provides daily and whether or not it has a calf. The bank worker turns over the loan utilization forms with their signatures and description to the branch manager who is responsible for personally checking 30% of them selected randomly. Following his field visits, The branch manager adds his signature to the respective form and then sends all the loan utilization forms to the program officer. Similarly, the program officer carries out field visits based on a random selection of the same loan utilization forms.

If tardy or inappropriate loan utilization is observed, remedial steps are taken to deal with it. However, issues of discipline are rarely a matter for bank staff. Mostly they are taken care of within the context of the group and the center. The chairperson, center chief or other members will urge an erring loan to "Use your funds: idle funds are not productive."

How people use their loans to ensure continued productivity is obviously important to the Bank. The monitoring of loan utilization doesn't stop once a loan has made the investment. It constitutes part of the ongoing work of bank workers, branch manager and program officers.

When a loan is fully repaid, the branch manager issues a *repayment certificate* to the loanee which, together with the loan utilization form, is part of the deciding criteria when granting a new loan to a member. The repayment Certificate offers the poor one of the few legal protections to which they have ever had access. Within the village or within the homestead, it is undeniably clear whose assets are whose. And the institution of Grameen Bank can be called upon for legitimization. The implications of this for women particularly are discussed separately.



Grameen Bank's extraordinarily high repayment rate, from 98% to 100% in some districts, is largely due to the tight supervision and the participatory process at work in the groups of five and in the centers. In the event of default, there is no significant collateral the Bank can resort to. Moreover, it is simply not the prevailing attitude of the Bank that they would bring legal charges against the poor, the very people they are trying to serve. The only recourse is social collateral, that is, through the group solidarity and accountability relationships the members have established among themselves. It is a self-controlling participatory process. It works by nipping a potential defaulter in the bud and putting him or her back on track. Nevertheless, for a variety of reasons, it may happen that a member is unable to meet a loan installment. In this circumstance, the group usually contributes the funds to pay their installment while making it a private matter to collect from the member.

A group will apply its own social intelligence to a problematic situation. It may waive the outstanding amount or it may attach a penalty interest to the payment. The point is, the group or by extension the center, will find a jointly agreed upon solution to the problem.

The Bank is concerned with the poor deepening their basis of security. The consecutive disbursal of loans to the landless poor on an individual basis consecutive disbursal basis cannot, in itself, ensure this. The size of the loans and the return on the investment are, in relative terms, too small for much wealth to accumulate. The family still finds itself at the mercy of a number of unpredictable events from illness to floods which could plunge it once again into abject poverty. To cope with the spectrum of needs that confront the landless and to offer them security in the likelihood of emergencies, Grameen Bank has responded by creating a variety of fund saving schemes for specific functions.

#### **4.7: Group Fund.**

Every group member deposits one take each week as a personal saving. This is accumulated in an account called, The Group Fund Account. The account is managed by the group of five on a consensus basis. Over and above this, the members pay a group tax for enjoying the financial services coming to them through the group. When a group member receives a loan from the Bank, this obligatory deduction is made at the rate of 5% of the loan amount. The group tax is also deposited in the Group Fund account. In Bangla it is explained to the members as mushtichaal, that is the handful of rice a mother puts aside to save when she prepares the day's main meal. A handful of rice is not missed during the meal but, over time, it can accumulate to a sizeable reserve.

The rule is that individual members do not have any claim to the group tax. It is relinquished to the group and belongs to all members. The group fund is explained to the members as being their own "little bank". It protects them from resorting to the moneylender when they need small amounts of money quickly. Any group member can borrow from the group fund for any purpose, investment or consumption. What is the consent of the other group.

The group fund is a highly successful innovation of Grameen Bank. Because of the versatility it offers, people use it to the maximum extent. The array of activities is very impressive.

The lists of different activities for which loans were granted from the group fund are as follows: The activities are grouped under the following nine headings: Social and Household Needs; Health and Medical Expenses; Loan Repayment; Maintenance, Repair and Addition of Capital Equipment; Raw Materials for Manufacturing and Processing; New and Supplementary Investments; Trading; Farming; and Collective Enterprise. Specifically, group fund loans were granted for a cattle shed, clothes, a niece's wedding, Nobanna festival, pond registration, medicine, cart repairing, tools for welding, bamboo groves, bamboo for ice-cream sticks, yarn purchase, goat raising, betel leaf trading, seedling purchase, and a collective enterprise in market leasing. This limited selection reveals the spectrum of needs met by the group fund and that its use for investment is quite significant.

If a member leaves a group, she or he is entitled to withdraw only the personal weekly savings which have accumulated in the group fund. When a newly formed group is officially recognized, all members sign a declaration to that effect. If, by unanimous decision, a group imposes a fine on member who has subverted discipline, the money received is deposited in the group fund for the benefit of all.

From a participatory perspective, the group fund is an exciting mechanism. It immediately allocates people a vital resource only they can make use of through a collective decision-making process that is entirely independent of the Bank.

#### **4.8 Emergency Fund:**

Established through the contributions of all Grameen Bank members, the emergency fund is basically an insurance coverage in case of default, death, disability and other accidents. As explained earlier, it is mandatory that a borrower pay a fee of five taka per thousand for loans in excess of 1000 taka.

Center members are responsible for recommending who is entitled to an emergency fund disbursement.

The emergency fund also offers protection against theft and loss or damage to livestock or crops. It is also meant as a reserve for quick access in case of major crises such as cyclones, flood or drought offer the members an opportunity to move on from individual loans to joint enterprises. While group and emergency savings are mandatory, the special savings are voluntary and operate at the center level.

#### **4.9: Center fund**

The special savings fund, also called the Center Fund, Often the fund will be a source for constructing a center house. Or for meeting other expenses connected with it, such as iron sheets for roofing, furniture, mats, and a signboard.

Recognizing that the future of the centers and the Bank as a whole is one, staff and members are turning their attention to the welfare of members' children. This fund becomes mandatory when a loan takes her second loan. Members contribute one take per week.

In addition to the various collective savings schemes, the Bank is encouraging members to build their economic strength by keeping extra income in personal savings accounts. The absolute number of deposits and the amounts are expected to increase as members achieve a satisfactory level of consumption and see themselves served by accumulation something for the future.

#### **4.10: Rates of interest :**

Grameen Bank adopts the rates of interest set in the official money market currently charging 20% per annum for its loans and paying 8.5% to members on all the above-mentioned funds, including personal deposits.

#### **4.11: Shareholding Scheme:**

To ensure that ownership of the Bank remains in the hands of the poor, and to ensure capital for future growth, it is compulsory for each group to buy shares in Grameen Bank. When the savings in a group fund have reach 600 taka, the group concerned is obliged to buy shares in the amount of 500 taka, the group concerned is obliged to buy shares in the amount of 500 taka, i.e. 5 shares @ 100 taka. Each member is entitled to buy only one share. Specified on each share issued is the number of the group and its center name.

#### **4.12: Types of loans:**

Over the years Grameen has developed various types of bank products for the benefit of its members.

- **Seasonal Loan:** As the name indicates, the loan is for seasonal cultivation. Conditions for its use are very flexible. A member may borrow up to a maximum of 3000 taka which is to be repaid at the time of harvest or for a period not exceeding six months. To maintain discipline however, one or two percent of the loan capital is paid per

week according to the loan's capacity. The loan can be processed within a week. *Seasonal collective loans* are also available under similar conditions.

- The family loan: It is another innovation of importance. The loan is taken by the family as a whole through the woman who is the legal recipient and pays the installments over one year. The upper limit is 30,000 taka; generally such loans will range between 10 to 15,000 taka. To qualify, the recipient must be at least a four-time loan of good standing recommended by the center members who also propose the distribution of the loan within the family.
- House loans: The house loan is a special issue. They are as much part of the Bank's credit experience and self-reliance grew, larger loans over longer periods became possible for individual loans. Housing loans, identified early as a major need, were seen as instrumental in improving the living standard of the landless.
- No deed-no loan: Shelter is really a women's issue. To protect women and to protect accountability to the loan itself, the Bank insists that women must have the land title deed in their name before being eligible for the loan. Either women may take a loan in order to secure homestead land or the existing deed must be transferred from the husband's into the wife's name. In our experience, there was no resistance to this on the part of husbands. Another protective stipulation is that the ownership cannot be transferred until the loan is fully repaid.

Grameen Bank is capable of responding to emergencies. In 1985, a severe tornado took place in the Ghior, Manikgong area in rural Dhaka. Members in ten of the Bank's centers were gravely affected and many lost their houses. A total of 60 members lost all their possessions. Immediately, the Bank sent out a team of three staff members to assess the situation. The team reported that 41 members required house loans to rebuild their homes. After an assessment carried out by the zonal office as well, the Bank processed a total of 547 000 taka in house loans ranging in size from 7 000 to 18 000 taka.

#### **4.13: Workshop and Sixteen Decisions:**

Informal discussions between bank workers and women became the basis for an extensive workshop program largely addressed to women. At the end of these workshops, it has become standard procedure that the participants formulate a set of decisions to be implemented on return to their respective centers. In March 1984, a national workshop took place which was an historic occasion in the Bank's development. The 100 participating women representing the five zones existing then agreed upon *16 Decisions* which they committed themselves and the general membership of Grameen Bank to implement. These 16 Decisions have become the Social Development Constitution of Grameen Bank and are the focus for the participatory process whenever members meet. Also, the 16 Decisions can be used as a monitoring and evaluation tool to assess the impact of Grameen Bank's work, Members may rearrange priorities or give different

emphases to the various decisions, but the list remains the major guideline for household or community action.

The Sixteen Decisions are as follows:

1. The Four principles of Grameen Bank-Discipline, Unity, Courage and Hard Work-we shall follow and advance in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of it and sell the surplus.
5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink tube-well water. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry in our sons' wedding, neither shall we give any dowry in our daughters' wedding. We shall keep the center free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so,
13. For higher income we shall collectively undertake bigger investments.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him.
15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.
16. We shall introduce physical exercise in all our centers. We shall take part in all social activities collectively.

#### **4.14 Sectors of lending:**

GB extends loan to its member for their preferred activities. Activities approved for GB lending could be classified under the following broad categories:

- 1.0 Processing and Manufacturing
- 2.0 Agricultural and Forestry
- 3.0 Livestock and Fisheries
- 4.0 Services
- 5.0 Trading
- 6.0 Peddling
- 7.0 Shop keeping

List of the major activities for which GB extends loan are detailed below:

##### ***Processing and Manufacturing:***

1. Rickshaw making & repairing
2. Bamboo works.
3. Food making
4. Jute bag making
5. Spare parts for handloom
6. Tube-well repairing
7. Katha making
8. Bucket making
9. Thread works
10. Saw purchase
11. Toy making
12. Hogla making
13. Wheat husking
14. Puffed rice making

##### ***Agriculture and Forestry:***

1. Plantation
2. Vegetable cultivation
3. Paddy cultivation
4. Potato Cultivation

5. Insecticides
6. Land lease taking
7. Hand tube-well for irrigation
8. Farming
9. Bamboo groves
10. Jute cultivation
11. Garden lease
12. Cane cultivation for mat making
13. Onion cultivation
14. Pond lease

***Livestock & Fisheries:***

1. Cow fattening
2. Bullock
3. Goat
4. Poultry raising
5. Dry fish
6. Fishing net
7. Sheep raising
8. Boat for fishing
9. Duck purchase
10. Pigeon raising
11. Apiculture
12. Pond excavation
13. Other domestic animals
14. Animal sharing

***Services:***

1. Rickshaw
2. Barber shop
3. Renting of irrigation pump
4. Newspaper distribution
5. Push cart
6. Rice mill
7. Microphone rental

8. Boat for ferry service
9. Laundry
10. Veterinary services
11. Power tiller
12. Dentistry
13. Decorators
14. Baby taxi
15. carpenter

***Trading:***

1. Rice/paddy
2. Paper
3. Vegetables
4. Firewood
5. Dry fish
6. Cattle
7. Stationary goods
8. Broken glass
9. Tea
10. Saree
11. Grass
12. Honey
13. Sweetmeat
14. Ice-cream
15. Zarda

***Peddling:***

1. Bamboo basket
2. Dry fish
3. Second hand cloth
4. Tobacco & betel leaf
5. Grocery goods
6. Bangles
7. Ice-cream
8. Vegetables



9. Glassware
10. Medicine
11. Sweetmeat
12. Peanut
13. Insecticides
14. Oil
15. Pottery products

***Shop-keeping:***

1. Grocery shop
2. Stationary shop
3. Medicine shop
4. Tea stall
5. Iron shop
6. Betel leaf/biri shop
7. Magazine stall
8. Cloths shop
9. Shoe store
10. Sweetmeat shop
11. Fruits stall
12. Electrical parts
13. Musical instrument
14. Seeds and plants
15. Photograph shop

The Grameen Bank targets landless people. It lends primarily to women because lending to women primarily was found to be more beneficial to the household than lending to men. Since inception to December 2002 Grameen Bank lends 36.3% of its total disbursement to livestock and fisheries, 17.9% to processing and manufacturing, 18.4% to trading, 10.2% to shop-keeping, 2.4% to service, 13.5% to agriculture and forestry, 1.4% to peddling.

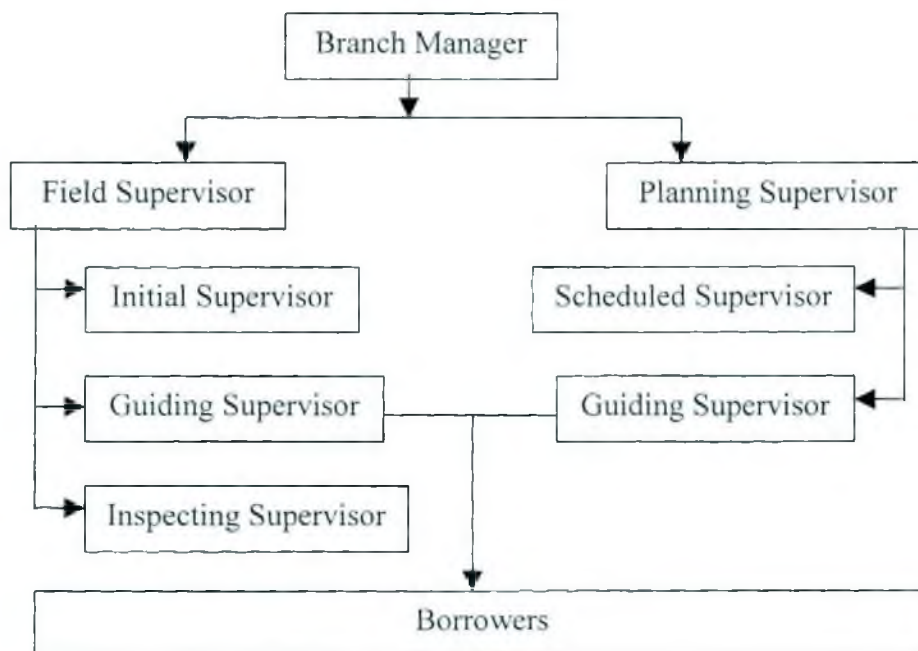
#### **4.15 Supervision approach of Grameen Bank**

A careful observation of the banking policy of GB reveals the fact that close supervision of the disbursed loan is the proximate reason behind its high operational performance.

Supervision in GB ranges from visiting the location of prospective coverage area of GB operation to marketing of the commodities produced by the borrower using the borrowed money. In every sphere of its banking activities supervision acts as an invisible hand. While opening a new branch/center/ group. They spend lots of time to talk people, to know about the socio-economic condition of the villagers and to build up a genuine tie to the villagers. In case of forming a group, the prospective members are trained up by the bank worker. Before sanctioning a loan, each loan proposal is appraised properly in four stages. Appraisal of loan proposals are conducted respectively by (a) the bank worker in charge of the concerned group (b) the branch manager (c) the area office (d) the zonal office. GB supervisors not only oversee whether the loan is utilized properly, but also provide necessary stimulatory, supporting and sustaining co-operations. GB supervisor also pay advisory role in marketing the product produced by the borrower.

#### 4.16 Supervision model of Grameen Bank

Grameen Bank's supervision never bases on the traditional concepts of supervision. To achieve the best possible result and to ease the supervisory function, the teams 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 (figure 2)



#### **4.17 Model of Supervision in GB**

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 guiding supervisors are doing as per the regulation and expectation 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 employs more than one person as supervisors. There is no hard and fast rule that a supervisor is to do a single job. At the same time the same person may perform different supervisory functions. In fact this has been possible because the GB supervisors find challenge and interest in performing the needed work. They possess a number of distinct qualities, which make them successful. A few of them are: respect for personality, fairness, strictness, understanding of personal circumstances, credit extension to talented borrowers, practical guidance, leadership, training for improvement, consideration toward health and safety, feeling of solidarity, co-operation, representation of view to co-supervisors, investing the time necessary to explain the 'whys' in the mind of new borrowers, hard working capacity, less nervousness and communicating with each borrower on one-to-one basis in emergency case etc.

#### **4.18 Supervision within the Group**

It must be remembered that the supervision of loan does not depend on the aggressive and brilliant performance of 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 2 persons of the group. The rest 3 persons will be entitled to get loan if the previously extended loans are usefully utilized and the credit discipline is strictly observed. So it is the duty of each member of the group to oversee/supervise the operation of other members in the group. Practically, it is observed that the members of the group guide, supervise and assist the members who get the loan for its proper utilization, timely repayment and marketing of produced commodities. Such process of group supervision within the group brings welfare of the group as a whole



## Chapter: 5

### Emergence of Grameen Generalized System

Grameen Bank has come a long way since it began its journey in the village of Jobra 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.

Grameen borrowers, like many other people of Bangladesh, lost most of their possessions including their houses because of the flood. Grameen Bank, which is owned by the borrowers, decided to take up a huge rehabilitation programme by issuing fresh loans for restarting income-generating activities and to repair or rebuild their houses. Soon borrowers started to feel the burden of accumulated loans. They found the new installment sizes exceeded their capacity to repay. They gradually started to stay away from weekly center meetings. Grameen Bank repayment started to show quick decline. Impact of the post-flood repayment crisis was compounded by its overlap with a recovery problem from an earlier crisis. In 1995, a large number of borrowers refused to repay their loans, inspired by local political leaders, demanding a change in Grameen Bank rule to allow the withdrawal of "group tax" deposits at the time of leaving the bank. It continued for months. At the end the problem was resolved by creating some new rule, but Grameen's repayment rate went down in the mean time. Many borrowers continued to stay away from repaying their loans even after the matter was resolved.

These external factors re-enforced the internal weaknesses in the system. The system consisted of a set of well-defined standardized rules. No departure from these rules was allowed. Once a borrower fell off the track, she found it very difficult to move back on, since the rules which allowed her to return, were not easy for her to fulfill. More and more borrowers fell off the track. Then there was the multiplier effect. If one borrower stopped payments, it encouraged others to follow.

#### **5.1 Went Back to the Drawing Board**

When the repayment situation did not improve as desired, GB thought this would be a good opportunity to be bold, and to dare to design a new Grameen methodology, incorporating all the lessons learnt. GB designed a new system, then pilot-tested the system quietly in a few branches to fine-tune the design; tried again in larger number of branches; reworked it;

and in the end, came up with the architecture of a new system. All the 12,000 staff of GB participated very actively in designing the product at all the stages of its development. Some were critical in the beginning, but by the time it was ready, everybody loved it. The staff was electrified with enthusiasm — because response from the borrowers was so positive. Borrowers who did not show up at their center meetings for years, started showing up to talk about the new system. Soon they were signing up to start all over again and repay the old loans with the accumulated interest. No reduction in the debt was offered. Still they opted to return.

The designing process formally began on April 14, 2000 (Bengali New year's day). By the beginning of 2001, the new system, "Grameen Generalized System" was ready for launching. GB undertook an intensive staff training programme for all the 12,000 staff. Initially there were signs of reluctance from some staff. There were grumbling, negative jokes, and expressions of frustrations. Top management went ahead with understanding and patience. Training continued cycle after cycle. Soon uneasiness about the new system disappeared. Staff became great admirers of the Grameen Generalized System (GGS) and wanted to put it into immediate implementation in their branches. GB was busy designing and debugging the system, The real worry was how to manage the transition from the Grameen Classic System (GCS) to GGS in 40,000 villages without subjecting the illiterate borrowers to a big shock, and messing up the accounts in 1175 branches. Transition was very carefully and meticulously choreographed, and put into action by March, 2001. By April, 2002, two years after the process began, Grameen Bank II has emerged. The transition is almost completed. The new Grameen Bank II is now a real and functioning institution. This second generation micro-credit institution appears to be much better equipped than it was in its earlier version.

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.

## **5.2 Poor Always Pay Back**

Central assumption underlying GGS still remains the same as it was behind GCS — the firm belief that the poor people always pay back their loans. On some occasions they may take longer time to pay back than it was originally stipulated, but repay they will. There is no reason for a credit institution dedicated to provide financial services to the poor to get uptight because a borrower could not pay back the entire amount of a loan on a date fixed at the beginning of the disbursement of the loan. Many things can go wrong for a poor person during the loan period. After all, the circumstances are beyond the control of the poor people. GB sees no reason why the sky should fall on anybody's head

because a borrower took longer time to pay back her loan. Since she is paying additional interest for the extra time, where is the problem? GB always advocated that micro-credit programmes should not fall into the logical trap of the conventional banking and start looking at their borrowers as some kind of "time-bombs" who are ticking away and waiting to create big trouble on pre-fixed dates. Please rest assured that the poor people are not going to create any trouble. It is the designers of institutions and rules, who keep creating trouble for them. One can benefit enormously by having trust in them, admiring their struggle for and commitment to have decent lives for themselves. It is very easy to appreciate the architecture of GGS if one keeps in mind this central assumption behind the system.

### **5.3 The Grameen Generalized System**

GGS has been built around one prime loan product - called Basic Loan. In addition, there are two other loan products : 1) the housing loan, and 2) the higher education loan which run parallel to the basic loan. All borrowers start with a basic loan. Most of the borrowers will continue with this basic loan, cycle after cycle, without any difficulty, and meet all their credit needs in the most satisfactory manner. But life does not proceed smoothly for any human being, let alone the poor women. It is likely that some borrowers will run into serious problems, and face difficulties, somewhere along the cycles of loans, in repaying the basic loan according to its repayment schedule. For them GGS has a very convenient arrangement. In GGS, basic loan comes with an exit option. It offers an alternative route to any borrower who needs it, without making her feel guilty about failing to fulfill the requirement of the basic loan. This alternative route is provided through "Flexible Loan". In Bangla, it is "Chukti" i.e. "contract" or "Renegotiated" loan, because the bank, the group, and the borrower have to go through a process of renegotiation to arrive at a new contract with a fresh repayment schedule for a borrower entering into the flexible loan.

Flexible loan is simply a rescheduled basic loan, with its own set of separate rules. I have been describing the basic loan as "Grameen micro-credit highway". As long as the borrower keeps her schedule, she moves forward uninterrupted with ease and comfort on the micro-credit highway. She can pick up speed according to the rules of the highway. If she drives well she can shift to higher and higher gear. In other words, on the Grameen highway, a borrower can routinely upgrade her loan size at each cycle of loan. This is done on the basis of predetermined rules.

She knows ahead of time how much enhancement in loan size is coming, and can plan her activities accordingly. But if a borrower faces engine trouble (business slow-down or failure, sickness, family problems, accidents, thefts, natural disaster, etc.) and cannot keep up with the highway speed, she has to quit the highway and take an exit on to a detour called a "flexible loan" or "flexi-loan". This detour will allow her a slower speed consistent with her situation. Now she can reduce the installment size that she can afford to pay, by extending the loan period. Taking a detour, however, does not in any way imply that she has changed the objective of her journey. She still proceeds with the same objective, but

only through a winding narrow road for a while. Her immediate goal is to overcome her problems and take as short a detour as possible to get back to the highway quickly. A borrower may be lucky and succeed in getting back to the highway (i.e. the basic loan) quickly, or she may have sustained problems and the best she can do is to move from one detour to the next (i.e. moving from one flexi-loan to the next flexi-loan, working out an easier repayment schedule than the previous one), delaying the re-entry into the highway.

One big disincentive for a borrower to take the flexi-loan detour is that the moment she exits from the basic loan highway, her loan ceiling, that she has built over years, gets wiped out. When she'll re-enter the highway after completing her detour, her loan ceiling will have to be re-constructed. This will be nearer to her entry-level loan ceiling than the loan ceiling she enjoyed immediately before going into the flexi-loan.

Flexi-loan is not an independent loan. It is only a temporary detour from the basic loan. A borrower will always make efforts to re-enter the basic loan, because under flexi-loan a borrower can only work within a non-expansionary loop - that is, a borrower can borrow, only the same amount or less, cycle after cycle. Given this unattractive feature of flexi-loan, a borrower would be working hard to get back to the highway to enjoy its facilities. Flexi-loan works as a shoe-horn to get a borrower back to the highway. As soon as the initial amount of flexi-loan is repaid fully, the borrower re-enters the highway. She carries with her all the new loans she took while she was on flexi-loan. It normally takes six months to two years to get back to the highway. That's not a bad deal for a borrower who would otherwise be almost marked for expulsion from the system. Under GGS the borrower continues to remain a valued client all through the process of going in and out of flexi-loan. But there is a cost factor attached to this. Every time a borrower takes the exit from the highway the bank will be required to make 50 per cent provision against the amount of flexi-loan. This is an additional cost to the bank. The bank staff will try to bring this cost to the minimum by designing the basic loan creatively to best fit the borrower's credit need and cash flow. GGS offers this option. This was not available in GCS. Because of this feature of GGS, if experience tells us that the risk of a flexi-loan becoming overdue is very small, we can reduce the percentage of provisioning. If the percentage of flexi-loan is rather small, say, less than 5 per cent, of the total outstanding loan, even 50 per cent provisioning will not show up as a big item of expenditure, compared to the usual alternative of making provisions in a system without flexi-loan.

If a borrower cannot stay on the highway (i.e. cannot repay the basic loan installments as per schedule), there is now no need for the bank to trigger actions to mobilize the group and the centre pressure on her to avert an immediate danger for the group. By providing exit route for borrowers GGS has changed the situation dramatically. Now both the bank and the borrowers can be free from all tension - no more chasing of the problem-borrowers or defaulters. Nobody needs to look at anyone with suspicion. Group solidarity is used for forward-looking joint-actions for building things for the future, rather than for the unpleasant task of putting unfriendly pressure on a friend.

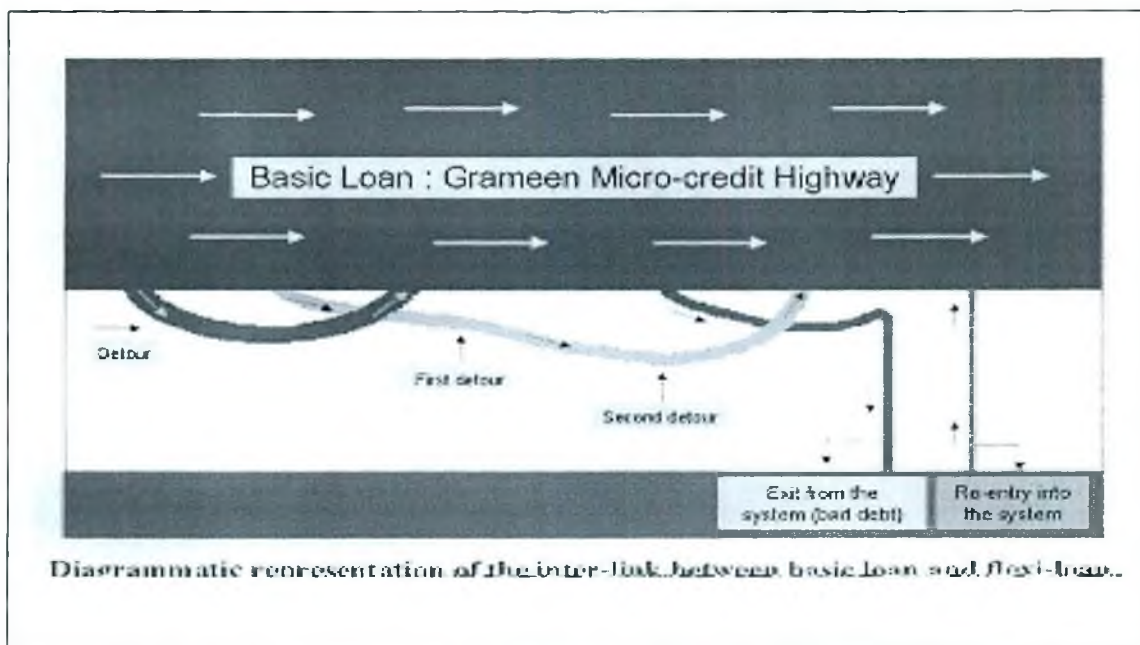
If a borrower fails to repay the basic loan and is unwilling to go into the flexi-loan, she becomes a willing defaulter. If a borrower takes the flexi-loan option and tries again and



again to repay the money, but still does not succeed, she becomes an unwilling defaulter. Any amount of flexi-loan which does not get paid back within two years it becomes overdue, and 100 per cent provision is made for that amount. Amount that does not get paid back in three years, becomes bad debt, and is written off entirely.

Under GGS loans are written off as a part of financial prudence, but the amount is neither forgotten nor forgiven. GGS treats all written-off loans as recoverable loans. My guess is, under GGS, nearly 90 per cent of written-off loans and interest will ultimately be recovered, because the borrowers will pay them back, in their own interest, as and when opportunity arises. Poor people always need money. Their interest is to keep the door to money open. If this door shuts down for any reason, they'll do their best to reopen it - if that option is available. GGS provides this option.

There are many exciting features in GGS, removing tension from micro-credit and permanently establishing full dignity to the poor borrowers, are the two most important features of them all. Tension-free microcredit is a great gift of GGS. Now both sides in the micro-credit system, the lender and the borrowers, can enjoy micro-credit, rather than having occasional nightmares created by one for the other.



#### 5.4 Custom-Made Credit Service

GGS has created a methodology which can provide custom-made credit to a poor borrower. GCS is a powerful methodology which demonstrated its ability to deliver micro-credit in all types of countries, economies, and cultures. It has done its job in making micro-credit a serious business. GGS takes off from where GCS left off. GCS is a "single-size-fits-all" kind of methodology. This feature gives GCS the simplicity which was most needed for the implementation of an idea which was totally unknown to the world. Now micro-credit has matured. The world is ready to afford a methodology which can provide

custom-made micro-credit to the poor. GGS allows loans of any duration, such as, 3 months, 6 months, 9 months or any number of months and years. In its reduced form it can be as simple as GCS. GCS was designed to be operated mechanically. There is only limited scope in GCS for the exercise of judgment by the foot-soldiers of micro-credit. GGS is different. It allows a staff to be creative. He can design his loan product to make it a best fit for his client — in terms of duration, timing of the loan, scheduling the installment, etc. The more a staff becomes a creative artist, the better music he can produce. The institution can identify the levels of creativity among its staff. GGS allows space for the growth of the staff. An initial level user of GGS can use it almost as GCS by restricting it to one-year loans only. As the user gathers experience he can widen the number of options offered within GGS. Besides duration, size of weekly installments can be varied. A borrower can pay more each week during peak business season, and pay less during lean period. In one extreme, each installment can be of different size. In the other extreme, all installments can be exactly equal, like in GCS. An agreed repayment schedule is signed by both the lender and the borrower, before the loan is disbursed. The borrower is obliged to follow the schedule during the loan period. If she fails, she is required to take the by-road and move to flexible loan.

When a borrower moves to flexible loan she gets a second chance to work out another repayment schedule, one that is more do-able than the previous one. Suppose a borrower starts with a basic loan for a duration of one year. During the loan period she develops some problem in paying the installments according the schedule she had committed to. She moves to flexible loan and converts the one-year loan into, say, a three year loan, making the installments very small and affordable. Even if she has extended the loan period to 3 years, she does not have to wait three years to access fresh loans. In both basic and flexible loans, a borrower can borrow after each segment of six months is completed as per schedule. She can borrow exactly the amount she has paid back during the six months — it is like having a cash credit limit with a bank. In case of flexible loans, a borrower can borrow, after six months, as much as twice the amount that she has paid back, if she fulfils certain stringent conditions.

## **5.5 Group Fund Replaced**

One most visible change in GGS is the disappearance of Group Fund. Grameen Bank had to keep on defending Group Fund ever since it was created twenty-five years back. There are no more joint accounts. Each borrower will have three obligatory savings accounts — a) Personal savings account, b) Special savings account, and c) Pension savings account.

GGS continues with 5 per cent obligatory savings, deducted from the loan amount, at the time of disbursement. But it is no longer called "group tax". New name is "obligatory savings". Half of this 5 per cent obligatory savings goes to personal savings accounts, the remaining half goes to "special savings accounts". A borrower can withdraw any amount from her personal savings account any time she desires. There is no restriction on her

withdrawal. Weekly saving still continues. This goes to personal savings account. Special savings account is a non-withdraw able account. Money deposited in this account goes entirely for the purchase of GB shares. A guaranteed return of 8.5 per cent is given to the borrowers on the amount deposited in this account. This return may be higher when higher dividends are declared by Grameen Bank. This account has become a built-in instrument to continuously raise the equity base of GB.

### **5.6 Pension Fund : Leading to Financial Self-Reliance**

GGS requires all borrowers with loans above Tk 5,000 (US \$ 86) to contribute a minimum of Tk 50 (US \$ 0.86) each month in a pension deposit account. After 10 years a borrower will receive a guaranteed amount which is almost double the amount she has put in during 120 months. This has become an amazingly attractive feature of GGS with the borrowers. Many are coming forward to save more than Tk 50 each month. There are borrowers who are saving Tk 500 per month. While it has become popular with the borrowers, it is generating a huge cash in-flow for the bank. Each month it is now bringing in over Tk 100 million (US \$ 1.75 million) as deposits on account of pension savings. Grameen Bank can now rest assured that it will have enough of its own money to expand its lending operation in future. By the same token, branches will now have enough money to carry out their lending programmes with their own deposits. All GB branches can look forward to becoming self-financed. While the institution moves to financial self-reliance, the borrowers also move to financial self-reliance as old-age approaches. They can have monthly income at retirement out of the accumulated savings in the Pension Fund. For a poor woman, it is a very comforting news.

### **5.7 Other Savings**

The new pension fund has become an important savings instrument. GGS emphasizes on receiving deposits from both borrowers and non-borrowers. A variety of savings products has been incorporated in the system. Total amount of deposits account for 67 per cent of the total outstanding loans of Grameen Bank in April, 2002, after paying back Tk 3.3 billion (US \$ 60 million) of its loans to the central bank, local commercial banks and the foreign lenders, which fell due during the past 16 months.

### **5.8 Loan Loss Provisioning and Write-off Policy**

Grameen Bank has been subjected to sharp criticism for its provisioning and write-off policies under GCS. It has made these policies still more generous. "Overdue" is defined in a very sharp manner. If a borrower fails to repay her installment for 10 consecutive weeks, or if she fails to repay the total amount she is required to pay within a six month period, and she does not move into flexible loan, she becomes a defaulter. If she becomes

a defaulter, 100 per cent provisioning must be made for the unrepaid principal and interest. Exactly one year later, the amount must be written off. Writing off will be done on a monthly basis, rather than at the time of annual account closing. If a borrower is on flexible loan, the same policy will hold. Fifty per cent provision must be made for the total balance amount of flexible loan and accrued interest on the annual closing date, even if the repayment rate of flexible loan is 100 per cent for the whole bank.

### **5.9 Loan Insurance:**

Borrowers always worry what will happen to their debt if they die. Will the family members pay off their debt? They believe that if their debt remains unrepaid after their death, their soul cannot rest in peace. Inclusion of loan insurance programme in GGS has made them very happy. This has become another popular feature of GGS.

The insurance programme is very simple. Once a year, on the last day of the year, the borrower is required to put in a small amount of money in a loan insurance savings account. It is calculated on the basis of the outstanding loan and interest of the borrower on that day. She deposits 2.5 per cent of the outstanding amount. If a borrower dies any time during the next year, her entire outstanding amount is paid up by the insurance fund which is created by the interest income of the loan insurance savings account. In addition, her family receives back the amount she saved in the loan insurance savings account. Borrowers find it unbelievably generous. The borrowers like the new loan insurance scheme.

If the outstanding amount remains the same on two successive year-ends, the borrower does not have to put in any extra money in the loan insurance savings account in the second year. Only if the balance is more she has to put in money for the extra amount. Even if the outstanding amount happens to be several times more at the time of her death than what it was on the preceding year-end, under the rules of this programme, the entire amount will still be paid off from the insurance fund. The borrowers have good reasons to be happy about.

### **5.10 Loan Size Varies with Performance**

GCS had fixed loan ceilings for a whole branch. Then, zone had its own loan ceiling for the whole zone. GGS has replaced it with loan ceiling for each borrower, free from any other ceiling above it. This ceiling is determined on the basis of the performance of the borrower, the group and the center. A borrower can earn or lose brawny points for regularity in her attendance in the weekly meeting, and regular repayment. The same goes for her group and her center. Her loan ceiling can shrink or expand depending on those conditions. For example, her loan ceiling diminishes by Tk 500 for each day of her absence in the weekly center meeting. A borrower can move very quickly on the loan size if she, her group, and center do all the right things.

### **5.11 Gold Member !**

Then there is the gold membership ! It is a very respectable position to achieve. A borrower who had maintained 100 per cent repayment record (never got off the highway!) for seven consecutive years is given the status of a gold member. A gold member goes into a faster track of loan enhancement, besides getting special honors, and privileges.

### **5.12 Destitute Members**

To encourage destitute members to join Grameen Bank and make them feel comfortable within Grameen Bank, GGS relaxes all the basic rules of GB. A destitute person does not have to belong to a group, no saving is necessary, no weekly repayment is necessary, her loan terms are decided by her, in consultation with her mentor. Centers will be encouraged to list destitute families in their respective areas, groups will be encouraged to take destitute members "under their wings" and mentor them to help them overcome their fears and inhibitions, give them required business skill, and help them take up income generating activities. Bringing a destitute woman to a level where she can become a regular member of a group will be considered as a great achievement of a group. Groups and centers that accomplish this, will be given special awards, privileges, and honors.

### **5.13 Building Capacity to Stay Out of Poverty**

Studies show that Grameen borrowers are steadily moving out the poverty. According to one study, 5 per cent of the borrowers move out of poverty each year (Shahidur R. Khandker, 1998). GGS extends its attention to the children of Grameen families as a part of Grameen strategy to build capacity within families to keep them out of poverty once they have moved out. No slipping back.

Grameen Bank has introduced higher education loan for all students from Grameen families who can enter into the higher educational institutions (medical schools, engineering school, universities, professional schools, etc). Loans are given to the students directly, without going through their parents. Student are made responsible to repay the loans when they start earning.

Scholarships are awarded every year to the school students from Grameen families, on a competitive basis. Half the number of scholarships are reserved for girl students. Remaining 50 per cent is open for both boys and girls. Each year Grameen Bank gives out 2500 scholarships, and makes sure each branch can provide at least one scholarship. Gradually the number of scholarships will be increased as more and more students are available to compete for these scholarships.

### **5.14 Computerization of Grameen Accounting and Monitoring System**

GGS got a big boost from a new programme to computerize the branch level accounting and MIS for all the branches. It is being done through setting up of "Information Management Centre" at the area level. All information from the branches are fed into the computers located at the area office. Branch staff is freed from the heavy load of book-keeping and filling-in of the MIS blanks. Now that computer does all the work, staff can concentrate on improving the quality of lives of the borrowers. More than half of the branches are now computerized. By the end of the year, this percentage will rise to 85 or more.

Since many branches are connected by mobile phones, we are looking forward to taking the next logical step to integrate the entire information system through intranet. Already most of the zones are connected with each other and the head office through intranet.

### **5.15 Five Star Branches !**

One feature of GGS that really caught their imagination is the idea of creating Five Star branches. Each staff wants to create his/her own five star branch. Under GGS a branch earns a color-coded star for one particular achievement. If a branch has 100 per cent repayment record it is awarded a star — a green star. Each staff of a star-winning branch can put on a badge displaying this star on his dress. If a branch earns profit, it is awarded a blue star. A branch having more in deposits than their outstanding loans, gets a violet star. If all the children of the borrowers are in school or completed at-least primary school, the branch gets a brown star. If all borrowers of a branch cross over the poverty line, the branch gets a red star. Each staff can earn his stars even when the branch is yet to receive any star, by simply fulfilling the same conditions for the centers for which he is responsible.

A Grameen staff proudly displays his stars on formal occasions. Looking at the colors of the stars one can easily figure out the area of his accomplishments. Those who got one star, are working hard to get the second star. Those who do not have any star at all, are working very hard to get to their first star. It has generated a burst of energy all around. They are not doing it for any monetary benefit, they are doing it in the spirit of competition — to be ahead of their peers, to create a record for his branch, or area, or zone, to make a personal contribution in changing the economic and social condition of the poor families he is working for, and, above all, to prove their worth to themselves. Observing this phenomenon, one cannot but wonder how one environment makes people despair and sit idle, and then by changing the frame conditions one can transform the same people into matchless performers.

Under normal conditions, GGS is not only a powerful and efficient system, capable of providing custom-made financial services to support the economic and social upliftment of each individual borrower family, but also it frees micro-credit from the usual stresses and strains.



## Chapter: 6

### Findings

The Grameen Bank, along with other poverty-focused microcredit programmes, has been geared to creating opportunities for the poor so that borrowers may realize their creativity to the utmost. The micro credit activities of Grameen bank is bringing positive impact in the lives of the poor by providing income generating facilities, housing facilities, consciousness raising effort, educational facilities. The findings are divided into two categories. These are: a) General Findings b) Specific Findings

#### ***General Findings:***

##### **6.1 Women's participation:**

Grameen Bank successfully targets poor women and offers them the opportunity to get rid of poverty. In fact, a distinguishing feature of the Gramenn Bank model is that female participation in its credit programmes is proportionately far larger than that of men. Clearly, Grameen Bank is an overwhelmingly women-based organization. Given the Bangladesh is a male-dominated patriarchal society, where women in general are not treated as equitable and respected partners, the profile of Grameen Bank's customers is quite abnormal. This is perhaps due to a few economy and policy-related factors. Economically speaking, the cost for women in trying the Grameen Bank credit programmes is less than that for men because most women in rural Bangladesh do not have much opportunity for employment except by begging and working in relatively wealthy households as servants. This factor also explains why women's economic need is so urgent. Grameen Bank initially adopted as strict policy of reserving at least half of its loanable funds for female borrowers in order to offset somewhat women's economic and social disadvantages. Later, it was found that women were better borrowers and that dependants would benefit more from women borrowers than they would from male borrowers. Consequently, the Grameen Bank modified its policy again to prefer women to men in selection clients beyond the 50:50 ratio level. The Grameen Bank field operations are of great help to rural women, who seldom leave the village and generally feel uncomfortable about the atmosphere of a commercial bank.

The Grameen Bank has revolutionized rural people's attitudes towards women and life. It is noticeable that women's participation in Grameen Bank activities is rising persistently both absolutely and more money. *As of December 2003 total number of borrowers is 3.02 million, approximately 95 per cent. (The ratio of men to women in the population of Bangladesh is roughly 50:50) Source: GB Web site.*



## 6.2 Employment

An empirical study by Hossain interviewed 105 people belonging to five popular poverty-focused programmes and found that the Grameen Bank appeared to be quite effective in creating jobs. Some may argue that the sample size is not big enough to reflect the reality. It has been suggested that the dedication and sense of service of the Grameen Bank workers may account for the Bank's success in job creation. Member's careful choice of projects and their co-operation with bank workers and, above all, the system of peer pressure may furthermore account for the Bank's achievement in this area.

## 6.3 Productivity

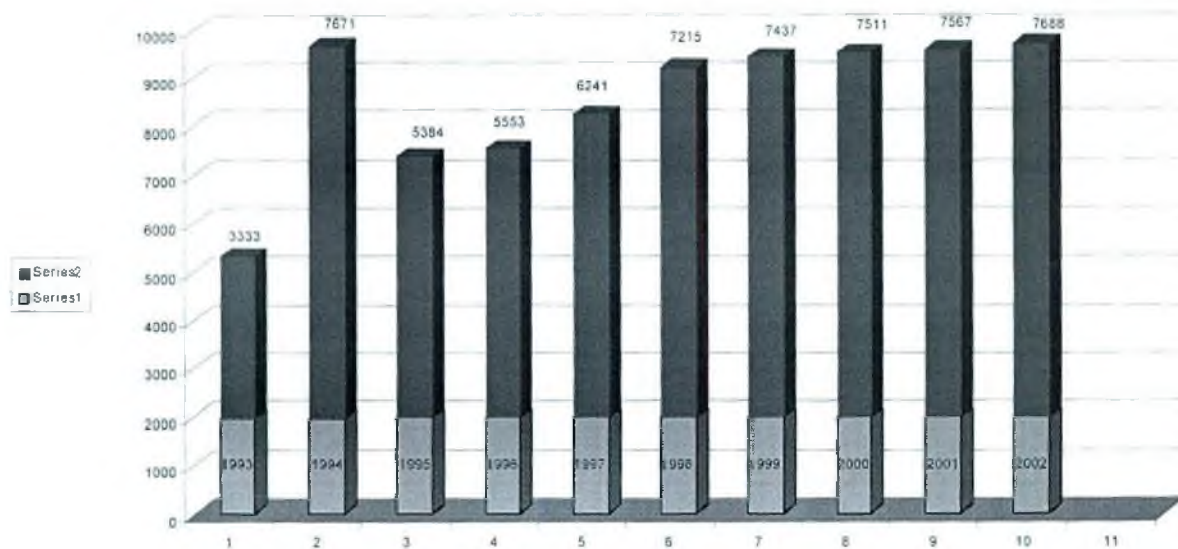
Through the assistance of the Grameen Bank programmes small and marginal farmers could allocate a higher percentage of their land to the cultivation of high-yielding varieties (HYV) and subsequently had increased their agricultural productivity. In fact, after joining the Grameen Bank, poor farmers can afford the application of irrigated water, larger doses of fertilizers and pesticides. Moreover, it is relatively easier for them to obtain HYV inputs at a lower cost since they work in groups.

## 6.4 Housing

Member asset also been expanded significantly through improved house ownership facilitated by Grameen bank loans. By the end of 1990 Grameen had extended US\$28.9 million in housing loans. All housing loans go to women. A 1989 evaluation, mandated by United Nations Development Program assistance to the Grameen Rural Housing program, pointed out that housing is not only a social investment but a site for production, processing and storage, thereby contributing to increased productivity.

It was found that Grameen Bank's housing loans help its borrowers to improve their living and housing conditions. Rahman and Hasnat (1993) compared the quality of housing of the Grameen Bank borrowers before and after taking loans from the bank. They found a significant improvement in terms of both the quality of housing of Grameen Bank borrowers before and after taking loans from the bank. They found a significant improvement in terms of both the quality of housing and the area of floor space. They also noted that many Grameen Bank housing loanees were able to divert additional resources such as personal savings to build larger houses than those originally specified by the bank. *Till December 2002 Grameen Bank has disbursed Tk 7687.5 million as housing loan and the amount of loan repayment is Tk 6039.2 million.*

Cumulative number of Housing loan of Grameen Bank (in Million taka)



## 6.5 Nutrition

Rahman (1986), in examining the nutritional impact of the Grameen experimental project, compared a 1981-2 study conducted by Dhaka University and a separate sample study conducted by himself in 1986. Statistics showed that an average person consumed 706 grams of food per day in 1981-2. A few years later, in 1986, a non-Grameen Bank member consumed 789 grams per day and a Grameen Bank member consumed 857 grams per day. In addition, Rahman's study was able to reveal that Grameen Bank members are putting emphasis on quality rather than merely on quantity of food.

## 6.6: Consciousness Raising Effort of Grameen Bank

Grameen Bank is playing a positive role as an external agent in raising the critical awareness of the rural poor. It is not only providing the rural poor with the material inputs through credit and consolidating their economic staying power it also making ceaseless effort to create a new 'social psychology, a culture and capability of self reliant economic and social effort'. The special activities of Grameen bank as outlined in the '16 Decisions' help actually arose the consciousness amongst the Grameen Loanees to achieve these qualities. It is helping them to recreate a social environment which allows them to act as self-confident human beings and not as social parasites.

Grameen Bank loanees have become more conscious about many aspects of life ( e.g. literacy, children's education dispelling superstition , sources of diseases, virtue of family planning , dowry less marriage , group solidarity & collective enterprise, development about critical eye of society at large). These qualities are acquired by the members

gradually as the Grameen Bank activities intensify. The formation of group is the starting point for acquisition of these qualitative aspects. The groups federate into centers & form the higher order collective. The centers symbolize the spirit of unity & solidarity. Before advancing credit to the rural poor, extra care is taken by the local GB Workers about the group cohesion & spirit.

### 6.7 Removal of Illiteracy:

Grameen Bank does not provide loans to someone who cannot write his/her name in the application form. While organization the groups, the bank workers train the prospective clients how to write his/her name. This creates enough interest amongst the GB clients about the usefulness of education. It has been noticed that once an illiterate poor person has learnt how to sign, he/she gets involved in it and goes on practicing it on the ground, leaves or the earth wall like a child enthralled after getting first taste of learning. This influences his way of thinking and living. Invariably he/she vows that he/she will never allow his/her children to undergo such an experience (i. e. learning at an old age).

### 6.8: Education facility for the poor:

In order to facilitate better educational opportunities for the children of Grameen members, Grameen Bank launched a scholarship program for talented students, in 1999.

To encourage schooling of Grameen children, Grameen Bank introduced scholarship programme, so that, children from the poor families stay in school, and compete in both academic and extracurricular activities. Priority is given to girls. In Bangladesh education for girls is generally considered not as important as for boys. Even today, the general attitude of the society is such that women are supposed to take back seats and confine themselves in the role of a housewife after marriage.

At least 50% of the scholarship money must go to girls and the remaining 50% will be given to both boys & girls based on overall performance. Scholarships are given annually. *The following table shows that Till December 2002 Grameen Bank provided scholarship to 4,137 students. Source: GB Annual Report*

| Serial | Categories       | Numbers     |             | Total       |
|--------|------------------|-------------|-------------|-------------|
|        |                  | Girls       | Boys        |             |
| 1      | Primary          | 686         | 384         | 1070        |
| 2      | Junior Secondary | 525         | 331         | 856         |
| 3      | Secondary        | 843         | 704         | 1547        |
| 4      | Higher Secondary | 268         | 254         | 522         |
| 5      | Cultural         | 100         | 42          | 142         |
|        | <b>Total</b>     | <b>2422</b> | <b>1715</b> | <b>4137</b> |

*Source:* Grameen Bank Annual Report, 2002

Education loan was introduced in 1997 for the children of Grameen families to pursue education upto the highest level. Grameen Bank provides education loans to the Students who succeed in reaching the tertiary level of education to cover tuition, maintenance, and other school expenses. *By September 2003 higher education loans for 1243 students have been approved, of them 1061 students are studying at various universities; 46 are studying in medical schools, 55 are studying to become engineers, 81 are studying in other professional institutions.*

### **6.9: Despoiling Superstition and Acquisition of Scientific ideas :**

Another indication of dispelling superstition can be observed in the way rural people are changing their pattern of medical treatment. Most GB members now go to doctors for treatment. They do not rely on 'Jhar Fooks' (healing by prayer). GB emphasizes the virtue of scientific treatment in the workshops. The trend is definitely towards allopathic treatment.

### **6.10: Adoption of Family planning:**

An important factor behind the slow economic progress in Bangladesh is the high rate of population growth. Participation of women in economic activities is regarded as an important determinant of fertility rates. About two-thirds of the Grameen Bank members household are women compared to only seven percent for the country as a whole. By involving women in economic activities Grameen Bank is contributing in the reduction of population growth among the rural poor, which in itself raising per capita incomes. A survey conducted by Mahmud on Grameen Bank shows that a fourth of the eligible couples, reported adoption of some methods for controlling family and 7.3 percent reported adopting permanent methods. According to the contraceptive prevalence survey carried out by the Directorate of population control and family planning 18.6 percent of the currently married women under age 50 used contraception in 1981. Considering this it can be concluded that contraceptive practice is significantly higher among the GB members compared to other rural couples.

### **6.11: Attitude of the GB Members Towards the Age of Marriage of their Daughters**

Early marriage is a curse in rural Bangladesh. This causes not only higher mortality of infants but also the health of the young mothers become vulnerable. GB, it seems, has been gradually making their clients aware of the danger of this practice of early marriage.

### 6.12 Attitude towards dowry:

Dowry is a social vice in the rural areas of Bangladesh. GB is gradually motivating its loanees to refrain taking/ giving dowry during marriage of their daughters/sons. In fact they have clearly identified this issue in their code of conduct and try to implement it quite religiously. In order to impress upon others they have coined slogans against dowry & they have already stirred others by organizing dowry less marriage. Most dowry- less marriage take place within the GB members. In fact, many of the center chiefs take initiative and offer themselves as matchmakers.

### 6.13: Solidarity and Countervailing Power:

Formal power structure and the existing relations of exploitation stand on the way of development of personality and strength amongst the rural poor. That unity is strength is being translated into reality through the organizational efforts of GB. The center piece of this effort is the 'group'/'center' of GB loanees. 'Group' is the primary 'collective' and 'center' acts as 'federation' of these groups. These collectives are increasingly asserting their importance in the life of GB loanees. The 'groups' or 'centers' have become 'foci' for decision making and social mobilization. Thus if one member is in trouble financially or otherwise, other members of the groups come forward to help him/her. In the social occasions like birth/ death, marriage the groups and centers play important role. It has been seen that if an individual loanee suddenly faces a misfortune ( say, for example , theft of his/ her milch cow, the running capital of his petty trade or his house set on fire etc), the fellow loanees come forward with sincerity, offering concrete help. This kind of solidarity is indeed rare in present day Bangladesh and has been possible only because of the motivational work of GB workers.

Poor women have been the greatest beneficiaries of this solidarity. The women in general are the most valuable section in our society. The rural poor women are in the worst situation. They are oppressed not only by their male counterparts, but the society at large. In a male dominated society, the women are kept in utmost insecurity. However, once organically linked, the poor women are asserting their rights. Their social status has increased many fold after joining the GB. Their husbands no longer ignored them in decision-making and 'beating wife' has almost been totally wiped out amongst GB members. In fact the wife's decision on the household expenditure is now taken seriously by the husband. It was not so before GB started its operation.

The manifestation of the countervailing power of the rural poor has also been observed during election time. In a number of places, GB loanees have themselves elected some of their loanees as UP members, even though, UP members so elected, can not always operate in an honest way because of the overwhelming opposition from the traditional power elites, that they can be elected on their own organizational has helped gain confidence about the dictum 'unity is strength' amongst the poor. That the GB loanees can not be manipulated during election as used to be done earlier is also conceded by the formal power elites.

Not only during election time, they are demonstrating this unity of purpose in their every day life as well. Even the rural power elites think that GB loanees are united, hard working and getting self-reliant.

#### **6.14: Same Special Activities of GB:**

GB organizers repeatedly emphasize a number of other special activities. On such aspect is the repeated emphasis on vegetable production. It is mandatory that GB loanees cultivate some vegetable in their surroundings. Growing vegetables do not only provide them with additional sources nutrition but also supplement their household income. But after an average period of about three years since joining GB, nearly 92% of them have planted vegetables (earning on an average more than Tk. 350 each, amount eaten not included). Some members have earned more than a thousand taka from vegetables.

GB organizers have special programs to improve their knowledge about different aspects of every day life, in addition to their surroundings. Special workshops from women are being organized by GB in order to update their knowledge and actions on aspects like dowry, sanitation, family planning, clean drinking water, nutritional status, primary health care, children's education etc. These work shops are held at the branch area, zonal & national levels. These workshops have been making significant contributions towards raising awareness about different issues, in altering attitude and behavior of rural poor women has also been observed by other evaluators of GB.

GB pays special attention to the future generations. Besides organizing child welfare fund for the education of the children, GB workers organize periodic sports days and distribute prizes amongst the children of loanees. These activities have given new meaning to the otherwise traditionally oppressed and ignored. They also organize cultural evenings depicting the exploitive relations and their resistance in every front.

Moreover, GB has been making special efforts in familiarizing the virtue of specific approach to living. It has a special division which collects and disseminates ideas on technology. Its aim is to develop popular knowledge into a systematic, developing people's science and technology. The scientific oven which consumes less fuel, the sanitary latrine, the labor-saving oil pressure, the virtue of planting trees and vegetables are now better known to GB loanees than any other section of the rural people. It has gains spillover effects.

#### **6.15: Crossing the aspiration Horizon:**

The special activities of GB have been quite effective in breaking the age-old despair and fatalism amongst the loanees. They are now confident people who can think much beyond today. They have now have a vision in front of them. Thus only a handful of them want that their sons/ daughters should stick to the GB activities in the future. In fact

quite a substantial portion of them think that their sons / daughters will have higher education, involve in bigger enterprises in the future. This confidence has been instilled in them by giving loans including the house building loan which make them proud owners of business/ cow or house.

#### **6.16: Development of a critical Eye:**

Grameen Bank does not only provide credit for improving the lot of the rural poor economically, but also take extra-economic measures in order to develop a critical eye in them. This help them see the world critically. It helps them identify the strength of their own knowledge and the ability to change the reality around.

The GB laonees are now better aware of the society around them what they used to be before joining GB. About local and national politics, they have valuable comments to make on the state of the politics, national leadership, corruption, military rule etc.

#### **6.17: Impact on Income & Assets:**

Mahbub Hossain, who has done the two principal evaluation of Grameen Bank, notes the methodological problems of determining the economic effects of rural credit programs, particularly in the absence of benchmark data. Hossain collected information on target and non-target families in five Grameen villages and two control villages, including non-participating, target families in Grameen villages.

Hossain's findings suggest that Grameen Bank loans have resulted in significant increases in member income and assets. Survey data show that Grameen Bank households had incomes that were 43% higher than target group households in control villages and 285 higher than those of non-participants in Grameen villages. The biggest increases in income over non-participating households came in non-agricultural pursuits, particularly processing and manufacturing, trading and transport operations. The income increase was greatest for the absolutely landless and for the marginal landowners. A characteristics of those who took credit, particularly the women, was that they generated new production or employment.

Hossain suggests that the most direct effect of Grameen credit has been the accumulation of capital by the poor. His survey found large increases in the amount of working capital (at a rate of 64% per year, adjusted for inflation, for 975 borrowers with average membership of 2.25 years). Initially borrowers' investment was largely in non-agricultural and agricultural production. After three years borrowers tended to put their money in social investment, housing, education and sanitation. Increases in the cattle in cattle ownership by borrowers are another indicator of capital accumulation. Before borrowing, 63% of the members owned no cattle. At the time of the survey only 44.5% of

members owned no cattle, and larger percentage of borrowers owned two or more cows than prior to membership.

The following table shows the contribution of Grameen Bank to GDP of Bangladesh from 1994-1996 (Taka Million)

| Item  | 1994    | 1995    | 1996    |
|---|---------|---------|---------|
| Value Added in Grameen Bank   | 1890.7  | 2181.9  | 2750.8  |
| Value added in linked sectors due to supply of inputs to Grameen Bank | 75.9    | 88.9    | 97.2    |
| Value added in linked sectors attributed to Grameen Bank Loans        | 7341    | 7222.1  | 6257.1  |
| Capital supplying sectors   | 1348.9  | 1362.7  | 1152.8  |
| Input supplying sectors   | 5992.9  | 5859.4  | 5104.3  |
| Wage payment from loans   | 547.8   | 553.9   | 468.9   |
| Return on loan financed activities at 40%                             | 5556.8  | 5464    | 4751.2  |
| Total contribution of Grameen Bank of GDP                             | 15413   | 15510.8 | 14325.2 |
| Total GDP   | 1030365 | 1170261 | 1301600 |
| Percentage contribution of Grameen Bank to GDP                        | 1.50%   | 1.33%   | 1.10%   |

*Source: Contribution of Grameen Bank to Gross Domestic Product of Bangladesh, Preliminary Estimates, By Mohiuddin Alamgir, December 1998*

### 6.18 Ability to withstand Disasters:

Bangladesh is prone to natural disaster that destroy assets and depress productive capacity. In 1991 damage resulting from a cyclone killed more than 100,000 people and caused an unestimated amount of damage. A series of floods in 1987 damaged houses, roads, fields and other facilities. A 1988 flood is thought to have been more devastating, covering two thirds of the country with water for several days and destroying an estimated 1.2 million homes and damaging 2.4 million others. Droughts in 1979, 1982 and 1989 lowered production levels. The very poor, already on the edge of survival, are most at risk in time of disaster.

Following the 1987 and 1988 floods, Atiur Rahman an economist from the Bangladesh Institute for Development Studies, surveyed a small number of rural villagers, representing nearly equivalent numbers of Grameen bank members and control group in two flood affected areas (75 and 140 each). He sought to explore the capacities of the rural poor to survive and re-establish themselves following natural disaster. He found that Grameen borrowers were less likely to take informal credit from local money lenders and more likely to use working capital from their business or to use their own saving to survive the disaster than was likely in the case of control group members. His conclusion was that Grameen members were protected from impoverishing debt by the assets they had accumulated as a result of credit supported businesses.



## **6.19 Impact on Rural wage Structure**

Daily agriculture labor is a principal source of income for the very poor in Bangladesh. Labor is generally in excess supply in rural markets. Traditionally wage labor is buyers' market, with the landless poor being obliged to accept whatever wage is offered. An increase in daily agriculture labor rates might be an indicator of two impacts of Grameen bank (and other NGO activity) in a locality. First, as organized groups rather than individuals, the landless may be able to negotiate better wage rates. Secondly, daily wage rates could rise in response to a decreased supply of agriculture labor because of the engagement of the rural poor in non-farm, credit financed activities. There is only anecdotal evidence that this has happened, suggesting that average daily wage rates have increased by 30-60 percent in areas of high NGO activity.

## **6.20 Increased Status of women Members of Grameen Bank:**

Changes in the status of women because of Grameen Bank membership can be seen in measurable economic terms and less easily defined social terms. Key economic measures of women's changed status are their participation in the work force and their increased income and assets. In Hossain's survey of 534 women members of Grameen Bank, he found that 50 percent were unemployed before joining the Bank, while only 21 percent called themselves unemployed after joining. Nearly one third of female members who had previously engaged only in unpaid household work took up paid work. Grameen households also had a higher number of female workers per household than did those in non-participating target groups, and female members reported an increase of 12 days per month of employment as a result of Grameen Bank membership. Female members also reported a higher increase in working capital as a result of membership than did male members, reflecting the bigger change in women's situation.

The most visible sign of women's status may be their ownership of the house and the land on which it sits. The Grameen requirement is the both land and house must be in the name of the woman borrower. The Managing Director has cited this as an incentive for the husband to stay with the family, and the asset, rather than to walk out. The 1989 evaluation of the housing program saw housing as contributing to women's status. "The fact that the housing loan is given in the name of the female head of household or female member of a household, and that it ensure her legal ownership of land and the house, her status is definitely improved. She is now a confident person."

Safilios-Rothschild suggested that the biggest changes that may occur are in men's attitude toward women and women's attitude about themselves. Women's participation in groups for borrowing gives them the confidence and support that enables them to assert their rights to economic assets. Mahbub Ahmed, in semi-structured interviews with 120 female borrowers in three districts, found evidence of increased social status of women. The women reported that husbands were more likely to treat them as equals, and that there was a decrease in physical violence, threat of physical violence and other verbal abuse.

### **6.21 Reaching the Target Group:**

Hossain's 1985 survey of 975 borrowers indicates that Grameen Bank loans went primarily to target group households. Only 4.2 percent of borrowers held 0.5 or more acres of land. There is no evidence suggesting that the bulk of Grameen loans did not reach the target group. The Managing Director acknowledges that the Bank may not always reach the very poorest, the bottom ten percent, but suggests that they are reaching the middle of those (estimated at 70 percent of the population) who are below the poverty line.

### **6.22 Factors contributing to Grameen bank's success:**

Grameen Bank's success in extending financial services on a large scale to a disadvantaged clientele considered very difficult to reach by conventional banking standard has been achieved through an ongoing process of fitting the service delivery system to its clients and, to some extent, fitting the clients to the system. Certain features and strategies of Gramme bank have been particularly important in enabling this process of mutual accommodation

#### ***a) Clear basic concept, guiding vision:***

The idea behind Grameen Bank is simple: that if poor people have access to credit they can change their own lives. The Grameen model is not cluttered with conceptions of power and class conflict (which might lead to programmatic emphasis on raising the consciousness of the poor), nor with the premise that lack of technical expertise makes poor people (suggesting a need for skill, training, marketing assistance, etc). The simplicity of the Grameen bank concept appeals to a broad spectrum of ideological persuasions; the strategy of minimum intervention and ultimate reliance on the market sounds conservative, while Grameen's acknowledgement that the market has failed and the idea that poverty alleviation requires organizing the poor has a more radical connotation.

#### ***b) Strong Institutional identity:***

Being a chartered bank and a quasi-governmental organization rather than an NGO helps Grameen bank to convey an image of legitimacy and permanence. Compared with many NGOs who work with poor, Grameen Bank has had very few problems with government interference, perhaps because of its close relationship to the government, and the fact that it is regulated by the Central Bank. The combination of a strong identity and a compelling vision has been important in generating support & minimizing impediments to grameen bank's development and expansion; it has also helped Grameen bank to orient and guide its staff. And to relate to its far-flung, rural clientele.

### ***Specific Findings:***

The scope of this thesis includes qualitative and quantitative analysis of the role of micro credit as a means of alleviating rural poverty with the experiences of Grameen Bank. The author tried to explain the above aspects on the basis of her field experiences along with some already established research work and concepts. As the author visited Fegunashar Shirajdikhan Branch of Munshigong area of Narayangong zone, she had the opportunity to come very close to some of the branch staff and borrowers. Their experience about the operation, ideology, procedure, positive and negative impact made the author more acquainted with Grameen Bank. The findings and interpretation, which are being conducted as the result of the field investigation, are presented below:

#### **6.23 Field Interview:**

The fifteen loanees who were chosen to be interviewed, were female as Fegunashar branch has only female members. They all belonged to the target group of Grameen Bank. Many of the borrowers seemed to possess established business since they joined Grameen Bank 10-15 years back. As the branch is fifteen years old and samples were selected randomly most of the borrowers have been participating in GB program from two to fifteen years time. All of the borrowers said that their situation had improved significantly after joining Grameen Bank.

The author queries were mainly concerned about the present loan position, average weekly installment, the residual income after giving the installments, payment overdue, other loan and savings, installment problems and loan dependency. The branch has 588 groups, 79 centers and implementing credit program in 46 villages. The name of some villages are Paikpara, Betka, Gorakipara, Kazirbag, Daiarpara, Dhamalia, Boiragadi The code number of the branch is 227-0186.

#### **6.24 Member outreach:**

Since inception a total of 5,730 members joined Fegunashar branch and the number of dropout member are 3,093. According to the Manager 85% of the total members are attending the center meeting regularly. The following table shows the year wise member outreach of Fegunashar branch. The author noticed that the trend of member and borrower outreach is decreasing.

| Type of loan  | Till December 1998 | Till December 1999 | Till December 2000 |
|---------------|--------------------|--------------------|--------------------|
| General Loan  | 2459               | 2370               | 2330               |
| Seasonal Loan | 2249               | 2061               | 2064               |
| Housing loan  | 372                | 364                | 335                |

Source: Field survey

## 6.25 Loan Disbursement :

Till August 2000 Fegunashar branch disbursed Taka 9109735

*Amount in Taka*

| Type of loan  | Amount of Total Disbursement | Total Amount Repaid | Amount of Outstanding Loan |
|---------------|------------------------------|---------------------|----------------------------|
| General Loan  | 33,59,98,265                 | 16,34,44,265        | 17,25,54,000               |
| Seasonal Loan | 22,48,57,244                 | 10,90,45,744        | 11,58,11,500               |
| House Loan    | 2,78,42,634                  | 1,25,32,134         | 1,53,10,500                |
|               |                              |                     |                            |

Source: Field survey

## 6.26 Group Fund:

Till December 2000, the total amount accumulated from group fund of Fegunashar branch is Taka 7,975,442.

## 6.27 Rate of Repayment:

Since inception Fegunashar branch maintained an extraordinary repayment rate varying between 98%-100%. According to the branch manager the repayment rate never fall below 98%.

## 6.28 Sources of Income and Expenditure:

The sources of Income of Fegunashar branch are interest from various type of loan, employer advance, interest from provident fund, receipt of house rent are the sources of income of Fegunashar branch. The sources of expenditure of the branch are salary, allowance, bonus, pension and gratuity, postage, telegram, traveling etc. Till June 2000 the net profit of Fegunashar branch was Taka 294307.83. The following tables show the various sources of income and amount as well as sources of expenditure of Fegunashar branch till June 30, 2000.

**Sources of Income:**

| Code # | Item                             | Amount     |
|--------|----------------------------------|------------|
| 9001   | Interest of General Loan         | 1015600    |
| 9001.1 | Interest of Seasonal Loan        | 887540     |
| 9003   | Interest of Housing loan         | 137454     |
| 9004   | Employer Advance                 | 4347       |
| 9009   | PF interest                      | 8744       |
| 9012   | Staff Loan interest              | 2430       |
| 9300   | Invest of Deposit                | -          |
| 9900   | Other income (selling newspaper) | 540        |
| 9904   | Receipt of House rent            | 2203       |
| 9905   | Others                           | 1537       |
|        | Total                            | 2060395.08 |

Source: Field Survey

**Sources of Expenditure:**

| Code # | Item                      | Amount     |
|--------|---------------------------|------------|
| 5000   | Salary                    | 223889.90  |
| 5100   | Allowance                 | 133002.12  |
| 5200   | Bonus                     | 35170      |
| 5300   | Pension and Gratuity      | 117111     |
| 5400   | Interest and expense      | 538651     |
| 5800   | Postage and Telegram      | Nil        |
| 5500   | Travelling                | 13678.06   |
| 5900   | Rent/ Rates/Taxes         | 1000       |
| 6000   | Utilities                 | 5514.90    |
| 6100   | Printing and Stationary   | 12742.28   |
| 6500   | Uniform                   | Nil        |
| 6200   | Repairing and Maintenance | 4283       |
| 7100   | Bank Charges              | 8100       |
| 7700   | Depriciation              | 22042      |
| 7800   | Inter bank transaction    | 638321     |
| 8500   | Other expenses            | 12582      |
|        | Total                     | 1766087.26 |

Source: Field Survey

**Net profit: 294,307.83**

### **6.29 Default Member:**

Till December 2000 the number of loan defaulters were 112 and the amount of due interest was Taka 72,813.

### **6.30 Reason for Member dropout:**

As per the authors discussion with the bank staff the following s are the main reason for member dropout.

- After certain time (7-8 years) some of the Grameen borrower feel that they have become independent and self-sufficient enough to support their livings.
- Borrower who suffered a loss in business sometimes can not continue weekly installment and dropout from the bank's program.
- Sometimes a decline in occupation in terms of low profit enhances dropout rate.
- Death or physical illness of any income-earning member in the family sometimes hamper repayment of the weekly installment.
- Borrowers sometimes misjudge opportunity and use loan in risky or unprofitable business. This ignorance pushes the loanee to drop out from the program.
- A number of dishonest borrowers move from one organization to another just to get loans, but without having good intention of repaying their loans.
- Sometimes people migrate from one place to another for a better living and so they they dropout from the bank.

### **6.31 Impact on the Borrowers:**

Grameen Bank conducts poverty reduction survey on the borrowers after a certain period of time. According to the survey 47% borrowers of Fegunashar branch have already moved out of poverty. The survey was conducted on 1,527 out of 2,727 members. Among them 1,102 borrowers have fulfilled the indicators have crossed poverty line. The indicators of the survey are attached as Annex ( No# 15)



## Chapter: 7

### Challenges of Grameen Bank

#### 7.1: Social Challenges of Grameen Bank:

It was observed that female children in rural Bangladesh suffer from greater malnutrition than their counterparts in other areas of the world and, in general, even limited educational opportunities are not available to the girls. The lack of any strong drive or enthusiasm among the rural women to improve their own economic and social conditions made it difficult for the Grameen Bank staff to convince women to take part in bank activities. Initially, these potential female borrowers were skeptical and scared about anything new and external. They were not sure what Grameen Bank and its credit programmes meant for them. As time went by, they became willing to join the Grameen Bank band wagon after they had seen how so many women have succeeded in changing their lifestyle.

Though the Grameen Bank has successfully lured many people to its credit programmes, the bank met with other resistance along the way. In the rural community in Bangladesh, the village matbars- the self-styled village leaders-have historically been very powerful. In the name of religion and tradition, they try to control almost every activity in their locality, be it social, political or economic programmes can take root in the village. The Grameen Bank initially faced obstacles from these people. Subsequently, however, the matbars seem to be slowly losing their grip over credit and become more co-operative with the Bank's programme. Further minor confrontations came from rural power elites such as Union Parishad leaders and well-off farmers who blamed the Grameen Bank for the rise in the wage of agricultural laborers in the rural areas. Until now, the power structure has not sought systematically to undermine the Grameen Bank's micro-lending activities. Perhaps this is because rural elites have little to gain from such subversion, at least as long as Grameen Bank members confine themselves to relatively small-scale, low-technology activities. With the spread of education in the rural areas, increased urban influence on the rural lifestyle, and the development activities of non-government organizations, it is expected that village matbars and rural power elites will lose their hold on rural society.

Nonetheless, the Grameen Bank has also to show caution and care in its operation in the countryside. In some sporadic incidences Bank staff and borrowers were found to be involved in activities that could potentially hurt the religious feelings and social values of the still largely conservative rural population.



## **7.2 Financial Challenges of Grameen Bank:**

Given the success of the Grameen Bank, it is hard to imagine that it has encountered financial problems. About a decade ago, some studies (e.g., Ghai; Rana) challenged the Bank's ability to maintain the efficacy of its fast expansion. Indeed, Hossain (1993) found that the bank's operating costs rose considerably in the 1980s and he concluded that Grameen Bank needed outside support to cover the cost of lending. Fortunately, The bank was able to borrow from international agencies such as the International Fund for Agricultural Development at minimal rates of interest and to make handsome profits by reinvesting these funds. The Bank is not yet a viable profitable institution because its operating expenses are larger than its operating income. Professor. Yunus argues that the current losses will not continue once expansion has stopped. Nevertheless, some changes have been made to increase the bank's financial sustainability. For example, in January 1992 the interest rate was raised from 16 per cent to 20 per cent on regular loans, and borrowers are required to pay a small surcharge for the Group Savings Fund. The 4 per cent increase in interest rate charges is offset by eliminating the mandatory 4 per cent contribution to the GSF. The new surcharge on GSF services, on the other hand, increases the borrowing cost of less than 1 per cent. Bank officials insist that the new system will not change the services available to the borrower.

In 1995, GB decided not to receive any more donor funds. Since then it has not requested any fresh funds from donors. Last installment of donor fund, which was in the pipeline, was received in 1998. GB does not see any need to take any donor money or even take new loans from local or external sources in future. GB's growing amount of deposits will be more than enough to repay its existing loans, run and expand its credit programme, from now on.

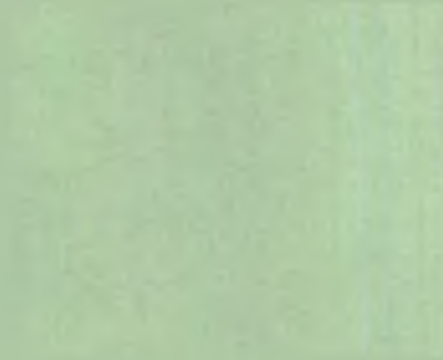
## Chapter: 8

### Conclusion

In twenty years Grameen Bank has evolved from a small, experimental project to an internationally-renowned independent rural bank providing financial services to over two million of the poorest people in one of the world's most impoverished countries, people who were previously excluded by the formal banking system and, in the case of many of Grameen's female clients, excluded even from the cash economy and even from public space. Throughout most of its existence Grameen Bank has maintained repayment rates of 95-98 percent and continued to move towards self-sustainability without deviating from its central vision of credit for poverty alleviation. It has shown that group-based lending, with screening and monitoring by peers rather than by the bank, can effectively substitute for collateral-based banking. It has demonstrated not only that the poor are bankable, but that lending to the poor can be far less risky than lending to the rich. The greatest obstacle that Grameen Bank faces in providing targeted credit for poverty alleviation is poverty itself. Economic stagnation in rural areas limits the potential for productive investments such that the poorest of the poor often are unable to use credit productively and may even worsen their situations by taking loans from Grameen Bank. Although some borrowers succeed in using credit to pull themselves out of poverty, for many the benefits are more modest. Lack of social services for the poor in rural areas leaves Grameen borrowers highly vulnerable to health crises and natural disasters, which can quickly reverse the economic gains from credit.

Micro finance organizations typically face trade-offs between the goal of poverty alleviation and that of sustainability (Dichter, 1995a, 1995b). Grameen Bank taken a middle courses. It continues to experiment with innovations for expanding access and increasing impact, while pursuing strategies to increase the organization's sustainability. Grameen Bank continually develops and tests new initiatives to reduce the economic vulnerability of its members and to create opportunities for productive investment of loan funds. These include the health insurance scheme, and the various Grameen-affiliated foundations working to develop simple, low cost technologies. Most such initiatives are organized and funded separately from the credit program. Grameen Bank is philosophically opposed to Charity, on the grounds that it destroys the poor by making them dependent and weak. Credit without a system of strictly enforced, disciplined repayment is perceived as mere charity. Credit, however, is not seen as an end in itself. Field staff are told that no member should go hungry, and no one should be forced to sell assets or borrow from moneylenders to repay loans. The staff are expected to maintain close communication with clients in order to devise solutions to problems at the field level. The pressure to maintain credit discipline and, at the same time, to protect and support the poor creates a vital tension in the Grameen system. Grameen's continued success in extending financial services to large and growing numbers of rural poor families will depend on its ability to sustain this tension, to maintain financial viability without losing sight of its essential vision of ending poverty.

¶The Grameen bank of Bangladesh has become a reality and a success story in poverty alleviation. In addition to the fundamental improvement in the financial lives of the women it serves women to interact with men outside the community, build a positive perception of themselves and go against traditional outdated norms.



## QUESTIONNAIRE

(Asked to the Borrowers) :

1. The name of the Borrowers
2. Age of the Borrower
3. Borrower's Code
4. Center Number
5. Educational Qualification of the Borrowers
6. Marital Status of the Borrowers
7. Number of Siblings
8. Are the siblings going to school?
9. Membership Duration
10. Current Loan position
11. Number of Terms loan taken
12. Loan Amount
13. Weekly Installments
14. Average reschedule Income after installment
15. Date of Disbursement
16. Borrowers Level of Income
17. Prior to Joining Grameen Bank
18. After Joining Grameen Bank
19. Borrowers asset
20. Prior to Joining Grameen Bank
21. After Joining Grameen Bank
22. Personal Savings:
23. Prior to Joining GB
24. After Joining GB
25. Information about Loan default (if any)
26. Amount of Housing Loan taken (if any)
27. Sanitary toilet built by the borrower (if any)
28. Economic activities and condition before Joining Grameen Bank
29. Earners of her family
30. Does the borrower face any repayment problem
31. Does the borrower face any problem to pay the interest?
32. Does the borrowers need more loan?
33. Does the borrower have enough cloth for winter?
34. The Housing Condition of the borrower (Tin/ mud/wood)?
35. Participation in Family decision making?
36. The relationship of the borrowers with their neighbors, in-laws and others as a member of Grameen Bank
37. How the borrower manage her installment
38. Is there any intention of leaving Grameen Bank
39. Do GB membership brought any radical change in borrower's life?
40. Borrower's level of satisfaction in Grameen Bank.

Grameen Bank at a Glance:

ANNEX : 2

Owned by the Poor

Grameen Bank Project began in one village in 1976. In 1983 it was transformed into a bank under a law passed for its creation. It is owned by the poor (women). It works exclusively for them. Borrowers of Grameen Bank at present own 93 per cent of the total equity of the bank. Remaining 7 percent is owned by the government.

2.0 95 per cent women

Total number of borrowers is 3.02 million, 95 per cent of them are women.

3.0 Branches

Grameen Bank has 1191 branches. It works in 43,459 villages. Total staff is 11,802.

4.0 Over Tk 188 billion Disbursed

Total amount of loan disbursed by Grameen Bank, since inception, is Tk 187.66 billion (US \$ 4.12 billion). Out of this, Tk 172.32 billion (US \$ 3.73 billion) has been repaid. Current amount of outstanding loans stands at Tk 15.35 billion (US\$ 262.71million). During the past 12 months (from November 2002 to October 2003), Grameen Bank disbursed Tk 20.42 billion (US \$ 349 million). Monthly average loan disbursement over the past 12 months was Tk 1.70 billion (US\$ 29.08 million).

5.0 Recovery Rate 99 percent

Loan recovery rate is 99.08 percent.

6.0 6.0 97 percent Loans Financed From Bank's Internal Resources

Grameen Bank finances 97 percent of its outstanding loans from its own fund and the savings from its depositors. Over 76 percent of its deposits come from bank's own borrowers.

7.0 No Donor Money or New Loans Needed

In 1995, GB decided not to receive any more donor funds. Since then it has not requested any fresh funds from donors. Last installment of donor fund, which was in the pipeline, was received in 1998. GB does not see any need to take any donor money or even take new loans from local or external sources in future. GB's growing amount of deposits will be more than enough to repay its existing loans, run and expand its credit programme, from now on.

8.0 Post-Flood Loans Paid Off

Grameen Bank borrowed Tk 1.0 billion from the central bank of Bangladesh and Tk 2.0 billion from commercial banks, immediately after the devastating flood of 1998, to give fresh loans to the borrowers, most of whom lost their assets. All these post-flood loans have been fully paid off. In addition, it has paid off all other loans on due dates.

### 9.0 Earns Profit

Ever since Grameen Bank came into being, it has made profit every year except in 1983, 1991, and 1992. It has published its audited balance-sheet every year, audited by two internationally reputed audit firms of the country.

### 10.0 Low Interest

Grameen Bank provides three types of loans : a) income-generating loans (with interest rate of 20 per cent), housing loans (with interest rate of 8 per cent), and higher education loans for the children of Grameen families (with interest rate of 5 per cent). Loans to struggling (destitute) members are interest free. All interests are simple interest, calculated on declining balance method. This means if a borrower takes a loan of Tk 1,000 and pays back the entire amount in weekly installments within a year, she'll pay a total amount of Tk 1,100, that is Tk 1,000 principal plus Tk 100 as interest for the year.

### 11.0 Scholarships

Scholarships are given to the children of Grameen members, with priority on girl children, every year, to encourage them to get better grades in schools. Over 6,000 children, at various levels of school education, receive these scholarships every year.

### 12.0 Education Loans

Students who succeed in reaching the tertiary level of education are given higher education loans, covering tuition, maintenance, and other school expenses. By September 2003 higher education loans for 1243 students have been approved, of them 1061 students are studying at various universities; 46 are studying in medical schools, 55 are studying to become engineers, 81 are studying in other professional institutions.

### 13.0 Grameen Network

Grameen Bank does not own any share of the following companies in the Grameen network. Nor has it given any loan or received any loan from any of these companies. They are all independent companies, registered under Companies Act of Bangladesh, with obligation to pay all taxes and duties, just like any other company in the country.

1. Grameen Phone Ltd.
2. Grameen Telecom
3. Grameen Communications
4. Grameen Cybernet Ltd.
5. Grameen Software Ltd.
6. Grameen IT Park
7. Grameen Information Highways Ltd.
8. Grameen Star Education Ltd.
9. Grameen Bitek Ltd.
10. Grameen Uddog (Enterprise)
11. Grameen Shamogree (Products)
12. Grameen Knitwear Ltd.
13. Gonoshasthaya Grameen Textile Mills Ltd.
14. Grameen Shikkha (Education)

15. Grameen Capital Management Ltd.
16. Grameen Byabosa Bikash (Business Promotion )
17. Grameen Trust

#### 14.0 Grameen Kalyan

Grameen Kalyan is a company created by Grameen Bank to spin off a new company based on the "revolving loan fund" created in the Grameen Bank with the grant money given by donors. Grameen Bank treated this internal fund as if it was a separate entity. Instead of treating this fund as a virtual external entity, Grameen Bank decided to separate it out as a legally separate entity by creating "Grameen Kalyan" (Grameen Well-being). The idea behind this arrangement is to put Grameen Bank closer to market situation in terms of costing of its operation, rather than work within a distorted cost environment created by the cost-free donor money. Grameen Bank gave an endowment of Tk. 3.16 billion of its "revolving loan fund" to Grameen Kalyan under an agreement that Grameen Kalyan will give this entire amount as loan to Grameen Bank upto perpetuity. Grameen Kalyan is legally obliged to use its interest income for the programmes which will enhance the quality of life of the Grameen families.

#### 15.0 Other Grameen Bank-Created Companies

The following companies in the Grameen network were created by Grameen Bank, as separate legal entities, to spin off some projects within Grameen Bank funded by donors. Donor funds transferred to Grameen Fund were given as a loan from Grameen Bank. These companies have the following loan liability to Grameen Bank :

- Grameen Fund (Tk 373.2 million)
- Grameen Krishi Foundation (Tk 19 million)
- Grameen Motsho (Fisheries) Foundation (15 million)

#### 16.0 Loan Guarantee

Grameen Bank provided guarantees in favour of the following organizations while they were receiving loans from the government and the financial organizations. These guarantees are still in effect.

- Grameen Shakti (Tk 38.0 million)
- Grameen Motsho (Fisheries) Foundation (Tk 10.0 million)

#### 17.0 Loan Insurance Savings

Total deposits under loan insurance savings scheme stood at Tk 391.31 million (US \$ 6.70 million) as on October 31, 2003. Upto that date 7549 borrowers died and a total outstanding loans and interest of Tk 51.94 million left behind was paid off by the bank under the scheme. Not only the families of the deceased borrower will not be required to pay off their debt burden, they'll get back the entire amounts deposited by the borrowers in their loan insurance savings accounts.

#### 18.0 Telephone-Ladies

To-date Grameen Bank has provided loans to 38,445 borrowers to buy mobile phones and offer telecommunication services in nearly half of the villages of Bangladesh where this service never existed before. Telephone-ladies run a very profitable business with these phones.



### 19.0 Life Insurance

Each year families of deceased borrowers of Grameen Bank receive a total of Tk 8 to 10 million in life insurance benefits. Each family receives upto a maximum of Tk 2,000. A total of 66,162 borrowers died so far in Grameen Bank. Their families collectively received a total amount of Tk 131.99 million (US \$ 3.12 million). Borrowers are not required to pay any premium for this life insurance. Borrowers come under this insurance coverage by being a shareholder of the bank.

### 20.0 Crossing the Poverty-Line

According to a recent internal survey, 46.49 per cent of Grameen borrowers' families of Grameen borrowers have crossed the poverty line. The remaining families are moving steadily towards the poverty line from below.

### 21.0 'Stars' for Achievements

Grameen Bank provides colour-coded stars to branches for 100 percent achievement of a specific task. A branch having five-stars indicate the highest level of performance. At the end of June 30, 2003, branches showed the followed result.

853 branches, out of the total of 1190 branches, received stars (green) for maintaining 100 percent repayment record.

569 branches received stars (blue) for earning profit. (Grameen Bank as a whole earns profit because of the revenue it generates from the interest payment made by the branches on the funds borrowed from the head office.)

275 branches earned stars (violet) by generating surplus of deposits over the loan outstanding in those branches. These branches not only carry out their business with their own funds, but also contribute their surpluses to meet the fund requirement of deficit branches.

135 branches have applied for stars (brown) for ensuring education for 100% of the children of Grameen families. After the completion of the verification process their stars will be confirmed.

32 branches applied for a star (red) indicating that the branch has succeeded in taking all its borrowers' families (usually over 2,000 families per branch) over the poverty line.

The star will be confirmed only after the verification procedure is completed. Each month branches are coming closer to achieving new stars. Grameen staff look forward to transforming all the branches of Grameen Bank into five star branches.

**Balance Sheet 1998-2001**

All figures are in USD

| <b>PROPERTY AND ASSETS</b>             | <b>1998</b>        | <b>1999</b>        | <b>2000</b>        | <b>2001</b>        |
|--|--------------------|--------------------|--------------------|--------------------|
| <b>Average Dollar Rate of the Year</b> | 48.5               | 51                 | 54                 | 57                 |
| Cash in hand                           | 166,992            | 18,298             | 92,432             | 127,236            |
| Balance with other banks               | 9,528,244          | 7,910,495          | 4,381,048          | 7,166,161          |
| Investment-at cost                     | 37,252,403         | 93,869,357         | 96,831,536         | 90,232,926         |
| Loans and advances                     | 292,828,683        | 239,363,325        | 201,899,271        | 192,600,288        |
| Fixed assets-at cost less accumulated  | 18,126,780         | 19,340,554         | 17,829,118         | 16,579,303         |
| Other assets                           | 35,172,714         | 40,946,982         | 43,305,484         | 40,328,428         |
| <b>Total</b>                           | <b>393,075,816</b> | <b>401,449,011</b> | <b>364,338,889</b> | <b>347,034,342</b> |
| <b>CAPITAL AND LIABILITIES</b>         |                    |                    |                    |                    |
| Share Capital:                         |                    |                    |                    |                    |
| Authorized                             | 10,309,278         | 9,803,922          | 9,259,259          | 8,771,930          |
| Paid up                                | 5,321,334          | 5,187,559          | 4,991,063          | 4,775,677          |
| General and other reserves             | 39,345,447         | 34,587,337         | 32,665,818         | 30,946,564         |
| Revolving Funds                        | -                  | -                  | -                  | -                  |
| Deposits and other funds               | 111,431,993        | 117,914,073        | 122,441,655        | 135,037,630        |
| Borrowings from banks and foreign      | 223,412,554        | 228,237,840        | 196,841,239        | 171,597,713        |
| Other liabilities                      | 13,564,488         | 15,522,202         | 7,399,114          | 3,651,227          |
| Profit and Loss Account                | -                  | -                  | -                  | 1,025,531          |
| <b>Total</b>                           | <b>393,075,816</b> | <b>401,449,011</b> | <b>364,338,889</b> | <b>347,034,342</b> |

Source: GB Website

## Grameen Bank Historical Data Series 1998 - 2002

All figures are in USD

| Description                       | 2002<br>(Million US\$) | 2001<br>(Million US\$) | 2000<br>(Million US\$) | 1999<br>(Million US\$) | 1998<br>(Million US\$) |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Yearly Loan Disbursed</b>      |                        |                        |                        |                        |                        |
| a) General                        | 272.04                 | 286.31                 | 266.62                 | 316.76                 | 393.9                  |
| b) Housing                        | 2.08                   | 1.01                   | 1.41                   | 4.58                   | 20.64                  |
| Total Disbursement for the Year   | 274.12                 | 287.32                 | 270.03                 | 321.34                 | 414.54                 |
| Cumulative Total Disbursement     | 3810.89                | 3536.77                | 3248.06                | 2978.2                 | 2652.2                 |
| Cumulative Amount Repaid          | 3471.64                | 3195.78                | 2910.76                | 2619.09                | 2255.64                |
| Balance of Group Fund Savings (1) | -                      | -                      | 83.24                  | 90.88                  | 92.74                  |
| Balance of Members Savings        | 160.84                 | 141.48                 | -                      | -                      | -                      |
| No. of Houses built               | 558055                 | 545121                 | 533041                 | 511583                 | 491012                 |
| <b>Coverage :</b>                 |                        |                        |                        |                        |                        |
| Members                           | 2483006                | 2378601                | 2378356                | 2357083                | 2368347                |
| Groups                            | 513141                 | 504651                 | 503001                 | 494044                 | 486870                 |
| Centers                           | 70928                  | 68591                  | 68467                  | 67691                  | 66712                  |
| No. of Villages covered           | 41636                  | 40447                  | 40225                  | 39706                  | 39045                  |
| Employees                         | 11709                  | 11841                  | 11028                  | 12427                  | 12850                  |
| No. of Branches                   | 1178                   | 1173                   | 1160                   | 1149                   | 1137                   |
| No. of Area offices               | 123                    | 122                    | 122                    | 122                    | 121                    |
| No. of Zonal offices              | 15                     | 15                     | 15                     | 15                     | 15                     |

| GRAMEEN BANK MONTHLY UPDATE :<br>DECEMBER 2002 |  | Million Taka     |
|--|--|------------------|
| Sl. No.  | Particulars  |                  |
| 1  | Cumulative Amount Disbursed Since Inception  | 169,973.67       |
| 2  | Cumulative Amount Repaid Since Inception   | 157,340.40       |
| 3  | Amount Disbursed this Month  | 1,131.64         |
| 4  | Amount Repaid this Month   | 1,018.94         |
| 5  | <b>Outstanding Loan</b>  |                  |
|  | 5.1 Basic Loan   | 8,580.96         |
|  | 5.2 Flexible Loan  | 2,351.44         |
|  | 5.3 Housing Loan   | 1,648.37         |
|  | 5.4 Other Loan   | 52.5             |
|  | <b>5.5 Total :</b>   | <b>12,633.27</b> |
| 6  | <b>Rate of Recovery <sup>(a)</sup></b>   | <b>98.74</b>     |
| 7  | <b>Total Outstanding of Borrowers Missing 5 to 9 Consecutive Installments <sup>(b)</sup></b> |                  |
|  | 7.1 Basic Loan   | 3.08             |
|  | 7.2 Flexible Loan  | 107.54           |
|  | <b>7.3 Total :</b>   | <b>110.62</b>    |
| 8  | <b>Overdue Loan</b>  |                  |
|  | 8.1 Basic Loan <sup>(b)</sup>  | 3.72             |
|  | 8.2 Flexible Loan  | 66.41            |
|  | 8.3 Housing Loan   | 45.72            |
|  | 8.4 Other Loan   | 0                |
|  | <b>8.5 Total :</b>   | <b>115.84</b>    |
| 9  | <b>Microenterprise Loan (Cumulative)</b>   |                  |
|  | 9.1 No. of Microenterprise Loanees   | 32,354           |
|  | 9.2 Amount Disbursed   | 794.13           |
|  | 9.3 Amount Repaid  | 259.78           |
| 10   | <b>Balance of Deposit</b>  |                  |
|  | 10.1 Members' Deposit  | 7,305.08         |
|  | 10.2 Non-Members' Deposit  | 1,646.61         |
|  | <b>10.3 Total :</b>  | <b>8,951.69</b>  |

|             |  |  |                  |
|-------------|--|--|------------------|
| <b>11</b>   | <b>Deposits to Outstanding</b>   |  |                  |
| 11.1        | Deposits as Percentage of Outstanding Loans  |  | 71               |
| 11.2        | Deposits and Own Resources as Percentage of Outstanding Loans  |  | 92               |
| 11.3        | No. of Branches with more in Deposits than in Outstanding Loans  |  | 292              |
| <b>12</b>   | <b>Cumulative Number of Village Phones</b>   |  | <b>21,409</b>    |
| <b>13</b>   | <b>Cumulative Number of Houses Built with Housing Loans</b>  |  | <b>558,055</b>   |
| <b>14</b>   | <b>Life Insurance Fund (Cumulative)</b>  |  |                  |
| 14.1        | No. of Deaths Among all Borrowers  |  | 59,717           |
| 14.2        | Amount paid out from Life Insurance Fund   |  | 121.26           |
| <b>15</b>   | <b>Loan Insurance</b>  |  |                  |
| 15.1        | Balance in Loan Insurance Savings  |  | 241.48           |
| 15.2        | No. of Deaths Among Insured Borrowers (Cumulative)   |  | 2,997            |
| 15.3        | Amount of Outstanding Principal and Interest of the Deceased Borrowers paid out from Insurance Fund (Cumulative) |  | 16.78            |
| <b>16</b>   | <b>Higher Education Loan (Cumulative)</b>  |  |                  |
| 16.1        | No. of Female Students   |  | 55               |
| 16.2        | No. of Male Students   |  | 340              |
| <b>16.3</b> | <b>Total :</b>   |  | <b>395</b>       |
| 16.4        | Amount Disbursed (Female)  |  | 1.38             |
| 16.5        | Amount Disbursed (Male)  |  | 9.37             |
| <b>16.6</b> | <b>Total :</b>   |  | <b>10.75</b>     |
| <b>17</b>   | <b>Scholarship (Cumulative)</b>  |  |                  |
| 17.1        | Scholarship Recipient (Female)   |  | 2,422            |
| 17.2        | Scholarship Recipient (Male)   |  | 1,715            |
| <b>17.3</b> | <b>Total :</b>   |  | <b>4,137</b>     |
| 17.4        | Scholarship Amount (Female)  |  | 2.65             |
| 17.5        | Scholarship Amount (Male)  |  | 2.1              |
| <b>17.6</b> | <b>Total :</b>   |  | <b>4.76</b>      |
| <b>18</b>   | <b>Number of Members</b>   |  |                  |
| 18.1        | Female   |  | 2,363,812        |
| 18.2        | Male   |  | 119,194          |
| <b>18.3</b> | <b>Total :</b>   |  | <b>2,483,006</b> |

|    |   |         |
|----|---|---------|
| 19 | Number of Groups  | 513,141 |
| 20 | Number of Centres                                       | 70,928  |
| 21 | Number of Villages                                      | 41,636  |
| 22 | Number of Branches                                      | 1,178   |
| 23 | Number of Branches with Computerized Accounting and MIS | 937     |

(a) Amount repaid as a percentage of amount due.

(b) If a borrower misses ten consecutive installments, the entire outstanding loan is treated as overdue loan. In case of one-year loan, if the borrower fails to repay half the loan amount, with interest, within 26 weeks, entire unrepaid amount becomes overdue. In case of loan with longer duration, if the borrower fails to repay the principal amount and interest, which she is scheduled to repay within each segment of 26 weeks, entire unrepaid amount falls overdue.

(c) Current exchange rate : US\$ 1 = Taka 57.90

## Dhaka University Institutional Repository

## Past Six Years at a Glance (1997-2002)

| SL   | Particulars  | 1997        | 1998    | 1999    | 2000    | 2001    | 2002    |
|------|--|-------------|---------|---------|---------|---------|---------|
| 1.0  | Authorized Capital                                       | 500         | 500     | 500     | 500     | 500     | 500     |
| 2.0  | Own Fund:  |             |         |         |         |         |         |
|      | 2.1 Paid-up Capital                                      | 246         | 258     | 265     | 270     | 272     | 276     |
|      | 2.2 Capital and other Reserve                            | 92          | 1908    | 1764    | 1764    | 1764    | 1764    |
|      | 2.3 Miscellaneous  | 859         | 182     | 463     | 497     | 587     | 760     |
|      | 2.4 Total  | 1197        | 2348    | 2491    | 2530    | 2623    | 2800    |
| 3.0  | Deposits   | 4978        | 5222    | 5551    | 6115    | 7169    | 8952    |
| 4.0  | Other Sources of Fund                                    | 1297        | 658     | 792     | 399     | 208     | 143     |
| 5.0  | Borrowings   | 11293       | 10836   | 11640   | 10629   | 9781    | 6978    |
| 6.0  | Assets   |             |         |         |         |         |         |
|      | 6.1 Loan and advances (Before Provision)                 | 14182       | 16210   | 14382   | 13180   | 13061   | 13400   |
|      | 6.2 Investment   | 4600        | 1807    | 4787    | 5229    | 5143    | 4021    |
|      | 6.3 Cash and Bank Balance                                | 375         | 470     | 404     | 242     | 416     | 441     |
|      | 6.4 Fixed Assets   | 752         | 879     | 986     | 963     | 945     | 921     |
|      | 6.5 Other Assets   | 1460        | 1706    | 2088    | 2338    | 2299    | 2106    |
|      | 6.6 Total Assets   | 21369       | 21072   | 22647   | 21952   | 21864   | 20889   |
| 7.0  | Own fund as Percentage Of loan and Advances              | 8%          | 14%     | 17%     | 19%     | 20%     | 21%     |
| 8.0  | Own fund and deposits as Percentage of loan and Advances | 44%         | 47%     | 56%     | 66%     | 75%     | 88%     |
| 9.0  | Total Income (Before Provision)                          | 2821        | 3021    | 3156    | 3008    | 3167    | 3040    |
| 10.0 | Expenses   |             |         |         |         |         |         |
|      | 10.1 Salaries and Other Related expenses                 | 932         | 1072    | 1222    | 1176    | 1117    | 1156    |
|      | 10.2 Interest Expenses                                   | 875         | 880     | 1020    | 79      | 1026    | 893     |
|      | 10.3 Other expenses                                      | 254         | 219     | 209     | 218     | 248     | 258     |
|      | 10.4 Provision Expenses                                  | 746         | 746     | 629     | 624     | 717     | 673     |
|      | 10.5 Total Expenses                                      | 2807        | 2917    | 3080    | 2997    | 3108    | 2980    |
| 11.0 | Net profit   | 15          | 103     | 77      | 11      | 59      | 60      |
| 12.0 | Provision Balance  | 2304        | 2987    | 3389    | 3789    | 3601    | 3729    |
| 13.0 | Bad debt   | 19          | 64      | 227     | 224     | 906     | 545     |
| 14.0 | Bad debt recovery  | 6           | 7       | 6       | 11      | 47      | 105     |
| 15.0 | Accumulated Disbursement                                 | 88021       | 108114  | 124035  | 138069  | 154105  | 169974  |
| 16.0 | Number of Employees                                      | 12628       | 12850   | 12427   | 11028   | 11841   | 11709   |
| 17.0 | Number of Members  | 227250<br>3 | 2368347 | 2357083 | 2378356 | 2378601 | 2483006 |
| 18.0 | Number of Centers  | 64701       | 66712   | 67691   | 68467   | 68591   | 70928   |
| 19.0 | Number of Villages                                       | 37937       | 39045   | 39706   | 40225   | 40447   | 41636   |
| 20.0 | Number of Branches                                       | 1105        | 1137    | 1149    | 1160    | 1173    | 1178    |

Source: GB Annual Report

## Financial Intermediation Indicators

(1997-2002)

(in Billion Taka)

| Particulars                        | Years |       |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|-------|-------|
|                                    | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  |
| Balance of Deposits                | 5.00  | 5.23  | 5.56  | 6.13  | 7.17  | 8.95  |
| Balance of Loan (before write off) | 13.89 | 15.81 | 13.91 | 12.66 | 12.78 | 13.65 |
| Balance of Borrowings              | 11.29 | 10.84 | 11.64 | 10.63 | 9.78  | 6.98  |
| Deposit to Loan ratio              | 36%   | 33%   | 40%   | 48%   | 56%   | 66%   |
| Deposit to Borrowings ratio        | 44%   | 48%   | 48%   | 58%   | 73%   | 78%   |

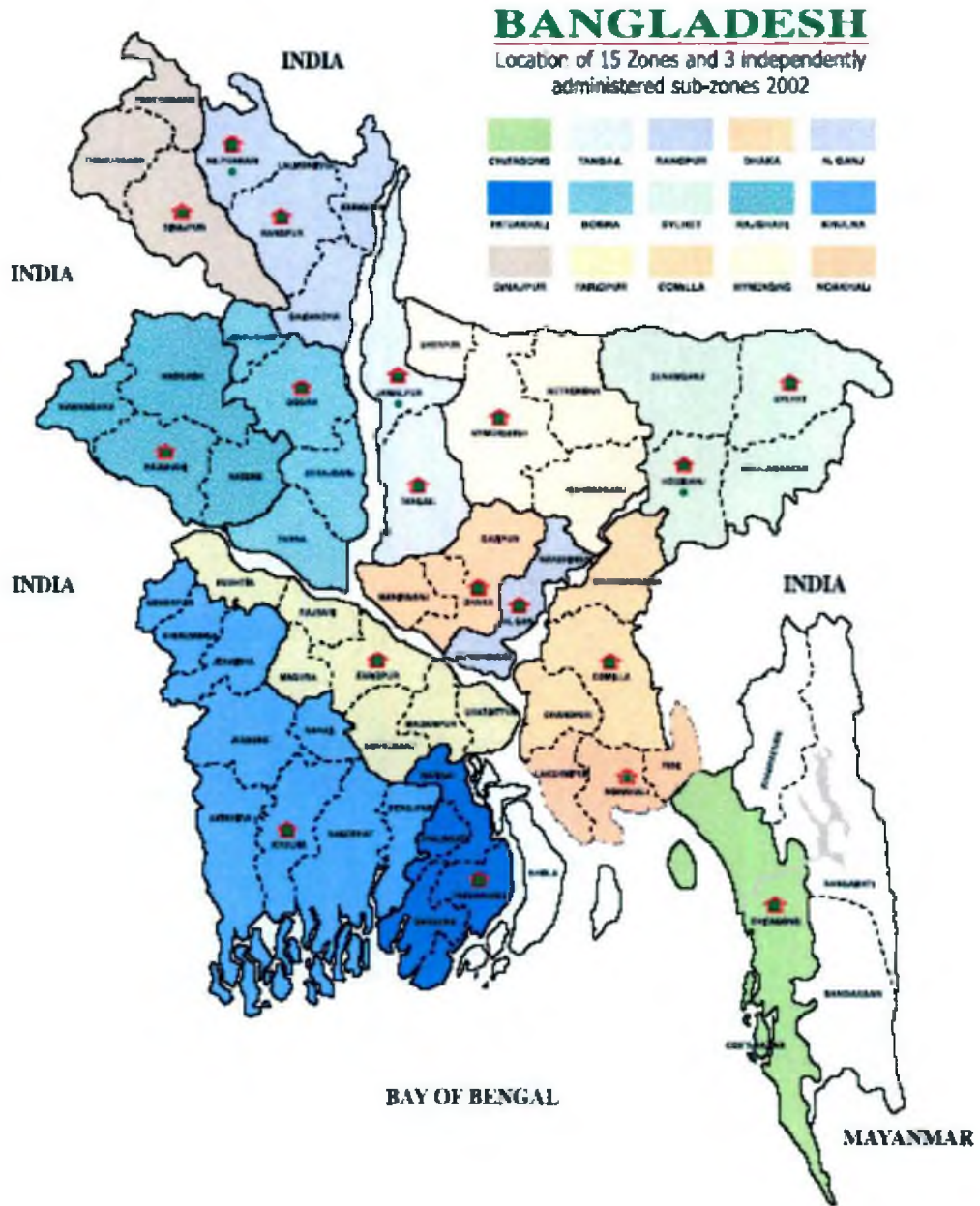
Source: GB Annual Report



2002 Top 25 items in order of loan amounts for which members took loans

| Order | Item                   | All         |                  |       | Female Members         |             |                  | Female Members |                              |             |                  |
|-------|------------------------|-------------|------------------|-------|------------------------|-------------|------------------|----------------|------------------------------|-------------|------------------|
|       |                        | No of loans | Amount (In taka) | Order | Item                   | No of loans | Amount (In taka) | Order          | Item                         | No of loans | Amount (In taka) |
| 1     | Milch cow              | 311831      | 2329722518       | 1     | Milch cow              | 295242      | 2217089231       | 1              | Milch cow                    | 16589       | 112633287        |
| 2     | Cow Fattening          | 420915      | 1911207198       | 2     | Cow Fattening          | 406531      | 1817414727       | 2              | Cow Fattening                | 14384       | 93792471         |
| 3     | Grocery Shop           | 131935      | 960362467        | 3     | Grocery Shop           | 123433      | 902553215        | 3              | Grocery Shop                 | 8502        | 57809252         |
| 4     | Paddy husking          | 137403      | 851725643        | 4     | Paddy husking          | 126279      | 796783470        | 4              | Paddy husking                | 11124       | 54942173         |
| 5     | Rice/Paddy trading     | 116714      | 794867053        | 5     | Rice/Paddy trading     | 109030      | 745237421        | 5              | Rice/Paddy trading           | 7684        | 49629632         |
| 6     | Bamboo works           | 89577       | 723271640        | 6     | Bamboo works           | 86133       | 694386689        | 6              | Bamboo works                 | 3444        | 28864951         |
| 7     | Land lease             | 72698       | 58356735         | 7     | Land lease             | 69921       | 536030254        | 7              | Land lease                   | 2777        | 22326481         |
| 8     | Bullock                | 53172       | 386418298        | 8     | Bullock raising        | 50417       | 372539447        | 8              | Paddy cultivation            | 1889        | 17754401         |
| 9     | Paddy cultivation      | 46311       | 305987600        | 9     | Paddy cultivation      | 44422       | 288223199        | 9              | Vegetables trading           | 2394        | 17721765         |
| 10    | Cloths trading         | 29280       | 253783716        | 10    | Cloths trading         | 28564       | 247536616        | 10             | Biri Making                  | 4720        | 16730714         |
| 11    | Stationary shop        | 32079       | 249586728        | 11    | Stationary shop        | 30586       | 237769642        | 11             | Land cultivation             | 1393        | 13914475         |
| 12    | Vegetables trading     | 33831       | 236974016        | 12    | Vegetables trading     | 31437       | 219252251        | 12             | Bullock Raising              | 2755        | 13878851         |
| 13    | Vegetables cultivation | 23593       | 20574523         | 13    | Vegetables cultivation | 22098       | 192937348        | 13             | Betel leaf Cultivation       | 1338        | 12491313         |
| 14    | Betel leaf cultivation | 25238       | 201330489        | 14    | Betel leaf cultivation | 23900       | 188839176        | 14             | Vegetable Cultivation        | 1495        | 12137175         |
| 15    | Land cultivation       | 17959       | 170077112        | 15    | Pisciculture           | 19772       | 158992812        | 15             | Rickshaw                     | 1679        | 11865817         |
| 16    | Pisciculture           | 20312       | 165104326        | 16    | Land cultivation       | 16566       | 156162637        | 16             | Stationary shop              | 1493        | 11817086         |
| 17    | Rickshaw               | 26022       | 164467843        | 17    | Fish Trading           | 21157       | 152807304        | 17             | Stationary goods             | 1983        | 11311126         |
| 18    | Fish Trading           | 21902       | 159480142        | 18    | Rickshaw               | 24343       | 152602026        | 18             | Products                     | 901         | 7949100          |
| 19    | Cane works             | 17510       | 146857091        | 19    | Cane works             | 16574       | 139057838        | 19             | Puffed rice making           | 1004        | 7870410          |
| 20    | Pulse trading          | 14511       | 123403236        | 20    | Pulse trading          | 13569       | 117066747        | 20             | Cane works                   | 936         | 7799253          |
| 21    | Poultry raising        | 24654       | 109187143        | 21    | Poultry raising        | 24426       | 107519063        | 21             | Fish trading                 | 745         | 6672838          |
| 22    | Stationary goods       | 19441       | 106646869        | 22    | Timber trading         | 13579       | 99167498         | 22             | Pulse trading                | 942         | 6336489          |
| 23    | Timber trading         | 13987       | 102158798        | 23    | Stationary goods       | 17458       | 95335743         | 23             | Cloths trading               | 644         | 6247100          |
| 24    | Puffed rice making     | 15252       | 99242728         | 24    | Puffed rice making     | 14248       | 91372318         | 24             | Pisciculture                 | 540         | 6111514          |
| 25    | Biri making            | 20392       | 98127986         | 25    | Mat (pati) making      | 13006       | 89415140         | 25             | Fertilizer (for cultivation) | 1384        | 5829434          |

Source: Grameen  
Bank Annual report



**Poverty Alleviation Survey on Grameen Bank Members  
In order of Cumulative percentage of Members free from Poverty**

Surveyed Year: 2002

| SI N | Zone / Sub Zone | No. of Memb surveyed | Free from Pover Last Years Targ (No of members) | No. of Poverty Free Members |            | After Crossing Poverty lin again fell below |            | Left Group after overcoming poverty |            | No. of members still below poverty line |            | Percentage of members free from Poverty |            | Total Number of Centers |
|------|-----------------|----------------------|---|-----------------------------|------------|---|------------|-------------------------------------|------------|---|------------|---|------------|-------------------------|
|      |                 |                      |   | Current                     | Cumulative | Current                                     | Cumulative | Current                             | Cumulative | Current                                 | Cumulative | Current                                 | Cumulative |                         |
| 1    | Dhaka           | 105270               | 13389   | 7905                        | 70816      | 482   | 6315       | 2656                                | 5077       | 34454                                   | 7.51       | 67.27                                   | 522        | 3                       |
| 2    | Patuakhali      | 68130                | 12457   | 8484                        | 42645      | 16  | 72         | 1424                                | 4290       | 26485                                   | 12.29      | 61.69                                   | 341        | 2                       |
| 3    | Chittagong      | 78396                | 9391  | 6835                        | 44389      | 40  | 494        | 1032                                | 2040       | 34007                                   | 8.72       | 56.62                                   | 391        | 5                       |
| 4    | Bogra           | 162934               | 18232   | 12664                       | 90574      | 0   | 993        | 13555                               | 31017      | 72360                                   | 7.77       | 55.59                                   | 306        | 0                       |
| 5    | Tangail         | 142918               | 22316   | 9605                        | 77915      | 823   | 4331       | 546                                 | 1021       | 65003                                   | 6.72       | 54.52                                   | 103        | 0                       |
| 6    | Rajshahi        | 68735                | 14122   | 12456                       | 36545      | 14  | 354        | 2900                                | 7690       | 32190                                   | 18.12      | 53.17                                   | 1007       | 11                      |
| 7    | Noakhali        | 35572                | 6962  | 4651                        | 18791      | 0   | 573        | 1390                                | 4309       | 16781                                   | 13.07      | 52.83                                   | 0          | 0                       |
| 8    | Comilla         | 52463                | 11523   | 9613                        | 27129      | 0   | 161        | 1888                                | 3843       | 25334                                   | 18.32      | 51.71                                   | 505        | 6                       |
| 9    | Narayangong     | 134014               | 14490   | 9396                        | 68128      | 0   | 896        | 2186                                | 6030       | 65886                                   | 7.01       | 50.84                                   | 154        | 0                       |
| 10   | Khulna          | 42281                | 8088  | 3588                        | 20415      | 19  | 623        | 1135                                | 3522       | 21886                                   | 8.49       | 48.28                                   | 275        | 0                       |
| 11   | Sylhet          | 54064                | 9524  | 4862                        | 24726      | 3   | 368        | 415                                 | 950        | 29338                                   | 8.99       | 45.73                                   | 29         | 0                       |
| 12   | Rangpur         | 162632               | 20538   | 9914                        | 70312      | 98  | 1091       | 1312                                | 2804       | 92320                                   | 6.1        | 43.23                                   | 75         | 0                       |
| 13   | Hobigong        | 45520                | 4935  | 485                         | 19355      | 0   | 136        | 0                                   | 14         | 26165                                   | 1.07       | 42.52                                   | 2          | 0                       |
| 14   | Faridpur        | 70247                | 6922  | 1691                        | 26310      | 20  | 841        | 376                                 | 1477       | 43937                                   | 2.41       | 37.45                                   | 0          | 0                       |
| 15   | Dinajpur        | 132852               | 21762   | 11088                       | 48166      | 9   | 1010       | 70                                  | 208        | 84886                                   | 8.35       | 36.26                                   | 0          | 0                       |
| 16   | Nilphamary      | 60135                | 9312  | 2357                        | 16204      | 0   | 655        | 3                                   | 3          | 43931                                   | 3.92       | 20.95                                   | 0          | 0                       |
| 17   | Jamshpur        | 63093                | 4020  | 662                         | 12993      | 0   | 1500       | 115                                 | 164        | 50100                                   | 1.05       | 20.59                                   | 0          | 0                       |
| 18   | Mymensingh      | 91165                | 8930  | 3204                        | 15128      | 13  | 126        | 40                                  | 853        | 76037                                   | 3.51       | 18.59                                   | 0          | 0                       |
|      | Total           | 1571421              | 216913  | 119480                      | 730541     | 1535  | 20539      | 31041                               | 75312      | 840880                                  | 7.6        | 46.49                                   | 3710       | 27                      |

Source: Grameen Bank Annual Report 2002

## Dhaka University Institutional Repository

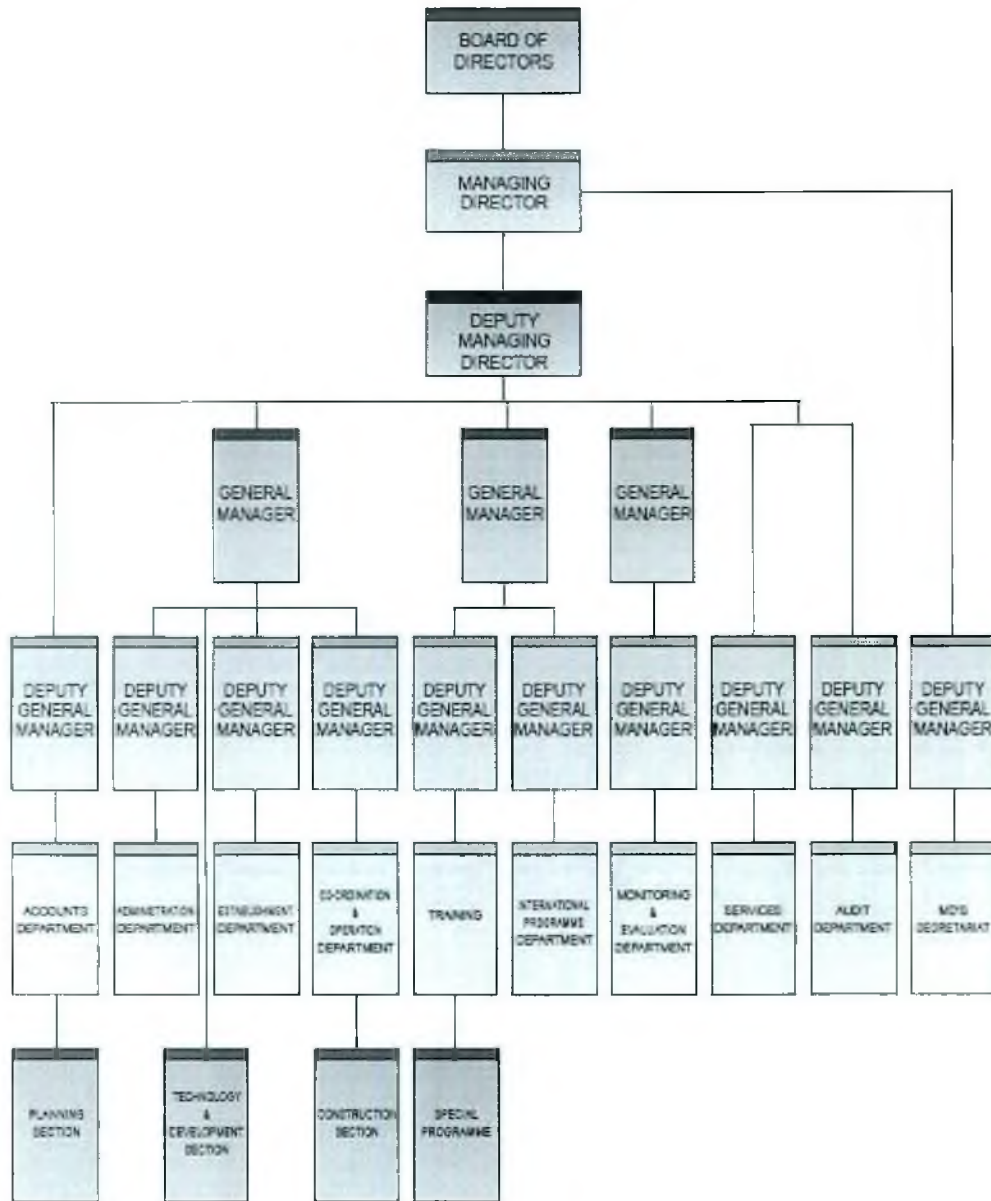
| 2002 : TOP 15 ITEMS FOR WHICH MEMBERS TOOK MICROENTERPRISE LOANS IN GRAMEEN BANK |                             |              |                     |       |                             |             |                     |       |                             |              |                     |
|--|-----------------------------|--------------|---------------------|-------|-----------------------------|-------------|---------------------|-------|-----------------------------|--------------|---------------------|
| All  |                             |              | Female Members      |       |                             |             | Male Members        |       |                             |              |                     |
| Order  | Item                        | No. of Loans | Amount<br>(in TAKA) | Order | Item                        | no. of loan | Amount<br>(in TAKA) | Order | Item                        | no. of loans | Amount<br>(in TAKA) |
| 1  | Village phone               | 335          | 4,817,100           | 1     | Village phone               | 349         | 4,750,600           | 1     | Village phone               | 4            | 66,500              |
| 2  | Baby taxi                   | 15           | 560,000             | 2     | Baby taxi                   | 15          | 560,000             | 2     | Rice/Paddy trading          | 2            | 37,000              |
| 3  | Grocery Shop                | 43           | 548,100             | 3     | Grocery Shop                | 43          | 548,100             | 3     | Miscellaneous items trading | 2            | 30,000              |
| 4  | Rickshaw making & repair    | 22           | 262,000             | 4     | Rickshaw making & repair    | 22          | 262,000             | 4     | Milch cow                   | 1            | 18,500              |
| 5  | Rice/Paddy trading          | 9            | 166,500             | 5     | Cloths trading              | 15          | 139,800             |       |                             |              |                     |
| 6  | Cloths trading              | 15           | 139,800             | 6     | Rice/Paddy trading          | 7           | 129,500             |       |                             |              |                     |
| 7  | Miscellaneous items trading | 6            | 85,000              | 7     | Milch cow                   | 3           | 55,500              |       |                             |              |                     |
| 8  | Milch cow                   | 4            | 74,000              | 8     | Miscellaneous items trading | 4           | 55,000              |       |                             |              |                     |
| 9  | Boks trading                | 3            | 54,500              | 9     | Boks trading                | 3           | 54,500              |       |                             |              |                     |
| 10   | Electrical parts trading    | 3            | 50,000              | 10    | Electrical parts trading    | 3           | 50,000              |       |                             |              |                     |
| 11   | Betelleaf cultivation       | 4            | 50,000              | 11    | Betelleaf cultivation       | 4           | 50,000              |       |                             |              |                     |
| 12   | Sewing machine purchase     | 6            | 50,000              | 12    | Sewing machine purchase     | 6           | 50,000              |       |                             |              |                     |
| 13   | Boat making & repairing     | 2            | 37,400              | 13    | Boat making & repairing     | 2           | 37,400              |       |                             |              |                     |
| 14   | Bicycle parts trading       | 2            | 30,000              | 14    | Bicycle parts trading       | 2           | 30,000              |       |                             |              |                     |
| 15   | Trinket making              | 1            | 30,000              | 15    | Trinket making              | 1           | 30,000              |       |                             |              |                     |

## Dhaka University Institutional Repository

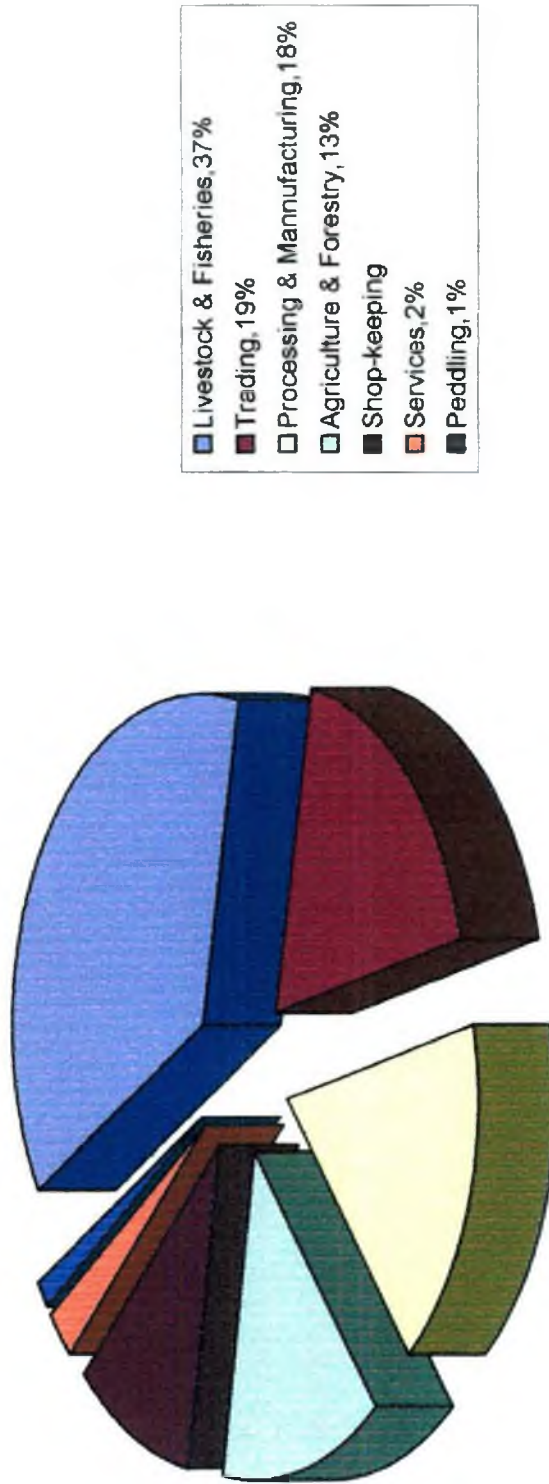
## Joanwise Comparison of Grameen Bank

| Sl no | Zone        | mount disburse<br>(in million Taka)      | Outstanding<br>(in million Taka) | Percentage | # of<br>Members | Percentage<br>of Female | # of<br>Branches | utstanding/Branc<br>(in million Taka) | Outstanding Pe<br>Lonee (in Taka) | Member<br>per Branc |
|-------|-------------|--|----------------------------------|------------|-----------------|-------------------------|------------------|---------------------------------------|-----------------------------------|---------------------|
| 1     | Chitagong   | 12,711.17                                | 805.93                           | 6.38       | 119,243         | 4.80                    | 73               | 11.04                                 | 7,836                             | 1,633               |
| 2     | Tangail     | 16,881.51                                | 1520.65                          | 12.04      | 201,450         | 8.11                    | 84               | 18.10                                 | 10,237                            | 2,398               |
| 3     | Rangpur     | 12,817.83                                | 910.09                           | 7.20       | 246,594         | 9.93                    | 110              | 8.27                                  | 4,955                             | 2,242               |
| 4     | Dhaka       | 15,765.68                                | 1139.09                          | 9.02       | 165,480         | 6.66                    | 72               | 15.82                                 | 8,037                             | 2,298               |
| 5     | Patuakhali  | 12,027.10                                | 724.03                           | 5.73       | 136,760         | 5.51                    | 81               | 8.94                                  | 6,532                             | 1,688               |
| 6     | Bogra       | 15,205.58                                | 1087.95                          | 8.61       | 255,183         | 10.28                   | 102              | 10.67                                 | 4,770                             | 2,502               |
| 7     | Sylhet      | 7,123.67                                 | 605.71                           | 4.79       | 146,738         | 5.91                    | 79               | 7.67                                  | 5,424                             | 1,857               |
| 8     | Rajshahi    | 11,947.96                                | 706.65                           | 5.59       | 177,598         | 7.15                    | 86               | 8.22                                  | 4,477                             | 2,065               |
| 9     | Dinajpur    | 7,831.16                                 | 679.21                           | 5.38       | 176,032         | 7.09                    | 69               | 9.84                                  | 4,498                             | 2,551               |
| 10    | Faridpur    | 9,657.89                                 | 653.22                           | 5.17       | 146,566         | 5.90                    | 72               | 9.07                                  | 4,995                             | 2,036               |
| 11    | Comilla     | 8,885.81                                 | 630.85                           | 4.99       | 153,896         | 6.20                    | 69               | 9.14                                  | 4,669                             | 2,230               |
| 12    | Mymensing   | 5,186.95                                 | 649.08                           | 5.14       | 135,913         | 5.47                    | 71               | 9.14                                  | 5,666                             | 1,914               |
| 13    | Narayanganj | 18,822.73                                | 1434.09                          | 11.35      | 173,011         | 6.97                    | 69               | 20.78                                 | 10,507                            | 2,507               |
| 14    | Khulna      | 8,066.51                                 | 569.94                           | 4.51       | 136,630         | 5.50                    | 75               | 7.60                                  | 4,684                             | 1,822               |
| 15    | Noakhali    | 7,042.12                                 | 516.78                           | 4.09       | 111,912         | 4.51                    | 66               | 7.83                                  | 4,820                             | 1,696               |
|       | Total       | 169,973.67                               | 12,633.27                        | 100.00     | 2,483,006       | 100.00                  | 1,178            | 10.72                                 | 6,067                             | 2,108               |
|       |             | Source: Grameen Bank Annual Report, 2002 |                                  |            |                 |                         |                  |                                       |                                   |                     |

ORGANOGRAM OF GB



**Disbursement of Loans of Grameen Bank Listed under Broad Categories of Business Activities for the Year 2002**

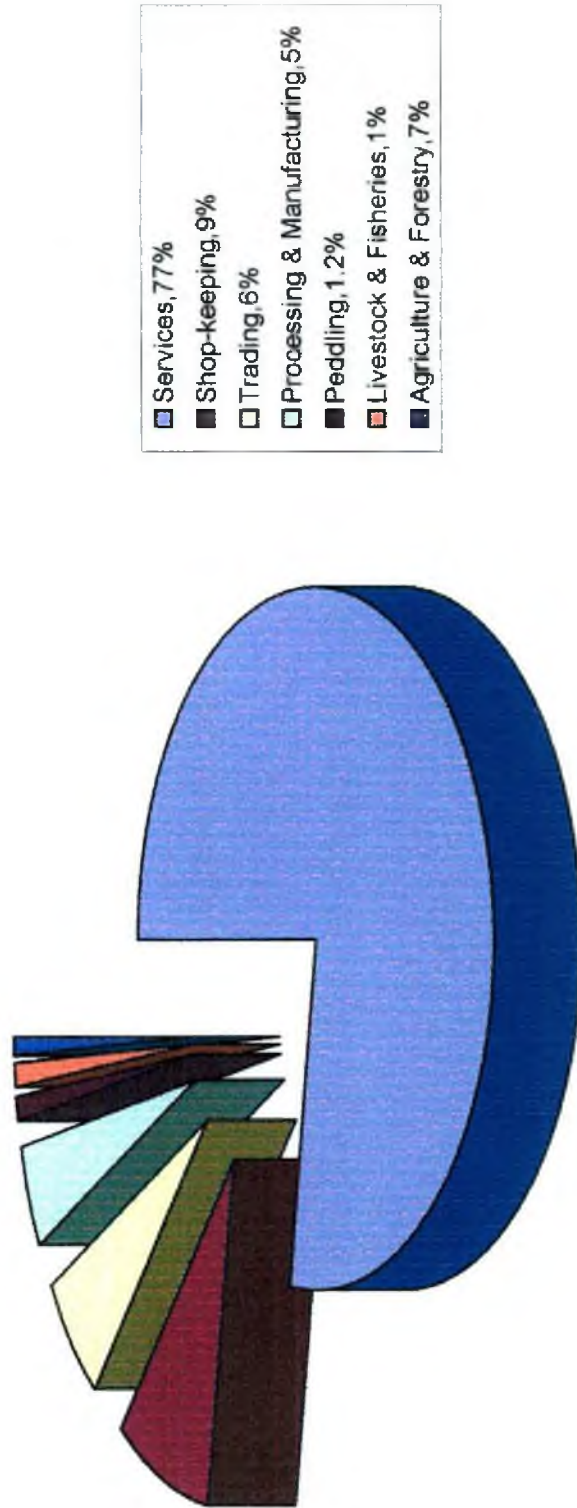


## Ten Indicators of Poverty Alleviation for Grameen Members

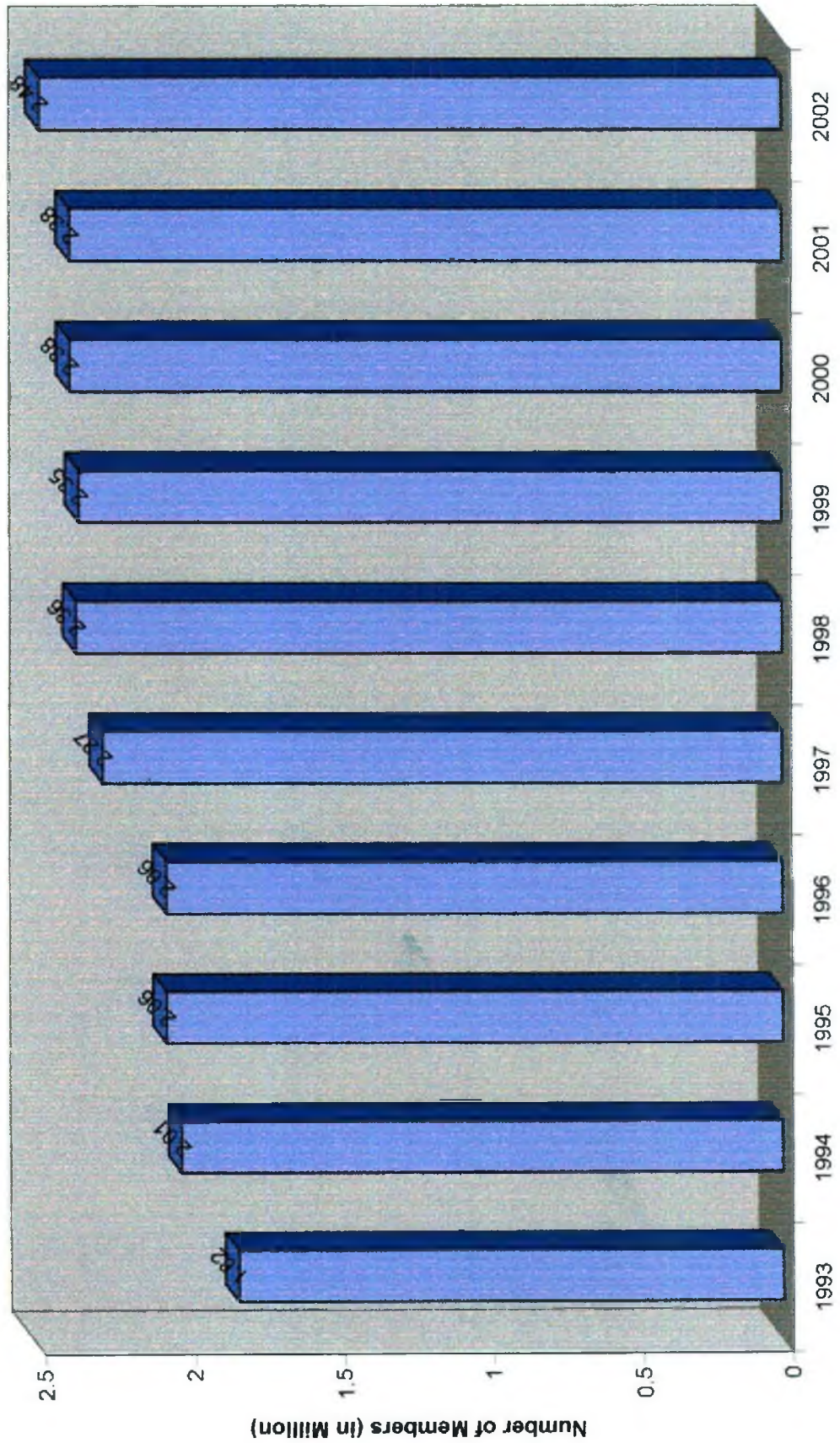
- 1) The members and their family who are living with dignity in a tin-roofed house or having a house with a worth of minimum Tk. 25,000 only and the family members have the arrangement to sleep on cots or bed instead of floor.
- 2) Use water from tube wells installed individually or jointly with others. In the absence of tube-well water, ensure safe water by boiling or purifying it with alum, bleaching powder or water purifying tablets.
- 3) All the children of the members who are at the age of six and above and are physically and mentally fit, go to school.
- 4) The members whose minimum weekly loan installment is taka 200 or more.
- 5) All the members use hygienic and sanitary latrine.
- 6) The family members have sufficiently clothing for daily use. Have the winter cloths like kantha, wrapper, sweater, quilt, blanket etc to protect them from cold and have mosquito net to protect them from mosquito menace.
- 7) Have arrangements from growing vegetables or plantation of tress etc. in the homestead for earning additional income to improve the economic condition of the family and the same time enable them to pay their loan installments from these income.
- 8) The members should have savings deposit in the bank at least on average Tk 5000 round the year.
- 9) Has the ability to feed the family members three square meals a day throughout the year.
- 10) All the family members are conscious about the health issues. Have the ability to take immediate actions for proper treatment including defraying of medical expenses in the event of illness of any members in the family.



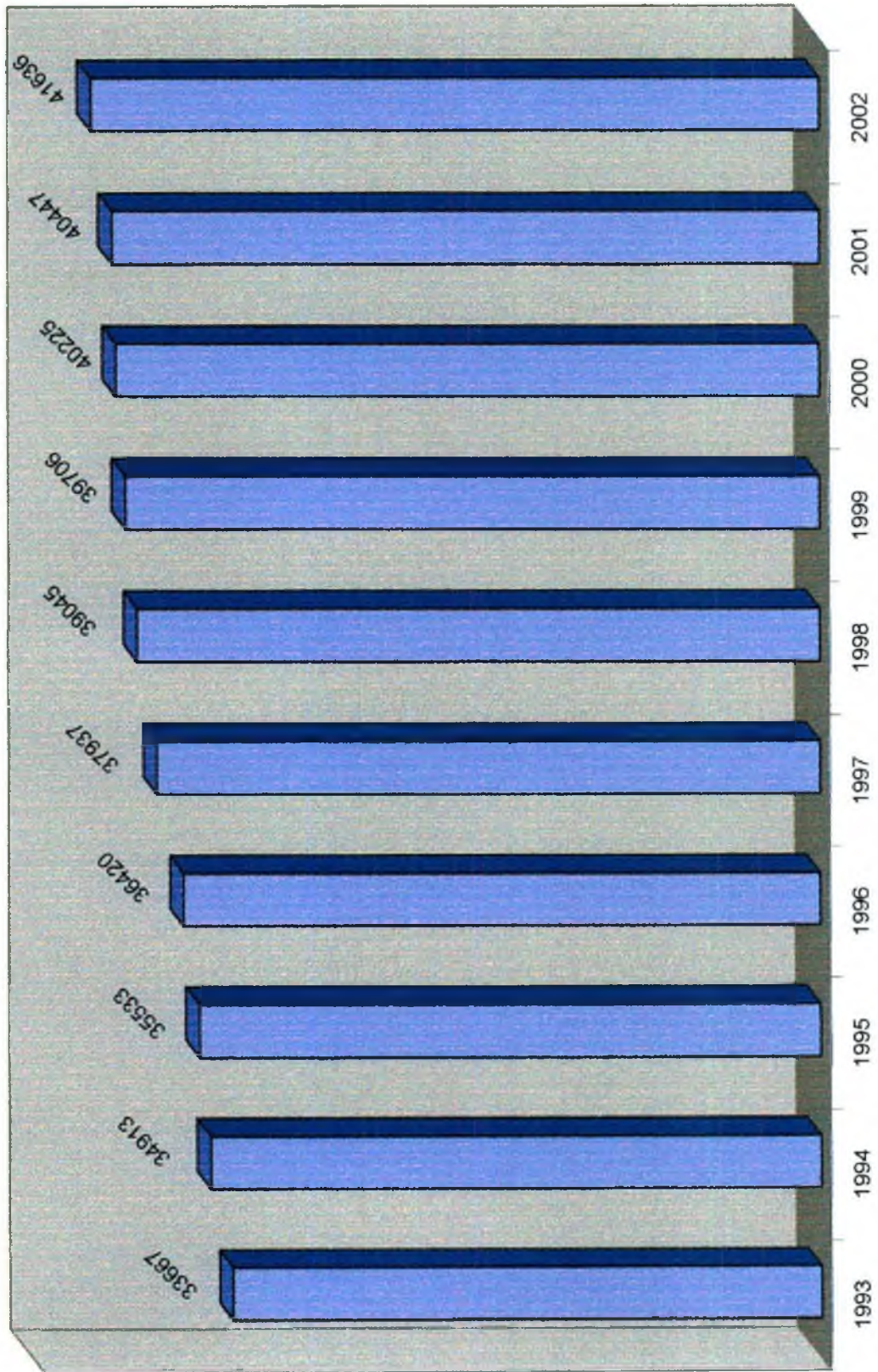
**Disbursement of Micro-Enterprise Loans of Grameen Bank Listed Under Broad Categories of Business Activities for the Year 2002**  
Source: GB Annual Report



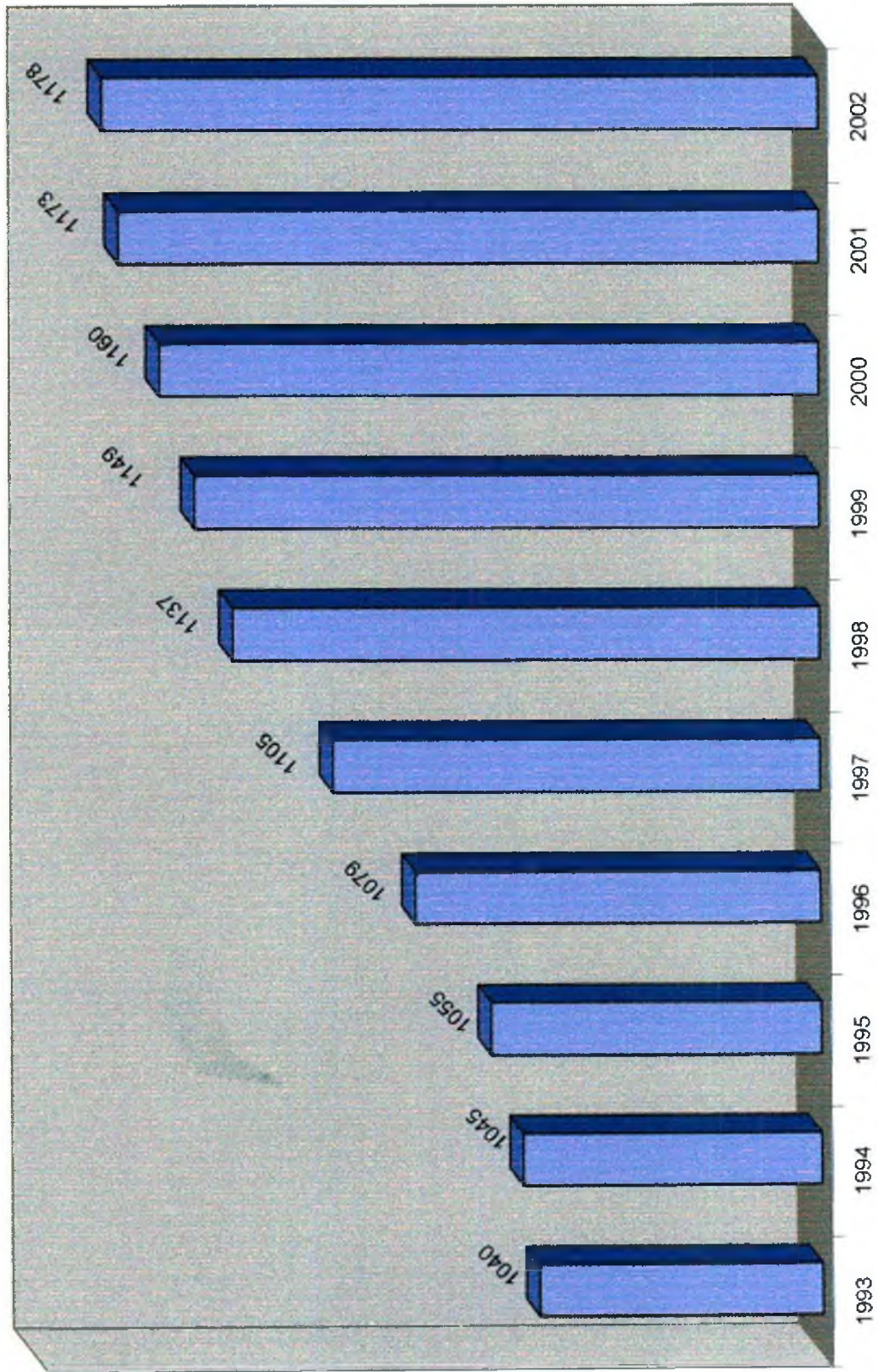
**Number of Members (Cumulative) of Grameen Bank  
for the Years 1993 to 2002**  
Source: GB Annual Report:2002



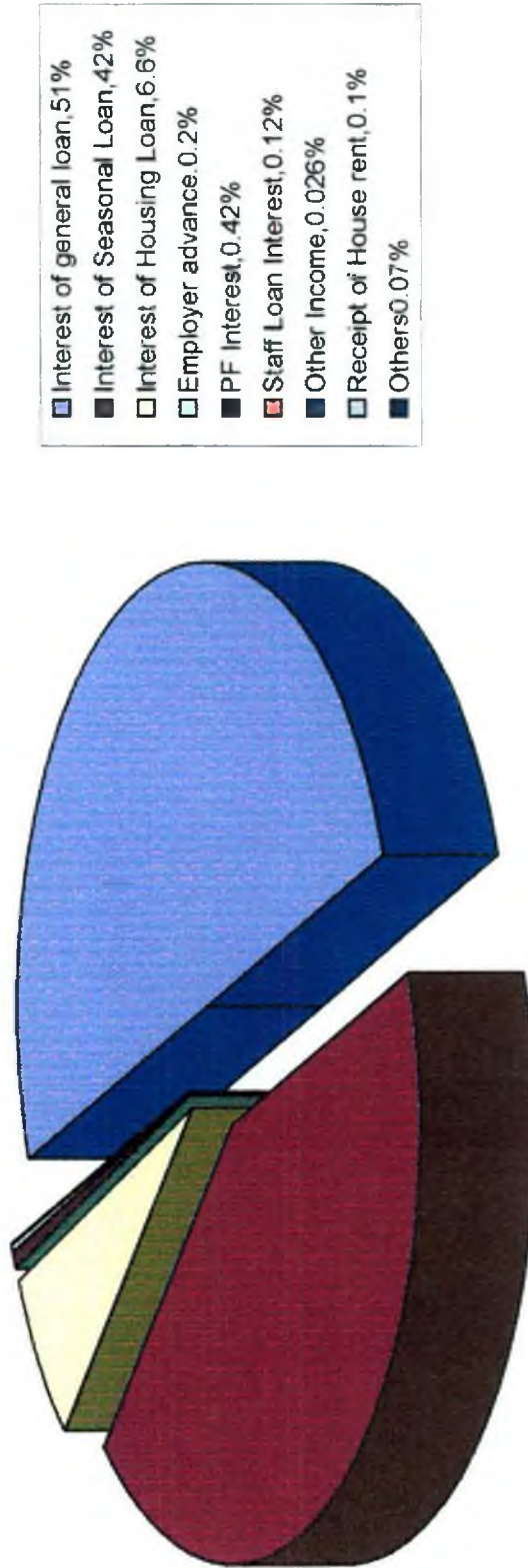
Number of Villages (Cumulative) Covered by Grameen Bank  
Grameen Bank



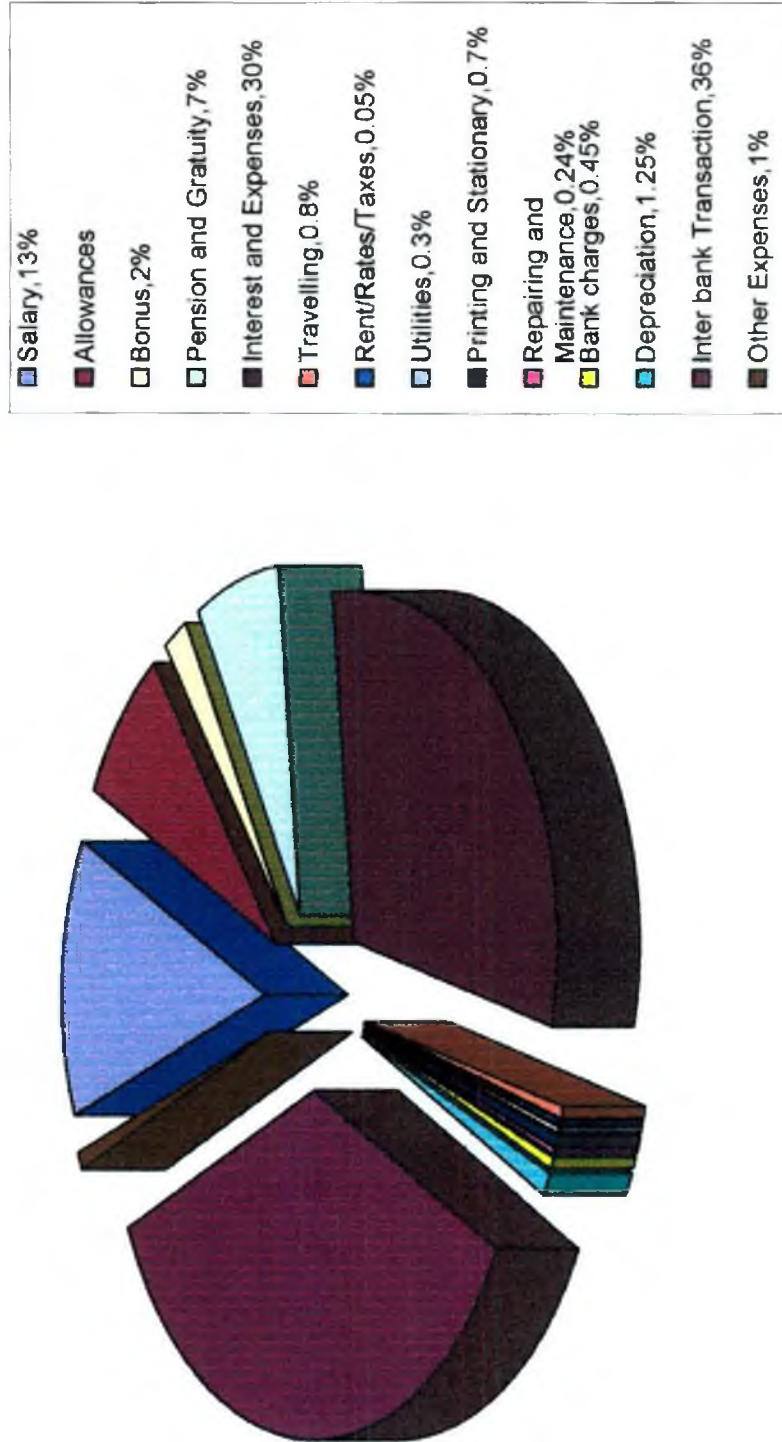
**Number of Branches (Cumulative) of Grameen Bank**  
Source: GB Annual Report



Sources of Income of Fegunashar Branch till June 30, 2000  
Source: GB Annual Report



Sources of Expenditure of Fegunashar Branch  
till June 30, 2000



**Case Study demonstrating Impact of Grameen Bank (Fegunashar Branch):**

Name: Aleya Begum

Centre No: 58

Village: Nising

District: Munshuganj

Age: 36

Marital Status: Married

Her father was a tailor, having 10 ganda land (in local measurement) where he used to cultivate Potato & Sugarcane by self. Aleya has six sisters & two brothers brought up through hardship, could take food only twice in a day, could not afford education. Aleya used to help her father in his tailoring job along with making biri with her sisters. Before joining GB, her entire family used to earn only Tk 4000 per month.

She has been a member of GB for 14 years. In the very first year she took Tk 5000 as loan from GB, & the amount increased at mathematical rate every year, now she is picking Tk 22,000 each year.

She managed to upgrade her financial & social status by utilizing GB loan properly. She took housing loan from GB, an amount of Tk 12000 which she paid within 6 years. The floor of her house is made of mud & the fence is made of Bamboo, she already bought tins to replace the bamboo fence. Now unlike her own childhood she can give winter cloths to her children. She has 3 sons, the eldest is in college, the next is in class six & the youngest is in class three. Her only daughter is now engaged in sewing who took education up to class six.

She planted papaya & some other trees, lately she got taka 7000 by selling wood. Now she has three cattle. She also managed to bought a Biri making machine for her son costs taka 3000. Now she is planning to buy a tube well without taking help from GB. Now she affords to buy enough cartularies, ceiling fans & a television which was a dream to her few years back. Aleya also financed her brother in going abroad.

Now her monthly is taka 10000, her daughter helps her up in calculation & accounting. Her husband also earns tk 200 every day in average. She has a small piece of land which is 4 gonda in local measurement

She has become more conscious about cleanliness after joining GB. She is doing family planning for 8 years, as per her opinion other members of GB are also conscious about family planning.

After up gradation of her financial status, now she has say in her family & among relatives. Now her laws' house is maintaining good relation with her after the up gradation, previously she was treated somewhat badly by her in-laws. She also started earning respect from her society.

Aleya is very particular in joining group meetings & repaying installments. She does not face that much difficulty in paying installments. She also opines that, the relationship & bondage among group members is very tight, often they extend financial supports to other members along with providing mental support.

In her opinion, GB staffs are very cooperative & caring. The Centre chief plays very vital role in terms of organizing meeting, maintaining discipline & manages money whenever any member fails to repay for genuine reasons.

Aleya opined that, other members of her group could bring significant improvement into their financial & social lives after joining GB- ultimately they got rid of the curse of poverty.



**Staff of Fegunasher branch:**

- 1) Mohammad Habibur Rahman- Principal Officer
- 2) Mohammad Sohrab Hossain- 2<sup>nd</sup> Signatory
- 3) Mohammad Arif Rassel-Officer
- 4) Mohammad Abdul Halim, Officer
- 5) Mohammad Abdul Malek, Officer
- 6) Mohammad Solaiman, Officer
- 7) Kazi Shahidul Haque, Center Manager
- 8) Mohammad Motahar Hossain, Center Manager
- 9) Mohammad Nazmul Hossain, Center Manager
- 10) Ms. Halima Akhtar, Center Manager
- 11) Mohammad Abdul Motaleb, Center Manager

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