

University of Rajshahi

Rajshahi-6205

Bangladesh.

RUCL Institutional Repository

<http://rulrepository.ru.ac.bd>

Department of Accounting and Information Systems

MPhil Thesis

2000

Credit Facilities for the Poorest of the Poor : A Study on Grameen Bank in Bangladesh

Uddin, Mohammad Main

University of Rajshahi

<http://rulrepository.ru.ac.bd/handle/123456789/717>

Copyright to the University of Rajshahi. All rights reserved. Downloaded from RUCL Institutional Repository.

CREDIT FACILITIES FOR THE POOREST OF THE POOR : A
STUDY ON GRAMEEN BANK IN BANGLADESH.

THESIS SUBMITTED FOR THE AWARD OF THE DEGREE OF MASTER OF
PHILOSOPHY IN ACCOUNTING

SUPERVISOR:

DR SYED ZABID HOSSAIN
ASSOCIATE PROFESSOR
DEPARTMENT OF ACCOUNTING
RAJSHAHI UNIVERSITY
BANGLADESH

SUBMITTED BY:

MOHAMMAD MAIN UDDIN
ASSISTANT PROFESSOR
DEPARTMENT OF ACCOUNTING
RAJSHAHI UNIVERSITY
BANGLADESH

DECEMBER 2000

D-2107

DECLARATION

I do hereby Declare that this thesis entitled “ Credit Facilities for the Poorest of the Poor- A Study on Grameen Bank in Bangladesh” submitted by me to Rajshahi University, Bangladesh, for the degree of Maser of Philosophy in Accounting is an original work. It has not been submitted earlier, either partly or wholly, to any other university or institution for any degree, diploma or prize.

Mohammad Mainuddin
Mohammad Main Uddin 25/12/2000

Department of Accounting

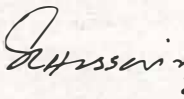
Rajshahi University

Bangladesh

CERTIFICATE

This is to certify that the thesis entitled “ Credit Facilities for the Poorest of the Poor – A Study on Grmeen Bank in Bangladesh” prepared by Mr. Mohammad Main Uddin, Assistant Professor, Department of Accounting, Rajshahi University, Bangladesh is his own achievement and is not a conjoint work.

I also certify that I have gone through the draft thesis thoroughly and found it satisfactory for submission to Rajshahi University in fulfillment of the requirements for the degree of Master of Philosophy in Accounting.


25/12/2020

Dr. Syed Zabid Hossain

Supervisor

&

Associate Professor

Department of Accounting

Rajshahi University

Bangladesh

ACKNOWLEDGEMENT

At the very outset I would like to thank my supervisor, Dr. Syed Zabid Hossain, Associate Professor, Department of Accounting, Rajshahi University, Bangladesh, for his valuable guidance, suggestions, and critical comments at every stage of this research work. In spite of his various preoccupations, he spent his valuable time in going through each and every word of my dissertation. I don't have words to express my sincere gratitude to him. Indeed I am fortunate to have him as my supervisor.

I am thankful to my teacher Professor Kazi Ahmed Nabi, Department of Finance, Chittagong University, who created interest in this field by giving an assignment on a related topic during my M.Com. studies. I am also grateful to my teacher Professor K. M. Golam Mohi Uddin, Chairman, Department of Accounting, Chittagong University, who taught me the basis of research. I should also acknowledge my teacher Professor H.I. Latifi, Managing Director, Grameen Trust for his co-operation in providing me with the list of publications of Grameen Bank and Grameen Trust. I would also like to record my gratefulness to Mr. Shamsul Alam Khan Chowdury, Zonal Manager, Grameen Bank, Rajshahi Zone for providing me audited annual reports of Grameen Bank from his personal collection. Mr. Abdul Matin Majumdar, Senior Officer, Monitoring and Evaluation Department, Zonal Office, Rajshahi deserves appreciation for his help in providing lot of valuable unpublished data of Grameen Bank. I am also thankful to Mr. Aktar Hossain Munnu, Senior Officer, MDs Secretariat for providing me

with all copies of "Grameen Dialogue" and "Poverty Newsletter" on free of cost.

I also appreciate Mr. Khalilur Rahman, Manager, Grameen Bank, Jayloskar-Dugon Bhuyian Branch and his office staff for their co-operation during my primary data collection. I would also like to record the help which I have received from my younger brother Mohammad Nezam Uddin, cousin A.S.M. Helal Uddin, Mohammad Kamal Uddin, and nephew Mohammad Younus Sumon at different phases of primary data collection.

I am thankful to Professor Abinya Chandra Saha, Department of Accounting, Rajshahi University for providing me books and journals from his personal collection. I also acknowledge the co-operation and encouragement which I have received from my colleagues especially from Professor Abdullah El Harun, Chairman, Professor Madan Mohan Dey, Professor Habibur Rahman Akan, Professor Nazrul Islam, Mr. Earjang Ali Imam, Mr. Kazi Saidul Islam, Mrs Dil Ara Hossain, Mr. Monjur Morshedul Abedin, Mr. Anwarul Haque, and Mr. Kamrul Hasan during the course of my research endeavour.

I also thank my friends Mr. Jahir Uddin Mahmud Khan, DGM, Al-Amin Bread and Biscuit Ltd, Noakhali, Mr. Gias Uddin Bin Syed, Officer, Saudia Air Line, Dhaka, Mr. Ahmed Rafi Farid, Officer, K-Line Shipping Agency, Dhaka and Mr. Abul Hossain, Manager, Grameen Bank, Satkania Branch who have encouraged me to undertake research project in this field.

I place on record my sincere gratitude to Mr. Sushil Kumar Pant, Lecturer, Pokhara University, Nepal, Dr. M. Raman, Faculty, Natesen Institute of Co-operative Management, Chennai, Dr. Pratapsinh L. Chauhan, Dean of Commerce, Sourashtra University, Rajkot and Mr. Benny Joseph, Faculty member, Rajagiri School of Management, Cochin who are my fellow participants of Faculty Development Programme at Indian Institute of Management, Ahmedabad for their timely help and support.

I thank Mr. Nur Mohammad, Office Assistant, Department of Accounting, Rajshahi University and Mr. Braj Nandan Misra, Research Associate, IIM Ahmedabad for assisting me in my computer work.

I acknowledge with great honour and gratitude to those researchers, authors, and scholars for the insights that I have got from their works during each stage of my research work.

I express my sincere gratitude to my parents, without whose support I would not have been able become a university teacher.

Last but not the least bow my head to Almighty Allah for keeping me physically and mentally fit for completing this work properly.

Mohammad Main Uddin

CONTENTS

	Page
Declaration	ii
Certificate	iii
Acknowledgement	iv
Table of Contents	vii
List of Tables	xi
List of Abbreviations	xiv

CHAPTER-1: OBJECTIVE AND METHODOLOGY

1.1 Statement of the Problem	2
1.2 Justification of the Study	5
1.3 Objectives of the Study	8
1.4 Description of the study Area	8
1.5 Sources and Collection of Data	9
1.6 Plan of the Study	11

CHAPTER-2: RURAL CREDIT MARKET IN BANGLADESH

2.1 Introduction	13
2.2 Non-institutional Sources	13
2.3 Institutional Sources	
2.3.1 Bangladesh Rural Development Board (BRDB)	16
2.3.2 Bangladesh Krishi Bank (BKB)	19
2.3.3 Rajshahi Krishi Unnayan Bank (RAKUB)	20
2.3.4 Nationalised Commercial Banks (NCB's)	21
2.3.5 Bangladesh Samabaya Bank Limited (BSBL)	22
2.3.6 Grameen Bank	23

2.4 Conclusion	24
----------------	----

CHAPTER-3: GRAMEEN BANK: AN OVERVIEW

3.1 Introduction	27
3.2 Organisational Structure	29
3.3 Decision Making Process	31
3.4 Group Formation	33
3.5 Centre Formation	35
3.6 Credit Delivery Model	37
3.7 Conclusion	39

CHAPTER-4: GRAMEEN BANK: GROWTH AND DEVELOPMENT

4.1 Introduction	43
4.2 Organisational Growth	43
4.3 Growth in Loan and Advances	44
4.4 Savings and Deposit Mobilisation	50
4.5 Social Development Programme	55
4.6 Conclusion	61

CHAPTER-5: GRAMEEN BANK: LENDING PORTFOLIO MIX

5.1 Introduction	65
5.2 General Loan	68
5.3 Collective Loan	74
5.4 House Building Loan	78
5.5 Technology Loan	80
5.6 Conclusion	80

CHAPTER-6: SOCIO-ECONOMIC CONDITIONS OF THE BORROWERS: BEFORE AND AFTER

6.1 Introduction	83
------------------	----

6.2 Age Sex Distribution	84
6.3 Family Type and Dependency	85
6.4 Distribution of Households by Number of Earners	86
6.5 Sources of Credit before Joining GB	88
6.6 Availability of Credit	90
6.7 Mortgaging land or Valuables	91
6.8 Level of Education	92
6.9 Occupational Pattern	94
6.10 Land Ownership Pattern	98
6.11 Ownership of non-land Assets	102
6.12 Impact GB loans on Income level of the GB Borrowers	104
6.13 The level of Income: Before and after Joining GB	104
6.14 Level of Income of the GB Borrowers Compared to Non-members	105
6.15 Age of Membership and the level of Income	107
6.16 Size of Loan and Level of Income	108
6.17 Availability of Foods and Its Security	108
6.18 Level of Status in Housing	109
6.19 Attendance to Qualified Physicians	111
6.20 Sources of Drinking Water	112
6.21 Toilet Facilities	113
6.22 Level of Expenditure of Clothing	115
6.23 Electricity Connection	115
6.24 Borrower Perception of Change in Their Economic Condition	116
6.25 Conclusion	117

CHAPTER-7: GRAMEEN BANK: OPERATIONAL PERFORMANCE

7.1 Introduction	121
7.2 Key Concepts	121
7.3 Analysis and Interpretation of Operational Performance	122
7.4 Conclusion	126

CHAPTER-8: SUMMERY AND RECOMMENDATIONS

8.1 Introduction	128
8.1.1 Growth and Development	132
8.1.2 Lending Portfolio Mix	135
8.1.3 Socio-economic Condition of the borrower: Before and After	137
8.1.4 Operational Performance	143
8.2 Recommendations	144

BIBLIOGRAPHY	147
---------------------	-----

APPENDICES	157
-------------------	-----

LIST OF TABLES

Table No.	Particulars	Page
Table- 4.1	Progress of Grameen Bank: Branches, Centres, Groups and	45
Table- 4.2	Annual Disbursement of Loan by Type and Gender	47
Table- 4.3	Cumulative Disbursement of Loan by Type and Gender	49
Table- 4.4	Grameen Bank Members Saving by Type and Sex	51
Table- 4.5	Grameen Bank Members Total Saving and Deposits	53
Table- 4.6	Trends in Achievement of Social Development	59
Table- 5.1	Share of Different activities in Total General Loans Disbursement	69
Table- 5.2	Annual General Loan Disbursement by Type and Activity	71
Table- 5.3	Top 25 Activities for Female Members	73
Table-5.4	Top 25 Activities for Male Members	75
Table- 5.5	Top 25 Activities for all Members	77
Table- 5.6	Share of Different Type of Loan in Total Loan Disbursement	79
Table- 6.1	Age sex Distribution of GB Borrowers	84
Table- 6.2	Distribution of Households by Family Type	86
Table- 6.3	Distribution of Borrower Households by Number of Income Earners	87
Table- 6.4	Various Sources of Credit to Borrower Households Before Joining GB	89
Table- 6.5	Distribution of Households Receiving Credit from Different Sources by Size of Loan Before Joining GB	90
Table- 6.6	Incidence of Land Mortgage for Obtaining Credit	91
Table- 6.7	Educational Background of Borrowers at the Time of Joining GB	92

Table- 6.8 Educational Background of GB Borrowers at the Time of Survey	93
Table- 6.9 Distribution of GB Borrowers by Principal Occupations at the time of Loan Application	95
Table- 6.10 Distribution of GB Members by Principal Occupation at the Time of Survey	97
Table- 6.11 The Patterned of Distribution of Owned Land at the Time of Joining GB	98
Table- 6.12 The Pattern of Owned Land at the Time of Survey	100
Table- 6.13 The Pattern of Distribution of Owned Cultivated Land at the time of Joining GB	101
Table- 6.14 The Pattern Distribution of Owned Cultivated Land at the Time of Survey	101
Table- 6.15 Distribution of Borrower Households by Size of Non-land Assets at the Time of Joining GB	102
Table- 6.16 Distribution of Borrower Households by Size of Non-land Assets at the Time of Survey	103
Table- 6.17 Level and Distribution of Income of Borrowers Before Joining GB and at the Time of Survey	105
Table- 6.18 Comparison of Income Level of GB Borrowers With Non- Borrower at the Time of Survey	106
Table- 6.19 Level of Income by Age of Membership with GB	107
Table- 6.20 Per Capita Income by Size of Loan Taken	108
Table- 6.21 Number of Respondents and the Availability of Food 3 Times a Day	109
Table- 6.22 Changes in Housing Status After Joining GB	110
Table- 6.23 Status of Primary Health Care of the Respondents: Attending	

Qualified Physicians	111
Table- 6.24 Status of Primary Health Care of the Respondents: Attending Quacks and Spiritual Healer	112
Table- 6.25 Sources of Drinking Water	113
Table- 6.26 Toilet Facilities of the Respondents	114
Table- 6.27 Level of Expenditure of Clothing of GB Members before Joining and at the Time of Survey	115
Table- 6.28 Electricity Connection	116
Table- 6.29 Borrowers Perception of Change in Their Economic Condition After Joining Grameen Bank	117
Table- 7.1 Working Fund, Earning Assets, Equity, Volume of Business, Income, Exp., Spread and Personnel Exp.	123
Table- 7.2 Profitability Ratios	126

ABBREVIATIONS

BARD	Bangladesh Academy for Rural Development
BIDS	Bangladesh Institute of Development Studies
BKB	Bangladesh Krishi Bank
BRDB	Bangladesh Rural Development Board
BSBL	Bangladesh Samabaya Bank Limited
BSS	Bittaya Heen Samabaya Samity
BW	Bank Worker
EA	Earning Asset
EF	Emergency Fund
Exp.	Expense
GB	Grameen Bank
GBP	Grameen Bank Project
GOB	Government of Bangladesh
HO	Head Office
IFAD	International Fund for Agricultural Development
IRDP	Intregrated Rural Development Programme
MD	Managing Director
MIS	Management Information System
MSS	Mohila Samabaya Samity
NCB	Nationalised Commercial Bank
NGO	Non Government Organisation
RAKUB	Rajshahi Krishi Unnyan Bank
RWP	Rural Works Programme
SACP	Special Agricultural Credit Programme

TCCA	Thana Central Co-operative Association
TTDC	Thana Training and Development Centre
VOB	Volume of Business
WF	Working Fund
ZM	Zonal Manager

CHAPTER - 1

OBJECTIVE AND METHODOLOGY

1.1 Statement of the Problem

Bangladesh has a vast poor population and has grown alarmingly since independence. They are not only extremely poor but are virtually shelterless on a regular basis (Rahman, 1989-90: 381). The World Development Report 1990 presents daily calorie supply per capita for various countries. Among the 38 low-income countries, Bangladesh with only 1927 calories supply per day per capita occupies ninth position from the bottom (Momin, 1992: 9). A recent survey showed that 64 percent of surveyed household had difficulty in satisfying basic needs, 70 percent of those experienced it on a prolonged basis (BBS, 1995). Widespread poverty, malnutrition and hunger have also been reported by a village survey (1989-90) of BIDS. Using head count ratio, it was found that 60 percent of the sample were below poverty line. This poor segment of the society is exposed to serious risk of health damage. The malnutrition among children is even more serious and 94 percent of them suffer from some degree of malnutrition (Rahman, 1989-90: 381).

Women experience hunger and poverty in much more severe way than men. Women have to stay home and manage the family with virtually nothing to manage with. When there is nothing to eat, the husband does not come home. The mother is left with the children to feed. If one has to starve in the family, it is always she has to go through it.

Employment is an instrument in the struggle for subsistence and alleviation of poverty. Perhaps for this reason, creation of employment opportunity has become one of the main objectives of planning in

Bangladesh. The different five-year plans of the GOB are mainly directed to boost up the purchasing power of the rural poor and push them above the poverty line. The GOB has been expanding its activities in the rural areas through programmes like 'Special Agricultural Credit Programmes', 'Non-agricultural Credit Programmes', 'Action Cum-Research Project' and 'Rural Finance Experiment Project'. But experience from all those programmes is very disheartening. Moreover, job opportunities, which have been created in firm and non-farm sectors in Bangladesh, have failed to absorb the vast army of able-bodied people roaming in the labour market. Unemployment problem reached its alarming stage and from the present employment situation it can safely be said that there is a big gap between the plan objectives and the realities. Employment generation has been much lower than expected. During the third five-year period (1985-90) only 3.93 million people were employed every year as against planned target of 5.1 million. The slowdown in economic growth and investment may have affected employment generation. This is also reflected in the declining of real wages. Since wage constitutes a significant portion of the income of rural households (31 percent of income of bottom 37 percent of rural household in 1973-74; 44 percent of income of bottom 55 percent of rural household in 1978-79), its decline means falling purchasing power of the poor (Rahman, 1989-90: 361). One of the main reasons behind falling wage rate is the excess supply of labour in the labour market. Moreover, majority of the labourers are unskilled and that is why they can not claim high wages. Another revealing feature is that the level of consumption is so low that any increase in income leads to the excess being spent on increased consumption; rather than an accumulation. Thus

they do not have any saving at all and the growth of capital formation is very low.

In fact the undeveloped rural economy of Bangladesh is reflected in the low productivity, high population pressure, unemployment, underemployment, low calorie intake, lack of working opportunities outside agriculture, and the resultant deteriorating living condition of the rural poor. Rural illiteracy is also very high. Land is concentrated in few hands. The size of the agricultural labour market is very small, and is gradually shrinking because of (1) increasing availability of family workers associated with the growing pressure of population on land and (2) Sluggish growth in agricultural production, most of which originates more from technological improvements than, more intensive application of labour. It is also obvious that whatever additional employment is generated in the crop sector, a large part of it is taken up by the unemployed family workers (Hossain, 1984: 3-4). Thus the wage employment generated in family activities is totally inadequate for highly growing population of the country. Consequently the land-less poor are being forced to take up self-employment in various non-crop activities. But the activities in which they are involved are very low productive ones. Since they do not have any resources or very limited access to resources, the major constraint they face in operation is the shortage of finance. Even they have no access to the formal credit system as they can not provide collateral securities. The causes identified are as follows (i) the practice of keeping collateral against loans which the rural poor can not provide, (ii) the cumbersome procedure of completing formalities for obtaining credit,

which the illiterate poor find difficult to complete. Moreover, bankers prefer to handle big rather than petty loans which the rural poor need. Therefore, the rural poor usually have to take loan from the local moneylenders who charge exorbitant rates of interest and in this way moneylenders extract a significant portion of the value addition made by the self employed person (Hossain, 1984: 5).

Provision of institutional credit at reasonable rate of interest could make a remarkable positive impact on the socio-economic life of the rural poor. Furthermore, institutional credit can save the rural poor from the local moneylenders and can help the poor to increase their productivity as well as income and purchasing power. Even institutional credit can help them accumulate resources.

In the above circumstances, there is an urgent need for separate program for the rural poor to extend a wide variety of financial assistance to them. GB has been established to cater these needs. The main objectives of GB are to provide banking facilities to the poor segment of the country, to eliminate the exploitation of the village moneylenders and to create opportunities to self-employment for the vast unemployed and underemployed labour force by providing credit and other facilities. In this context the role that can be played by GB depends mainly on its activities like expansion of branch network, development of credit infrastructure and other required pre-requisites for efficient operations.

1.2 Justification of the Study

GB is a special type of financial institution, which provides credit only to the poor segment of the rural society. The present study arises out of the need to highlight the organisational characteristics of GB, which have great impact on its success. Till today the rural credit delivery system is found to be dominated by traditional moneylenders. After independence, the GOB has directed all the Nationalised Commercial Banks (NCB's) and Krishi Bank to go to the rural areas in order to develop the rural financial market through lending operations and deposit mobilisation. But the rural poor were totally out of the preview of the landing operations of the NCB's and the Krishi Bank. Thus for the growth and development of rural economy and the rural poor, GB appeared as a special type of financial institution in 1983. Its organisational characteristics are totally different from other financial institutions in Bangladesh.

Mixing of the poor and the non-poor is a sure path to failure (Yunus, 1994: 13). It puts so many checks in the way that it would be quite a tough job for a 'non poor' to get in. Again within the eligible poor, Grameen tries to reach the people at the bottom. Thus the target groups of the Bank are poor land-less men and women in rural areas. The target group of the Grameen Bank consists mainly of (a) land-less persons who own a homestead but little or no farm land and (b) destitute persons who own neither a homestead nor any farmland (Ray, 1987: 5). One strategy, which Grameen finds helpful in reaching the poorest, is to start its operation initially with only women groups (Yunus, 1989: 145). Grameen bank is much more committed to alleviate poverty than nationalised commercial

banks. In all thinkable way it provides services to its borrowers which enhance their well being, health and productivity (Fuglesang and Chandler, 1994: 1). The most important factor in increasing the productive capacity of the rural poor is the availability of the right type of productive resources including credit at the time it is actually needed (Alauddin, 1986:23). But unfortunately the rural poor do not have access to institutional credit as they can not provide collateral. 'To argue that banking can not be done with the poor because they do not have collateral to offer is the same as arguing that men cannot fly because they do not have wings' (Yunus, 1987: 12). Realising this situation Grameen Bank has started lending activities with the rural poor without collateral from the very inception of the Bank. The study is, thus, an attempt to examine whether Grameen Bank is successful in reaching the target group i.e. the rural poor and how far it has succeeded in alleviating rural poverty. Different researchers have conducted several studies on this issue but most of the studies are on the basis of secondary data. Thus there is an urgent need to examine the success of GB on the basis of primary data from a large sample.

The Grameen Bank is not merely operating a credit program; its ultimate aim is alleviation of rural poverty (Hossain, 1984: 10). Its extension of credit to the rural poor has led to the creation of opportunities for self-employment (Yunus, 1982: 6). GB strives to empower land-less rural poor specially destitute women by providing them with credit for self-employment through small loans, ranging from \$7 to \$200, the bank enables land-less rural poor men and women to start their own businesses

and thereby gain self sufficiency and self respect (Rahnuma, 1987: 13). Dr. Yunus (1987a: 2) opined that credit is a “fundamental human right,” a powerful weapon that grants one access to resources previously out of reach and, hence, a fair chance to improve one’s economic situation. Thus this study has examined the extent to which Grameen Bank is successful in granting credit to the rural poor for their economic emancipation. The study has also presented the special characteristics and the growth and development of the GB, which have not secured due attention of previous researchers.

1.3 Objectives of the Study

The objectives of the study are as follow:

- ⇒ To list the special characteristics of GB than other financial institutions;
- ⇒ To examine and evaluate the growth and development of GB over a period of time;
- ⇒ To assess the impact of GB loans on the socio-economic transformation of borrowers;
- ⇒ To assess the operational performance of GB;
- ⇒ To suggest probable steps to overcome the problems that GB and borrowers are currently experiencing.

1.4 Description of the Study Area

The study was conducted only on one branch - Joylashkar-Dugon Bhuyian Branch in order to have a closer look into GB operations. It is the largest GB branch in Dugon Bhuyian Area with respect to loan disbursement,

recovery and profit generation. This branch started its operation in 1988. It covers five unions such as Jayloskor, Matu Bhuyian, Purba Chadra pur, Panchgachia and Dugon Bhuyian. Its profitability is indeed on the high side. During this short span of time it has steadily expanded its area of coverage and its loan recovery record is also excellent. It placed itself in fourth position nationally and first position in Dugon Bhuyian area in terms profit earning capacity by June 1997. The branch (as of June 1997) extended its services to 30 villages. All these unions are well developed and only 4-15 Kilometres from Feni township. Per capita land ownership of Feni district is only 0.29 acre and as a result most of the people live on off-farm occupations. In all there were 53 centres- male 1 plus female 52, and 393 groups - male 2 plus female 391. Total number of borrowers enlisted were 1965 (male 10 plus female 1955).

There were 381 cases of housing loans, of which 3 were for male and 378 were for female. Till June 1997, the total amount of Tk.89.1 million was disbursed by this branch of which only Tk46 million went to the male borrowers and the rest to the female borrowers. Expansion of loan disbursement was quite impressive in this branch. Loan amount increased to Tk89.1 million (or 11.13 times) by the end of June 1997 from Tk12.5 million in 1989. Default in loan repayment was quite insignificant in this branch. None of the loan cases even crossed 52 weeks repayment period. The branch was well ahead of others in implementing social development programs, such as providing pre-primary education to the children of the borrowers, arranging marriages without dowry, distributing vegetable

seeds and seedlings. The study area is close to Feni district headquarter, and covers an area of 15 square miles.

1.5 Sources and Collection of Data

The study has been based on both primary and secondary data. Secondary data were collected from audited annual reports, MIS reports, and other publications of GB. While primary data were collected through field survey. Two sets of interview schedules were prepared for this purpose. One set for the GB borrowers and the other for the non-borrowers. For the purpose of comparison the samples were selected from two groups:

1. Members: Target group households in the study area received loans from GB.
2. Non-member: Target group households in the study area not yet served by GB.

Primarily 425 GB borrowers and 100 non-borrowers were selected as the sample. However, interviews could be conducted with only 413 GB borrowers and 70 non-borrowers. The remaining 12 GB borrowers and 30 non-members did not want to give interview and even they did not co-operate in providing any information. As such, they were excluded from the sample. The selection was based on random sampling technique. While the non-borrowers were selected on the basis of best judgement giving emphasis on their economic and social status. They were from the same economic and social background like GB borrowers.

The impact of GB has been assessed in two ways. First, the socio-economic change of the GB members after joining with their prior position. Secondly, the socio-economic change of the GB members in comparison to the non-members in the study area.

The fieldwork for the present study was carried out during the first quarter of 1997. Data were collected through interviews with the selected GB borrowers covering information on socio-economic background of the borrower households, their credit history, income expenditure pattern, investment and their own view about the future of GB and themselves. While data collected from the non-members covered information

about their socio-economic background, income - expenditure, investment and their views about GB. The study area was visited again on December 1997 to fill up the data gap.

There was also a checking mechanism within the interview questions and whenever a discrepancy was noticed, the respondent concerned was consulted again. One qualitative difference between GB borrowers and non-borrowers was that GB borrowers were most co-operative in giving answers than the non-borrowers. Collected data have been organised, tabulated and analysed with the help of necessary statistical tools.

1.6. Plan Of the Study

The Study is divided into eight chapters. First three chapters are introductory. The next four chapters i.e. from four to seven are the main corpus of the study. While the last chapter contains summery of main findings and recommendations of the study. The chapter plan is appended below:

1. Objective and Methodology
2. Rural Credit Market in Bangladesh
3. Grameen Bank: An Overview
4. Grameen Bank: Growth and Development
5. Grameen Bank: Lending and Portfolio Mix
6. Socio-economic Conditions of the Borrowers: Before and After
7. Grameen Bank: Operational Performance
8. Summary and Recommendations

Rajshahi University Library
Documentation Section
Document No. D... 2107
Date. 02/10/02

CHAPTER-2

RURAL CREDIT MARKET IN BANGLADESH

2.1 Introduction

The rural poor in Bangladesh hardly possess any resource or they do not have any access to necessary institutional credit to engage themselves in income generating activities. Their restricted access to the economic resources including institutional credit as well as limited participation in the political process and power structure render them to the consequences of both human exploitations and natural calamities. They have no alternative but ^{to} borrow from moneylenders at prohibitive rates of interest. The implicit rate of interest on the average turned out to be 439 percent (Rashid, 1986). No formal credit have reached them prior to the introduction of schemes and projects specially designed for them. But unfortunately most of the programmes failed to bring substantial benefits for the rural poor. Instead the wealthy segment of the society has been reaping the benefits of those programmes due to some inherent weaknesses in designing and implementing the same. In the next section we have given a short description of different informal and formal sources of credits with their inherent weaknesses. While the last section presents the brief summary of this chapter.

2.2 Non Institutional sources

Non Institutional sources like village moneylenders, and friends & relatives are the age-old players in the rural credit market. The role of friends and relatives are very limited and insignificant, while the roles of village moneylenders are predominant. The moneylenders are large farmers, business persons and village mohajons. The process of ever increasing landlessness and poverty finds a very effective vehicle through the operation of moneylenders. 'A village moneylender is one who, in addition to money lending, may engage himself in any, few or all of the following activities,

viz. trading, running an agricultural farm or manufacturing unit with hired labour, exercising the power of a village notable (Matbar) or of a local government functionary i.e. Union Parishad member or chairman, etc.' (Ray, 1987: 58). They have been exploiting the rural poor in a variety of ways as they have easy access and control to the formal and informal sources of rural power structure. They usually exploit the rural poor by over pricing goods supplied (two to three times more than the normal price) on credit to small traders who are so innocent and so habitual to exploitation that they may not even be aware of the invisible exorbitant interest extracted by moneylenders. 'A maund of paddy borrowed at the beginning of the planting season, has to be repaid with two and a half to three maunds of paddy at the harvesting time, and many other such arrangements' (Yunus, 1982: 9). There is a whole range of commodity loans. They also provide cash credit and they usually charge usurious rate of interest such as 15 to 25 percent per month on the principal amount they supplied. These rates are considered normal all over the country. These village-moneylenders are still ruling the village credit market. Wide variety of securities are offered by the borrowers for loans from the moneylender, which are labour, household assets, jewellery, etc.

Professor Yunus has described the form of securities as under (Yunus, 1982: 4):

Transfer of the use of land is the most common form of security. For the borrowed amount of money a piece of land is placed at the disposal of the creditor who enjoy the ownership right over the piece of land until the total amount is repaid. In many cases formal documents (such as Bawnanama) are made to establish the right of the creditor. To make the repayment of the

loan difficult the creditor usually refuses to accept any part payment of the loan. After the expiry of a certain period the creditor has a right to buy off the land at the predetermined price. Other forms of land securities are variously known as Khaikhalashi, Daisudi, Kot, Saif Kabola, Chukti Kobala, etc. Jewellery and other valuables, common household goods are also pawned to the village moneylenders for loan. Obligatory supply of labour on creditors land is another form of security. Under Dadan system, traders advance loans against standing crops for obligatory sale of the crops to the creditors at a predetermined price, which is obviously lower than the market rate.

Whether the borrowing is made for investment purpose or consumption purpose such as for physical survival, to marry of daughter, for medical needs, to meet some emergency situation, to bribe some one, for social occasions, to flight court cases, etc., it becomes extremely difficult for the borrower to extricate himself/herself from the burden of the loan. Most likely he/she will borrow more and more just to repay the preceding loan, ultimately to find his/her final salvation in death.

Around four-fifths of the rural credit still comes from the village moneylenders. Unless the poor can be liberated from the bondage of the moneylender no economic programme will be able to address the problem of rural poverty. However, several institutions have started providing credit to the rural poor so that they can get rid of the village Moneylenders and can find self-employment to struggle with the poverty as also to come out from the poverty line.

2.3 Institutional Sources:

2.3.1 Bangladesh Rural Development Board (BRDB)

Experiment for rural development in Bangladesh first started during 1960s which is known as Comilla Model. The model had four components: (a) establishment of Thana Training and Development Centre (TTDC) in every Thana; (b) Rural Works Programme (RWP) for construction of road; drainage and embankment; (c) Thana based decentralised small irrigation programme (TIP); (d) Two Tier Co-operative system under Thana Central Co-operative Association (TCCA). Comilla Model which is the first grassroots organisation for rural development, was later replicated throughout the country immediately after the independence of Bangladesh in the name of Integrated Rural Development Programme (IRDP).

In the early 1960s, small and marginal farmers got some benefits from Comilla experiment due to able and vigorous supervision exercised by the East Pakistan Academy for Rural Development under the leadership of Dr. Akthar Hamid Khan. He was a dynamic and articulate personality who made skilful use of considerable foreign assistance in operating this programme. But later on when the two tier co-operative system was expanded first throughout Comilla district and then other districts; this failed to reach the target group and protect the interests of the small and marginal farmers. One of the main reasons was that there were no membership barriers for the wealthy farmers. Consequently the wealthy segment of the rural people became the members of the co-operatives and they dominated the co-operative societies. After an evaluation study of Natore and Gaibandha projects the evaluators draw an inference, which is stated below: -

'The study demonstrates that while in Natore and Gaibandha about 30 percent co-operative farmer fall under the category of big-farmers (having more than five acres of cultivable land of their own), almost all the executive committee members are surplus farmers. The benefits of the IRDP co-operatives, if there be any, have largely gone into the pockets of the big farmers' (Hamid and Rahman, 1977: 4).

IRDP has been renamed as Bangladesh Rural Development Board (BRDB) in December, 1982. The failures of Comilla type co-operative to reach the target group i.e. the rural poor has led the BRDB to initiate special co-operatives for the resource-less which are called Bittayaheen (Bengali word for asset-less) Somabaya Samity (BSS) and Mohila (Bengali word for women) Samabay Samity (MSS). BSS and MSS are village based co-operative societies separately for male and female. These types of co-operatives are formed to facilitate support services in the form of skill development, credit and input supplies to the members in agricultural and non-agricultural activities in order to make the disadvantaged segment of the society to participate in the development of the economy as well as in their own decision making.

At least ten members from same sex and from same locality can form a co-operative society, but the maximum member is fifty. A managing committee consisting of chairman, a vice chairman, one manager and 3 or 6 or 9 directors (Exact number to be decided by the members of the society) is responsible to run a co-operative society. From a family only one preferably the head of the family can be the member of a co-operative society. Another pre-requisite is only an adult male or female of age 18 or above possessing

land not more than 50 decimals and is not in a position to meet his/her family's subsistence requirements through sale of labour qualify for becoming member of BSS or MSS. It is obligatory for every member to make a weekly saving of at least Tk.1.00 and to purchase a share of BRDB within one month of acquiring of his or her membership. A member can get loan from the society for any productive activities subject to a maximum limit of 20 times of his/her total saving and share in the co-operative.

The economic activities undertaken by the societies are pond fisheries, cow and goat rearing, poultry, net making, rickshaw pulling, cane and bamboo works, bookkeeping, oil milling, etc. But how far these co-operatives have been succeeded in reaching the target group remains a vital question. But no in-depth evaluation study of the programme has yet been done by any researchers from which we could assess the impact of the programme on rural poor. However, there are some criticisms of these co-operative, as summarised by one researcher are give below (Momin, 1992: 150):

- i) No bench mark survey has been conducted to identify the land-less,
- ii) BRDBs Primary Co-operatives are federated with the Thana Central Co-operatives Association (TCCA). But unfortunately TCCAS were already dominated by the rich and powerful. While there is a class contradiction between rich and poor, expectation of bringing benefit to the poor by the rich is unrealistic.
- iii) BSS/MSS are to be organized around non-farm activities considering the fact that the members of the societies do not have much access to agricultural land. But BRDB does not have expertise in handling non-farm activities as it was agriculture biased from the beginning.

Moreover, BRDB lack committed cadres to run such co-operative scheme.

- iv) Income generating activities have been undertaken without proper feasibility survey.

2.3.2 Bangladesh Krishi Bank (BKB)

The Bangladesh Krishi Bank with its net work of more than one thousand branches and about 15,000 employees is one of the most important specialised financial institutions in Bangladesh. Besides crop financing programmes with other NCBs under lead bank system, BKBs loan portfolio includes financing and development of agriculture or agriculture produce, horticulture, dairy, fishery, sericulture, tea plantation, storage, warehousing facilities or processing of agricultural machinery, marketing of agriculture produce, etc.

The historical facts of BKB reveals that it has been the major lender of agricultural credits and its share of disbursement has always exceed the total of all other schedule banks taken together.

However, the major limitation of BKB is that the bank did not define poor as its target group and its loan portfolio is too limited. The institute is reluctant in providing credit for non-farm activities.

The major portion of BKBs credit goes to medium and large farmers. Although the poorest segment constitute the major portion of the society. Land-less, share-croppers (borgadar), and women remained totally outside

the preview of BKB's lending system. Moreover, small farmers do not have adequate access to BKB's credit due to many factors:

- i) First, BKB provides loan on the basis of land ownership and collateral securities which the small farmers cannot provide;
- ii) Secondly, the small farmers require small loan; the cost of maintaining such loan is too high that is why the bank has been discouraging small loans.
- iii) Thirdly, the small farmers are not welcomed in the banks because they come from humble origin.
- iv) Finally, official procedures are time consuming, cumbersome and lengthy. Moreover, malpractice is reported to be there.

2.3.3 Rajshahi Krishi Unnayan Bank (RAKUB)

Bangladesh Krishi Bank (BKB) was working throughout the country till the emergence of Rajshahi Krishi Unnayan Bank (RAKUB) on 15th March 1987 as a new Bank. RAKUB consists of almost same character of BKB and has been functioning in Rajshahi Division exclusively. It has taken all the branches of BKB in this division.

RAKUB and BKB have basically four types of borrowers, such as (Hussainy, 1986: 11):

- a) Those who are commercially oriented large borrowers owning large farms, plantations, trading businesses, etc.
- b) Those who are net savers and have potentials for increasing their income further,
- c) Those who have some resources but are still below subsistence level due to inefficient use of technology.

d) Those who have insufficient physical resources to produce enough income.

The first two of the above four categories (a) and (b) usually belong to the traditional power structure of the rural society and they usually get the lion share of the rural credit of RAKUB and BKB. Rural poor and small farmers (Borgader) are usually out of the preview of rural credit.

2.3.4 Nationalised Commercial Banks(NCB's)

All Commercial banks (except foreign bank branches) operating in the erstwhile East Pakistan were nationalised after liberation and they were brought in to the arena of rural non-farm credit through their rural branches. Of late they have been also inducted in the fields of agricultural credit. In 1977, the government of Bangladesh announced Tk.100 core Special Agricultural Credit Programme (SACP) only in crop financing through nationalised commercial bank with BKB under lead bank system. During 1982, 148 branches of Uttara and Pubali Bank were merged with BKB and subsequently these two banks were privatised. Since then they have stopped lending for the rural poor both for farming and non-farming activities. Later on another nationalised bank, Rupali Bank, was privatised and also became reluctant in disbursing rural credit. Now Sonali, Janata and Agrani banks are participating in rural credit. While their lending procedures are cumbersome and time-consuming like BKB and RAKUB. Moreover, they are reluctant in providing small credit and as such the rural poor are always out of their lending services.

2.3.5 Bangladesh Samabaya Bank Limited (BSBL)

The BSBL, being a society, provides finance only to its members. Number of members of the Bank as on 30th June 1990 is 449 only. The Government is also a member since it has contributed to the share capital of the Bank. Break-up of the members (as on 30-6-90) is as under :

A. Central Societies

i) Central Co-operative Banks	71	
ii) Central Multipurpose Co-operative Societies	30	
iii) Central Sugar Cane Growers Societies	13	
iv) Thana Central Co-operative Associations	<u>51</u>	165

B. Primary Societies :

i) Land Mortgage Banks	42	
ii) Primary Multipurpose Co-operative Societies	147	
iii) Town Co-operative Bank Societies	10	
iv) Fishermen's Co-operative Societies	2	
v) Others Societies	<u>83</u>	<u>284</u>
		<u>449</u>

The bank was established primarily to cater the needs of the agriculturists of moderate and small means. Disbursement of agricultural credit through the co-operative societies, both central and primary is the main business of the bank. Agricultural loans issued by BSBL presently are of three types such as short, medium and long-term. The short-term credit is mainly issued for buying seeds, fertiliser, fuel, irrigation water, etc. for cultivation of various crops. Medium loans are extended for buying of ploughs, animals and small agricultural equipments. The long-term loans are provided through the Land

Mortgage Bank (Primary Societies) for redemption of old debts, purchase of agricultural machinery, improvement of land as also buying of neighbouring land. The source of fund of BSBL is its own resources and borrowing from Bangladesh Bank against Government guarantee.

The shortcomings of BSBL are stated below: -

BSBL can not lend to individuals. The Bank makes short and medium term loans to the central societies (Central Co-operative Banks) which, in turn, re-lend the money to the primary societies. The primary societies disburse loan to individuals. The rural poor seldom get entrance to all these primary societies. As such they usually do not get credit from primary societies. Thus the bank has totally failed to reach the poorest segment of the society. Moreover, corruption, mismanagement and lack of supervision of utilisation of loans and absence of regular contact with the beneficiaries stand in the way of boosting up the recovery position.

2.3.6 Grameen Bank

It is an innovative rural bank in Bangladesh that provides credit to the disadvantaged rural poor, specially to the women who own less than 0.50 ? decimals of land or whose assets do not exceed the value of one acre medium type land. Professor Yunus, the founder of GB, opined that, 'failure of the financial institutions to extend credit to the poor is the single most important cause of poverty. Once the process of pauperisation pushes a person into poverty, there is very little one can do to reverse the process. Financial institutions somehow found their safety and security only in collateral. Collateral requirement got translated in to the principle : the more

you have the more you can get. As a result the people who do not possess anything, are completely deprived from credit' (Yunus, 1995 : 6).

Shortage of capital is a major constraint to the generation of self employment in the non-farming activities. 'They often have to fall upon the village moneylenders who charge exorbitant rates of interest and in this way extract a significant proportion of the value added leading to a low return on labour of the self-employed person' (Hossain, 1984 : 5). Shortage of capital also forces many land-less, particularly women to work at a very low wage.

It is widely believed that supply of capital at a reasonable cost could help transform the surplus labour of these poor into goods and services which can then bring in new entitlements from them. Since the traditional financial institutions did not cater to needs of the poor, there was a solid ground for a programme like Grameen Bank (Rahman, 1994: 441). Contrary to traditional commercial banks loans, Grameen Bank loans need not be secured by collateral. Moreover, the borrowers need not come to the bank to receive and repay the loan, the bank is going to its borrowers for both disbursement of loans and collection of repayments. GB is a unique specialised financial institution, which has successfully reached the target group. Its growth, development, lending procedure, loan portfolio, loan realisation performance, employee productivity, profitability, etc. have been discussed in different chapters of the present study.

2.4 Conclusion

Rural credit market is divided into two parts such as non-institutional sources and institutional sources. Village moneylenders and traders are the

major non-institutional players and they are dominating the rural credit market in Bangladesh. At present 80 percent of the rural credits are coming from non-institutional sources. Village moneylenders charge usurious rate of interest such as 300 to 400 percent per annum. It becomes difficult to the borrower to extricate from the burden of the loan. Rural poor takes more and more loan just to repay the preceding loan; ultimately he/she loses his/her assets including land. No economic programme will be able to alleviate the rural poverty unless the poor can be liberated from the bondage of village moneylenders. Realising the gravity of the problem several traditional financial institutions such as Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, Nationalised Commercial Banks, Bangladesh Samabaya Bank, etc. have started providing finance to the rural people. But all these institutes are serving the purpose of the wealthy segment of the society. They seldom provide credit to the rural poor as the rural poor can not provide collateral securities. Moreover, traditional financial institutions believe that small loan are not cost effective. As such, Grameen Bank has been established in order to cater the credit needs of the rural poor.

CHAPTER-3

GRAMEEN BANK-AN OVERVIEW

3.1 Introduction

The Grameen Bank (GB) is a rural Bank in Bangladesh that organises the rural poor around productive economic activities. It provides credit without material collateral to the rural poor particularly women, who were usually excluded from the conventional banking system. Any person who own up to 50 decimals of cultivable land or whose assets does not exceed the value of 100 decimals of average land of that locality is eligible for the loan.

Dr. Muhammad Yunus, a professor of economics, started the Grameen Bank in 1976 as an action research project (Grameen Bank Project) with the hypothesis that providing credit to the rural poor without material collateral is not at all risky and “if financial resources are made available to the poor at reasonable terms and conditions they can generate productive self-employment without any external assistance. (Yunus, 1982a:3) Initially the project started its activities with the following objectives (Yunus, 1982b: 10-11): -

1. To extend Banking facilities to the poor men and women.
2. To eliminate the exploitation of the moneylenders.
3. To create opportunities for self-employment for the vast unutilised and under utilised manpower resource.
4. To bring the disadvantaged people within the folds of some organisational format, which they can understand, and operates and can find socio-political and economic strength in it through mutual support.
5. To reverse the age-old vicious circle of “low income, low savings, low

investment, low income” into an expanding system of “low income, credit, investment, more income, more credit, more investment, more income”.

The project was experimented in a village called Jobra near Chittagong University in 1976. The GBP quickly demonstrated its success and by 1978, started its operations in two other villages in addition to Jobra. After three years of experiment the project extended its activities in Tangail district with financial support from Bangladesh Bank (Central Bank). By May 1982, the project was further extended to Dhaka, Rangpur and Patuakhali districts with financial assistance from International Fund for Agricultural Development (IFAD).

After a long struggle (i.e. from 1976 to 1983), Prof. Yunus succeeded to prove his hypothesis as the realisation of credit was almost cent percent during the period of observation.

In recognition of the need for a separate development financial institution for the disadvantaged rural poor, the Grameen Bank Project ceased to be a project and became a bank in September 1983 with the promulgation of the Grameen Bank Ordinance, 1983. Lack of access to the institutional credit was the biggest constraint for the rural poor to build up their fate with their own activities. Realising the severity of the problems GB has been trying to provide appropriate support to the rural poor through credit, guidance and advice so that the poor can be productively employed in income generating activities.

The GB supported activities are being under taken within the existing socio-political and economic framework of rural Bangladesh, in a state of unchanged technology. Most GB supported activities are now undertaken on an individual basis. In a few cases such as shallow tube-well for irrigation, fish culture, market lease, etc. have been initiated on group-basis.

The ultimately aim of GB is to improve the well being of the disadvantaged rural poor. In addition to financial inter-mediation, it conducts social inter-mediation to make the poor both socially and individually accountable. Such accountability leads to more effective use of loans and consequently ensures loan recovery (Khandker, Khalily and Khan 1995: 9)

3.2 Organisational Structure of GB

GB is a highly decentralised organisation. It has four phases organisational set up: the Head Office, the Zonal Office, the Area Office and the Branch. The Zonal and Area offices together are referred to as the Regional Office. The Head Office (HO), located at Dhaka, is the first phase of the GB organisational structure. It is headed by the Managing Director (MD). The MD is assisted by a Deputy Managing Director, a General Manager, seven Deputy General Manager and over 400 other staff members. The seven DGM are the head of seven Departments, namely -

- a) Administration Department
- b) Accounts Department

- c) Training and Special Programme Department
- d) Monitoring & Evaluation Department
- e) Technology Project Department
- f) Research & Development
- g) MD's Secretariat

The field offices consisting of branch, area, and zonal offices, are independent of the head office. The field structure is as under: 5 members form a group and 2-10 groups form a centre. While 40-60 centres form a Branch, which is the field level unit of GB operations. All the centres are located in villages within walking distance of a branch, an area of no more than 30 square miles. An average branch has about 10 employees, consisting of one branch manager, one senior assistant, seven bank employees and one peon-cum-guard. At the field level, groups are formed and trained and proposals for loan are made, although the branch does not have the authority to lend. Area office approves loan based on the recommendation of the branch manager.

An area office supervises the maximum of 15 branches. It has usually six staff, consisting of one area manager, one program officer, one senior assistant, one typist, one driver, and one peon-cum-guard.

A zonal office supervises 5 to 10 area offices. The zonal office are staffed by about 35 employees, consisting of one zonal manager, two principal officers, fifteen senior officers, five officers, and twelve other employees. The zonal

office report to the H. O. At present there are twelve zonal offices situated in different districts of the country.

3.3 Decision Making Process

Earlier we have discussed that GB is a totally decentralised organisation. Its Head Office always tries to avoid unilateral decisions. In case of forming new policies or rule or regulations, HO first prepares a draft and circulates the same among departmental heads and zonal managers for comments and modifications. If the subject matter of the draft is of greater importance then the copies of the same will go to the area manager. Depending on the seriousness of the matter, those who receive the draft they may send their comments in writing, or each recipient may hold his internal meetings to discuss the issues and came up with their reactions. After receiving the opinions from all concerned the H. O. send them to a standing committee, the drafting committee, which reviews all opinions and suggestions and prepare the 2nd draft. This second draft is circulated to generate opinions. If everybody seems generally satisfied with the second draft it is officially adopted and circulated among the relevant officials as official policy. If the second draft generates another waves of reactions, the draft committee again prepares the third draft. If no satisfactory draft comes up in several rounds of drafting, the same is referred to the zonal managers' conference, which is generally held twice a year. The issue is debated there and a decision would come from the debate.

The zonal managers' conference plays a vital role in the decision making process and also in the general administration. This conference is usually a three-day intensive affair. In the HO, each department prepare its own agenda item, papers for circulation, a report on the activities of the department, its future plans, etc. The HO consolidated all the departmental agenda items to prepare a single agenda i.e. head office agenda.

The zonal managers prepare their own agenda, a review of the zone's activities, success and failures, future plan, papers for circulation, reports on innovative activities of the zone and a report on the problems they are facing. They also present trend analysis, profit -loss analysis, and many such things. Each ZM may bring an area manager to assist him during the conference.

All through the conference, the departmental heads in the HO along with their aides (one assistant for each departmental head) remain present in the conference, and the managing director presides.

ZMs are encouraged to criticise each other's performance and finds gap in their reports. But during the conference head office representatives are not allowed to make accusations, or express displeasure for anything done by the ZMs or for any failure to follow any instructions by any zones. While ZMs can speak out and complain against the Head Office. Head Office can only depend itself by explaining the circumstances, clarify the situation and coming up with new arrangement with ZMs to expedite matters.

Head-office representative brings out figures showing the performance of each zone and each area, compared to others. Discussions are initiated as to why a certain area or zone is lagging behind. Corrective measures are discussed but HO can never direct what to do. HO can only provide ideas for the consideration of the ZM. ZM can accept or reject the ideas. ZM should find the solution of his problems from the discussion.

ZMs arrive one day ahead of the conference, and they are expected to stay in Dhaka for another two days after the conference. This gives them time to resolve many of the pending administrative problems, and make arrangement for future trouble free support from the HO for implementing their plans.

Encouraged by the results achieved from the ZMs conference, ZMs are organising Area Managers' Conference in their own zones following the same format.

By opening doors for everybody to participate in the decision making process a large amount of misunderstanding and tension in the organisation have been avoided. Now everybody knows what the decisions are and why these decisions were taken.

3.4 Group Formation

The land-less poor who want to become members of the GB are encouraged to form groups by finding five like minded people who are in a similar

economic and social condition and enjoy mutual trust and confidence (Fuglesang and Chandler, 1995: 55). Usually it takes quite bit of time for the members to identify each other and consult each other before announcing. Thus they wish to form a group. Many times members screen each other out before they arrive at the final five (Yunus, 1994: 140).

As stated earlier any person whose family owns not more than 0.5 acre of cultivable land and the values of all the family assets together does not exceed the market value of one-acre medium quality land in the area is eligible for membership of a group.

All the members of a group must be inhabitants of the same village and only one member of a household is allowed to join in a group. If several people of a household want to join the bank, they must take membership in different groups. Similarly close relatives are not allowed to form a group. Another revealing feature is that men and women together can not form a group. Thus five women can form a female group and five men can form a male group. This decision has been taken on basis of social custom of Bangladesh which is pre-dominantly Islamic.

Each group elects a chairperson and a secretary. Both hold office only for one year. Each group member must have chanced to be elected before office-holders can be re-elected. The group chairperson is responsible for maintaining the discipline in the group. Members conduct their business with the bank through the chairperson at weekly meetings. It is obligatory

for all members of a group to attend weekly group meeting from where they can learn the rule and activities of the group and the GB.

The group makes decisions on all bank matters on a consensus basis. The chairperson is expected to be the spoke person who voices the group consensus at the centre meetings. Therefore, the homogeneity of the group is essential (Fuglesang and Chandler, 1994: 140).

3.5 Centre Formation

All the works of GB springs form and focus on the activities of the land-less groups and their centres. A number of groups in a village not exceeding ten-form a centre. The number of groups that form an ideal centre is six. Therefore, a centre usually comprised of 30 members (5 x 6). 'The name, centre, derives from the obligation of the six groups to construct a meeting centre, a place where they can discuss their concerns and conduct their bank business' (Fuglesang and Chandler, 1994: 55). Members of these groups (forming a centre) normally reside in the same village. All the group chairperson in a centre elect a chief and a deputy chief. Both hold office only for one year. The centre chief conduct weekly meetings where the bank worker collects weekly repayments issuing proper receipts.

Centre chief ensures attendance at the weekly meeting, payment of loan instalments, over all discipline and generally conduct the programme of the meetings. If a centre chief continuously fails to maintain discipline or does

anything against the interest of the members and the bank, he or she can be removed and a new person will be elected. Almost on a daily basis, both the group chairperson and the centre chief supervise the utilisation of loans by the members. Any misuse in this regard is reported to the centre meeting. A point is to note that the officeholders in-groups and centre are not paid for their work. Thus their service is non-remunerative.

Early in the morning the groups in a centre meet in the centre house and are assembled before the bank worker arrives. During the meeting, current issues of interest to the member are discussed, various problems to the member are discussed, various problems are raised, repayment of loans and other bank business is conducted and decisions of concern to the centre are taken on a consensus basis (Fuglesang and Chandler, 1994: 58-59). In the meeting new loan proposals and renewal loan proposals are prepared and the proposals forwarded through the bank worker to the concerned GB branch.

One of the most revealing features of the centre meetings is that all bank businesses are conducted openly in front of the members. There are no private transactions and no shady deals or mal-practices. Every member knows what is happening. At the same time, the openness of the procedures prohibits individuals from misbehaving. The complete set of rules and regulations applying to groups and centres are specified in Bidhimala, the Grameen Banks by Law

3.6 The Credit Delivery Model of GB

The GB has integrated group organisation with credit delivery to assist the rural poor. Groups are formed among like-minded people of similar economic status. Once groups are formed they have to go through intensive training for one week conducted by Bank workers (BWs). The objective of the training is to teach the group members the philosophy of GB and its rules and procedures. During this period the BWs teach the members of the groups to put their signature, if they do not know how to put signature.

There is an observation and screening period, which last four to five weeks. During that period each member have to make a small saving deposits of Tk.1 per week. Credit is issued to individual members if they confirm to the discipline of the GB. Initially, two members of a group are given credit. These two borrowers are kept under close supervision of the BW. If they are found quite regular in repayment of weekly instalments, two more members are then given loans. After a month or so, the fifth member the group chairman gets the loan. The borrowers can use the loan amount in any productive activity of their own choice. A repeat loan can not be sanctioned until all members of the group have settled their loan accounts with the bank. This rule compels group members to pressure one another to keep up with regular payments. Prof. Yunus opined that, 'the formation of small five member groups of the members own choosing, and federating the groups in to centres, helps to create the right kind of peer pressure at times when a member tries wilfully to violate Grameen rules, and peer support at times when a member falls into any difficulty in pursuing his economic aims' (Yunus, 1994: 13).

The loan is to be repaid in weekly instalments of 2 percent of the loan amount i.e. in 50 instalments.

The Bank worker plays a vital role in forming a new group and in disbursement of and collection of repayments. He attends the centre (federation of 5-8 groups) meetings where new and renewal loan proposals of individual members are discussed. A centre is led by an elected centre chairperson and secretary and assisted by a GB employee. Each centre chief and secretary hold office for one year. The centre chairperson presides over the weekly centre meetings - Every member of the federation is required to attend the weekly meetings. After discussion in-group meeting and in centre meeting all loans proposals are send to area office with branch manager's recommendation. The area manager is the final authority of sanctioning a loan. Once a loan is sanctioned, the BW in weekly meeting disburses the credit. The centre chief and the group chairperson jointly supervise loan utilisation on daily basis. The BW in weekly meetings of the centre also collects the weekly instalment of repayment. Thus the borrower does not have to come to the bank, the bank is going to the borrower. This is a new banking approach.

The GB considers savings mobilisation is an integral part of lending. A group member has to save one taka every week, which is deposited at the weekly meeting. In addition, the borrower is required to contribute 5 percent of his loan amount in a "Group Fund". The Group Fund is self-managed. The members could borrow from the "Group Fund" at times of need, at terms to be fixed by the group. Another fund called Emergency Fund (EF) is

created by the members for insurance against default, death, disability and other misfortune. Each borrower had to pay to the Emergency Fund an amount equivalent to 25 percent of interest payments on his loan till July, 1991. After that, this mandatory contribution has been changed to taka five per thousand for loan amounts over taka one thousand. While from October 01, 1995, GB has stopped collection of subscription for Emergency Fund and on January 1, 1996, the remaining balance of Central Emergency Fund was transferred to Central Welfare Fund.

In addition to mandatory savings, each member has to purchase a GB equity share of Tk.100 to ensure the ownership of the Bank remains in the hands of the poor. As the savings in a group fund reach Tk.500, it becomes compulsory for the group to buy 5 shares of Tk.100 each. Each member is entitled to buy only one share. These shares permanently remain in member's savings and can not be taken out as a loan. This arrangement ensures the ownership of the Bank by its poor borrower members. By the end of 1996, GB member borrowers owned about 90 percent of the Bank's shares.

3.7 Conclusion

GB is a specialised financial institution in Bangladesh that provides credit without material collateral to the rural poor, particularly women, who are usually excluded from the conventional banking system. GB supported activities are being undertaken within the existing socio-political and economic framework of rural Bangladesh, in a state of unchanged

technology. The banks ultimate aim is to improve the well being of the disadvantaged rural poor. In addition to provide financial support, it also take part in social development activities to make the poor both socially and individually accountable. Such accountability leads to more effective use of credits and consequently ensures credit recovery.

It is a highly decentralised organisation with four phases of organisational set-up: the Head Office, the Zonal Office, the Area Office and the Branch. The field offices consisting of Branch, Area and Zonal offices, which are independent of the Head Office. An area office supervises the maximum of 15 branches and a zonal office supervises 5 to 10 area offices.

In the decision making process, Head office circulates all the draft decisions to the Zonal office for their comments and suggestions. After reviewing the comments and suggestions, the HO prepares second draft and circulates the same. If after several draft the decision is not accepted by all, the same is send to Zonal managers conference where the issue is debated and a decision would come from the debate. By opening door for everybody to participate in the decision making process a large amount of misunderstanding and tension in the organisation have been avoided. Everybody knows what the decisions are and why these decision were taken.

In the field level, generally 5 members form a group and 2 to 10 groups form a centre, while 40 to 60 centres form a Branch. All the centres are located in the villages within walking distance of a branch, an area no more than 30 square miles. At the field level, groups are formed and trained, and loan proposals are made. Groups are formed among like minded people having

not more than 0.5 acre of cultivable land and the value of family assets together amounting up to the market value of one acre of medium quality land. Close relatives as also men and women together are not allowed to form a group. Once group is formed the members have to go through intensive training for one week conducted by bank workers to teach them the philosophy of GB and its rules as also to put signature.

Loan is given following the GB norms and collection is made in weekly instalment of 2 percent of the loan amount. GB members have to make a small deposit of TK.1 each week and to purchase a equity share of TK.100 to ensure the ownership of the bank's remains in the hand of the poor. By the end of 1996, GB member borrowers owed about 90 percent of the bank's share. Thus GB is a bank of the poor, by the poor and for the poor.

CHAPTER - 4

GRAMEEN BANK: GROWTH AND DEVELOPMENT

4.1 Introduction

This chapter consists of three sections. The first section presents the organizational growth of Grameen Bank, growth in loans and advances and growth in savings and deposits mobilisation. The second section presents the social development activities of Grameen Bank. While the third section contains only the brief summary of the main findings in this chapter.

4.2 Organizational Growth

It is evident from Table- 4.1 that Grameen Bank has grown remarkably in term of the expansion of its branches, groups, centres and membership as also of its activities within a short span of time. The number of branches increased to 1079 (7.10 times) by the end of 1996 from a low figure of 152 in 1984. The number of villages covered demonstrates the same situation as the number increased to 36,420 (16.05 times) villages during the same period, which is more than half of the total villages in Bangladesh. Like wise the number of groups increased to 4,33,791 (17.91 times) in 1996 from 24,211 in 1984. The priority placed on the expansion of female groups is also evident in the portfolio of borrowers. Over the period, the female groups increased by 30.0 times, while the male groups increased by 2.42 times only. The number of centres also increased by 13.16 times during the period of review. The growth of GB borrowers was 16.68 times over the same period. Grameen Bank currently lends money to 1.8 million borrowers, 94.4 percent of them are women. The coverage of women is faster rate than the male. The proportion of female borrowers increased from 55.8 percent to 94.4 percent over the period. While the reverse situation was observed in case of male borrowers as the same decreased from 44.2 percent to 5.6 percent over the

same period. Thus Grameen Bank has given more attention to the poor women.

4.3 Growth in Loan and Advances

It is evident from Table-4.2 that, in absolute amount, the annual loan disbursement increased to Tk.12,046.5 million (or 39 times) in 1996 from Tk.307.9 million in 1984. The cumulative amount of loan disbursed increased to Tk.71331 million (or 141.8 times) by the end of 1996 from Tk.503.3 million in 1984 (Table - 3). The amount of annual loan disbursed had an upward trend till 1994 and thereafter a downward trend was set in. The total annual loan disbursement increased to Tk.15,395.3 million (or 50 times) in 1994 from a mere figure of Tk.307.9 million in 1984. While the total amount of loan disbursement decreased to Tk.12,046.5 million in 1996 from Tk.15395.3 million in 1994. The decrease in the amount of total loan disbursed was due to the increase of dropout of GB members. At present about one hundred organisations are replicating the GB programs of micro-credit among the rural poor and as such the GB has currently been facing competition with these organisations. Consequently dropout rate and switching of GB members to other similar organisations have been increasing. Moreover, wilful diversion of loan towards unproductive sectors by some GB members also affecting the loan repayment performance of GB and retarded growth of GB loans. Thus during the last two years the decrease was about 21 percent as compared to 1994. More revealing is that the disbursement of loans to female members increased at a faster rate than male members. The total annual loan disbursement excluding technology loan increased to Tk.312.8 million (or 2.0 times) in 1996 from Tk.153.8 million in 1984 for male borrowers and Tk.11733.7 million (or 76.1 times)

Table - 4.1
Progress of Grameen Bank: Branches, Centres, Groups and Borrowers During 1984-96

Year	Total No. of Branch	No. of Villages Covers	No. of Centres			No. of Groups			No. of Borrowers			Distribution of Borrowers by sex(%)	
			Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
1984	152 (100)	2268 (100)	1972 (100)	2791 (100)	4763 (100)	10602 (100)	13609 (100)	24211 (100)	47229 (100)	59714 (100)	106943 (100)	44.1 6	55.84
1985	226 (148.7)	3666 (161.6)	2254 (114.5)	4956 (177.6)	7210 (151.4)	11852 (111.8)	22473 (165.1)	34325 (141.8)	53131 (112.5)	99332 (1663)	152463 (142.6)	34.8 5	65.15
1986	295 (194.8)	5170 (227.9)	2363 (119.8)	7916 (283.6)	10279 (215.8)	12092 (114.1)	34778 (255.5)	46870 (193.6)	54325 (115.0)	155142 (259.8)	209467 (195.9)	26.3 7	73.63
1987	396 (260.5)	7502 (330.8)	2542 (128.9)	11848 (425.8)	14390 (302.1)	12712 (120.0)	55121 (408.0)	67833 (280.2)	63142 (133.7)	265415 (444.5)	328557 (307.2)	9.22	80.78
1988	501 (329.6)	10552 (465.3)	2746 (139.2)	16917 (606.1)	19663 (412.8)	13881 (131.0)	83194 (611.3)	97075 (401.0)	68805 (145.7)	403625 (676.0)	272430 (254.7)	14.5 6	85.44
1989	641 (421.7)	15073 (664.6)	2960 (150.1)	24016 (860.5)	26976 (566.4)	14694 (138.6)	117762 (865.3)	132456 (547.1)	73150 (154.4)	575117 (963.1)	648467 (606.4)	11.2 8	88.72
1990	781 (513.89)	19536 (861.4)	3156 (160.0)	31050 (1112.5)	34206 (718.2)	15588 (147.0)	158323 (1163.4)	173911 (718.3)	77075 (163.2)	775547 (1298.8)	852522 (797.2)	9.04	90.96
1991	915 (602.0)	25248 (1113.2)	3300 (167.3)	39451 (1413.5)	42751 (897.6)	16011 (151.0)	197275 (1449.6)	213286 (880.9)	79482 (168.3)	962148 (1611.3)	1041630 (974.0)	7.63	92.37
1992	1015 (667.8)	30619 (1350.0)	3513 (178.2)	47854 (1714.6)	51367 (1078.5)	18022 (170.0)	266857 (1960.9)	284879 (1176.7)	88766 (188.0)	1296558 (2171.3)	1385324 (1295.4)	6.41	93.59
1993	1040 (684.2)	33667 (1448.4)	3770 (191.3)	53879 (1930.5)	57649 (1210.3)	22266 (210.0)	350032 (2572.1)	372298 (1537.7)	97431 (206.3)	1585483 (2655.1)	1682914 (1573.7)	5.79	94.21
1994	1045 (687.5)	34913 (1539.4)	3866 (196.0)	56055 (2008.4)	59921 (1258.0)	24321 (229.4)	387824 (2849.8)	412145 (1702.3)	108899 (230.6)	1751775 (2933.6)	1860674 (1739.9)	5.85	94.15
1995	1055 (694.1)	35533 (1566.7)	3953 (200.5)	57203 (2049.5)	61156 (1284.0)	25367 (239.3)	399626 (2936.5)	424993 (1755.3)	107723 (228.1)	1762648 (2951.7)	1870371 (1748.8)	5.76	94.24
1996	1079 (709.9)	36420 (1605.8)	4052 (205.5)	58629 (2100.6)	62681 (1316.0)	25731 (242.7)	408060 (2998.5)	433791 (1791.7)	99471 (210.6)	1684489 (2820.8)	1783960 (1668.0)	5.58	94.42

Note :- Figures in parentheses are percentage growth rates for the respective figures over the base year, 1984.

Source :- Grameen Bank.

in 1996 from Tk.154.1 million in 1984 for female borrowers. Therefore, GB has given more preference to female borrowers than male borrowers. Till 1995, Grameen Bank provided 4 types of loan to its member-borrowers. The portfolio mix of 1995 included General loan (94.4 percent), Collective loan (0.1 percent), House building loan (4.9 percent) and Technology loan (0.6 percent). While Grameen Bank has been discouraging Collective loan and Technology loan from 1996. As part of its decentralisation program GB has started transfer of all its existing collective and technology loans to its family organisations.

The emphasis on woman is evident in the disbursement pattern of Grameen Bank loans (Table-4.2). In absolute figure, annual general loan disbursement increased to Tk.312.8 million (or 2.3 times) from Tk.136.5 million in case of male borrowers, while for female borrowers the same increased to Tk.11,564.9 million (or 80.9 times) in 1996 from Tk.142.9 million in 1984. The cumulative amount of general disbursements rose to 11.5 times for male and 130.9 times for female over the same period (Table-4.3). Thus the increase was more pronounced in case of female borrowers than male borrowers. As in 1984 women had received a little more than half (51.1 percent) of the total amount of loan of Tk.279.4 million. By 1996 had granted women to 97.4 percent of the total annual general loan disbursement of Tk.11 877.7 million. Another most revealing feature is that in both the cases (male and female), the annual figure of general loan disbursement had an upward trend till 1994 and thereafter a downward trend was set in. General loans are provided for a 52 weeks term to a group member at an interest rate of 20 percent (16 percent until 1991). Borrowers need not provide collateral and can use the credit to invest in any activity listed under broad categories of activities such

Table - 4.2
Annual Disbursement of loans by type and gender

(mmillion taka)

Year	General		Collective		House Building		Sub total		Technology Loans	Total
	Male	Female	Male	Female	Male	Female	Male	Female		
1984	136.5 (100)	142.9 (100)	15.6 (100)	9.3 (100)	1.7 (100)	1.9 (100)	153.8 (100)	154.1 (100)	0.0	307.9 (100)
1985	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
1986	146.8 (107.5)	387.5 (271.2)	2.9 (18.5)	4.6 (49.5)	1.4 (82.3)	4.3 (226.3)	151.1 (98.2)	396.4 (257.2)	0.0	547.5 (177.8)
1987	160.7 (117.7)	634.3 (443.9)	4.9 (31.4)	10.1 (108.6)	32.4 (1905.9)	108.4 (5705.3)	198.0 (128.7)	752.8 (488.5)	0.0	950.8 (308.8)
1988	193.7 (141.9)	1070.4 (749.1)	4.1 (26.3)	12.2 (131.2)	29.9 (1758.8)	140.4 (7389.5)	127.7 (83.0)	1223.0 (793.6)	33.2	1483.9 (481.9)
1989	203.5 (149.1)	1551.1 (1085.4)	3.7 (23.7)	10.0 (107.5)	28.5 (1676.5)	207.8 (10936.8)	235.7 (23.2)	1768.9 (1147.9)	63.4	2068.0 (671.6)
1990	205.4 (150.5)	2039.9 (1427.5)	3.5 (22.4)	14.1 (151.6)	17.2 (1011.8)	207.4 (10915.8)	226.1 (147.0)	2261.4 (1467.5)	168.6	2656.1 (862.7)
1991	194.6 (142.6)	2433.0 (1702.6)	2.7 (17.3)	8.8 (94.6)	27.5 (1617.6)	274.5 (14447.3)	224.8 (146.2)	2716.3 (1762.7)	765.5	3706.8 (1203.9)
1992	385.8 (282.6)	4802.9 (3661.0)	2.4 (15.4)	12.8 (137.6)	49.2 (2894.1)	510.0 (26842.1)	436.7 (283.9)	5325.7 (3456.0)	598.0	6361.1 (2066.0)
1993	553.3 (405.3)	10055.8 (7036.9)	4.2 (26.9)	8.7 (93.5)	139.0 (8176.5)	1534.0 (80736.8)	696.5 (452.9)	11598.5 (7526.6)	148.0	12443.0 (4041.2)
1994	1003.2 (734.9)	12888.9 (9019.5)	3.5 (22.4)	16.8 (180.6)	91.7 (5394.1)	1246.9 (65626.3)	1098.4 (714.2)	14152.6 (9443.6)	144.3	15395.3 (5000.1)
1995	10071.1 (737.8)	12653.0 (8854.4)	1.0 (6.4)	2.4 (25.8)	35.0 (2058.8)	677.9 (35678.9)	1043.1 (678.2)	13333.3 (8652.4)	88.3	14464.7 (4697.9)
1996	312.8 (229.2)	11564.9 (8093.0)	-	-	N. A.	N.A.	312.8 (203.4)	11733.7 (7614.3)	N.A.	12046.5 (3912.5)

Note:

- (1) Grameen Bank has been discouraging collective loan from 1996.
- (2) Technology loans have been recorded separately since 1988, prior to which technology loan had been recorded as collective loan.
- (3) Figures in parentheses are percentage growth rates for the respective figures over the base year, 1984.

Source: - Annual report of Grameen Bank.

as processing and manufacturing, agriculture and forestry, livestock and fisheries, services, trading, peddling and shop-keeping. General loans are the core of Grameen Bank operations and the backbone of its lending portfolio. The consistently high recovery rates in general loans have been instrumental in the growth of banks lending.

In case of collective loan, the emphasis is also on women borrowers (Table-4.2). The annual figure of collective loan disbursement decreased from Tk.15.6 million in 1984 to Tk.1.0 million (or 0.06 times) in 1995 for male borrowers. While for female borrowers, the annual amount of collective loan disbursements decreased to Tk.2.4 million (or .26 times) in 1995 from Tk.9.3 in 1984. Thus the decrease was more pronounced in case of male than in case of female. A point is to note that Grameen Bank has been discouraging disbursement of collective loan from 1996. Collective loans are given to centres or some groups of a centre that unanimously decided to participate in any joint venture activity. The loan approval and disbursement procedures are similar to those of general loans.

Grameen Bank introduced house-building loans in 1984 as part of its social development program. In this case women also get preferential treatment. As in 1984, women had received 52.8 percent of the annual disbursements of house building loan. By 1995, women had granted 95.1 percent of the total annual disbursements of Tk.712.9 million. The most revealing feature is that, this loan had an upward trend till 1993, thereafter a declining trend was set in. As is evident from the table – 4.2 that house building loan increased to 807.4 times during 1984-93, while the same decreased to 356.8 times in 1995. House building loans are longer-term loans that require weekly

Table - 4.3
Cumulative Disbursement of Loans by Type and Gender (Structure of Grameen Bank Loans)

Year	General		Collective		House Building		Sub total		Technology Loans	Total
	Male	Female	Male	Female	Male	Female	Male	Female		
1984	261.4 (100)	209.2 (100)	19.1 (100)	9.5 (100)	1.7 (100)	1.9 (100)	282.4 (100)	220.6 (100)	0.0	503.0 (100)
1985	415.1 (166.0)	462.2 (231.1)	30.9 (160.7)	19.5 (204.8)	10.1 (594.1)	10.7 (563.2)	456.1 (161.5)	492.4 (223.2)	0.0	948.5 (188.6)
1986	561.9 (224.8)	849.7 (234.9)	33.8 (175.8)	24.1 (253.1)	11.5 (676.5)	15.0 (789.5)	607.2 (215.0)	888.8 (402.9)	0.0	1496.0 (297.4)
1987	722.6 (289.0)	1484.0 (742)	38.7 (201.2)	34.2 (359.1)	43.9 (2582.4)	123.4 (6494.7)	805.2 (285.1)	1641.6 (744.2)	0.0	2446.8 (287.6)
1988	916.3 (366.5)	2554.4 (1277.2)	42.8 (222.6)	46.4 (487.2)	73.8 (4341.2)	263.8 (13884.2)	1032.9 (365.8)	2869.6 (1298.5)	33.2 (100)	3930.7 (781.5)
1989	1119.8 (447.9)	4105.5 (2552.8)	46.5 (241.8)	56.4 (592.2)	102.3 (6017.6)	471.6 (24821.1)	1268.6 (449.2)	4633.5 (2100.4)	96.6 (3498.1)	5998.7 (1192.6)
1990	1325.2 (530.1)	6145.4 (3072.7)	50.5 (262.6)	70.5 (740.3)	119.5 (7029.4)	679.0 (35736.8)	1494.7 (529.3)	6894.9 (3125.5)	265.2 (9603.4)	8654.8 (1720.6)
1991	1519.8 (607.9)	8578.4 (4289.2)	52.7 (274.0)	79.3 (832.7)	147.0 (8647.1)	953.5 (50184.2)	1719.5 (608.9)	9611.2 (4356.8)	1030.9 (37331.0)	12361.6 (2457.6)
1992	1905.6 (762.2)	13381.3 (6690.7)	55.1 (286.5)	92.1 (967.1)	196.2 (11541.2)	1463.7 (77036.8)	2156.9 (763.8)	14937.1 (6771.1)	1628.9 (58985.8)	18722.9 (3722.2)
1993	2458.9 (983.6)	23437.1 (11718.6)	59.2 (303.8)	100.8 (1058.4)	335.2 (19717.6)	2997.5 (157763.2)	2853.3 (1010.4)	26535.4 (12028.7)	1351.4 (48937.0)	30740.1 (6111.4)
1994	3462.1 (1384.8)	36326.0 (18163.0)	62.7 (326.0)	117.6 (1234.8)	426.9 (25111.8)	4244.4 (223389.5)	3951.7 (1399.3)	40688.0 (18444.2)	1495.7 (34162.4)	46135.4 (9172.0)
1995	4496.4 (1798.6)	48979.0 (24489.5)	63.7 (333.5)	120.0 (1260.0)	461.9 (27170.6)	4922.3 (259068.4)	5022.0 (1778.3)	54021.3 (24488.3)	1580.0 (57215.0)	60623.3 (12052.3)
1996	4778.1 (1911.2)	60547.9 (30274.0)	63.7 (333.5)	120.0 (1260.0)	*456.0 (26823.5)	5097.0 (268263.2)	5297.8 (1876.0)	65765.7 (29812.2)	267.8 (9697.6)	71331.3 (14181.2)

Note: - Figures in Parentheses are percentage growth rates for the respective figures over the base year 1984.

* Cumulative disbursement of House loan for male loanee reduced due to reduction in male borrowers.

Source: - Grameen Bank Annual reports for relevant years

repayments over ten years and are lent at a lower rate of 8 percent (5 percent until 1991). It was designed to help poor Grameen Bank members to construct low cost housing. It requires that borrower should be the owner of that particular piece of land. This has enabled the legal transfer of home-ownership to thousands of poor women from their husbands or parents.

Technology loans have been recorded separately since 1988, prior to which they were recorded as collective loans. This type of loan provides finance for larger projects and involves larger amounts of credit. This loan had an increasing trend till 1990, thereafter a declining trend was set in. It is worthy to be mentioned that, GB has been discouraging disbursement of technology loan from 1996.

The Grameen Bank loans have been used productively and have led to significant increase in income. Consequently the loan repayment performance has been excellent. Other most important reasons for high repayment are constant supervision, peer pressure and peer support. The basic feature of Grameen Bank is to develop close relationship between the bank and the borrowers, and among the borrowers themselves. In such a congenial situation, close and constant supervision is possible. Moreover, the formation of small five-member groups help create the right kind of peer pressure at times when a member tries wilfully to default, and peer support at times when a member fall in any difficulty in pursuing his economic aim.

4.4 Savings and Deposits Mobilisation

As stated earlier Grameen Bank mobilises savings by requiring members to make deposits of different types. These savings are alternative sources of

Table -4.4
Grameen Bank Members' Saving by Type and Sex

(Cumulative figure in million taka)

Year	Group Fund Saving			Emergency Fund Saving			Other Saving			Total Saving		
	Male	Female	Sub total	Male	Female	Sub total	Male	Female	Sub total	Male	Female	Total
1984	21.1 (100)	16.8 (100)	37.9 (100)	4.2 (100)	2.1 (100)	6.3 (100)	3.8 (100)	3.6 (100)	7.4 (100)	25.3 (100)	18.9 (100)	44.2 (100)
1985	34.2 (160.7)	37.2 (223.2)	71.4 (185.6)	7.5 (178.5)	5.2 (247.5)	12.7 (201.9)	15.8 (415.5)	15.0 (415.5)	30.8 (99.9)	57.4 (101.2)	57.5 (304.8)	114.9 (264.3)
1986	46.7 (219.5)	67.8 (406.8)	114.5 (297.7)	11.3 (268.9)	11.0 (523.6)	22.3 (354.6)	22.2 (583.4)	29.7 (822.7)	51.9 (700.7)	80.2 (320.8)	108.5 (575.1)	188.7 (434.0)
1987	62.7 (294.7)	123.6 (741.6)	186.3 (484.4)	15.1 (359.4)	19.6 (933.0)	34.7 (551.7)	36.3 (954.7)	123.9 (34320.0)	187.2 (2527.2)	114.1 (456.4)	267.1 (1456.6)	408.2 (938.9)
1988	81.8 (384.5)	215.6 (1293.6)	297.4 (773.2)	19.6 (466.5)	34.8 (1656.5)	54.5 (866.6)	119.8 (3150.7)	200.5 (5553.9)	320.3 (4324.1)	221.2 (884.8)	450.9 (2389.8)	672.1 (1545.1)
1989	101.8 (478.5)	349.2 (2095.2)	451.0 (1172.6)	24.6 (585.5)	59.4 (2827.4)	84.0 (1335.6)	213.5 (5615.1)	320.4 (8875.1)	533.9 (7207.7)	339.9 (1359.6)	729.0 (3863.7)	1068.9 (2458.5)
1990	122.9 (577.6)	526.7 (3160.2)	649.6 (1689.0)	30.7 (730.7)	98.1 (4669.6)	128.8 (2047.9)	408.0 (10730.4)	500.7 (13869.4)	908.7 (12267.5)	561.6 (2246.4)	1125.5 (5965.2)	1687.1 (3880.3)
1991	145.1 (682.0)	746.8 (4480.8)	891.9 (2318.9)	36.7 (873.5)	145.4 (6921.0)	182.1 (2895.4)	571.4 (15027.8)	730.4 (20232.1)	1301.8 (47574.2)	753.2 (3012.8)	1622.6 (8599.8)	2375.8 (5464.3)
1992	177.2 (809.3)	1130.6 (6783.6)	1307.8 (3400.3)	38.5 (916.3)	151.6 (7216.2)	190.1 (3022.6)	859.8 (22612.7)	1121.1 (31054.5)	1980.9	1075.5 (4302.0)	2403.5 (12738.5)	3478.8 (8001.2)
1993	230.9 (1085.2)	1886.5 (11319.0)	2117.4 (5505.2)	44.3 (1054.3)	172.6 (8215.8)	216.9 (3448.7)	1354.0 (35610.2)	2575.6 (71344.1)	3924.6 (26742.2)	1629.2 (6516.8)	4634.7 (24563.9)	6263.9 (14401.9)
1994	296.8 (1395.0)	2850.6 (17103.6)	3147.4 (8183.2)	45.2 (1075.8)	177.4 (8444.2)	222.6 (3539.3)	1770.3 (45506.9)	3828.9 (106060.5)	5599.1 (75587.9)	2112.3 (8449.2)	6856.9 (31041.6)	8969.2 (20629.2)
1995	397.1 (1866.4)	3813.5 (22881.0)	4210.6 (10947.6)	41.9 (997.2)	178.9 (8515.6)	220.8 (3501.7)	2074.9 (54569.9)	4487.5 (124303.7)	6562.4 (88542.4)	2024.9 (8099.6)	8479.9 (44943.5)	10504.8 (24161.0)
1996	495.6 (2329.3)	4759.9 (28559.4)	5255.5 (13664.3)	-	-	-	1896.3 (49872.7)	4101.2 (113603.2)	5997.5 (80966.3)	2391.3 (9565.2)	8861.1 (46963.8)	11252.4 (25880.5)

Note: (i) Figures in parentheses are percentage growth rates for the respective figures over the base year 1984.

(ii) Others savings include personal current account, special savings and saving in education programme.

(iii) Special saving and saving in education programme has stopped from 1996.

(iv) GB has stopped collection of emergency fund from October 1995.

Source: Grameen Bank.

credit for borrowers. These savings also help the Bank to minimise its dependency on external sources of fund.

Each member of the group must deposit Taka two (Taka one till October 1995) every week as personal savings in a group fund account. Moreover, when a group member receives a loan from Grameen Bank, an obligatory deduction of five percent of the loan amount (called group tax) is made and deposited in the group fund account. If the members do not leave the group they will be able to get return of the principal amount of their saving in group fund after the expire of ten years. While for the second time, the amount of group tax in-group fund account is refundable after the expire of three years. This account is managed by the group on a consensus basis. At times of need, the group members can borrow from this fund with the approval of the group at terms fixed by the group. The savings earn interest at the rate of 8.5 percent per annum and are refundable with interest when a borrower leaves the group or expelled from the group.

Besides, group members create another fund called Emergency Fund: basically an insurance coverage in case of default, death, disability, theft and other accidents. Each borrower had to pay to the emergency Fund an amount equivalent to 25 percent of interest payments on his loan till July, 1991. After that, this mandatory contribution was changed to taka five per thousand for loan amounts over taka one thousand. This fund had also been kept in a separate account and earns 8.5 percent interest per annum. The emergency fund was managed by the centre, which could quickly decide on its use during major crisis. While from October 01, 1995, GB has stopped collection of subscription for Emergency Fund and on January 1, 1996, the

Table -4. 5
Grameen Bank Member's Total Saving and Deposits

(million Taka)

Year	Total Saving	Total Deposits	Total Saving & Deposits
1984	44.2 (100)	0.5 (100)	44.7 (100)
1985	114.9 (264.3)	16.8 (3360)	131.7 (289.7)
1986	188.7 (434.0)	57.4 (11480)	246.1 (541.4)
1987	408.2 (938.9)	146.6 (29320)	554.8 (1220.6)
1988	672.1 (1545.1)	291.6 (58320)	699.8 (1539.6)
1989	1068.9 (2458.5)	516.3 (103260)	1188.4 (2614.5)
1990	1687.1 (3880.3)	803.3 (160660)	2490.4 (5488.9)
1991	2375.8 (5464.3)	1184.0 (236800)	3559.8 (7831.6)
1992	3478.8 (8001.2)	1782.0 (356400)	5260.8 (11573.8)
1993	6263.9 (14407.0)	2464.5 (492900)	8688.4 (19114.5)
1994	8669.2 (20629.2)	3262.7 (652540)	12231.9 (26910.2)
1995	10504.8 (24161.0)	4264.8 (852960)	147669.6 (32493.1)
1996	11252.4 (25880.5)	5521.2 (1104240)	16773.6 (36901.9)

Note: - (i) Figures in parentheses are percentage growth rates for the respective figures over the base year, 1984

(ii) Total saving includes group fund savings, emergency fund savings and other savings.

(iii) Deposits mean savings in personal savings account.

Source: Grameen Bank.

remaining balance of Central Emergency Fund was transferred to Central Welfare Fund.

It was also obligatory for members to contribute taka one per week in children's welfare fund. The fund was designed to provide education for member's children in schools managed and run by Grameen Bank members, and to support children's involvement in small-scale income earning project. (Khandaker, Khalily and Khan, 1995: 306). About 16000 pre-primary schools are currently being managed by the centres (Shams, 1992: 306). While from October 01, 1995, GB has stopped collection of member's contribution in children's welfare fund. The bank also mobilising deposits of different types (savings and current deposits) from its members and non-members. However, the major portion comes from its own members and staff. As such, savings mobilisation from non-members is not as comprehensive as in other commercial banks. The Grameen Bank has recorded enormous growth in savings mobilisation through mandatory and voluntary savings during the period of review. The cumulative amount of savings and deposits increased to Tk.16, 773.6 million (or 369.0 times) by the end of 1996 from Tk.44.7 million in 1984 (Table- 4.4). The cumulative amount of savings increased so much so that by the year 1996 it reached to Tk.6269.9 million (or 144.1 times) from a mere figure of Tk.44.2 million. The increase was more noticed in case of female savings than in male savings. For, female savings increased to 245.6 times over the period, while male savings increased to 65.1 times over the same period. The same situation is also true in all the components of savings. On the other hand, the cumulative amount of deposits increased to Tk.5521.2 million (or 11042.4

times) in 1996 from a very low figure of Tk.5 million in 1984. Thus a very high growth was observed in deposit mobilisation.

4.5 Social Development Programme

From the very beginning, the GB leadership realised that in addition to credit facilities, borrowers must receive social benefits. Over the time, GB has developed a certain number of social activities, outlined by the “sixteen decisions” in order to promote social and financial discipline among the rural poor (Appendix- 2). These decisions are guidelines for some social activities and codes of conduct the GB members are encouraged to adopt. Members are responsible for organising and implementing the social components of GB activities in the light of the “sixteen Decisions”. In fact the “sixteen Decision” of GB has given new dimension to the overall development of the poor. The credit has, thus, been an entry point and now serves as a catalyst for change. It is believed by the management of the bank that the social development finally helps members increase their productivity and thus ensures recovery of loans. The social development cemented the group spirit among the members. This has also helped organized the net working among the poor. The crises coping capacity of the poor has also improved during the process (Rahman, 1994: 441).

The social activities of GB have comprised of sanitation, health care, nutrition, education, training, distribution of seeds and seedling, distribution of iodised salt, family planning, distribution of winter clothing and promotion of social reforms, etc.

The GB has deliberately targeted women, realising their participation in social development is necessary for economic development because their primary role in providing health, education and nutrition (Khandaker, Khalily and Khan, 1995: 12). Women are much more particular and responsive to self-discipline for the good of all. As women's knowledge, information, skills and income increase so with the development of their family and society. Historically, women have been excluded from all development programs. As women are poorer than men, GB gives priority to women groups out of concern for equity. Moreover, rural women in Bangladesh have always been active in both "income generating" and "income-conserving" production (Chen, 1983: 37). The women are also willing to bear more credit risk than men are. Thus GB has been trying to remove social disparity between men and women thorough making the women economically sound.

Local, district and national workshops for GB members have been an effective vehicle for discussion and transmission of ideas relating to social development. The major responsibility for planning and implementing most workshops is carried out by the branch, area or zone offices according to the type and period of workshop. At Head Office, the special program unit within the Training Department is responsible for the overall development of the workshop program at the field level. At present there are about 20 different workshops held in each zone. The work shop program mainly includes a comprehensive training program in maternal health, nutrition and child care, family planning and social reforms. Duration of these workshops is generally from 1 day to 7 days. Fuglesang and Chandler (1993: 122), opined that an established zone might easily

workshops varying in duration from one to seven days. With fourteen zones, this amount to a totals 3500 workshops a year. Out of the 250 workshops in a given zone, four fifths of them are for women and the rest for men. Normally, workshops for women take place from one to seven days, while for men those scheduled are from one to four days.

The sixteen decisions (Appendix- 2) are the outcome of a national workshop of one hundred women centre chiefs in March 1984. 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. These 16 decisions can also be used as a monitoring and evaluation tool to assess the impact of Grameen Bank's work (Fuglesang and Chandler, 1993: 120).

Apart from resolutions on dowry, sanitation, family planning, safe drinking water, maternal health, nutrition and child care, the workshop participants decided to improve and clean their dwelling to cultivate and eat vegetable the year round, to plant trees, to make arrangements for their children's education to introduce physical exercise, to undertake social activities collectively, to control and manage their loans themselves and to fight for social justice.

Exchange visits are also arranged for centres in a branch, between branches or between zones and are a way of providing workshop follow-up and further motivation for women. "Exchange visits combine three powerful

reinforcing elements: peer learning, peer motivation and peer solidarity, when a group of women visited other centres to assess implementation of sixteen decisions, not only do they learn from the experience of their sisters, but their presence as guests has a considerable motivating effect (Fulgesang and Chandler, 1993: 123).

✓ The social development program of GB also encourages members to establish schools for their children and prepare their children to enter the mainstream schooling system. The GB as part of its social development activities distributes tree seedlings for forestation and seeds for kitchen gardens in order to improve both living conditions and the environment.

The overall growth recorded for various aspects of social development program reveals a remarkable achievement in social development affecting the socio-economic condition of its members and the environment. By 1995, the Grameen Bank had helped its groups open 13680 schools, an increase of 424.1 percent (or 4.2 times) from 3226 schools in 1985 (Table-4.6). The highest growth was noticed in 1994 (458.9 percent growth over 1985), while it reduced in 1995 (424.1 percent growth over 1985). Thus a declining trend was set in after 1994. The growth was more pronounced in the number of schools run by the women groups than the number of schools run by men. By the year 1995, the number of schools run by women groups increased to 13,680 (or 5.9 times) from 2,223 in 1985. While the number of schools run by men groups decreased to 473 (or .4 times) in 1995 from 1,103 in 1984. The total number of children enrolled in these schools grew from 71467 in 1985 to 3,75,140 (or 5.3 times) by the end of 1995. The

Table - 4.6
Trends in Achievement of Social Developments

Year	Number of Schools run by group			Number of Students			Marriage without dowry			Number of seeds distributed			Number of seedling distributed		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
1984	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
1985	1103 (100)	2223 (100)	3226 (100)	32369 (100)	39098 (100)	71467 (100)	931 (100)	1807 (100)	2738 (100)	322458 (100)	459170 (100)	781628 (100)	168157 (100)	205033 (100)	373190 (100)
1986	834 (6.4)	3034 (136.5)	3868 (119.9)	32949 (101.8)	56133 (143.6)	89082 (124.6)	1175 (126.2)	3288 (182.0)	4463 (163.0)	376881 (116.9)	656098 (142.8)	1032979 (132.1)	198157 (117.8)	309952 (151.2)	508109 (136.1)
1987	752 (68.2)	4595 (206.7)	5347 (665.7)	42852 (132.4)	96737 (247.4)	139589 (195.3)	1327 (142.5)	4300 (238.0)	5627 (205.5)	408813 (126.8)	912920 (198.7)	1321733 (169.0)	230234 (136.9)	429020 (209.2)	659654 (176.7)
1988	456 (41.3)	4912 (221.0)	5368 (166.4)	39901 (123.3)	105998 (271.1)	145899 (204.1)	1490 (160.0)	5520 (305.5)	7010 (256.0)	459171 (142.4)	1338347 (291.4)	1797518 (229.9)	265837 (158.1)	636171 (310.3)	902608 (241.8)
1989	507 (46.0)	7663 (344.7)	8170 (253.3)	53875 (166.4)	159968 (409.1)	213843 (299.2)	1732 (186.0)	7319 (405.0)	9051 (330.6)	510092 (158.2)	1885714 (410.5)	2395806 (306.4)	269042 (160.0)	727509 (354.8)	996551 (267.0)
1990	585 (53.4)	10636 (478.5)	11221 (347.8)	78862 (243.6)	236946 (606.0)	315808 (441.9)	1907 (204.8)	10267 (568.2)	12174 (444.6)	544540 (168.9)	2534001 (551.7)	3078541 (393.7)	267008 (158.8)	929913 (435.5)	1196921 (320.7)
1991	637 (57.8)	12685 (50.6)	13322 (413.0)	101747 (314.3)	286693 (733.2)	388440 (543.5)	1947 (209.1)	11743 (649.9)	13730 (501.5)	576517 (178.8)	3193885 (695.3)	3770402 (482.2)	276734 (164.5)	1168545 (545.5)	1445279 (387.2)
1992	675 (61.2)	14894 (670.0)	15569 (482.7)	117246 (362.2)	319817 (818.0)	437063 (611.5)	2144 (230.3)	14099 (780.2)	16243 (593.2)	630601 (195.5)	4196928 (913.7)	4827529 (617.4)	299463 (178.1)	1603631 (782.1)	1903094 (509.8)
1993	487 (44.2)	13616 (612.5)	14103 (437.2)	105646 (326.4)	273683 (382.9)	379329 (530.8)	2071 (222.4)	26125 (1445.8)	28196 (1029.8)	698682 (216.7)	5395308 (1174.6)	6093990 (779.4)	350425 (208.4)	2204915 (1075.3)	2555340 (684.6)
1994	391 (35.4)	14413 (648.4)	14804 (458.9)	111614 (344.8)	284675 (398.3)	396289 (554.5)	2329 (250.2)	27798 (1538.3)	30127 (1100.3)	724780 (224.8)	6134539 (1335.5)	6859319 (877.3)	362190 (215.4)	2561515 (1249.3)	2923705 (783.3)
1995	473 (42.4)	13207 (594.1)	13680 (424.1)	103664 (320.2)	271476 (379.8)	375140 (524.9)	2347 (252.1)	28506 (1577.5)	30853 (1126.8)	748329 (232.1)	6802929 (1481.0)	7551258 (965.8)	369325 (219.6)	2843540 (1386.8)	3212865 (860.7)
1996	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Source: Grameen Bank.

number of female students increased from 39098 in 1985 to 2,71,476 (or 3.8 times) in 1995. While the number of male students increased from 32369 in 1985 to 103664 (or 3.2 times) in 1995. Thus the increase was more pronounced in case of female students than in male students.

Following the drive to implement its sixteen decisions, the number of marriage without dowries also increased from 2738 in 1985 to 30853 (11.3 times) by the end of 1995. Marriage without dowry for women increases from 1807 in 1985 to 28506 (15.8 times) in 1995. While, the same for men increased from 931 in 1985 to 2347 (or 2.5 times) for men. Thus the increase was more noticed in case of women than men were. Abolition of dowry payment is linked with the issue of discipline and social justice. Therefore, it can safely be said that GB members are more concerned with the issue of social discipline and social justice than the non-members. The sixteen decisions also encourage members to grow kitchen gardens and plant tree seedlings. Under this social development program, the GB distributed 75,51,258 packets of seeds (9.7 times) and 32,12,865 seedlings (8.6 times) in 1995, compared with 7,81,628 packets of seeds and 3,73,190 seedlings in 1985.

The sixteen decisions also encourage members to use hygienic or boiled drinking water, boiled better housing and toilet facilities. The number of pit latrines constructed by GB members was 3,20,236 in 1997 (unpublished record of GB). Other social development programs of GB were distribution of iodised salt, books, winter clothing's, etc. The GB distributed 8,12,647

packets of iodised salt, 10,38,645 piece of jackets, 12,32,847 packets of oral saline, 6,51,567 packet of alum in 1997. (Unpublished record of GB).

As stated earlier, the GB also organises day or week-long workshops in order to train GB members in bank operations, nutrition, sanitation, home gardening, poultry raising and other social aspects. "The total number of workshop participants has grown by 964 percent over the 1985-94 period. The total number of participants in 1994 was 71071, including 30651 in family workshops, 26280 in one day workshops and 11340 in seven day workshops (Khandaker, Khalily and Khan, 1995: 33).

4.6 Conclusion

Grameen Bank, owned by the poor (90 percent of the share are owned by the land-less borrowers and the remaining 10 percent by the Government of Bangladesh), is the most innovative bank in Bangladesh, which has replaced physical collateral requirements with group responsibility by organising poor individuals into groups and has created the social and financial conditions enabling them to receive loans. This rural bank provides micro credit and organizational support to the rural poor, particularly destitute women (94 percent of the borrowers are poor women), who are otherwise excluded from the formal credit system as they can not provide collateral. Grameen Bank also promotes social development by making the poor individually and socially accountable. Such micro-credit and organizational support improved the productivity and income of GB borrowers. Consequently their loan repayment capacity has improved significantly. Grameen Bank's recovery rate is close to 98 percent during the whole period of review. Such an outstanding record of repayment is no doubt, unique.

Unless the GB loans were highly productive to generate sufficient income, such a repayment record would not have been possible. The high recovery rate has been contributing to the GB's organizational growth and financial viability. The organization has experienced an unbelievable growth in its branches, groups, centres, and membership as also in its activities within a short span of time. For, the number of branches, villages covered, centres, groups and borrowers increased to 7.10 times, 16.05 times, 13.16 times, 17.91 time and 16.68 times respectively over the period. Grameen Bank has covered almost half of the total villages in Bangladesh. The most revealing is that the growth in borrowers was more noticed in case of female than in male. Moreover, the proportion of female borrowers in the total borrowers increased to 94.4 percent from 55.8 percent over the period. Thus Grameen Bank has successfully reached the rural poor women, who are the most neglected segment in the society.

The financial indicators registered even a more rapid growth than the organizational growth. For, the annual loan disbursement increased to 39 times during the period of review. The portfolio mix of Grameen Bank included general loan, collective loan, house building loan and technology loan. However, Grameen Bank has been discouraging disbursement of collective loan and technology loan from 1996. Among the four types of loans, general loan alone accounted for more than 95 percent of the total loan disbursed during the period of study. The emphasis on women is also evident in the disbursement pattern of Grameen Bank loans. It is observed that general loan for female increased to 80.9 times over the period, while the same for male increased to 2.3 times only. The same situation is also observed in case of collective loan and house building loan.

Savings and deposits also recorded high growth as group fund saving increased over 52 times and Emergency fund savings increased over 35 times. But from October 1995, GB has stopped collection of obligatory savings in group fund, emergency fund, children welfare fund and special savings fund. The volume of savings and deposits account increased over 369 times during the period of review. The growth in savings and deposits was also high in case of female than in case of male.

Over the time, GB has developed some social activities outlined by the “sixteen decisions” in order to promote social and financial discipline among the rural poor. The social activities comprise sanitation, health care, nutrition, education, training, abolition of dowry, distribution of seeds and seedlings, distribution of iodised salt, family planning, distribution of winter clothing and promotion of social reforms, etc. GB has achieved tremendous success in implementing its social development activities over the period.

CHAPTER-5

GRAMEEN BANK: LENDING PORTFOLIO MIX

5.1 Introduction

Over the years GB has developed various types of bank Lending Programmes for the benefit of its members. As stated earlier, GB portfolio includes four types of loans such as general loan, collective loan, technology loan, and house building loan. Among the four, general loan alone occupied more than two-thirds of the total loan disbursed during period of review. General loan is the credit line that is used for undertaking economic enterprises and earns income. The upper limit of this loan varies among branches but is now usually Tk.10000. From the beginning of 1982, loans have also been issued to centres for collective enterprises such as purchasing of shallow tube-wells, power pumps, rice hullers, oil mills, leasing of market, etc. Collective loan is also a subhead of general loan. But due to poor repayment performance, GB has been discouraging disbursement of collective loan since 1996.

General loans are allowed for a period of one year, while general seasonal loans are allowed for 6 months. Seasonal loan is a recent addition and is very popular among borrowers. As the name indicates, this loan is for seasonal cultivation. A borrower can get up to a maximum of Tk. 3000, which is to be repaid at the time of harvest. However to maintain discipline, one or two percent of the loan capital is repaid per week according to the borrower's capacity. Seasonal loan is basically to protect the general loan and to keep the members free from the grip of village moneylenders. Seasonal collective loans are also available under similar conditions till 1995. Seasonal collective loans up to Tk.10000 were available for a group of five and Tk.45000 for a centre of 30 people wishing to cultivate together. For

seasonal collective loan, repayment period is 6 months or one year as per the decision of the borrowers. GB has been discouraging disbursement of collective seasonal loan from 1996.

The family loan is also recently introduced another type of general loan. A family as whole through the women who is the legal recipient takes family loan. These loans also have to be paid in weekly instalments and bear the same rate of interest as the other general loans. Upper limit of the loan is Tk.30000, generally such loans are ranged between Tk.10000 and Tk.15000. To be eligible, the number must be at least four-time loanee of good standing and recommended by the centre members who also propose the distribution of the loan within the family. For example, a family loan of Tk.15000 may be distributed with Tk.7000 on the husband for a rickshaw and Tk.8000 on the wife for a milch cow. It may include the adult children as well.

Leasing loan is another type of loan. If any general loan is given above Tk.10000 then the loan is for leasing loan. This loan is given to an individual member of a group for purchasing lath machine, shallow tube-well, power-tiller, etc. The terms and conditions for this loan are like other general loans. The rate of interest for all the above mentioned loans is 20 percent per annum (16 per cent till 1991).

Technology loans are also collective loans. These loans have been recorded separately only from 1988, prior to which they were recorded as collective loans. These loans were allowed collectively to one or more centres. But

after 1996, GB has been discouraging disbursement of new technology loan and transferred most of the existing loans to its sister organisations such as Grameen Krishi (Agriculture) Foundation, Grameen Motsho (Fisheries) Foundation, Grameen Uddog (Enterprise), Grameen Shamogree (products), etc.

The Grameen Bank has introduced house-building loan since 1984 as part of its social development program. As the bank credit experience and self reliance grows, larger loans over longer periods become possible for individual borrowers. Housing loans have been identified as a major need for improving the living standard of GB members. The housing loan started in a small way in 1984 but expanded rapidly since the devastating flood in 1987 and 1988. This loan amount ranges between Tk.12,000 and Tk.25,000. However, in 1987 an additional new type of housing loan called “Basic Housing” loan was introduced. The amount of basic loan is Tk. 12,000. The basic house constructed on 4 R.C.C. pillars in the four corners and roofing by CI sheets on wooden frame. Every house has a sanitary slab and 4-5 rings. Pillars and sanitary slabs are being supplied by the Grameen Bank’s Building Material Projects located at different areas where GB operates. While CI sheets are procure by borrowers from the open market. Along with the moderate housing loan up to Tk.25000 and the basic housing loan up to Tk12000, GB also extends loan of Tk1000 for repairing of old houses to the members. Another type of housing loan named “Pre-basic Housing Loan” was introduced in 1995. The higher limit of this loan is Tk.7500. The rural poor who are not getting general housing loans and basic housing loans are eligible to get pre-basic housing loan. Besides, housing loan, GB provides

loan for purchasing homestead land to borrowers who do not have any land of their own for making a house. Any GB member, who wants to get housing loan shall have to furnish information related to his/her estimated loan amount, item wise utilisation schedule, proposed type of house, present condition of his/her house, the ownership of the land on which the house is to be constructed, his/her present source of income, the possible repayment schedule, etc. The loan applicant has to sign a pledge before getting final approval from GB. In addition, all the centre members have to sign another pledge. The individual pledge contains the unconditional promise to fulfil the conditions such as repayment of loan instalments on weekly basis, completion of the construction within 15 days, utilisation of loan as per item wise utilisation schedule, construction of sanitary latrine, fixing up the GB monogram on the house to be constructed by the loan money, the non-transfer of the ownership of the house till the full payment of the loan, etc. All the housing loans are also without collateral. To obtain a housing loan, a member must have received general loans for at least the second time and the repayment record should be excellent. The rate of interest charged on housing loan is 8 percent simple interest. This Chapter is divided into three sections such as introduction, analysis of different types of loans and a brief conclusion of this chapter.

5.2 General Loan

As stated earlier, general loans have been given for at least 400 different activities. The activities for which general loans have been given can be grouped under eight broad sectors such as processing, manufacturing, agriculture and forestry, livestock and fisheries, service, trading, peddling, shop-keeping and collective enterprises.

Table - 5.1
Share of Different Activities in Total Grameen Banks General Loans Disbursement

Year	Processing and Manufacturing	Agriculture and Forestry	Livestock and Fisheries	Services	Trading	Peddling	Shop-keeping	Collective enterprises	Total
1984	67.4 (22.2)	5.0 (1.6)	93.1 (30.6)	13.8 (4.5)	81.0 (26.6)	3.9 (1.3)	15.3 (5.0)	24.9 (8.2)	304.4 (100)
1985	-	-	-	-	-	-	-	-	-
1986	135.51 (25.0)	11.9 (2.2)	247.8 (45.7)	14.3 (2.6)	93.5 (17.3)	7.0 (1.3)	24.3 (4.5)	7.5 (1.4)	541.8 (100)
1987	204.41 (25.2)	26.05 (3.2)	376.68 (46.5)	18.7 (2.3)	126.0 (15.6)	9.1 (1.1)	34.3 (4.2)	15.0 (1.9)	810.0 (100)
1988	326.31 (25.5)	62.4 (4.9)	581.5 (145.4)	22.0 (1.7)	201.7 (15.7)	13.3 (1.0)	57.0 (4.5)	16.4 (1.3)	1280.56 (100)
1989	509.2 (28.8)	72.2 (4.1)	747.1 (42.2)	31.5 (1.8)	300.9 (17.0)	17.51 (1.0)	76.2 (4.3)	13.9 (0.8)	1768.3 (100)
1990	685.9 (30.3)	98.5 (4.4)	960.1 (42.4)	40.2 (1.8)	352.6 (15.6)	17.4 (0.8)	90.6 (4.0)	17.2 (0.7)	2262.5 (100)
1991	764.2 (29.0)	108.13 (4.1)	1156.0 (43.8)	40.1 (1.5)	427.8 (16.2)	23.0 (0.9)	108.7 (4.1)	11.8 (0.4)	2639.6 (100)
1992	976.80 (18.8)	1387.9 (26.8)	1656.5 (31.8)	57.5 (1.1)	788.0 (15.1)	54.6 (1.0)	267.2 (5.1)	15.2 (0.3)	5203.7 (100)
1993	1483.6 (14.0)	3782.0 (35.6)	3000.10 (28.2)	86.0 (0.8)	1685.1 (15.9)	115.0 (1.1)	457.5 (4.3)	12.9 (0.1)	10622.1 (100)
1994	2151.2 (15.5)	4863.2 (35.0)	3624.8 (26.0)	141.3 (1.0)	2334.2 (16.8)	181.9 (1.3)	595.4 (4.3)	20.3 (0.1)	13912.4 (100)
1995	2123.8 (15.5)	4420.3 (32.4)	3985.6 (29.2)	245.7 (1.8)	2037.8 (14.9)	113.2 (0.8)	733.7 (5.4)	3.5 (0.02)	13663.5 (100)
1996	1856.3 (15.6)	3367.6 (30.9)	3645.0 (30.7)	172.7 (1.5)	1649.0 (13.9)	129.9 (1.1)	757.3 (6.3)	- -	11877.7 (100)

Note : Figures in parentheses denote percentage of total annual disbursement.

Source: Grameen Bank Annual Reports.

It is observed from table 5.1 that among the different broad activities, agriculture and forestry ranked first followed by livestock and fisheries, processing and manufacturing, trading, shop-keeping, services, and peddling in that order. In 1996, agriculture occupied 30.9 percent, live stock and fisheries 30.7 percent, processing and manufacturing 15.6 percent, trading 13.9 percent, shop-keeping 6.3 percent, service 1.5 percent and peddling 1.1 percent of the total general loan disbursed. Thus GB is financing basically non-farm activities (69.1 percent in 1996).

Livestock and fisheries occupied first position till 1991 and after that agriculture and forestry occupied the first position. It is observed from table-5.2 that in absolute amount, processing and manufacturing increased from Tk.67.4 million in 1984 to Tk1856.3 million (or 27.5 times) by the end of 1996; agriculture and forestry increased from Tk.5.0 million to Tk.3367.6 million (or 673.5 times); livestock and fisheries increased from Tk.93.1 million to Tk.3915.1 million (or 39.2 times); services increased from Tk.13.8 million to Tk.172.7 million (or 12.5 times); trading increased from 81.0 million to Tk.1649.0 million (or 20.4 times); peddling increased from Tk.3.4 million to Tk129.9 million (or 33.3 times); shop-keeping increased from Tk.15.3 million Tk.757.3 million (or 39.5 times) over the same period. Thus highest growth was observed in agriculture and forestry (673.5 times), followed by shop-keeping (49.5 times), livestock and fisheries (39.2 times), peddling (33.3 times), processing and manufacturing (27.5 times), trading (20.4 times) and services (12.5 times) in that order. The aggregate growth in all the activities (General loan) was 39.0 times. But the disbursement of

Table - 5.2
Annual General Loan Disbursement by Type and Activity
(Million Taka)

Year	Processing and Manufacturing	Agriculture and Forestry	Livestock and Fisheries	Services	Trading	Peddling	Shop-keeping	Collective enterprises	Total
1984	67.4 (100)	5.0 (100)	93.1 (100)	13.8 (100)	81.0 (100)	3.9 (100)	15.3 (100)	24.9 (100)	304.4 (100)
1985	-	-	-	-	-	-	-	-	-
1986	135.51 (200.1)	11.9 (238.0)	247.8 (266.1)	14.3 (103.6)	93.5 (115.4)	7.0 (179.2)	24.3 (158.8)	7.5 (30.1)	541.8 (177.8)
1987	204.41 (303.2)	26.05 (521)	376.68 (404.5)	18.7 (135.5)	126.0 (155.6)	9.1 (233.3)	34.3 (224.2)	15.0 (60.2)	810.0 (265.9)
1988	326.31 (484.1)	62.4 (1248.0)	581.5 (624.6)	22.0 (159.4)	201.7 (249.0)	13.3 (341.0)	57.0 (372.5)	16.4 (65.9)	1280.56 (420.4)
1989	509.2 (755.5)	72.2 (1444)	747.1 (802.5)	31.5 (228.3)	300.9 (371.5)	17.51 (448.7)	76.2 (498.0)	13.9 (55.0)	1768.3 (580.5)
1990	685.9 (1017.7)	98.5 (1970)	960.1 (1031.3)	40.2 (291.3)	352.6 (805.7)	17.4 (446.2)	90.6 (592.2)	17.2 (69.1)	2262.5 (742.8)
1991	764.2 (1133.8)	108.13 (2162.0)	1156.0 (1241.7)	40.1 (290.6)	427.8 (528.1)	23.0 (589.7)	108.7 (710.5)	11.8 (47.4)	2639.6 (866.6)
1992	976.80 (1449.3)	1387.9 (27758.0)	1656.5 (1779.2)	57.5 (416.7)	788.0 (972.8)	54.6 (1400.0)	267.2 (1746.4)	15.2 (61.0)	5203.7 (1708.4)
1993	1483.6 (2201.2)	3782.0 (75640.0)	3000.10 (3222.4)	86.0 (623.2)	1685.1 (2080.4)	115.0 (2948.7)	457.5 (2990.2)	12.9 (51.8)	10622.1 (3487.2)
1994	2151.2 (3191.6)	4863.2 (97264.0)	3624.8 (3893.4)	141.3 (1024.0)	2334.2 (2881.7)	181.9 (4664.1)	595.4 (3891.5)	20.3 (81.5)	13912.4 (4567.4)
1995	2123.8 (3151.0)	4420.3 (88406.0)	3985.6 (4281.0)	245.7 (1780.4)	2037.8 (2515.8)	113.2 (2902.6)	733.7 (4795.4)	3.5 (14.1)	13663.5 (4485.7)
1996	1856.3 (2754.2)	3367.6 (673552.0)	3645.0 (3915.1)	172.7 (1251.4)	1649.0 (2035.8)	129.9 (3330.8)	757.3 (4949.7)	- -	11877.7 (3902.0)

Note : Figures in parentheses denote growth rates for the respective figures over the base year 1984

Source: Grameen Bank Annual Reports.

general loans to increased at a much faster rate (about 80.9 times) compared to male members (2.9 times) over the period of study.

One may like to know what are the specific activities being financed by Grameen Bank Credit. GB has been financing for more than 400 activities. The list of major activities according to the size of loan is shown separately for male and female members in Table- 5.3 and 5.4.

The allocation of general loan among top 25 items (in order of amount disbursed) which accounted for about 78 percent of the loan disbursed in 1993 is shown in Table- 5.5. Among the 25 items, loans for milch cow occupied the 1st position (13.6 percent) followed by paddy cultivation (13.5 percent), cow fattening (8.8 percent), paddy husking (5.1 percent), tube-well for cultivation (4.1 percent), rice/paddy (4.1 percent), potato cultivation (2.7 percent), land lease (2.6 percent), seasonal agricultural products (2.5 percent), grocery shop (2.4 percent), rabi crop cultivation (2.0 percent), bamboo workers (1.9 percent), fertilizer for cultivation (1.8 percent), land cultivation (1.8 percent), sugarcane cultivation (1.6 percent), poultry raising (1.4 percent), cloths (1.3 percent), stationery shop (1.2 percent), vegetable (1.1 percent), lock repairing (1.0 percent), banana cultivation (0.9 percent), pisciculture (0.8 percent), and vegetable cultivation 0.8 percent. A significant difference in the share of different sectors of the general loan disbursed to male and female loanees can be noted from Table 5.3 and 5.4.

The major activities for men are bamboo works, paddy cultivation, paddy husking, tube-well for cultivation, milch cow, seasonal agricultural product,

Table-5.3
Top 25 items (in order of amount disbursed) for which Female
(Landless) Members took loan during 1993 (January - December)

(amount in million Taka)

Order	Name of Items	No. of loans	Amount of loans	disbursement as percentage of total loan i.e. 10622.1
1	Milch Cow	310401	1426.0	13.4
2	Paddy cultivation	535856	1370.1	12.9
3	Cow fattening	296022	935.9	8.8
4	Paddy husking	272543	505.2	4.8
5	Tube-well for cultivation	121555	429.4	4.0
6	Rice /Paddy	148713	405.6	3.8
7	Potato Cultivation	60796	275.6	2.6
8	Land Lease	61335	266.7	2.5
9	Seasonal Agricultural products	71667	252.1	2.4
10	Grocery shop	69968	251.2	2.4
11	Rabi crop cultivation	59701	204.8	1.9
12	Bamboo works	74935	184.0	1.7
13	Fertilizer (for cultivation)	51528	182.0	1.7
14	Land cultivation	52172	169.5	1.6
15	Sugar cane cultivation	45816	164.4	1.5
16	Bullock	106140	154.8	1.5
17	Goat	134889	149.0	1.4
18	Poultry raising	29635	132.7	1.2
19	Cloths	34735	120.1	1.1
20	Stationery shop	32375	116.2	1.1
21	Vegetable	42206	111.8	1.1
22	Clock repairing	20030	105.1	1.0
23	Banana cultivation	26617	89.8	0.8
24	Pisciculture	29534	88.4	0.8
25	Vegetables cultivation	30301	83.3	0.7
	Total	2719470	8173.2	76.7

Source : Annual Report of Grameen Bank.

etc. For 10 activities accounted for about 60 percent of the total general loan disbursed to the male borrowers. While, three activities i.e., bamboo works, paddy cultivation and paddy husking accounted for nearly half of the total general loan disbursed to them. In case of female loanees, the first fifteen activities accounted for two-thirds of the total general loans disbursed (both male and female), but seven activities i.e. milch cow (13.4 %), paddy cultivation (12.9%), cow fattening (8.8%), paddy husking (4.8%), rice/paddy (4.0%), tube-well for cultivation (3.8%) and potato cultivation (2.6%) accounted for half of the total general loan disbursed to female loanees.

5.3 Collective Loan

Collective loans are given to centre that unanimously decided to participate in any Joint venture activity. These loans are considerably larger than those distributed to individuals. These loans are usually from Tk.50,000 to Tk.100000 with a few approved for amounts up to Tk.500000. These loans are granted to well managed centres that observed GB rules and regulations and have accumulated a substantial fund in a collective special saving account. The major activities for which collective loans are given are like leasing of land for joint cultivation, investment in shallow tube-wells, purchase of power-tillers, leasing of market, purchase of oil mills, purchase of rice husking machines, etc. The loan approval and disbursement procedures are similar to those for general loans, but such ventures are taken by a centre as a whole or a few centres collectively. Although the loan is granted to the centre, each member is legally responsible for the percentage of the total loan amount based on his/her membership in the centre. Joint

Table-5.4
 Top 25 items (in order of amount disbursed) for which Male
 (Landless) Members Took Loan During 1993 (January – December)
 (Amount in million Taka)

Order	Name of Items	No. of loans	Amount of loans	disbursement as percentage of total loan i.e. 10622.1
1	Bamboo works	21014	99.0	0.9
2	Paddy cultivation	21658	60.1	0.6
3	Paddy husking	13312	38.9	0.4
4	Tube-well for cultivation	10467	28.4	0.3
5	Milk cow	8000	17.2	0.2
6	Seasonal agricultural products	13121	16.9	0.2
7	Fertiliser (For cultivation)	8453	13.8	0.1
8	Potato cultivation	2697	13.3	0.1
9	Rabi crop cultivation	2992	12.8	0.1
10	Land cultivation	2679	9.7	0.1
11	Miscellaneous items	6490	9.4	0.09
12	Land lease	1983	9.2	0.09
13	Timber	1835	9.1	0.09
14	Snack making	2628	8.8	0.08
15	Bullock	2163	7.5	0.07
16	Weaving (Saree)	1156	7.5	0.07
17	Fish	1791	6.5	0.06
18	Sugarcane cultivation	1535	6.1	0.06
19	Cattle feed (Bhusi)	2650	6.0	0.05
20	Betelnut	1689	5.0	0.05
21	Seasonal fruits	1137	4.9	0.05
22	Betelleaf	1103	4.4	0.04
23	Puffed rice making	1374	4.3	0.04
24	Cattle	740	4.3	0.04
25	Pepper	1031	4.2	0.04
	Total	133698	407.3	4.82

Source : Annual report of Grameen Bank.

enterprises are managed through three committees; one for management, one for audit/income and one for finance /expenditure. Thus, it is difficult for any member to misuse fund without the collaboration of all the committee members. On a consensus basis, the centres select nine members, three for each committee. The centre chief act as the regular convenor of the committee meetings. The committee supervises the daily operation and reviews the operational performance in weekly meeting. The experience with joint enterprises has been negative over the years. In relative terms, the repayment performance of collective loan was poor than other types of GB loans. Sometimes, misunderstanding and confusion are created among the members, in managing Join venture enterprises. In some cases one or two members of the centre misappropriated the fund for collective enterprise. Consequently, GB has been discouraging disbursement of collective loan since 1996. Given the relatively poor repayment performance for this type of loans, the share of collective loans in the total cumulative loan disbursement decreased from 5.7 percent in 1984 to only 0.3 percent in 1996 (Table 6.6). In relative terms, the share of collective loans for women declined from 1.9 percent to 0.2 percent and for men from 3.8 percent to 0.1 percent over the period of review. But in absolute figure, cumulative amount of total collective loans increased from a very low figure of Tk. 28.6 million in 1984 to Tk. 183.7 million (or 6.4 times) in 1996. The cumulative disbursement of collective loans for women increased from Tk. 9.5 million in 1984 to Tk. 120.0 million (or 12.6 times) in 1996 and the same for men increased from Tk. 19.1 million to Tk. 63.7 million (or 3.3 times) over the same period. Thus in absolute amount, the increase was more pronounced in collective loans for women than the same for men.

Table-5.5

Top 25 items (in order of amount disbursed) for which all (both Male and Female) members took loan in 1993

(amount in million taka)

Order	Name of Items	No. of loans	Amount of loans	disbursement as percentage of total loan i.e. TK.10622.1
1	Milch Cow	318401	1443.1	13.6
2	Paddy cultivation	557514	1430.2	13.5
3	Cow fattening	302019	936.9	8.8
4	Paddy husking	285855	544.1	5.1
5	Tube-well for cultivation	159180	433.9	4.1
6	Rice /Paddy	122429	430.8	4.1
7	Potato Cultivation	63493	288.9	2.7
8	Land lease	63318	275.9	2.6
9	Seasonal Agricultural products	83089	268.1	2.5
10	Grocery shop	72101	253.5	2.4
11	Rabi crop cultivation	62693	217.7	2.0
12	Bamboo works	63220	210.7	1.9
13	Fertiliser (for cultivation)	83388	197.8	1.8
14	Land cultivation	54207	191.6	1.8
15	Sugar cane cultivation	53707	175.6	1.6
16	Bullock	47979	171.9	1.6
17	Goat	107649	157.9	1.5
18	Poultry raising	137346	152.9	1.4
19	Cloths	32344	135.0	1.3
20	Stationery shop	35332	122.9	1.2
21	Vegetable	32725	116.8	1.1
22	Clock repairing	20037	105.2	1.0
23	Banana cultivation	30311	91.6	0.9
24	Pisciculture	27175	90.0	0.8
25	Vegetables cultivation	31570	87.1	0.8

Source: Annual reports of Grameen Bank

5.4 House Building Loan

House building loan is a vital activity of the GB's over all development programmes. As stated earlier, this loan was design to help GB members construct good quality, low cost housing. The number of loanees desirous of availing housing loan is increasing rapidly. The number as at end of 1996 was 3,11,148 as against 317 in 1984. The growth was more pronounced in case of female loanees then male loanees. The number of housing loan for male members increased to 26,542 (or 162.1 times) in 1996 from a very low figure of 164 in 1984. While, the number for female members increased to 2,84,556 (or 1859.8 times) by the end of 1996 from a very low figure of 153 in 1984. Thus, women are getting priority like other types of GB loan. The requirement that the borrower hold title to the land has enabled the legal transfer of house ownership to thousands of poor women. The share of housing loans in total cumulative loan disbursement increased from 0.7 percent in 1984 to 8.4 percent in 1996 (Table 6.6). The share for women increased from 0.4 percent in 1984 to 7.1 percent in 1996. While the share for men increased from 0.3 percent in 1984 to only 0.6 percent in 1996. In cumulative figure, total housing loan increased from Tk.3.6 million in 1984 to Tk.5553.8 million (or 1598.3 times) in 1996. The table further reveals that, in absolute amount, housing loan for women increased from Tk.1.9 million in 1984 to Tk.5097.8 million (or 2788.3 times) in 1996. While housing loan for male increased from Tk. 1.7 million to Tk. 4.56 million (or 268.2 times) over the same period. Thus in absolute term, the growth was several times higher in female housing loan than in male housing loan.

Table -5.6
Share of Different Types of Loan in Total Grameen Banks Loan Disbursement
(Cumulative figure in million taka)

Year	General			Collective			House Building			Technology Loans	Total
	Male	Female	Sub Total	Male	Female	Sub Total	Male	Female	Sub Total		
1984	261.4 (52.0)	209.2 (41.6)	470.6 (93.6)	19.1 (3.8)	9.5 (1.9)	28.6 (5.7)	1.7 0.3	1.9 0.4	3.6 0.7	0.0	503.0 (100)
1985	415.1 (43.8)	462.2 (48.7)	877.3 (92.5)	30.9 (3.3)	19.5 (2.1)	50.4 (5.3)	10.1 (1.1)	10.7 (1.1)	20.8 (2.2)	0.0	948.5 (100)
1986	561.9 (37.5)	849.7 (56.8)	1411.6 (94.3)	33.8 (2.3)	24.1 (1.6)	57.9 (3.9)	11.5 (0.8)	15.0 (1.0)	26.5 (1.8)	0.0	1496.0 (100)
1987	722.6 (29.5)	1484.0 (60.7)	2206.6 (9.2)	38.7 (1.6)	34.2 (1.4)	72.9 (3.0)	43.9 (1.8)	123.4 (5.0)	167.3 (6.8)	0.0	2446.8 (100)
1988	916.3 (23.3)	2554.4 (65.0)	3470.7 (88.3)	42.8 (1.1)	46.4 (1.2)	89.2 (2.3)	73.8 (1.9)	263.8 (6.7)	337.6 (8.6)	33.2 (0.8)	3930.7 (100)
1989	1119.8 (18.7)	4105.5 (68.4)	5225.3 (87.1)	46.5 (0.8)	56.4 (0.9)	102.9 (1.7)	102.3 (1.7)	471.6 (7.9)	573.9 (9.6)	96.6 (1.6)	5998.7 (100)
1990	1325.2 (15.3)	6145.4 (71.0)	7470.6 (86.3)	50.5 (0.6)	70.5 (0.8)	121.0 (1.4)	119.5 (1.4)	679.0 (7.8)	798.5 (9.2)	265.2 (3.1)	8654.8 (100)
1991	1519.8 (12.2)	8578.4 (69.4)	10098.2 (81.7)	52.7 (0.4)	79.3 (0.6)	132.0 (1.1)	147.0 (1.2)	953.5 (7.7)	1100.5 (8.9)	1030.9 (8.3)	12361.6 (100)
1992	1905.6 (10.2)	13381.3 (71.5)	15286.9 (81.6)	55.1 (0.3)	92.1 (0.5)	147.2 (0.8)	196.2 (1.1)	1463.7 (7.8)	1659.9 (8.9)	1628.9 (8.7)	18722.9 (100)
1993	2458.9 (8.0)	23437.1 (76.2)	25896.0 (84.2)	59.2 (0.2)	100.8 (0.3)	160.0 (0.5)	335.2 (1.2)	2997.5 (9.8)	3332.7 (10.8)	1351.4 (4.4)	34740.1 (100)
1994	3462.1 (7.5)	36326.0 (78.7)	39788.1 (86.2)	62.7 (0.1)	117.6 (0.3)	180.3 (0.4)	426.9 (0.9)	4244.4 (9.2)	4671.3 (10.1)	1495.7 (3.3)	46135.4 (100)
1995	4496.4 (7.4)	48979.0 (80.8)	53475.4 (88.2)	63.7 (0.1)	120.0 (0.2)	183.7 (0.3)	461.9 (0.8)	4922.3 (8.1)	5384.2 (8.9)	1580.0 (2.6)	60623.3 (100)
1996	4778.1 (6.7)	60547.9 (84.9)	65326.0 (91.6)	63.7 (0.1)	120.0 (0.2)	183.7 (0.3)	456.0 (0.6)	5097.0 (7.1)	(5553.0) (8.4)	267.8 (0.4)	71331.3 (100)

Note: Figures in parentheses are percentage growth rates for the respective figures over the base year, 1984.

Source : Grameen Bank.

5.5 Technology Loan

Technology loans were recorded with collective loan till 1987. After that they have been recorded separately. Technology loans are for large projects and involved larger amount of credit. The activities for which Technology loans have been issued are fish farming, agriculture projects, house building material projects, service centre, cold storage; packages and others. For example, Joy Sagar Fish Firm, Dinajpur Fish Firm, Chakaria Shrimp Firm, Shatkhira Shrimp Firm, Moynamothi Cold Storage, Packages Corporation, Southern Agriculture Project, Patuakhali Boufall Agriculture Ltd., etc. are technology loans. But from 1994 GB has started transfer of the technology loans to different family organisations such as Grameen Krishi (Agriculture) Foundation, Grameen Mothso (Fisheries) Foundation and Grameen Uddog (Enterprise), Grameen Samogri etc. By 1996 most of the technology loans were transferred to its family organisations.

It is evident from Table- 4.3 that the cumulative amount of technology loan increased from Tk.33.2 million in 1988 to Tk.1580.0 million (57.2 times) in 1995. While the amount decreased after 1995. The amount decreased so much so that it was only Tk.267.8 million in the concluding year of the study.

5.6 Conclusion

From the foregoing analysis and interpretation it can be concluded that general loan dominated the lending portfolio mix since the inception of

Grameen Bank. For, it alone occupied, on an average, more than four fifths of the total loan disbursed during the period of review. While, housing building loan occupied, on an average, about one-tenth of the total loan disbursed. The other two types of loan such as collective loan and technology loan occupied very negligible shares in the total loan disbursed during the period. Moreover GB has been discouraging disbursement of collective loan and technology loan since 1996 and transferred most of the existing projects to its sister organisations. Another revelling feature of the lending portfolio mix is that the growth in all the heads of loan were more pronounced in case of female loanees than in case of male loanees. Thus, GB has been giving more preference to female than to male in case of loan disbursement.

CHAPTER - 6

**SOCIO-ECONOMIC CONDITIONS OF THE
BORROWERS: BEFORE AND AFTER**

6.1 Introduction

The main objective behind the setting up of Grameen Bank is to provide credit to the poor at reasonable terms and conditions so that they can generate productive self-employment and thereby improve their economic condition. Credit is, thus, seen as an instrument for alleviating poverty. The success of GB largely depends on its impact on raising the level of income and consumption of its poor members.

The GB has contributed significantly in the way to self - reliance among members. Most of them have reduced or completely eliminated their dependence on landlords, village moneylenders and relatives for consumption loans. With GB loans, members have diversified their economic activities and achieved a higher rate of productive utilisation of their own labour. With the appropriate credit support, millions can find self employment, without any external assistance, by involving themselves in their familiar processing and manufacturing trades, providing transport services, storage of agricultural produce, making agricultural and non-agricultural inputs, outputs and supplies, maintenance services to all equipment, etc. (Yunus, 1982: 6). Participation in-group meetings and in economic activities, individual and joint, has helped the members improve their planning, organisation, management and technical skills. Moreover, GB loans contributed to a significant improvement in income levels of the members. Thus GB should be viewed more as an institution for the overall improvement of the socio-economic conditions of the rural poor than one establish for providing credit. This section aims at examining the change in socio-economic condition of GB members. As stated earlier, data were collected through face to face interviews with the GB members during the

first quarter of 1997. Collected data have been analysed and evaluated in the next section. While the last section contains a brief summary of this chapter.

6.2 Age Sex Distribution

According to the labour force survey 1995-96, 61.9 percent of the labour force in Bangladesh is male and only 38.1 percent is female (Statistical pocket Book, 1997). Against this background, table 6.1 shows that about 97.6 percent of the GB loan applicants are female and only 2.4 percent are male. Thus the rate of willingness to participate in productive activities by women is

Table - 6.1
Age - Sex distribution of GB Members

Age group	GB Borrowers				Total	Bangladesh		
	Male		Female			(Male + Female)	Labour force 1991	
	No.	Percent	No.	Percent	Percent		Male	Female
Up to 15	-	0.0	20	5.0	4.9	45.6	45.9	45.3
15 to 25	1	10.0	102	25.3	24.9	16.0	16.9	16.9
25 to 35	3	30.0	207	51.4	50.8	14.0	15.2	14.6
35 to 45	3	30.0	46	11.4	11.9	10.3	9.2	9.8
45 to 55	2	20.0	19	4.7	5.1	6.4	6.1	6.2
55 to 65	1	10.0	9	2.2	2.4	4.1	3.7	3.9
65 to Over	-	0.0	-	0.0	0.0	3.6	3.0	3.3
Total	10	100	403	100	100	100	100	100
(Percent)	(2.42)		(97.6)		(100)			

Source: Field survey and population census, 1991, BBS

much higher among the rural poor than among the population in general. Moreover, if credit facilities are extended, a large proportion of the poor women can be brought into the arena of productive activities, which could

improve the socio-economic condition of the rural poor women and also increase labour force participation in Bangladesh. Consequently average household income of the rural poor would increase and dependency ratio would reduce. The table 6.1 further reveals that the majority of loan applicants (50.8 percent) are concentrated in the most active age group of 25 to 35. While 24.9 percent are concentrated in the age group of 15 to 25. Only 4.9 percent of the applicants are below age 15, and 2.4 percent in the age group of 55 to 65. While none of the applicant is above the age 65. The female borrowers are relatively younger than the male. For, 51.4 percent of the female belong to the age group 25 to 35 compared to 30 percent among the male, whereas 60 percent of the male and 19.4 percent of the female borrowers are in the older age group of 35 and above.

6.3 Family Type and Dependency

It is observed from table 6.2 that extended family type dominated the total structure of borrowers households followed by joint family type and nuclear family type in that order. About 80.1 percent of the borrowers households are of extended family type composed of husband, wife (wives), unmarried sons, daughters and dependent unmarried relations. Another 5.6 percent of the households are of nuclear family type composed of husband and wife

Table 6.2

Distribution of Households by Family Type

Family Type	Male		Female		All	
	No.	Percent	No.	Percent	No.	Percent
Nuclear	0	0.0	23	5.7	23	5.6
Extended	9	90.0	322	79.9	391	80.1
Joint	1	10.0	58	14.4	59	14.3
All	10	100	403	100	413	100

Source: Field Survey.

(wives) only. The remaining 14.3 percent are joint families with two or more extended/ nuclear families living together. There is a small degree of difference in the composition of households of male and female borrowers. Households containing extended families constitute 79.9 percent for female borrower households, compared to 90 percent for male. Again, households containing joint families constitute 14.4 percent for female borrowers as against 10.0 percent for male. While households containing nuclear family constitute 5.7 percent for female as against none for male.

6.4 Distribution of Households by Number of Earners

It is evident from table 6.3 that 73.2 percent of the borrower households had one earning members at the time of survey. While, 21.5 percent had two earning members; 4.6 percent had three earning members and 0.7 percent

had four or more earning members. But the earning members in male borrower households were higher than female borrower households. For, 73.2 percent of the female borrower households had only one income-earning member, while none of the male borrower households had only one income-earning member.

However, it is reported that a large member of the households has multiple sources of income. This is because of the fact that a single member is often

Table 6.3

Distribution of Member Households by Number of Income Earners

Number of Income Earners	Male Borrower Households		Female Borrower Households		All Borrower Households	
	No.	Percent	No.	Percent	No.	Percent
One	5	50	297	73.7	302	73.2
Two	3	30	86	21.3	89	21.5
Tree	2	20	17	4.3	19	4.6
Four or more	-	-	3	0.7	3	0.7
Total	10	100	403	100	413	100

Source: Field Survey.

employed in more than one job. The inference that can be drawn is that the female borrower households had less income earners than male and as such per capita income of the former was lower than latter.

6.5 Sources of Credit Before Joining GB

Table 6.4 presents the share of different sources of credit to the GB borrowers before joining GB. It shows that 82.7 percent of the credit-receiving households obtained 87.8 percent of the total loans from non-institutional sources. While only 17.3 percent obtained loans from institutional sources and they tapped only 12.2 percent of the total loans. The major non-institutional sources were village moneylenders (81.9 percent), followed by relatives & friends (13.9 percent), and others such as shopkeepers and neighbours (4.2 percent) in that order. The average size of loan was Tk.4955, Tk.4025 and Tk.2344 respectively. Moneylenders alone provided more than four-fifths of the total non-institutional loans and the average size of loan were the largest. In this connection it is worth mentioning that village moneylenders lend money at an interest rate of 300 to 400 percent per annum.

It is also observed that 55.1 percent of the institutional credit-receiving households obtained co-operative loans and they tapped 36.4 percent of the institutional loans. The average loan size was Tk.2100. While 35.9 percent received loans from NCBs and Krishi Bank and they tapped 56.8 percent of the total institutional loans. The average loan size was Tk.4870. The remaining 9.0 percent obtained loan from different non-government organisations and they tapped 6.8 percent of the total institutional loans. The average loan size was Tk.2850.

Table - 6.4
Importance of Various Sources of Credit to borrower
Households before Joining GB

Sources of Credit	Percent of the Total Loan Recipients	Percent of Loan Received	Average Size of Loan
1. Institutional Sources :	(17.3)	(12.2)	(3184)
a) NCBs & Krishi Bank	35.9	56.8	4870
b) Co-operatives	55.1	36.4	2100
c) NGOs	9.0	6.8	2850
Total	100 =====	100 =====	
2. Non-institutional Sources:	(82.7)	(87.8)	(4492)
a) Mohajons (Village moneylenders)	75.2	81.9	4955
b) Relatives & Friends	16.1	13.9	4025
c) Others (against land/gold mortgage to shopkeepers and neighbours)	8.7	4.2	2344
Total	100 =====	100 =====	

Source: Field survey.

The inference that could be drawn is that non-institutional sources contributed about 88 percent of the total loan disbursed. While, the

contribution of the institutional sources (12.2 percent) was very insignificant. Moreover, the village moneylenders, the most costly source, occupied more than three-fourths of the total non-institutional loans.

6.6 Availability of Credit

As is evident from table 6.5 that only 20.1 percent of total borrower households obtained credit from different sources up to the time of joining GB. They were 60.0 percent among male and 19.1 percent among female borrower households. Thus only one-fifth of the GB members had access to credit markets. Moreover, poor women had very limited access to credit

Table - 6.5

Distribution of Households Receiving Credit from Different Sources by Size of Loan before Joining GB.

Size of Loan (Tk.)	Male borrowers		Female borrowers		All borrowers	
	No.	Percent	No.	Percent	No.	Percent
Up to Tk.2000	-	0.0	35	45.5	35	42.16
Tk.2001 to Tk.4000	-	0.0	20	26.0	20	24.1
Tk.4001 to Tk.6000	2	33.3	14	18.2	16	19.3
Tk.6001 to Tk.8000	1	16.7	6	7.8	7	8.4
Tk.8001 to Tk.10000	1	16.7	2	2.5	3	3.6
Tk.10001 to and above	2	33.3	-	0.0	2	2.4
Total	6	100	77	100	83	100
Percent of household received credit		60.0		19.1		20.1

Source: Field Survey.

markets. The table further reveals that the size of loan was insufficient. About 42 percent of the loan receivers got loans in size up-to Tk. 2000, and about 44 percent (24.1percent + 19.3percent) from Tk. 2001 to Tk. 6000. While, the remaining 14 percent obtained loans more than Tk. 6000. The inference that can be drawn from the above analysis is that only one-fifth of the total GB borrowers had access to credit markets before joining GB and male got preferential treatment.

6.7 Mortgaging land or Valuables

As stated earlier, the major portion of loan from the non-institutional sources was obtained by these poor households through mortgaging of their agricultural land or homestead land or valuables. 'Mortgaging of land for obtaining credit in rural Bangladesh is considered as an important process through which land alienation and landlessness take place' (Hossain, 1984:

Table - 6.6
Incidence of Land Mortgage for Obtaining Credit

Land Mortgaged (decimals)	Male borrowers		Female borrowers		All borrowers	
	No.	Percent	No.	Percent	No.	Percent
Up to 10	0	0.0	6	13.6	6	12.5
11 to 20	2	50	10	22.7	12	25.0
21 to30	2	50	22	50.0	24	50.0
31 to 40	0	0.0	4	9.2	4	8.3
41 to 50	0	0.0	2	4.5	2	4.2
51 and above	0	0.0	-	0.0	-	0.0
Total	4	100	44	100	48	100
Percent of Households Mortgaged Land		40		11.9		11.6

Source: Field survey.

38). It is evident from the table 6.6 that 11.6 percent of these households had mortgaged some land for obtaining loans. Among them, 82.5 percent (12.5+25.0+50.0) mortgaged up to 30 decimals and 8.3 percent from 31 to 40 decimals and 4.2 percent from 41 to 50 decimals. The periods of mortgage varied from one year to seven years. But majorities of the mortgages were for one year.

6.8 Level of Education

Table 6.7 provides the educational background of the GB borrowers at the time of joining the Bank. It is observed that 45.3 percent of the borrowers were illiterate as against 59.3 in Feni district and 67.6 percent in Bangladesh (Table 4.4 and Statistical Pocket Book, 1997). A further investigation into the table shows that 29.3 percent of the borrowers could sign only. While,

Table - 6.7
Educational Back Ground of GB Members at the Time of Joining GB

Educational Status	GB Borrowers at the Time of Joining					
	Male		Female		Total	
	No.	Percent	No.	Percent	No.	Percent
1. Illiterate	4	40	183	45.4	187	45.3
2. Can Sign only	2	20	119	29.5	121	29.3
3. Attended Primary School	3	30	80	19.9	83	20.1
4. Attended Secondary School	1	10	19	4.7	20	4.8
5. Have More than Secondary Level Education	0	0	2	0.5	-	0.5
Total	10	100	403	100	413	100

Source: Field Survey.

20.5 percent attended primary school and 5.3 (4.8 + 0.5) percent attended secondary school and above. A point is to note that the rate of illiteracy was higher in female applicants (45.3 percent) than in male applicants (40.0 percent).

Table - 6.8

Educational Back Ground of GB Members at the Time of Survey

Educational Status	Borrowers after Joining GB				
	Male		Female		Total
	No.	Percent	No.	Percent	
1. Illiterate		-	10	2.5	2.4
2. Can Sign Only	6	60	288	71.5	71.2
3. Attended Primary School	3	30	84	20.8	21.1
4. Attended Secondary School	1	10	19	4.7	4.8
5. Have more than Secondary Level Education	-	-	2	0.5	0.5
Total	10	100	403	100	100

Source: Field survey.

Table 6.8 presents the educational background of the borrowers at the time of survey. To give a broad view of the improvement in the level of education of the sample borrowers after joining GB, the figure in table 4.4 has also been taken into consideration. It is observed that the extent of illiteracy (including those who can sign their name only) has drastically reduced in the study area after the intervention of GB. About 46 percent of the borrowers were illiterate before joining GB, while the figure has reduced to 2.4 percent

after joining GB. Rate of illiteracy was higher in case of women than in male. It is also observed that the rate of signing capability has improved significantly after joining GB. For, the rate of signing capability was increased to 71.2 percent after joining GB from 29.3 percent before joining. While for higher levels, the rate of improvement was insignificant. It is evident from the table 4.5 that only 26.4 percent of the GB members attended educational institutions at the time of survey. While 25.4 percent of the GB members attended educational institutions before joining GB.

The inference that can be drawn is that there is significant improvement in the signing capability of the GB members after joining GB. While for higher levels the improvement is negligible.

6.9 Occupational Pattern

Table 6.9 gives the distribution of GB members according to their primary occupations at the time of loan applications. Majorities of the borrowers were from domestic work (44.3 percent). It can safely be said that these 44.3 percent of the borrowers were underemployed at the time of loan applications. They proposed to take up new activity with the GB loan. Therefore, the GB credit is creating employment opportunities for the underemployed.

Table - 6.9
Distribution of GB Borrowers by Principal
Occupations at the Time of Loan Application

Principal Occupation	Male Borrowers (percent)	Female Borrowers (percent)	All Borrowers (percent)
Farming	20.0	5.0	5.4
Agricultural Wage Labour	30.0	6.0	6.5
Cottage Industry	0.0	27.8	27.1
Trade and Business	20.0	8.9	9.2
Transport Service	30.0	0.0	0.7
Domestic Work	0.0	45.4	44.3
Other (Livestock, fisheries, peddling, etc.)	0.0	6.9	6.8
Total	100	100	100

Source: Field survey.

The next occupations are cottage industry (27.1 percent), trade and business (9.2 percent), others (6.8 percent), agricultural wage labour (6.5 percent), farming (5.4 percent), and transport service (0.70). Important differences were found in the occupational distribution of the loan applicants by sex. For the male applicants, the most important occupation was agricultural wage.

labour (30 percent). While for female applicants the most important occupation was domestic work (45.4 percent) followed by cottage industry (27.8 percent), trade and business (8.9 percent), livestock, fisheries & peddling (6.9 percent), agricultural wages labour (6.0 percent), and farming (5.0 percent) in that order. One of the most important occupation for male applicants was transport service (30 percent), while transport service was zero for female applicants. Again, domestic work was the most important occupation for female applicants, while domestic work was zero for male applicants.

The change in occupation of GB borrowers after joining GB has been presented in table 6.10. It is observed that before joining GB a large number of borrowers were in fact engaged in domestic work, but with GB credit they have subsequently changed their occupation. Domestic work reduced so much so that it was only 8.5 percent from 44.3 percent over the period. On the other hand, cottage industry was the major occupation after joining GB. It alone occupied 46.0 percent of the various occupations of the GB borrowers followed by trade and business (21.8 percent), others (16.7 percent), domestic work (8.5 percent), farming (3.9 percent), agricultural labour (2.4 percent), and transport service (0.7 percent) in that order.

Table - 6.10
Distribution of GB Borrowers by Principal
Occupation at the Time of Survey at 1996

Principal Occupation	Male Borrowers (percent)	Female Borrowers (percent)	All Borrowers (percent)
Farming	10	3.7	3.9
Agricultural Wage Labour	-	2.5	2.4
Cottage Industry	-	47.1	46.0
Trade and Business	50	21.1	21.8
Transport Service	30	-	0.7
Domestic Work	-	8.7	8.5
Other (Livestock, fisheries peddling etc.)	10	16.9	16.7
Total	100 ===	100 ===	100 ===

Source: Field survey.

The change in occupation was more noticed in case of female than male. Domestic work was the major occupation (45.4 percent) for female borrowers before joining GB. While cottage industry (47.1 percent) is the major occupation after joining GB. Trade and business occupied the second position (21.1 percent), followed by others such as livestock & fisheries

(16.9 percent), domestic work (8.7 percent), farming (3.7 percent), agricultural wage labour (2.4 percent) in that order. In case of male borrowers, agricultural wage labour was the major activity before joining GB. While after joining GB, trade & business (50 percent) is the major occupations followed by transport service (30 percent), farming (10 percent), and others (10 percent) in that order.

The inference that can be drawn is that under employed labour force especially in domestic work has been provided with new opportunities to change their activities with GB credit.

6.10 Land Ownership Pattern

The pattern of distribution of land ownership of the Borrowers households is presented in 6.11. It is evident from the table that only 14.7 percent (12.8 + 1.9) of the households reported ownership of more than 25 decimals of land.

Table 6.11

The Pattern of Distribution of Owned Land at the Time of Joining GB

Land Ownership Group (decimals)	Percentage of Households		
	Male Borrowers	Female Borrowers	All Borrowers
Nil	-	3.0	2.9
Up to 10	50.0	41.7	42.0
11 to 25	30.0	40.6	40.4
26 to 50	20.0	12.7	12.8
51 to 100	-	2.0	1.9
100 & above	-	-	-
Total	100.00	100.00	100.00

Source: Field survey.

While 44.9 percent (2.9 percent+42.0 percent) of the borrowers households owned only up to 10 decimals of land and 40.4 percent in the range of 11 to 25 decimals of land.

The pattern of distribution of land ownership (Homestead + agricultural land) of the Borrower households is presented in the table 4.12. It is observed that there was an insignificant improvement in the land ownership pattern of the GB members after joining GB. For, 1.9 percent of the sample borrowers was landless after joining GB as against 2.9 percent before joining GB. Up to 10 decimals of land owned by 37.3 percent of the borrowers, while 42 percent owned the same quantity of land before joining GB. Again, 60.8 percent (45.0 percent + 13.6 percent + 2.2 percent + 0) of the borrowers owned more than 10 decimals of land, while the same quantity of land owned by 55.1 percent (40.4 percent + 12.8 percent + 1.9 percent) of the sample borrowers before joining GB. The inference that can be drawn is that:

- (1) There is an insignificant improvement in the ownership pattern of land holding after joining GB.
- (2) The GB has succeeded in reaching the land-poor group because only 2.2 percent of the borrower households exceeded the ceiling of owning 50 decimals of land.

Table 6.12

The Pattern of Distribution of Owned Land, 1996

Land Ownership Group (decimals)	Percentage of Households		
	Male Borrowers	Female Borrowers	All Borrowers
Nil	-	2.0	1.9
Up to 10	30.0	37.5	37.3
11 to 25	50.0	44.9	45.0
26 to 50	20.0	13.4	13.6
51 to 100	-	2.2	2.2
Total	100.00	100.00	100.00

Source: Field survey.

(3) Land is not the main source of income of the GB borrowers. Most of the GB borrowers do not have any cultivable land except homesteads. Even a few borrowers (1.9 percent) do not have any homesteads land.

Table 6.13
The Pattern of Distribution of Owned Cultivated Land at the Time of Joining
GB

Land Ownership Group (decimals)	Percentage of Households		
	Male Borrowers	Female Borrowers	All Borrowers
Nil	30.0	42.7	42.4
Up to 10	30.0	28.3	28.3
11 to 25	20.0	19.4	19.4
26 to 50	20.0	7.7	8.0
51 to 100	0.0	7.9	1.9
100 & above	-	-	-
Total	100.00	100.00	100.00

Source: Field survey.

Table - 6.14
The Pattern of Distribution of Owned Cultivated Land, 1996

Land Ownership Group (decimals)	Percentage of Households		
	Male Borrowers	Female Borrowers	All Borrowers
Nil	20	34.2	33.9
Up to 10	40	35.5	35.6
11 to 25	20	20.1	20.1
26 to 50	20	8.2	8.5
51 to 100	0	2.0	1.9
100 & above	0	0.0	0.0
Total	100.00	100.00	100.00

Source: Field survey.

Against this background table 4.13 shows that only 1.9 percent of the borrowers owned more than 50 decimals of cultivable land, while the ceiling for becoming eligible for GB loan is up to 50 decimals. Contrarily, 42.4 percent of the borrower households did not own any cultivable land. The inference that can be drawn is that the GB has not only been successful in reaching the target groups but also in mobilising the extremely poor within the target group.

6.11 Ownership of Non-land Assets

One may argue that owned land might not give the exact picture of the borrowers economic position. They may have substantial non-land assets to augment their income. It is evident from table 4.16 that the value of non-land assets of the borrowers has significantly improved after joining GB. We found that 27.3 percent (table 6.15) of the households owning up to Tk.10000 of non-land assets before joining GB. While the corresponding figure stood at only 18.9 percent (1.2 percent + 17.7 percent) after the

Table 6.15
Distribution of Borrower Households by Size of
Non Land Assets at the Time of Joining GB

Value of Non-land Assets (Tk.)	No. of Borrowers	Percent of Borrowers
Up to Tk.5000	17	4.1
Tk.5001 to Tk.10000	96	23.2
Tk.10001 to Tk.15000	161	39.0
Tk.15001 to Tk.20000	78	19.0
Tk.20001 to Tk.25000	39	9.4
Over Tk. 25,000	22	5.3
Total	413	100

Source: Field survey.

Table 6.16

Distribution of Borrowers House Holds by Size of Non Land Assets 1996

Value of Non Land Assets (Tk.)	No. of Borrowers	Percent of Borrowers
Up to Tk.5000	5	1.2
Tk.5001 to Tk.10000	73	17.7
Tk.10001 to Tk.15000	146	35.4
Tk15001 to Tk20000	98	23.7
Tk.20001 to Tk.25000	60	14.5
Over Tk. 25000	31	7.5

Source: Field Survey.

respondent joined GB. It is also observed that 81.1 percent (100 percent - 18.9 percent) of the borrowers have non -land assets of more than Tk. 10000; 45.7 percent (23.7 percent + 14.5 percent + 7.5 percent) have more than Tk. 15000; 22 percent (14.5 percent + 7.5 percent) have more than Tk. 20000 and 7.5 percent have more than Tk. 25000 after joining GB. While, the corresponding figures were 72.7 percent 35.7 percent, 14.7 percent and 5.3 percent respectively before joining GB. The inference is that the value of non-land assets of the sample borrowers has increased moderately after joining GB.

6.12 Impact of GB Loans on Income Level of the Borrowers

It is difficult to collect accurate information on income. The respondents were asked to report their yearly household income and since they do not keep any record the information may contain reporting error. However, we tried our best to collect the accurate information on income of the respondents as far as possible.

As income is difficult to measure accurately we have used two alternatives methods to assess the impact of the Grameen Bank on the income of its members. First, we have compared the income of the GB borrowers after joining with before joining. Second, we have compared the income of the GB borrowers with the income of the non-borrowers

6.13 The Level of Income: Before and After Joining GB

The level of income and the pattern of its distribution as reported by the borrowers are shown in table 6.17. It is evident from the table that 52 percent of the households had earned up to Tk. 3000 per capita before joining GB. These households may be categorised as extremely poor. Another one-third of the households were in the income bracket of Tk. 3001 to Tk. 6000 Most revealing is that none of the household had earned more than national average before joining GB. Thus all the GB borrowers had an income below the national average, and in fact 51.8 percent had earn income below one-fourth of the national average. The inference that can be drawn from the above analysis is that GB has been successful in providing its services to the real poor as measured by their income position.

Table - 6.17
Level and Distribution of Income of Borrowers
Before and After Joining GB

Size of per capital Income	Before Joining GB		At the time of Survey	
	No. of households	Percent of households	No. of households	Percent of households
Up to Tk. 3000	214	51.8	37	8.9
Tk. 3001 to Tk. 6000	121	29.3	47	11.4
Tk. 6001 to Tk. 9000	53	12.8	184	44.6
Tk. 9001 to Tk. 12000	25	6.10	103	24.9
Tk. 12001 and above	-	0.0	42	10.2
Total	413	100.0	413	100.0

Source: Field survey.

The table further reveals that the level of income of GB borrowers increased remarkably. It is observed that households with per capita income less than Tk. 3000 per annum were about 52 percent before joining GB, the proportion has come down to about 9 percent after joining GB. On the other hand, the proportion of households with per capita income in the income bracket of Tk. 6001 to Tk. 9000 increased from 12.8 percent to 44.6 percent after joining GB. Thus the income of the borrowers has increased significantly with the utilisation of GB credit.

6.14 Level of Income of the GB Borrowers Compared to Non-borrowers

Table 6.18 compares the income of the GB borrowers with that of the non-borrowers belonging to the target group (owning up to 50 decimals of land). It is evident from the table that the per capita earnings of the GB borrower households were somewhat better than the non-borrowers. It is observed

Table - 6.18
Comparison of Income Level of GB Borrowers
With Non-members at the Time of Survey

Size of Per Capita Income	GB Borrowers		Non-members	
	No. of households	Percent of households	No. of households	Percent of households
Up to Tk. 3000	37	8.9	8	11.4
Tk. 3001 to Tk. 6000	47	11.4	33	47.1
Tk. 6001 to Tk. 9000	187	44.6	14	20.0
Tk. 9001 to Tk. 12000	103	24.9	9	12.9
Tk. 12001 and above	42	10.2	6	8.6
Total	413	100.0	70	100.0

Source: Field survey.

that per capita income of 11.4 percent of the GB borrower households were within the income bracket of Tk. 3001 to Tk. 6000, while 47.1 percent of the non-borrowers were within this range. Contrarily, 44.6 percent of the GB borrowers households were within the income bracket of Tk6001 to Tk.9000, while only 20 percent of the non-members were within the above range. Similarly 24.9 percent of the GB member's household were within the income bracket of Tk.9001 to Tk.12000, while 12.9 percent of the non-borrowers were within this range. The inference that can be drawn from the above analysis is that GB borrowers have improved their income level with GB loans than the non-borrowers.

6.15 Age of Membership and the Level of Income

With the passage of time, not only the size of loans expanded but also the level of income expanded simultaneously. It is evident from table-6.19 that

Table - 4.19
Level of Income by Age of Membership with GB

No. of Times Loan Taken	Average Household Income (Tk.)	Average Family Size (Persons)	Average Per Capital Income
1st time	27000	6.60	4090
2nd time	28800	6.00	4800
3rd time	32400	5.00	6480
4th time	34200	5.00	6840
5th time	54000	4.80	11250
6th time & above	63000	4.25	14823

Source: Field survey.

there is a clear positive relationship existed between the age of membership and the level of income of the borrower households. The level of income of a borrower who took loan for several times was found to be much higher than that of a first time borrower. Per capita average household income of the first time borrower was Tk.4090, 2nd time borrower was Tk.4800, 3rd time borrower was Tk.6480, 4th time borrower was Tk.6840, 5th time borrower was Tk.11250, and 6th time and above was Tk.14823. Thus longer duration of membership with GB has a positive impact on income generation.

6.16 Size of Loan and Level of Income

Table 6.20 shows a clear positive relationship between the size of loan and the level of income of the borrower household. The average household

Table - 6.20
Per Capita Income by Size of Loan Taken

Size of Loan	Average Household Income (Tk.)	Average Family Size (Persons)	Average Per Capita Income
Up to 5000	29800	6.0	4966
5001 - 7000	55000	5.8	9482
7001 - 9000	62000	5.0	12400
9001 and above	65900	5.0	13180

Source: Field survey.

income of the large size borrowers (with loan above Tk.9000) was about 121 percent higher compared to that for the small size borrowers (up to Tk.5000). On the other hand, per capita income for loan size up to Tk.5000 as Tk. 4966 and similarly that for loan size Tk.5001 - 7000 as Tk.9482. Thus there is also a positive relationship between size of loan and per capita income of the GB households.

6.17 Availability of Food and Its Security

With the achievement of economical improvement through the use of Grameen Bank loans the GB borrowers have gained security against food scarcity. It is observed from table 6.21 that 32 percent of the total borrowers

Table - 6.21

Number of Respondents and the Availability of Food 3 Times a Day.

	Yes		No	
	No.	Percentage	No.	Percentage
Before Joining GB	132	32.0	281	68.0
After Joining GB	239	57.9	174	42.1
Non-members	23	32.9	47	67.1

Source: Field survey.

were usually able to take food 3 times a day throughout a year before joining GB in contrast to 57.9 percent after joining GB. The table also shows that 32.9 percent of the non-members generally took food 3 times a day, while 67.1 percent could not. Hence there was a notable difference between the GB members and the non-members as regards daily food consumption.

6.18 Level of Status in Housing

The Grameen Bank initiated a housing loan program in 1984. As the Bank's credit experience and self-reliance grew, larger loans over longer periods became possible for individual borrowers. Housing loans were seen as instrumental in improving the living standard of the land-less rural poor. Housing is a very serious problem in Bangladesh especially for the widow and the divorce women. Considering the magnitude of the problem GB has designed a housing loan programme. GB housing loans are allowed only to the existing borrowers, who are shelter-less, to build a new house or to repair

an existing one. Preference is given to the members facing the most difficult living conditions.

It is observed from table 6.22 that the implementation of the housing programme has been satisfactory. The table reveals that 87.2 percent of the borrowers had bamboo made house (huts) before joining GB. While after joining GB, the share of bamboo made houses has reduced substantially. The Share of bamboo made houses reduced to 68 percent from 87.2 percent. The

Table - 6.22
Housing Status of GB Borrowers

Status	Before Joining GB		After Joining GB	
	No.	percent	No.	percent
Bamboo Made House	360	87.2	281	68.00
Tin Shed with Wooden frame	23	5.6	27	6.5
Tin Shed with RCC Pillars	12	2.9	82	19.9
Building	-	-	-	-
Total	413	100	413	100

Source: Field Survey.

share of tin shed with RCC pillars (4 RCC corner pillars and the CI roofing) houses were only 2.9 percent before joining GB, while the same has increased to 19.9 percent after joining GB. The inference that can be drawn is that the GB housing program has been very timely as it addressed the acute problem of providing shelters to the poor. Borrowers who do not have any good quality house. Moreover, GB has successfully reached its target group in providing housing loan as the borrowers are from the poorest segment of the society.

6.19 Attendance to Qualified Physicians

With the improvement of the economic condition of the borrowers a trend to the attendance of the borrower households towards the qualified physicians (the doctors who have at least MBBS degree) have been increasing. It is observed from table 6.23 that, out of 413 sample borrowers, 107 (or 25.9 percent) were attended qualified doctors before joining GB, which changed to 57.9 percent after joining. The table further reveals that 37.1 percent of

Table -6.23

Status of Primary Health Care of the Respondents:
Attending Qualified Physicians

Status of Respondents	Total Respondents	Status of Attending Qualified Physicians	
		No.	Percentage
Before Joining GB	413	107	25.9
After Joining GB	413	239	57.9
Non-borrowers	70	26	37.1

Source: Field survey.

the non-members reported to attend qualified doctors. It is a social custom to go and see quacks and spiritual healers that decrease with education and economical development. It is observed from our field

Table - 6.24

Status of Primary Health Care of the Respondents:
Attending Quacks and Spiritual Healer

Status of Respondents	Total Respondents	Attending Quack		Attending Spiritual Healers	
		No.	Percentage	No.	Percentage
Before Joining GB	413	305	73.8	91	22.0
After Joining GB	413	239	57.9	62	15.0
Non-borrowers	70	44	62.8	12	17.1

Source: Field Survey.

survey that 73.8 percent of the borrowers visited quacks and 22 percent visited spiritual healers before joining GB. Although the percentage reduced significantly after joining GB, still 57.9 percent are going to quacks and 15.0 percent to spiritual healers. While in case of non-borrowers the percentage is higher. Among 70 respondents, 62.8 percent reported that they went to quacks and 17.1 percent reported that they went to spiritual healers.

6.20 Sources of Drinking Water

Use of safe drinking water has also been increasing after the intervention of GB. One of the sixteen decisions of the Grameen Bank is 'we shall drink tube-well water. If it is not available, we shall boil water or use alum'

Table - 6.25
Sources of Drinking Water

Source	Borrowers Households		Non members (percent)	Bangladesh	
	Before Joining GB (percent)	After Joining GB (percent)		Rural (percent)	Urban (percent)
Tap	-	-	-	0.2	44.0
Tube well	76.3	98.1	93.6	91.3	54.5
Well	-	-	-	4.6	0.6
Pond	22.3	1.9	6.4	2.3	0.3
Canal/River	1.4	-	-	1.6	0.4
Total	100.00	100.00	100.00	100.00	100.00

Source: Field survey & statistical year book, 1997

(Fuglesang & Chandler, 1993: 121). Against the above background table 6.25 reveals that 76.3 percent of the borrowers had access to safe drinking water (tube well) before joining GB. The percentage of using safe drinking water has increased dramatically to 98.1 percent after joining GB against 93.6 percent among the non-borrowers and 91.3 percent among the rural people of Bangladesh. The inference is that, in general, the awareness of using safe drinking water has been increasing gradually.

6.21 Toilet Facilities

One of the sixteen decisions of the GB is 'we shall build and use pit-latrines' (Fluglasang, & Chandler, 1993: 121). We know that the rural poor

of Bangladesh are not accustomed with the hygienic facilities, particularly with the use of latrines. We enquired about the use of latrines to know the

Table - 6.26

Toilet Facility of the Respondents

Type of Latrine	Borrower Households		Non borrowers (percent)	Bangladesh, 1994	
	Before Joining GB (percent)	After Joining GB (percent)		Rural (percent)	Urban (percent)
Sanitary	10.0	30.3	16.1	14.9	63.1
Other	66.4	61.0	65.3	58.1	33.9
None	23.5	8.7	18.6	27.1	3.0
	100.00	100.00	100.00	100.00	100.00

Source: Field survey & statistical pocket book, 1997, BBS

situation of the sample borrowers regarding the same. Only 10.1 percent of the respondents replied that they had hygienic sanitary latrines before joining GB. The percentage of using sanitary latrines has increased to 30.3 percent after joining GB. While the percentage of using sanitary latrines in rural Bangladesh was only 14.9 in 1994. It is also observed that 23.5 percent of the respondents did not have any kind of latrine before joining the programme. While the figure reduced to only 8.7 percent after joining GB. Again unhygienic (other) latrines were used by 66.4 percent of the total respondents before joining GB, which went down to 61.0 percent after joining the group. Thus GB has partially succeeded in making its member borrowers aware of using sanitary latrines.

6.22 Level of Expenditure on Clothing

It may be noted that there has been significant rise in the level of expenditure on clothing after joining GB. As can be seen from table 6.27 about 90 percent (53 percent + 34 percent) of the sample borrower household were within the ceiling up to Tk.1100 for purchasing cloths. While, the figure reduced to only 12 (3 percent + (9 percent) percent after joining GB. Contrarily, about 90 percent (51 percent + 32 percent + 5 percent)

Table - 6.27
Level of Expenditure on Clothing of GB borrowers before
Joining and at the Time of Survey.

Range of Expenditure	Before Joining GB		At the Time of Survey		Non-borrowers	
	No.	Percentage	No.	Percentage	No.	Percentage
Up to Tk.800	-	53	3	3	-	5
Tk.801 to Tk.1100	-	34	-	9	-	26
Tk.1101 to Tk.1400	-	11	-	51	-	39
Tk.1401 to Tk.1700	-	2	-	32	-	27
Tk.1701 and above	-	-	1	5	-	3
Total	413	100	413	100	70	100

Source: Field survey.

of the respondent households have been expending Tk.1100 and above after joining GB.

6.23 Electricity Connection

Table 6.28 reveals that GB has made its members conscious and financially capable of using electricity. Before joining GB, 87.5 percent of the

borrowers were without electricity connections in their houses. But after joining GB the percentage has reduced dramatically from 87.5 to 69.8

Table - 6.28

Table Showing Electricity Connection in the House

	Borrowers Households		Non members (percent)	Bangladesh, 1994	
	Before Joining GB (percent)	After Joining GB (percent)		Rural (percent)	Urban (percent)
Electricity Connection	12.5	30.2	22.1	13.9	76.4
Without Electricity Connection	87.5	69.8	77.9	86.1	23.6

Source: Field survey and statistical pocket Book, 1997, BBS.

percent. If we compare the figure with non-borrowers and the rural situation in Bangladesh then it is clear that rate of electricity connections was higher among the GB borrowers (30.2 percent) than the non-borrowers (22.1 percent) and the rural Bangladesh (13.9 percent).

6.24 Borrowers Perception of Change in their Economic Condition

Questions were asked to the respondents to know their perception of change in their economic condition after the intervention of Grameen Bank. It is evident from table 6.29 that 80 percent of the male borrowers opined that their economic condition have improved after joining GB as against 85.7 percent of the female borrowers. While 85.4 percent of the total borrowers replied that there economic condition have improved substantially after joining GB. But, 10 percent of the male borrowers, 8.9 percent of the female.

Table - 6.29

Borrowers Perception of Change in their Economic Condition After Joining Grameen Bank

Economic Condition	Male Borrowers (N = 10)	Female Borrowers (N = 403)	All Borrowers (N = 413)
Improved	80.0	85.7	85.4
Unchanged	10.0	8.9	9.0
Deteriorated	10.0	3.2	3.4
No Response	-	2.2	2.2
	100.00	(100.00)	(100.00)

Source: Field survey.

Note: - N is the size of the sample.

borrowers and 9.0 percent of all borrowers opined there have been no change in their economic condition after joining GB. The most revealing feature is that 10 percent of male borrowers, 3.2 percent of female borrowers and 3.4 percent of all borrowers replied that their economic condition have been deteriorated after joining GB. The inference that can be drawn from the above analysis is that majority of the borrower experiences their economic conditions have been improved substantially with the use of GB loan.

6.25 Conclusion

From the forgoing analysis it is clear that GB has successfully reached the low land assets poor segment of the society. Even the majority

of GB members have less than 10 decimals of land and only up to Tk15000 of non-land assets. Thus GB has not only successful in reaching the land poor and assets poor group, but also in mobilising the extremely poor within the target group. At present about 95 percent of the GB borrowers are from women and the majority of them are in the most active age group of 25 to 35. Most of the female borrower households have only one income earner, while all the male borrower households have more than one income earners and as such the per capita income of the former is less than the later. This situation suggests that GB has also been successful in reaching the low-income earners i.e. the poor women. The availability of credit has created employment opportunities for thousands of women who were previously unemployed and excluded from formal credit system. Self-employment is beneficial to the poor women because it allows them to earn money without neglecting their children. Income generating activity also reduces the women's vulnerability in the event of break down, which is more common among the poor couple in Bangladesh. The availability of credit has also reduced the dependence of the borrowers on village moneylenders who have been known to charge interest at the rate of 300 to 400 percent per annum. Through their access to credit, GB member are able to provide employment for members of their household, particularly women and children. It is also noticed that a good number of GB borrowers changed their occupations after joining GB. Domestic work was the main occupation of majority women before joining GB but after joining the programme it has gone down to a minimum and now cottage industry is their main occupation. Thus the underemployed labour force especially in the domestic work has been provided with new opportunities to change their occupations with GB credit. There is also a remarkable change in the educational status of the GB

members. The signing capacity of the borrowers improved from a very low figure of 29.3 percent to 71.2 percent after joining GB. The income level, consumption level and housing status of the borrowers have improved significantly with GB credit than the non-borrowers and there is a perfect positive relationship existed between age of membership and level of income as also between size of loan and level of income. The attendance to qualified physicians, uses of safe drinking water, sanitation, electricity consumption have also increased remarkably among the GB members than the non-members. Most important is that about 85 percent of the borrowers perceived an improvement of their economic condition after joining GB. Thus it can be concluded that GB has successfully reached its target group and has made a positive contribution to the alleviation of poverty in the area of its operation.

CHAPTER - 7

GRAMEEN BANK: OPERATIONAL

PERFORMANCE

7.1 Introduction

Grameen bank is a bank and it cannot survive for long without paying due economic consideration of its operation. Social profitability may be the basic goal of GB but accounting profitability is no less important and it should be taken into consideration. If any organization fails to generate sufficient after tax profit for its shareholders and for further growth, its long-run existence may be threatened. Realising the gravity of the problem an attempt has been made in this chapter to evaluate the operational performance of Grameen Bank. This chapter is divided into two sections such as analysis and interpretation of operation performance of GB and a brief summary of this chapter.

7.2 Key Concepts

Profit and Profitability: From accounting point of view, profit is the positive difference between cost and revenue (selling price). The dictionary meaning of 'profit' is 'financial gain' (Hornby, 1984:994) earned by an enterprise from operation in the course of a period of time, normally a year, after excluding all relevant expenditure from total revenue.

The term 'profit' and 'profitability' are not synonymous. Profitability differs from profit, because profitability does not reveal how much is earned (gained) rather how efficiently earnings are done. Profitability is a relative term (i.e. ratio) whereas profit is an absolute term (i.e. volume). The profitability is calculated to measure the operating performance of an enterprise. Besides, management, creditors and owners are also interested in the profitability of the enterprise. Creditors want to get interest and repayment regularly. Owners want to get reasonable return on their investment. This is

possible only when the enterprise can earn enough profit (Pandey, 1993:116-117). To determine the 'profitability' of a bank we need to relate the profit of the bank to the investment (such as earning asset, equity capital, working fund, etc.) used to generate it.

Working Funds: It includes capital, reserve, deposits and borrowings. Thus working fund figure (W.F.) represents balance sheet total less contra items.

Earning Assets: The earning assets of a bank include loans and investments. From the viewpoint of income generation, assets of a bank can be grouped into two classes: Earning and Non-earning. Loans including investment fall in the first group and remaining items in the assets side of a bank balance sheet fall in the second group.

Common Equity: It includes total paid up amount of ordinary shares and reserve for undistributed profit.

VOB: Volume of business stands for total advances plus total deposits of a bank on a balance sheet date.

Personnel Expenses: It includes salaries, allowances, etc. It is the most significant cost items from the point of view of management efficiency.

Spread: It is the excess of interest income over interest expenses. Thus spread presents the difference between interest income and interest expenses.

7.3 Analysis and Interpretation of Operational Performance

It is evident from table 7.1 that GB incurred net loss in 2 out of 13 years. Which are 1991 and 1992. While in the remaining 11 years of study GB earned a nominal profit. The table further reveals that in absolute term, net profit increased to Tk.19 million (3.8 times) by the end of 1996 from a low figure of Tk.5 million as at the end of 1984. But

Table-7.1
Showing absolute figure of Working Fund (WF), Earning Assets (EA), Equity, Volume of Business (VOB), Income, Exp., Spread, and Personnel Exp., during 1983-96
(Figure in million)

Year	WF.	EA.	VOB	Equity	Income	Exp.	Net Profit	Spread	Personnel exp.
1983	119	75	93	18	9	4	(3)	4	1
1984	37	179	216	27	35	31	5	19	9
1985	546	465	326	32	66	65	5	40	26
1986	903	767	454	38	90	90	4	454	43
1987	1279	1052	866	45	129	128	4	91	65
1988	1911	1494	1419	61	200	198	1	117	81
1989	2911	2235	2095	78	299	297	2	166	121
1990	3964	3195	3487	80	407	404	3	231	171
1991	4841	4002	3932	123	532	540	(8)	332	269
1992	6884	5725	6600	171	772	778	(6)	510	389
1993	12277	10508	11914	20	1325	1316	10	838	580
1994	16574	14255	15186	287	2018	1997	22	1221	627
1995	17748	14830	15893	315	2284	2269	15	853	709
1996	19573	1706	16167	341	2314	2295	19	1381	793

Source : Annual Reports of GB for relevant years.

absolute figure does not give any clear picture about the profitability of GB. So, after having discussed the pattern of profit in absolute term, it would be interesting to find out profitability performance of GB in relative terms.

As it would appear from Table 7.2, net profit as percentage of all the independent variables demonstrate very poor operational performance. These ratios reveal negative performance in 2 out of 13 years. While in the remaining 11 years these ratios show positive performance but the same were too low. Net profit as percentage of earning assets was even below 0.15 percent in 10 out of the remaining 11 years (profit making period). The ratio

showed somewhat better performance in 1984 (i.e. 2.79 percent) than the remaining years under review.

Table -7. 2
Profitability Ratios of GB During 1984-96

Year	Net profit as % of EA	Net profit as % of WF	Net profit as % of Common Equity	Net profit as % of VOB	Spread as % of Common equity	Income as % of expenses	Personnel exp. As % of Total exp.
1984	2.74	1.30	18.26	2.27	72.43	113.64	30.29
1985	0.10	0.10	1.45	10.14	125.34	100.63	39.111
1986	0.05	0.04	0.95	0.08	1202.31	100.40	48.32
1987	0.04	0.03	0.98	0.05	202.10	100.34	50.97
1988	0.08	0.06	1.92	0.08	192.15	100.59	40.86
1989	0.10	0.08	2.89	0.11	212.25	100.76	40.84
1990	0.10	0.08	3.84	0.09	285.58	100.77	42.32
1991	(0.21)	(0.17)	(10.30)	0.21	269.59	98.46	49.74
1992	(0.009)	(0.008)	(0.33)	0.009	298.29	99.27	50.02
1993	0.10	0.08	4.79	0.08	419.06	100.73	44.07
1994	0.15	0.13	7.52	0.14	390.71	259.42	34.55
1995	0.10	0.08	4.76	0.09	270.79	100.67	31.25
1996	0.11	0.10	5.57	0.12	404.99	100.83	34.56

Source : Annual Reports of GB for relevant years

From the above analysis we may conclude that GB's profit performance in relation to earning assets was very poor and dissatisfactory. It also suggests that GB could not utilise its earning assets efficiently and effectively.

Net profit as percentage of working fund also corroborates the same situation. As revealed by table 7.2, the ratio ranged between 0.08 percent (in 1995) and 13.5 (in 1984) during profit making years with wide and frequent fluctuation. This shows inability of GB to generate sufficient profit from operation and suggests poor operational performance of GB during the period of study.

Net profit as percentage of common equity also reveals the same story of poor operational performance as it was ranging between 0.95 percent (in 1986) and

18.26 percent (in 1984) during the same period with wide and frequent fluctuations from year to year. The most revealing feature is that the ratio was 18.26 percent in 10 out of 13 years of study. Most remarkable is that the ratio was negative in two years and below 1 percent in 3 years out of 13 years of study. The interest rate in the market was several times more than the earnings power of the equity capital invested in GB.

It can be concluded that return on equity was negative or abnormally low during the period under study except in 1984. It further suggests that GB could not generate minimum profits to compensate the opportunity cost of the equity funds invested in this organization. Net profit as percent of volume of business also corroborates weak financial performance as it ranged between 0.05 percent and 2.27 percent during the same period. In fact, the very existence of the organization would have been threatened if the donor agencies and the government had not supported it.

The poor or negative profitability may be due to excess of expenditure over income. Table-7.2 clearly shows that income was almost equal or less than that of the expenditure of GB in 11 out of 13 years. Only in 1984 and 1994 income as percentage of expenditure was 112.9 percent and 101.1 percent respectively. The reason behind the poor/negative profitability may be the failure of the bank to generate sufficient income from its operation or the failure to control expenditure. As a close investigation, it is observed that personnel expenditure occupied major portion of the total expenditure of GB. It ranged between 30.29 percent (in 1984) and 50.97 percent (in 1994) with wide fluctuations from year to year. The bank management should pay attention to control this expenditure by increasing employee productivity. Another most important feature is that spread (excess of interest received over

interest paid) as percentage of common equity was too high in all the years under study. It ranged between 72.43 percent (in 1984) and 1202.31 percent (in 1986). Moreover, in most of the years under review, profitability ratios were unusually low. It is because, interest rate on funds mobilised from donor agency was almost zero or very low. Contrarily, interest charged by GB on loans and advances was around 20 percent. Thus the failure of the company to control non-interest expenses like personnel expenses and other current and non-current expenses has contributed to this unhealthy profitability position. Time is ripe now for the bank to be cost conscious and profitability conscious without affecting its social contribution.

7.4 Conclusion

The study suggests that the economic health of GB was weak although its social contribution was too high during the period of review. It could not even generate a minimum amount of profit to compensate the opportunity cost of equity funds invested in this organization. Profit in relation to working fund, volume of business and earning assets also corroborate poor operational performance of GB. The main cause identified in this study is the failure of the bank to control its non-interest expenses effectively and efficiently. Therefore, the control of non-interest expenditure is a vital issue and careful emphasis on the same can make a significant contribution towards accounting profit. Moreover, being a service industry, GB's profitability also depends on efficient use of its productive resources including manpower resource.

CHAPTER-8

SUMMARY AND RECOMMENDATIONS

8.1 Summary

Bangladesh is an agrarian country with vast poor population. More than 85 percent of her population lives in the rural areas and 80 percent lives in agriculture. The average per capita income is very low. The undeveloped rural economy of Bangladesh is reflected in the low productivity, high population pressure, unemployment, underemployment, low calorie intake, lack of working opportunities outside agriculture and the resultant deteriorating living condition of the rural poor. Rural illiteracy is also very high. Land is concentrated in few hands and a large number of households do not have any land other than homesteads. The size of agricultural labour market is very small and is gradually shrinking due to increasing availability of family workers associated with the growing pressure of population on land. Thus whatever additional employment is generated in the agricultural sector, a large portion of it is absorbed by unemployed family workers. Consequently the land-less poor are being forced to take up self-employment in various non-agricultural activities. But the activities they involved are low productive ones. Since they do not have any resources or very limited access to resources, the major constraint they face in the operation is the shortage of finance. Even they do not have access to the formal credit system, as they can not provide collateral. Therefore, finding no other way, the rural poor usually have to take loan from the village moneylenders at a very high rate of interest and in this way (moneylenders) extract a significant portion of the value addition made by the self-employed person.

The village moneylenders have been exploiting the rural poor in a variety of ways as the former have easy access and control over the rural political process and power structure. They provide cash or commodity loans at a

prohibitive rate of interest. Generally they charge 15 to 25 percent interest per month on the principal amount. The process of ever increasing landlessness poverty finds a very effective vehicle through the operation of moneylenders. Till date the village moneylenders have been dominating the rural credit market. Around four-fifths of the rural credits are coming from this single source. Unless the poor can be liberated from the bondage of the moneylenders no economic programme will be able to address the problem of rural poverty. Although several institutions like BRDB, BKB, RUKUB, NCBs, and BSBL have started providing credit in the rural areas for the overall socio-economic development of the rural people, but all these institutions have miserably failed to cater the special needs of the rural poor. They give more value to material capital than human capital. Lack of specific policy and committed cadres, mixing the poor with the non-poor, time consuming and cumbersome official procedure, corruption, and mismanagement are the main causes of their failure. Moreover, income-generating activities have been undertaken without proper feasibility study. Lack of supervision of utilisation of loan and absence of regular contact with the beneficiaries stand in the way of boosting up recovery position.

Professor Younus (1995: 6) opined that, "failure of the financial institutions to extend credit to the poor is the single most important cause of poverty. Once the process of pauperisation pushes a person into poverty, there is very little one can do to reverse the process. Financial institutions somehow found their safety and security only in collateral". To challenge this system, he started his action research project (GB project) with the hypothesis that providing credit to the rural poor without collateral is not at all risky and if resources are available to the poor at reasonable terms and conditions they

can generate productive self-employment without any external assistance. Fortunately, he succeeded to prove his hypothesis as the realisation of loan was cent percent and there was a dramatic positive change in the socio-economic life of the borrowers during the period of observation (1976 to 1983).

In recognition of the need for a separate financial institution for the rural poor, the GB project ceased to be a project and became a bank in September 1983. Since its inception GB has been trying to provide appropriate support to the rural poor through credit, guidance and advice so that they can be productively employed in income generating activities of their own choices. The ultimate aim of GB is to improve the well being of the disadvantaged rural poor. In addition to financial inter-mediation to make the poor both socially and individually accountable, this leads to more effective use of loan and consequently ensure full recovery of loan.

GB has introduced participative decision making process, where everybody knows what the decisions are and why these decisions are taken. At the field level, GB workers always help the poor to form group of five like minded people of same sex having not more than 0.5 acre of cultivable land and the value of family assets is not more than the value of one acre of medium quality land of that locality. Usually 2 to 10 groups form a centre and 40 to 60 centres form a branch. All the centres are located in the villages within walking distance of a branch, an area not more than 30 miles. At the field level groups are formed and trained, and loan proposal are made. Loan is to repaid in weekly installment of 2 percent of the loan amount. All loan disbursement and collections are made by the bank workers in the weekly

centre meetings. Thus GB borrowers need not come to the bank to receive and repay loans, the bank is going to its borrowers for both disbursement of loans and collection of repayments.

GB members have to do some mandatory savings and in addition each member has to purchase a GB equity share of Tk.100 each to ensure the ownership of the Bank remains in the hands of the poor. GB member borrowers owned about 90 percent of the GB shares by the end of 1996. Thus GB is a bank of the poor, for the poor and by the poor.

The study has revealed how far Grameen Bank has been successful in reaching the target group that is the rural poor in providing services for their economic emancipation. The study also presented the special characteristics including growth and development scenario of different activities of GB. The study has been based on both secondary and primary information. Secondary data were collected from annual reports, MIS reports and other publications of GB. While primary data were collected through field survey and for that purpose Jayloskar-Dugon Bhuyian Branch was selected. A total respondent of 413 GB borrowers and 70 non-borrowers of that locality were interviewed to collect first hand information regarding their socio-economic back ground, credit history, income-expenditure pattern, investment and their own views about different activities of GB and its future as also their own future prospects. Collected data were organised, tabulated, and analysed with the help of necessary statistical tools. The major findings from the analysis and interpretation of collected data have been presented bellow:

8.1.1 Growth and Development

The main findings of this chapter are as follows:

(1) During the period of study Grameen Bank had grown remarkably in terms of branches (7.1 times), villages covered (16.05 times), centers (13.16 times), groups (17.91 times) and borrowers (16.68 times). The most remarkable feature is that the growth of membership was more observed in case of female than male. Currently, 94.4 percent of GB borrowers are female. Over the period, the proportion of female borrowers increased from 55.8 percent to 94.4 percent, while the proportion of male borrowers decreased from 44.2 percent to 5.6 percent. Thus GB has given more attention to the rural poor women, who were totally neglected by the formal credit institutions. And due to that the disbursement of loans to female members (76.1 times) increased at a faster rate than the male members (2.0 times).

(2) As regard to growth in loan and advances, it is observed that the same increased over 39 times during the period which suggests high growth. But the growth was upward till 1994 and thereafter a downward trend was set in. At present about one hundred organisations are replicating the GB program's of micro-credit among the rural poor and as such GB has currently been facing competition with these organisations. Consequently dropout rate and switching of GB members to other organization have been increasing. Moreover, GB has transferred some of its loan disbursement activities to its sister organisations.

(3) The portfolio mix of GB (in 1995) shows that the bank provided four types of loans to its member-borrowers. The portfolio mix includes General

loan (94.4 percent), Collective loan (0.1 percent), House-building loan (4.9 percent), and Technology loan (0.6 percent). While from 1996 GB is discouraging collective loan and technology loan and has started to transfer all the existing collective and technology loans to its family organisations.

Among the four categories, general loan alone occupied near about 95 percent of the total loan disbursed during the review period. Thus general loans are the core of GB operations and the backbone of its lending portfolio. GB has been providing loans for about 400 activities under eight broad categories of activities such as processing and manufacturing, agriculture and forestry, livestock and fisheries, service, trading, peddling, shop-keeping and collective enterprises. In all categories of loans women are getting preferential treatment than men. It suggests that, GBs target borrowers are mostly poor women who are the most neglected segment of the society.

(4) The GB loans have been used productively and helped borrowers increase their income and assets accumulation. Consequently the loan repayment performance has been excellent. Other most important reasons for high repayment are constant supervision, peer pressure and peer support. The main philosophy of GB is to create close relationship between bank and borrowers and among borrowers themselves. In such a congenial situation close and constant supervision is possible. Moreover, formation of small groups help create the right kind of peer pressure at times when a member tries wilfully to default and peer support at times when a member fall in difficulty in pursuing his economic activities or even social activities.

(5) Grameen Bank has been mobilising savings as an alternative source of fund by requiring members to make deposits of different types. Obligatory member savings are contribution to group fund, emergency fund and children's welfare fund. Each member of a group must deposit taka two (taka one till October, 1995) every week as personal savings in a group fund account, which earns interest @ 8.5 percent per annum and are refundable with interest when a borrower leaves the group after completing a certain period of time (ten years) in the group. This fund is managed by group on consensus basis and at times of need the group members can borrow from this fund with the approval of the group at terms fixed by the group. While GB has stopped collection of deposit in emergency fund and children welfare fund since October 01, 1995. The bank has also been mobilising deposits of different types (savings and current deposits) from its members and non-members. However, the major portion of deposit comes from its own members and staff. Over the period GB has recorded enormous growth in savings mobilisation through mandatory and voluntary savings. The accumulated amount of savings has reached to Tk..16773.6 million (or 390.0 times) in 1996 from a very low figure of Tk44.2 million 1984. Thus a very high growth was observed in savings and deposit mobilisation.

(6) As regards social development programme, GB has developed a certain number of social activities, outlined by the "Sixteen-Decisions" in order to promote social and financial discipline among the GB members. The "Sixteen Decisions" of GB has given new dimension of the overall development of the poor. The sixteen decisions are the outcome of a national

workshop of one hundred women centre chiefs in March 1988. The social development activities cover sanitation, health care, nutrition, education, training, abolition of dowry, fight for social justice, distribution of seeds and seedlings, distribution of iodised salt, family planning, distribution of winter clothing, and promotion of social reforms, etc. The overall growth record for various aspects of social development programme shows a remarkable achievement in social development influencing socio-economic condition of its members and environment.

8.1.2 Lending Portfolio Mix

GB has developed a wide variety of credit schemes to meet the needs of very poor entrepreneurs, especially poor women. The GB portfolio includes four types of loans such as general loan, collective loan, technology loan and house building loan. Major findings relating to portfolio mix are as under:

(1) General loan dominated the total disbursement (more than two-thirds) of GB during the whole period of review. The economic activities for which general loans are given have been divided into eight broad sectors such as processing and manufacturing, agriculture and forestry, livestock and fisheries, services, trading, peddling, shop-keeping and collective enterprises. Over the period there have been enormous growth in all the categories of loans. The aggregate growth of the entire sectors of general loan was more produced in case of female (80.9 times) than male (2.9 times) borrowers.

(2) General loan is given for at least 400 activities under the eight broad categories. The major activities for male borrowers were paddy cultivation, paddy husking, tube-well for cultivation, milch cow, bamboo works and seasonal agricultural product. Three activities- paddy cultivation, paddy husking and bamboo works accounted for nearly half of the total general loan disbursed to the male borrowers. While milch cow, paddy cultivation and cow fattening are the major activities for female borrowers, which accounted for about one-third of the total general loan disbursed to the female borrowers.

(3) Collective loans are given to centre that are unanimously decided to participate in any productive joint venture activity. The cumulative disbursement of collective loan for female members increased over 12 times. While the same for male member increased only to 3.3 times during the same period. Thus GB has given preference to female members in the disbursement of collective loans. One important point worth mentioning is that the repayment performance of collective loans are relatively low than the other types of GB loan. It is misappropriated the fund for collective enterprise and due to this GB is discouraging collective loan since 1996.

(4) Another type of GB loan is house-building loan which was designed to help GB members construct good quality, low cost housing with a sanitary latrine. The house is to be constructed within 15 days of delivery of credit. GB also extends credit for repairing of old houses. The most important feature of this loan is that the interest rate (8 percent) is lower than the other types of loans. As regards disbursement of housing loan, it increased over 2788 times for female borrowers and 268 times for male borrowers over the

period of study. Thus the requirement that the borrower hold title of the land has enabled the legal transfer of house ownership to thousands of poor women.

(5) As regards technology loan, the same was recorded with collective loan till 1997. Thereafter it has been recorded separately. In absolute amount it increased over 57 times during 1988-95. While the amount reduced significantly in the concluding year of the study. GB has been discouraging the disbursement of this loan since 1996 and transferred most of the technology loan to its family organisations such as Grameen Krishi (Agriculture) Foundation, Grameen Motsho (Fisheries) Foundation, Grameen Uddog (Enterprise), Grameen Samogree (Product), etc.

8.1.3 Socio-economic Conditions of the Borrowers: Before and After

This chapter deals with the socio-economic conditions of the sample borrowers at the time of and after joining GB. The main findings of this chapter are as follows:

(1) It is observed that willingness to participate in productive activities by women is much more than the population in general. If credit facility is extended a large portion of poor women can be brought into the umbrella of productive activities which would improve the socio-economic condition of them and also increase the labour force participation in Bangladesh. Consequently average household income of the rural poor would increase and dependency ratio would reduce.

(2) It is also observed that majority of the GB borrowers are concentrated in the most active age group of 25 to 35 and the female are relatively younger than male borrowers.

(3) Extended family type (80.11percent) dominated the total structure of borrowers households followed by joint family (14.3percent) and nuclear family type (5.6percent) in that order.

(4) The majority of the female borrower households (73.2percent) had only one earning member at the time of survey. While all the male borrower households had more than one income-earning members. Thus female borrower households have less income earners than male borrower household and as such per capita income of the female borrower household was lower than male borrower households.

(5) Before the emergence of GB, majority of the loan-receiving households (82.7 percent) obtained loans (82.8 percent) from non-institutional sources. Among the sources village moneylenders alone provided four-fifths of the total non-institutional loan and the average of that loan was the largest. It is worth mentioning that village moneylenders lend money at an interest rate of 300 to 400 percent per annum and in some cases more than that. Thus rural poor had very limited access to the formal credit system before the emergence of GB.

(6) About one-fifth of the total GB borrowers obtained credit from non-institutional sources before joining GB. The major portion of loan from non-institutional sources was obtained by these poor households through

mortgaging of agricultural land or homestead land or valuables. 'Mortgaging of land for obtaining credit in rural Bangladesh is considered as an important process through which land alienation and landlessness take place'(Hossain, 1984:38).

(7) The extent of illiteracy (including those who can sign their name only) has remarkably reduced among the GB borrowers after joining GB. For, 46 percent of the sample borrowers were illiterate before joining GB, while the figure has reduced only to 2.4 percent after joining. The important point is that only the signing capability has increased but not the higher levels. In the higher levels the rate of improvement is insignificant.

(8) Radical change in occupations are noticed among the borrowers after joining GB. A large number of borrowers were in fact engaged in domestic work (44.3percent) before joining GB, but with GB credit they have subsequently changed their occupations. Now cottage industry has been the major occupation (46.0 percent) followed by trade and business (21.8 percent). Thus the underemployed labour force especially in domestic work are provided with new opportunities to change their activities with GB credit.

(9) Only 1.9 percent of the GB borrower households reported ownership of more than 50 decimals of land but none reported more than 100 decimals. Among them 85.3 percent had less than 25 decimals of land and 2.9 percent had no land at the time of loan application. Most of the GB borrowers did not have any cultivable land except homestead-land. Even a few borrowers (2.9 percent) did not have any homestead land at the time of joining GB.

Thus GB has succeeded in reaching land-poor group. GB loan is targeted to the poor defined as persons owing up to 50 decimals of cultivable land. Thus GB has not only successful in reaching the target group but also in mobilising the extremely poor within the target group. It may be argued that land was not the main source of income of the GB borrowers. They may have large amount of non-land assets. But our investigation reveals that 85 percent of the borrower households had non-land asset up to Tk.2000 only. On the other hand, only a negligible number of GB borrowers (5.3percent) had non-land asset over Tk.25000.Thus GB has also been successful in reaching the non-land asset poor group.

(10) It observed that more than four-fifths of the borrower household's income was up to Tk.6000 per capita before joining GB and it was bellow the national average. Even more than half of the GB borrowers earned bellows one-fourth of the national average before joining GB. Thus GB has been successful in providing its services to the real poor as measured by their income position.

(11) As regards level of income of the borrower households, the same has increased significantly after joining GB. About 51.8 percent of the GB borrower households had income only up to Tk.3000 per capita before joining GB, while the same has come down to about 9 percent after joining GB. Contrarily per capita income in the bracket of Tk.6001 to Tk.9000 increased about four times (from 12.8 percent to 44.6 percent) after joining GB. Moreover, the per capita earnings of the GB members were higher than the non-members. Thus GB borrowers have improved their income level with the GB loans than the non-members.

(12) There was a positive relationship existed between the age of membership and the level of income of the borrower households. The level of income of a borrower who took loans for several times is found much higher than that of a first time borrower. Thus longer duration of membership with GB has a positive impact in income generation.

(13) Income of a borrower household is also related to the size of loan. The average household's income of the large amount borrower (above Tk.9000) is about three times than the small size borrower (up to Tk.5000). Thus there is also a positive relationship existed between size of loan and per head income of the GB member households.

(14) With the achievement of economical improvement through the use of GB loans majority of the borrowers have gained security against food scarcity. There was also a notable difference between GB members and the non-members as regards daily food consumption. It is reported that about three-fifths of the GB borrowers in contrast to one third of the non-members are able to take food three times a day.

(15) With the improvement of economic condition and consciousness of the GB borrowers a trend to the attendance towards the qualified physicians have been increasing. The percentage of visiting quacks and spiritual healers has reduced significantly among the GB members.

(16) The awareness of using safe drinking water has also been increased after the intervention of GB. At present almost cent percent of the borrower households have been using safe drinking water.

(17) One of the sixteen decisions of GB is that the members would use hygienic latrines. The percentage of using sanitary latrines has increased to 30.3 percent among the GB member households as against 14.9 percent in rural Bangladesh. Thus GB has partially successful in making its borrowers aware of using sanitary latrines.

(18) As regards expenditure on clothing and electricity consumption, in both the heads the expenditures of GB borrowers have been higher than the non-borrowers.

(19) The housing status of borrowers has changed remarkably after joining GB. About 20 percent of borrowers have houses made of tin shed with R.C.C. pillars as against 2.9 percent before joining GB.

(20) As regards borrower perception in change of their economic condition after joining GB, it is reported that 80 percent of the male and 85.8 percent of the female believed their economic condition have improved substantially after joining GB. Thus the majority of the sample borrowers had experienced that their economic condition have improved remarkably with the use of GB loan.

We can conclude that GB record is creditable in terms of reaching the rural poor, raising the level of income, satisfaction of non-food basic needs, increasing the participation of female in economic activities and capital accumulation. In fact GB has made a positive impact on the alleviation of poverty in the rural Bangladesh.

8.1.4 Operational Performance

(1) GB's profit in relation to earning assets is very poor and dissatisfactory. For it was negative in 2 and bellow 0.2 percent in 10 out of 13 years of study. Net profit in relation to working funds also corroborates the poor operational performance of GB.

(2) Net profit in relation of common equity presents the same story of poor operational performance. The return on equity to net profit was either negative or very low during the whole period of review. Net profit to equity was far below the opportunity cost of funds. In fact, the very existence of the firm would have been threatened if donor agency and government had not supported it.

(3) The poor or negative profitability was due to huge operational expenses like personnel expenses and other current and non-current expenses which have contributed to this unhealthy profitability position. But GB's performance should be evaluated through its social contribution which is so high that the same can not be measured through any statistical tool. Moreover, GB's management is so dynamic and pragmatic that they have already diversified its business. All its sister organisations of GB are now

highly profitable and from those organisations the management could subsidise the lending activities, if needed.

8.2 Recommendations

From the forgoing discussion the recommendations that can be offered are given below:

(1) The main cause identified in this study is the failure of the bank to control its non interest expenses effectively and efficiently. The control of non-interest expenses is a vital issue and careful emphasis on the same can make a significant contribution towards accounting profit. Moreover, being a service industry, GB's profitability also depends on efficient use of its productive resources including human resource. The productivity of capital resources as well as human resource should get top most priority to improve the profitability of GB. But until now the issue of operational performance of GB has not received adequate attention of the concern authority. They are obsessed with social profitability, not with accounting profitability. Social profitability may be the basic goal of GB but accounting profitability is no less important and should be taken into consideration. Although it is very difficult for GB to control operational cost because it has to cater a large number of small borrowers all over the country but still there is some scope of increasing accounting profit without effecting social profit through more careful planning, utilisation and control of human resource. A dynamic as well as cost effective organisation can sustain in the long run.

(2) It is the practice of GB to deduct 5 percent of the loan proceeds as group tax before it reaches in the hand of the borrower. There is an urgent

need to review the policy on deducting 5 percent from loan amount for group funds for every loan and not allowing the borrower to withdraw the same before living the group or after a long period.

(3) GB worker should see that credit goes to the right person and is utilised in right activity. But in the some cases willful diversions have been reported. Even some GB borrowers are relending their loan money to others at a high rate of interest. It is also reported that a few GB members are proxy borrowers. Sometimes relatives, friends or influential person in case of their emergency take loan from GB using a poor man/woman as a proxy. The proxy never uses the loan and repays the installment from his/her pocket. He/she just operates the transactions and attends the centre meetings. Although these irregularities are few in number and GB could do very little to prevent all these malpractices, still there is scope to prevent all these with utmost care and continuous checking of the utilisation of loan.

(4) The study reveals that there is a positive relationship between size of loan and level of income. While in most cases GB loans are very small in size. Consequently the income generated by small enterprises through GB loan provides only marginal sustenance to the poor borrowers. Therefore, it is suggested that their base loan levels should be increased so that they may have steady and higher income. But access to large credit should be provided with other support services like vocational training for skill development and basic education like legal rights, nutrition, sanitation, health care, etc. It is worth mentioning that GB has already being providing some support services to its borrowers but that is not enough.

(5) Several NGOs are now replicating the GB model of micro-credit. All the large national and local level NGOs are expanding rapidly and people are joining programmes of more than one organisation. This has increased the possibility of receiving loan from more than one sources. Lack of information sharing and co-ordination among actors of poverty alleviation projects have created unhealthy competition. This has also increased the possibility of fall in recovery rate of GB. Any fall of recovery will affect GB adversely as the organisation is already in a vulnerable position due to huge operational costs. Therefore, it is suggested that there should be free flow of information and co-ordination among the micro credit providers and GB should take the lead role to arrange a system of information sharing.

(6) Although GB has been providing credit facilities to the poor at lower rate than the village money-lenders, still the GB's interest rate is high. The highest interest rate of commercial Bank-loan is 16 percent, while it is 20 percent in the case of GB. Thus the privileged segment of the society is getting loan at lower rate than the weaker segment.

(7) GB has a specific policy of human resource development including enhancement of the social role and status of the poor borrowers. But to achieve total socio-economic revolution GB should reformulate its policy in order to provide insensitive training to the group leaders in the field of agriculture, horticulture, cottage and small scale industries, poultry and dairy farming, collective marketing, etc. with some basic primary education. In this way group leaders can take over from the bank workers some of their activities. This would reduce the operating cost of GB.

BIBLIOGRAPHY

Alamgir, Mohiuddin. (1982) *Report on Grameen Bank Project*. Dhaka: Grameen Bank Project.

Alamgir, Mohiuddin. (1998) *Contribution of Grameen Bank to Gross Domestic Product of Bangladesh*. Dhaka: Programme for Research on Poverty Alleviation, Grameen Trust.

Alauddin, Mohammad. (1986) "Financial Innovation for the Rural Poor in Bangladesh - Grameen Bank", *Krishi Bank Parikrama*, Vol. III, pp.20-25

Amin, Ruhul. Ahmed, A.U. Chowdury, J. and Ahmed, M. (1994) *Poor Women Participation in Income Generating Projects and Their Fertility Regulation in Rural Bangladesh- Evidence from a Recent Survey*. Dhaka: Grameen Bank.

Bangladesh Bureau of Statistics, (1997) *Statistical Yearbook of Bangladesh*. Dhaka:Ministry of Planning.

Chen, Maetha Alter. (! 983) *A Quiet Revolution: Women in Transition in Rural Bangladesh*, Cambridge: Scenkhan Publishing Company, Inc.

Counts, Alex. (1996) *Give us Credit- How Small Loans Today Can Shape Our Tomorrow*. Dhaka: Grameen Bank.

Farashuddin, Mohammed. (1998) "Sustainable Services Towards Eradication of Poverty: What Role BRDB Can Play?" Paper Presented in the National Workshop on Strategies for Poverty Eradication, Dhaka, June 14-15. Dhaka: BRDB Institutional Support Projects (BIS).

Fuglesang, Andreas and Chandler, Dale. (1988) *Participation as Process – What We Can Learn from Grameen Bank, Bangladesh.* NORAD, Oslo.

Fuglesang, Andreas and Chandler, Dale. (1993) *Participation as Process – Process as Growth -What We Can Learn from Grameen Bank, Bangladesh.* Dhaka: Grameen Trust.

Ghai, Daram. (1984) *An Evaluation of Grameen Bank Project.* Dhaka: Grameen Bank.

Gibbons, David S. and kasim, Sukor (1990) *Banking on the Rural Poor.* Penang: Centre for Policy Research, University Sains Malaysia. Kuala Lumpur: Asia and Pacific Development Centre.

Gibbons, David S. (1994) *Replication of Grameen Bank Financial System.* Dhaka: Grameen Bank.

Grameen Bank (1984-1996) *Annual Reports,* Dhaka: Grameen Bank.

Hamid Mohammad Abdul and Rahman Mohammad Abdur. (1977) *An Evaluation of Natore and Gaibandha projects IRDP*, Department of Economics, University of Rajshahi.

Hornby, A.S. (1984) *Oxford Advanced Learners Dictionary*. 4th ed., Calcutta: Oxford University Press.

Hossain, Mahbub. (1983) "Credit Programme for the Landless- The Experience of Grameen Bank Project," Paper Presented at the 4th National Conference of Krishi Arthonity Samity, Dhaka, September 8-9, Dhaka: Grameen Bank.

Hossain, Mahbub. (1984) "Credit for the Rural Poor: The Experience of Grameen Bank in Bangladesh," Research Monograph No.4. Dhaka: Banladesh Institute of Development Studies, Dhaka.

Hossain, Mahbub. (1988) "*Credit for Alleviation of Rural Poverty: The Grameen Bank in Bangladesh.*" IFPRI Research Report 65, Washington, DC: International Food Policy Research Institute.

Hossain, Mahbub. And Diaz Catalina P. (1998) "Reaching the Poor with Effective Microcredit: Evaluation of a Grameen Bank Replication in the Philippines" Paper Presented During the Evaluation Dialogue on Grameen Bank Replication of the Centre for Agriculture and Rural Development (CARD), Inc., held at the International Rice Research Institute (IRRI), Los Bafios, Laguna, 12-15 June 1997. Dhaka: Grameen Trust.

Hulterstrom, Benneth (1998) “ Major components of Rural Poverty Programme” Paper Presented in the National Workshop on Strategies for Poverty Eradication, Dhaka, June 14-15. Dhaka: BRDB Institutional Support Projects (BIS).

Husseiny, S.M. (1986) Rural Development and the role of Bangladesh Krishi Bank, *Krishi Bank Parikrama* , Vol. II ,June,

Islam Nazrul, Chowdury, Amirul Islam and Ali, Khadem.(1989) *Evaluation of the Grameen Bank's Housing Programme*. Centre for Urban Studies, University of Dhaka.

Khandker, Shahidur Rahman, Khalily, Baqui, and Khan Zahed. (1995) *Grameen Bank: performance and sustainability*, World Bank Discussion Paper No.306: Washington D.C.

Mia, Md. Abu Sayeed.(1999) *Profitability and Effect of Common Income Generating Activities: Findings from Rural Poor Projects of BRDB*. Report No. 28, Dhaka: BRDB Institutional Support Projects (BIS).

Momin, M.A. (1992) *Rural Poverty and Agrarian Structure in Bangladesh*, New Delhi: Vikash Publishing House Pvt. Ltd.

Pandey, I.M. (1993) *Financial Management*. 6th ed., New Delhi: Vikas Publishing House Pvt. Ltd.

Poverty Newsletter, Quaterly Newsletter of the Programme for Research on Poverty Alleviation Published by Grameen Trust.

Rahman, Atiur. (1989-90) "Empowerment and Development: Towards Livelihood Security", *Bangladesh Journal of Political Economy*, Vol. II, No.1, p. 381

Rahman, Atiur. (1994) *Rural Development from Below: Lessons Learned from Grameen Bank Experience in Bangladesh*, In Abdul Quddus. Ed. *Rural Development in Bangladesh- Strategies and Experiences*, Comilla: BARD.

Rahman, Atiur.(1994)*Demand and Marketing Aspect of Grameen Bank*. Dhaka: Grameen Bank.

Rashid, Harunur. (1986) *An Evaluation of Grameen Bank Project- A Case study of Chittagong Zone*, Sponsored and Financed by University Grants Commission of Bangladesh.

Ray, Joynta Kumar. (1987) *To Chase a Miracle: A Study of Grameen Bank in Bangladesh*. Dhaka: University Publications Ltd.

Ray, Joynta Kumar. (1989) *Bangladesher Grameen Bank- Ekti Safal Udvabansheel Sangstha*. In Bengali, Dhaka, Grameen Bank.

Shams, M.Khalid. (1992), "Designing Effective Credit Delivery System for the Poor : The Grameen Bank Experience", Paper Presented on : The Technology Triangle - Linking Farmers, Extensionists & Scientists, Tune Landboskole, Denmark : Kursus Institution, April 6-10, Dhaka: Grameen Bank.

Shams, M.Khalid. (1993) " Raising Productivity of the Poor- Grameen Bank Experiences in Managing New Technologies," Paper Presented at the Conference on the Danish Human Resources Base in Agricultural Development, Coursecenter Tune Landboskole, Denmark, March 29- April- 2, Dhaka: Grameen Bank.

Shehabuddin Rahnema. (1992) *The Impact of Grameen Bank in Bangladesh.* Dhaka: Grameen Bank.

Siddiqui, A.Q.(1998) "Strategies for Poverty Eradication- Timely, Flexible and Educate Micro Credit," Paper Presented in the National Workshop on Strategies for Poverty Eradication, Dhaka, June 14-15. Dhaka: BRDB Institutional Support Projects (BIS).

The Grameen Bank Ordinance, 1983, Dhaka: Grameen Bank.

Todd, Hellen (1996) *Women at the Centre: Grameen Bank Borrowers after One Decade.* Westview Press.

Yunus, Muhammad (1981) "Rural/Agricultural Credit Operations in Bangladesh," Paper Presented at the Annual Conference of the Bangladesh Economic Association, Dhaka, April 30-May 3, Dhaka: Grameen Bank Project.

Yunus, Muhammad. (1982) "The Grameen Bank in Bangladesh - A Poverty Focused Rural Development Programme" Paper Presented at the Workshop on Poverty Focused Rural Development and Small Farmer, Credit for South Asia, the Pacific and East Africa, Bangladesh Academy for Rural Development (BARD), Comilla, March 22-27, Dhaka: Grameen Bank.

Yunus, Muhammad.(1982a) "Experiences in organising Grass-root Initiatives and Mobilising Peoples Participation: The case of Grameen Bank Project", Paper presented at the 25th Anniversary Conference of SIDA, Baltimore.

Yunus, Muhammad.(ed.) (1982) *Jorimon of Beltoil Village and Others: In Search of Future*. Dhaka. Grameen Bank.

Yunus, Muhammad. (1983) "Group Base Savings for the Rural Poor" Paper Presented at the Inter Country Workshop, Bogra, November 6-13, Dhaka: Grameen Bank.

Yunus, Muhammad (1983) *Group Based Savings and Credit for the Rural Poor*. Dhaka: Grameen Bank.

Yunus, Muhammad (1983) *Rural Development a New Development Strategy, Not a Priority*. Dhaka: Grameen Bank.

Yunus, Muhammad and Rahman, Jowshan Ara.(1985) *Jobra: the Grameen Bank Project*. Dhaka: Grameen Bank.

Yunus, Muhammad. (1986) *Grameen Bank: A Bank for the Poor*. Dhaka: Grameen Bank.

Yunus, Muhammad. (1987a) *Credit for the Self-employment of the Poor: A Fundamental Human Right*. Dhaka: Grameen Bank.

Yunus, Muhammad. (1987b) The Poor as the Engine of Development. *The Washington Quarterly*, Vol. 10, No. 4.

Yunus, Muhammad. (1989) *Grameen Bank: Organisation and operation*, In Levitsky, Jacob. Ed. *Micro-enterprises in Developing Countries*. Papers and Proceedings of an International Conference, London: Intermediate Technology Publications

Yunus, Muhammad. (1990) *Bidhi Mala*. By laws of the Grameen Bank, Dhaka: Grameen Bank.

Yunus, Muhammad. (1991) "Grameen Bank: Experiences and Reflections," Paper Presented at the Consultation on the Economic Advancement of Rural Women in Asia and the Pacific, Kuala Lumpur, Malaysia, September 15-21, Dhaka: Grameen Bank.

Yunus, Muhammad (1991) "Peace is Freedom from Poverty," Speech Delivered at the Thirtieth Anniversary Celebration of Returned Peace Corps Volunteers, Washington DC, USA, August 3, Dhaka: Grameen Bank.

Yunus, Muhammad (1992) *Steps Needed to be Taken for Poverty alleviation*. Dhaka: Grameen Bank.

✓ **Yunus, Muhammad.** (1993) “We can Create a Poverty-Free Environmentally Balanced World If We Only Want It,” Paper Presented at the GLOBE (Global Legislators’ Organisation for Balance Earth) General Assembly, Tokyo, August 29-September 1, Dhaka: Grameen Bank.

Yunus, Muhammad. (1993) *Hunger, Poverty and the World Bank.* Dhaka, Grameen Bank.

Yunus, Muhammad (1994) *Bangladesher Unnayan Chintar Prepekhapote Grameen Bank Er Vumika.* In Bengali, Dhaka. Grameen Bank.

Yunus, Muhammad. (1994) “We can Create a Poverty Free World in Our Life Time”, Acceptance Speech Delivered at the Award Ceremony of Tun Abdur Razzak Award 1994, Kuala Lumpur, Agust 10, Dhaka: Grameen Bank.

Yunus, Muhammad. (1994) “Alleviation of Poverty is a Matter of Will Not of Means” Acceptance Speech on the Occasion of Receiving the CARE Humanitarian Award, at the State Department Banquet Hall , Washington DC, May 14, Dhaka: Grameen Bank.

✓ **Yunus, Muhammad.**(1994) “Credit is a Human Right,” Speech Delivered at the Central Bank of Sri Lanka, Colombo, March, 22, Dhaka:Grameen Bank.

Yunus, Muhammad. (1994) *Grameen Bank, As I see It.* Dhaka: Grameen Bank.

Yunus, Muhammad. (1995) "New Development Options Towards the 21st Century", Paper Presented at the Conference on "New Development Options Towards the 21st Century: Democracy, Equity and Sustainability," Oslo, Norway, February 1-3, Dhaka: Grameen Bank

APPENDICES

Appendix-1.1

Income and Expenditure Statement ,1984-96

(million taka)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
INCOME	35.4	65.7	90.2	128.7	199.6	299.0	406.8	531.8	772.4	1325.2	2018.5	2283.9	2314.1
Interest Income													
Loan	23.5 (66.4)	35.5 (54.0)	43.9 (48.7)	65.1 (50.6)	112.7 (56.5)	162.0 (54.2)	213.7 (52.5)	315.7 (59.5)	522.2 (67.6)	1055.6 (79.6)	1646.3 (81.6)	1975.8 (6.5)	1755.5 (75.8)
Deposit	11.9 (33.6)	29.8 (45.4)	0.5 (0.5)	0.5 (0.4)	0.8 (0.4)	1.1 (0.4)	1.6 (0.4)	1.6 (0.3)	2.0 (0.3)	3.7 (0.3)	4.4 (0.2)	4.1 (0.2)	6.5 (0.3)
Investment	0.02 (0.0)	0.4 (0.6)	45.2 (50.1)	59.7 (46.4)	51.6 (25.9)	74.0 (24.7)	112.9 (27.8)	133.6 (25.1)	176.4 (22.8)	165.6 (12.5)	262.1 (13.0)	196.3 (8.6)	427.7 (18.5)
Total	35.4 (100)	65.7 (100)	89.6 (93.3)	125.3 (97.3)	165.1 (82.7)	237.0 (79.3)	328.2 (80.7)	45.09 (84.)	700.6 (90.6)	1224.9 (92.4)	1912.8 (94.8)	2176.2 (95.3)	2189.7 (94.6)
Non Interest Income													
Grants	-	-	-	3.0 (2.4)	33.8 (17.0)	59.6 (19.9)	75.7 (18.6)	33.9 (6.3)	62.4 (8.1)	86.9 (6.6)	76.3 (3.8)	83.4 (3.6)	85.9 (3.7)
Others	-	-	0.7 (0.7)	0.4 (0.3)	0.7 (0.4)	2.4 (0.8)	2.9 (0.7)	47.0 (8.8)	9.4 (1.2)	13.4 (1.0)	29.4 (1.5)	24.3 (1.1)	38.5 (1.7)
Total	-	-	0.78 (0.7)	3.4 (2.7)	34.5 (17.3)	62.0 (20.7)	78.6 (19.3)	80.9 (15.1)	71.8 (9.3)	100.3 (7.6)	105.7 (5.2)	107.7 (4.7)	124.4 (5.4)

Income and Expenditure Statement ,1984-96(continued)

EXPENDITURES	31.1	65.2	89.9	128.3	198.4	296.8	403.7	540.1	778.0	1315.7	1996.8	2268.9	2295.0
Interest Expenses	15.9 (51.1)	29.2 (45.4)	31.0 (34.5)	34.7 (27.1)	48.6 (24.5)	71.5 (24.1)	97.7 (24.0)	119.1 (22.2)	190.9 (24.5)	387.3 (29.4)	791.9 (39.7)	845.2 (37.3)	808.9 (35.2)
Deposit	1.8 (5.2)	4.1 (6.3)	7.5 (8.3)	12.5 (10.0)	20.9 (10.5)	32.8 (11.1)	49.7 (52.2)	68.8 (12.8)	101.9 (13.1)	151.8 (11.5)	269.4 (13.5)	366.8 (16.2)	398.5 (17.4)
Borrowing	14.1 (45.3)	25.5 (39.1)	23.6 (26.2)	22.2 (17.3)	27.7 (14.0)	38.7 (13.1)	48.0 (11.8)	50.3 (9.3)	89.0 (11.4)	235.5 (17.9)	522.5 (26.2)	478.4 (21.1)	410.4 (17.8)
Non Interest Expenses :	15.2 (48.9)	35.6 (54.6)	58.9 (65.5)	93.6 (72.9)	149.9 (75.5)	225.3 (75.9)	306.0 (75.2)	421.0 (77.9)	587.1 (75.5)	28.4 (70.6)	1204.9 (60.3)	1423.7 (62.7)	1486.1 (64.8)
Treasury	9.4 (30.2)	25.5 (39.1)	43.4 (48.3)	65.4 (51.0)	81.1 (40.9)	121.2 (40.8)	170.8 (42.0)	268.6 (49.7)	389.2 (50.0)	579.8 (44.1)	626.5 (24.4)	708.8 (31.2)	793.1 (34.6)
Financing	0.2 (0.7)	1.2 (1.8)	2.8 (3.1)	9.7 (7.6)	37.1 (18.7)	63.3 (21.3)	79.4 (19.5)	60.4 (11.2)	44.6 (5.7)	47.9 (3.6)	46.4 (2.3)	46.9 (2.1)	36.5 (1.6)
Others	5.6 (18.0)	8.9 (13.7)	12.6 (14.1)	18.5 (14.4)	31.7 (16.0)	40.0 (13.8)	55.8 (13.7)	92.0 (17.0)	153.3 (19.8)	300.7 (22.9)	532.0 (26.6)	668.0 (29.4)	656.5 (28.6)
Net Interest Income	19.4	36.1	58.6	90.6	116.5	165.5	230.5	331.8	509.7	837.6	1120.9	1331.0	1380.8
Less Non Interest	15.2	35.6	58.9	93.6	149.9	225.3	306.0	421.0	587.1	928.4	1204.9	1423.7	1486.1
Surplus or Deficit	4.2	0.5	-0.3	-3.0	-33.4	-59.8	-75.5	-89.2	-77.4	-90.8	-84	-92.7	-105.3
Plus Non-interest	-	-	0.7	3.4	34.5	62	78.6	80.9	71.8	100.3	105.7	107.7	124.4
Net Profit	4.3	0.5	0.4	0.4	1.1	2.2	3.1	(8.3)	(5.6)	9.5	21.7	15.0	19.1

Interest Income = Interest Income - Interest Expenses.

Interest on Investment is composed of Interest from fixed Deposit and Interest from Govt. Treasury bill.Net

Figures in parenthes represents percentages of total expenditures.

Source : Grameen Bank annual reports, 1984-96.

Appendix 1.2

Balance sheet of the Grameen Bank(1984-96)
(year ending on December 31)

(million taka)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Assets :-	376.6	546.1	902.7	1279.3	1911.3	2910.6	3963.5	4841.3	6883.7	12276.6	16574.2	17747.5	19572.8
Loan and Advances	177.5 (47.1)	246.1 (45.1)	331.0 (36.7)	633.6 (49.5)	1094.9 (57.3)	1593.2 (54.7)	2117.4 (53.4)	2551.2 (52.7)	4423.9 (64.3)	8763.6 (71.4)	11052.9 (66.7)	11176.2 (63.0)	10953.7 (56.0)
Treasury Bills	-	-	-	-	-	-	15.0 (0.4)	3.0 (0.1)	-	-	1680.0 (10.1)	-	-
Deposit Investment	145.5 (38.9)	218.5 (40.0)	435.5 (48.2)	408.3 (31.9)	399.3 (20.4)	642.0 (22.1)	1062.7 (26.8)	1447.7 (29.9)	1301.2 (18.9)	1744.8 (14.1)	1521.9 (9.2)	3654.5 (20.6)	6061.5 (31.0)
TOTAL EARNING ASSETS	324.0 (86.0)	464.6 (85.1)	766.5 (84.9)	1041.8 (81.4)	1494.2 (78.2)	2235.2 (76.8)	3195.1 (80.6)	4001.9 (82.7)	5725.2 (83.2)	10508.4 (85.6)	14254.8 (86.0)	14830.7 (83.6)	17015.2 (87.0)
Cash	.02 (0.0)	.001 (0.0)	0.01 (0.0)	0.3 (0.00)	0.3 (0.00)	0.5 (0.0)	0.03 (0.0)	0.1 (0.0)	0.03 (0.0)	0.1 (0.0)	0.1 (0.0)	0.03 (0.0)	0.4 (0.0)
Fixed Assets	4.8 (1.3)	9.7 (1.8)	32.1 (3.6)	66.3 (5.2)	115.3 (6.0)	161.8 (5.6)	264.3 (6.7)	344.0 (7.1)	421.1 (6.1)	497.1 (4.0)	551.2 (3.3)	591.4 (3.3)	681.7 (3.4)
Others Assets	47.8 (12.7)	71.8 (13.1)	104.2 (11.5)	171.0 (13.4)	301.5 (15.8)	513.2 (17.6)	504.2 (12.7)	495.3 (10.2)	737.5 (10.7)	1271.1 (10.4)	1768.1 (10.7)	2325.4 (13.1)	1875.5 (9.6)
TOTAL NON EARNING ASSETS :	52.6 (14.0)	81.5 (14.9)	136.3 (15.1)	237.5 (18.6)	417.2 (21.8)	675.4 (23.2)	768.4 (19.4)	839.4 (12.2)	1158.6 (16.8)	1768.2 (14.4)	2319.4 (14.0)	2916.8 (16.4)	2557.6 (13.1)

Balance sheet of the Grameen Bank (Continued)

PITAL AND LIABILITIES	376.6	546.1	902.7	1279.3	1911.3	2910.6	3963.5	4841.3	6883.7	12276.6	16574.2	1774.5	19572.8
Capital :-	26.8 (7.1)	32.0 (5.9)	43.7 (4.8)	49.1 (3.8)	207.3 (10.4)	385.4 (13.2)	972.2 (24.5)	1401.1 (28.8)	2555.1 (37.1)	3027.7 (24.7)	3376.2 (20.4)	3786.9 (21.3)	344.2 (1.8)
Paid up capital	25.2 (6.9)	30.0 (5.5)	35.5 (3.9)	42.1 (3.3)	56.9 (3.0)	72.0 (2.5)	72.0 (1.8)	114.4 (2.4)	149.5 (2.2)	150.0 (1.2)	216.5 (1.3)	227.0 (1.3)	232.0 (1.2)
Reserve	1.6 (0.4)	20.0 (3.7)	2.3 (0.3)	2.7 (0.2)	3.7 (0.2)	5.8 (0.2)	8.7 (0.2)	8.7 (0.2)	22.2 (0.3)	49.9 (0.4)	70.4 (0.4)	88.1 (0.5)	109.5 (0.6)
Revolving fund and Grants	-	-	5.9 (0.7)	4.3 (0.3)	146.7 (7.7)	307.6 (10.6)	891.4 (22.5)	1278.1 (26.3)	2383.5 (36.6)	2827.8 (22.9)	3089.3 (18.7)	3471.8 (19.5)	2.7 (0.0)
Liabilities :-	349.8 (92.9)	514.1 (94.1)	859.0 (95.2)	1230.2 (96.2)	1704.0 (89.2)	2525.2 (86.8)	2991.4 (75.5)	3440.2 (70.8)	4328.6 (62.9)	9248.9 (75.3)	13198.0 (79.6)	13960.6 (78.7)	19228.6 (98.2)
Deposits	3.5 (0.9)	10.7 (2.0)	5.8 (0.6)	30.5 (2.4)	27.0 (1.4)	52.0 (1.8)	64.5 (4.6)	95.8 (2.0)	134.9 (2.0)	404.2 (3.3)	286.7 (1.7)	266.1 (1.5)	359.5 (1.8)
Member sharing	34.8 (9.2)	68.9 (12.6)	116.9 (13.0)	190.1 (14.9)	293.2 (15.3)	444.8 (15.3)	642.5 (16.2)	835.0 (17.2)	1198.9 (17.4)	1954.6 (15.9)	2807.9 (16.9)	3325.1 (18.7)	3542.2 (18.1)
Borrowings	311.3 (82.7)	433.9 (79.4)	716.9 (79.4)	954.6 (74.6)	1232.9 (64.5)	1720.0 (59.1)	1886.5 (47.6)	1876.1 (38.6)	1878.2 (27.3)	5470.0 (44.3)	8215.7 (49.61)	8502.6 (47.9)	13093.7 (66.9)
Others	0.2 (0.1)	0.6 (0.1)	19.5 (2.2)	55.0 (4.3)	150.9 (7.9)	308.4 (10.6)	397.9 (10.0)	633.3 (13.1)	1116.6 (16.2)	1420.2 (11.6)	1889.7 (11.4)	1866.8 (10.5)	2233.2 (11.4)

Notes : - (i) Figures in parentheses are percentages of total assets or Liabilities.

(ii) Others include grants training reserve and revolving fund loss reserve fund.

Source : Grameen Bank annual reports . 1984-96.

Appendix-2

THE SIXTEEN DECISIONS

1. The four principles of Grameen Bank - Discipline, unity, courage and hard work - we shall follow and advance in all walk 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 minimise 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 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 centre, we shall all go there and help restore discipline.
16. We shall introduce physical exercise in all our centres. We shall take part in all social activities collectively.

Source: Grameen Bank.

Appendix-3

INTERVIEW SCHEDULE FOR GB BORROWERS

Sample No....

1.a) Name of the borrower

b) Name of borrowers father/husband

c) Age of the borrowers

d) Permanent Address

i) Village ..

ii) Post Office

iii) Police Station (Thana)

iv) District

e) Educational Qualification :

Illiterate

Can sign only

Attended primary school

Attended secondary school

Passed secondary level

Attended higher secondary level and above

f) Did you learn to put signature at the time of taking loan ?

Yes No

g) Your principal occupation

h) Your Secondary occupation

2.a) Who is the head of your family ?

Self

Father

Husband

Elder Brother

b) What is the age of the head of your family ?

----- years ----- months

c) Educational qualification of the family head:

Illiterate

Can sign only

Attended primary school

Attended secondary school

Passed secondary Level

Attended Higher secondary level and above

d) Principal occupation of the family head:

e) Secondary occupation of the family head :

3.a) Number of your family members :

Male -----persons

Female----- persons

b) Earning member in your family :

i) At the time of Joining GB - Male -----persons

Female----- persons

ii) At present - Male -----persons

Female----- persons

4.a) Own land (including homestead land):

i) At the time of joining GB -----decimals

ii) At present (1996) -----decimals

b) Cultivable land :

i) At the time of joining GB ----- decimals

ii) At present (1996) ----- decimals

c) Value of total assets (Non-land Assets) excluding land :

i) At the time of joining GB ----- Taka

ii) At present (1996) ----- Taka

5. Year of your joining GB

19....

6. Statement of General Loan Taken

Time	Year	Amount of Loan	Loan against activity	Use of Loan (activity)	Amount overdue after-52 weeks	Amount overdue after-104 weeks

7.a) Did you ever take any of the following loans other than general loan ?

Yes

- Seasonal loan
- Tube-well loan
- Collective loan
- Family loan
- Supportive loan
- Leasing

No

b) If the answer is yes then please give details :

Head of Loan	Year	Amount	Amount Overdue

c) Did you ever take any of the following loans ?

Yes

- General House loan ;
- Basic House loan;
- Pre-basic House loan;
- Homestead loan;
- Sanitation loan;

No

d) If the answer is yes then please give details

Head of Loan	Year	Amount	Amount Overdue

e) Did you ever take loan from Group Fund ?

Yes

No

f) If the answer is yes then please give details

Year	What purpose ?	Amount of Loan	Amount Overdue