

**Poverty-Free Life with Endless Debt**  
**A Study of Grameen Bank and Women Empowerment**

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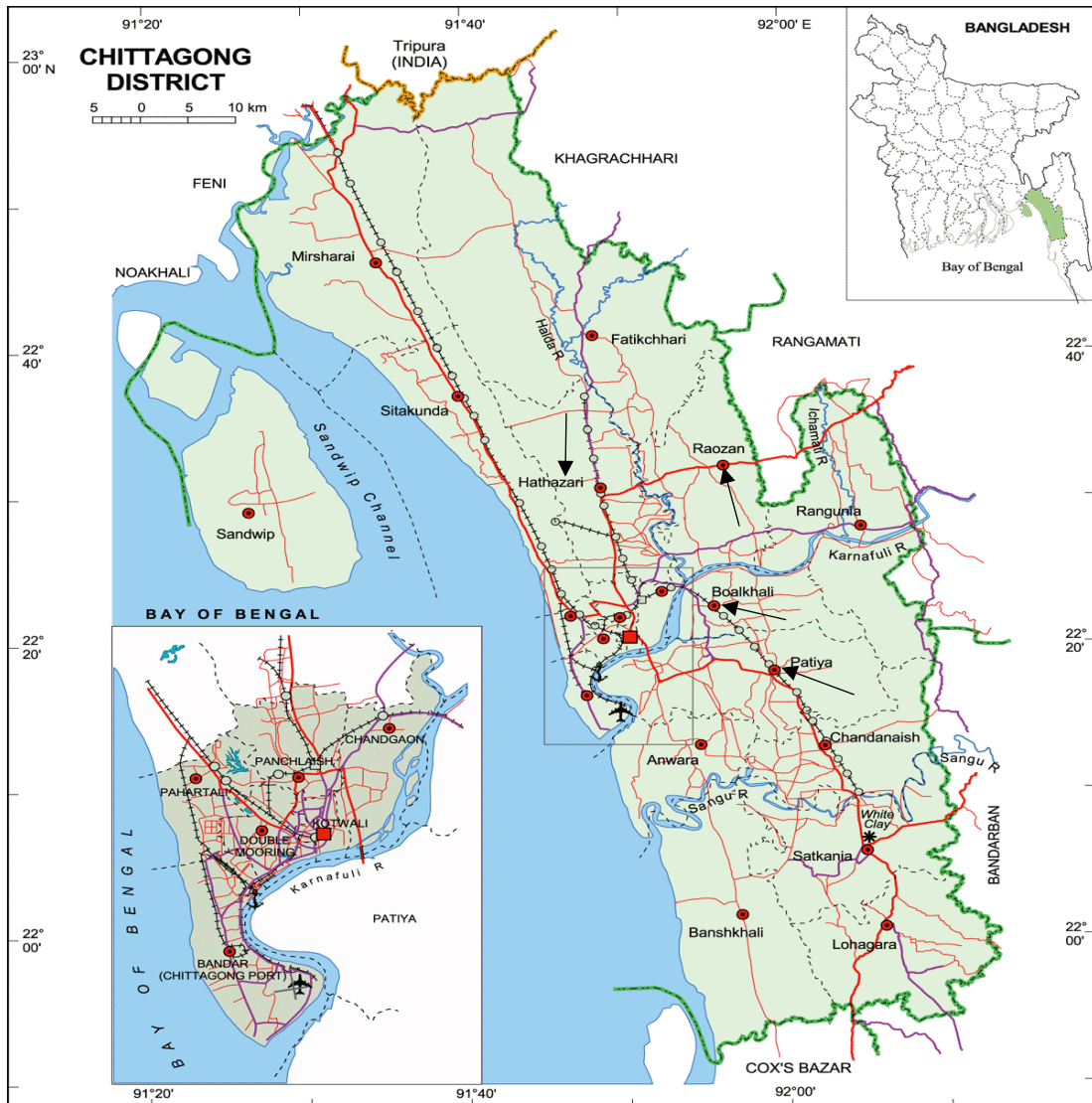
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# Bangladesh Divisions of Bangladesh



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[https://www.researchgate.net/figure/fig-1-Map-of-Chittagong-district-Fatickchari-Rangunia-and-Ba-nshkali-Upazila\\_fig1\\_335000886](https://www.researchgate.net/figure/fig-1-Map-of-Chittagong-district-Fatickchari-Rangunia-and-Ba-nshkali-Upazila_fig1_335000886)

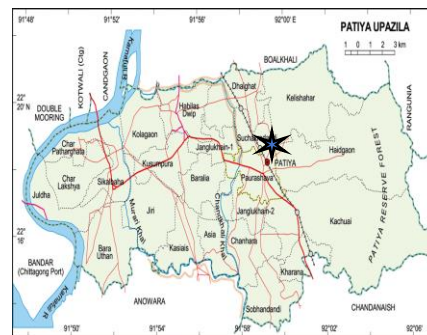
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## Maps of sub-districts and villages

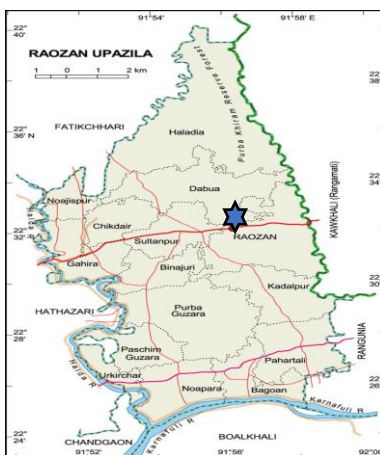
I have done research in four villages of these four Upazilas. See the methodology of my thesis page 9.



Map of Hathazari (Jobra)



Map of Patiya (Ajampur)



Map of Raozan (Pahartoli)



Map of Boalkhali (Shakpura)

I have marked the researched villages with 

From Google Map

<https://www.daily-sun.com/arprint/details/119674/Hathazari--/2016-03-10>

<https://www.thebangladesh.net/chittagong-division/chittagong-district/patiya-upazila-chittagong.htm>

1

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# Introduction

## 1. Microcredit in Bangladesh

Bangladesh has been known as the most densely populated developing country in the world. Today with a population of approximately 163 million people, it is one of the five fastest-growing economies of the world. Thanks to its rapid growth, Bangladesh rose to a lower-middle-income country in 2015. Poverty rates plummeted from 44.2% in 1991 to 14.8% in 2016 based on the international poverty line of \$1.90 a day. Gross domestic product (GDP) has also grown steadily by an average of 6.5 % in the past few decades according to government estimates.<sup>1</sup>

It must be noted, however, that despite its remarkable progress, the country still has many challenges to overcome. Over 20 million people still live in extreme poverty. 2.6 million persons were unemployed according to the Labour Force Survey in 2015-2016.<sup>2</sup>

The World Bank has emphasized the importance of creating job opportunities to eliminate poverty. It has advised that Bangladesh needs to implement structural reforms, increase investment in human capital, improve rural infrastructure, increase the participation of women in the workforce, and allow new productive sectors to develop and generate quality self and wage employment if it is to sustain economic growth and alleviate poverty and unemployment.<sup>3</sup>

Since it won its independence from Pakistan in 1971, the Bangladesh government has striven to develop the country and solve these problems with support from

non-government organizations. Dr Muhammad Yunus, the founder of Grameen Bank, created microcredit as a way to help poor rural families, especially women, get out of poverty by involving them in self-employed productive work. Microcredit has been widely used as an effective tool to alleviate poverty in Bangladesh since then.

Now it remains to be seen how effective microcredit has been in alleviating poverty and engaging rural poor women in productive work. Before entering into the details, I will describe what microcredit is and how it started.

Microcredit refers to small loans made available to individuals and entities that would not otherwise be able to obtain any type of credit such as people who have no collateral to pledge for a bank loan or lack an acceptable credit history.

Microcredit was originated in Bangladesh by economist Dr Muhammad Yunus. In 1976 Dr Yunus started a microfinance project in Chittagong to alleviate poverty. After initial success, the project continued with the financial support of a local bank, and later expanded to an area outside Chittagong with the help of the Bangladesh Central Bank. After being successful there, he applied to the Ford Foundation, an international organization, for financial support to conduct the work on a larger scale. At Dr Yunus' application, the foundation came to inspect the work of the Microcredit Project and approved to provide financial assistance. In 1982 with the support of the Bangladesh Central Bank and international funding, Dr Yunus expanded his project to five major districts in the country. The total loan disbursement was \$13.4 million USD at the end of 1981, which increased by \$10.4 million USD in 1982. With these achievements, the government of Bangladesh recognized the microcredit project as a special bank in 1983.<sup>4</sup>

Later, Dr Yunus became acquainted with the South Shore Bank of America through the Ford Foundation. This bank provided loans to those who were rejected by traditional banks. On the suggestion of the Ford Foundation, they visited Yunus' Grameen Bank in Bangladesh and became very interested in Yunus' microcredit banking. In 1985, at their invitation, Yunus visited Chicago, USA, and was able to promote his Grameen Bank microcredit program abroad.<sup>5</sup>

Thus, Grameen Bank's microcredit became popular and the number of microcredit institutions increased nationally and internationally. By the end of 2013, microfinance institutions had reached about 211 million people, of whom 114 million lived in extreme poverty.<sup>6</sup> Microcredit became highly acclaimed for improving women's status within the family and increasing family income. International communities came to view microcredit as one of the most important approaches for poverty alleviation and social development.

Academic researchers began to study microcredit activities in the 1980s. Initially, many reviews attributed the success of microcredit to its loan repayment rate, the increase in the number of women customers, the growth of customers' wealth, and the successful implementation of lending structures. They also regarded microcredit as empowering women as it enables women borrowers to go out for meetings, to give education to their children, and gives them some decision-making power in their households.

It is to be noted here however, that these studies did not examine how far women can be involved in the marketing process, or to what extent women have a say within their family when they received loan money.

Some studies criticized microcredit especially in terms of poverty alleviation and empowerment of women. They argued that microcredit is not a solution to poverty reduction and women empowerment. Women's involvement in economic activities is very low and poor people are increasing their debt by taking loans from various NGOs. Other studies claim that microcredit is just another manifestation of capitalism which cannot eradicate poverty.

## **2. Research history of microcredit**

Studies on microcredit began in the 1980s and increased in the 1990s as microcredit became known as a way to improve the status of women in the family and increase family income. Critical examination of microcredit has grown especially regarding poverty alleviation and empowerment of women. More detailed reviews will follow.

At a relatively early stage, Mahabub Hossain found through his field survey in 1988 that the Grameen loan can contribute to poverty alleviation by creating income-generating work for poor women and increasing the household income. Atiur Rahman (1986) discussed the impact of microcredit on the rural power structure in Bangladesh. He pointed out that efforts to increase collective solidarity, awareness and self-reliance are more noticeable among female borrowers of Grameen Bank than other ordinary poor rural women.

Todd's research in the 1990s highlighted two issues. First, that a few years after the establishment of the Grameen Bank, half of the women used their loan in land transactions that were against the bank rules at the time. Second, microcredit was able to raise the status of women in the family, though it depended on the woman's own

personality, support from family members, and the number of earners in the family.

A study by Shahidur R. Khandker in 1998 found that women were benefiting more from microcredit programs. Women were able to become self-employed at home, earn cash, and own more assets which improves their status in the family. This also affects their consumption, their children, and other welfare arrangements like schooling. Participation in this program has reduced the poverty of the family.

The positive impacts of Grameen Bank's microcredit program have come out in various studies research in the 1990s. At the end of the 1990s the Bank ran into serious problems but overcame them by changing their policies. The savings system under the new policies functioned well and were viewed positively.

*The Grameen II Diaries* (2002-2005) is a study on micro savings including Grameen II and found that borrowers were happy to use the newly introduced savings account to manage family cash-flow problems and also loan repayment problems.

Dean Karlan and Jacob Appel also supported the savings system in *More Than Good Intentions*. According to their book savings is important for the poor and can improve women's status in the family.

Shahidur R. Khandker, Baqui M. A. Khalily, and Hussain A. Samad conducted joint research in 2010/2011 on microfinance in Bangladesh, surveying the same households as the World Bank did in 1991/1992 and found that the number of microfinance borrowers had increased taking advantage of the low-interest rate of microloans. Their research also notes that borrowing from multiple sources is not always a reason to be overly indebted if the borrowers invest microloans in sectors with sufficient returns. They suggest that savings and microinsurance policies help eliminate risks.

Aminul Faraizi, Taskinur Rahman, and Jim McAllister found in their case study of 2011 that many Bangladeshis benefited economically from microfinance, but their study did not find evidence strong enough to say that microcredit is empowering women or increasing their independence.

All of the above studies recognized the importance of microfinance but did not focus on the issue of poverty alleviation and women empowerment.

Many studies from the 1990s to the mid-2000s questioned the effectiveness of microcredit in poverty alleviation and involvement of women in microcredit programs.

One of the most critical studies about microcredit in the 1990s is Anne Marie Goetz and Rina Sen Gupta's *Who Takes the Credit? Gender, Power, and Control over Loan Use in Rural Credit Programmes in Bangladesh* (1994). Their study provided important data about women's power to control and use loans, and their improvement in productivity after using credit. They also showed that men control most of the women's loans and women borrowers are even victimized in the process. Many women bear the risk of loan repayment even though they are not using the loan.

One of the pioneering anthropological researches on the Grameen Bank was conducted by Aminur Rahman. His book, *Women and Microcredit in Rural Bangladesh* (1999) revealed the shocking fact that most of the Grameen women borrowers did not benefit directly from the credit. Instead, women only played the role of loan-carrier between the financial institution and their male household members.

Later, in 2011 Lamia Karim conducted her ethnographic research verifying Rahman's research data. Her research claimed that, credit could benefit only certain people who have marketable skills and who are already successful in their small



businesses.

Research from other countries also raised questions about the reliability of poverty alleviation claims by microcredit advocates. In 2006 Katie Wright studied the impact of microfinance on groups of low-income women in Cajamarca, Peru. One of the most important suggestions of her research is that the group-based dynamics of microfinance should be reconsidered because microcredit groups have been seen to reinforce existing hierarchies and inequalities. Kinship and patron-client relationship have a negative impact on rural community relationships. That is why most of the women are not benefiting from microcredit.

Susan F. Feiner and Drucilla K. Barker's 2007 research claims that since microfinance addressed poverty as problems of individuals, government policymakers and multilateral banks no longer perceive that they have the responsibility to work for poor women.

Contrary to the popular notion that microfinance is an effective policy for poverty reduction, Milford Bateman (2010) argued that microfinance is not a solution to poverty reduction but rather a 'poverty trap' and 'anti-development' tool which can ultimately destroy the potential for sustainable local economic and social development as well as sustainable poverty reduction.

Md. Mahmudul Alam and Rafiqul Islam Mollah published a joint study in 2011. Their study found that 90% of borrowers compromised with the high-interest rates of Grameen Bank's microcredit because interest rates of local moneylenders were even higher. Their research also found that if self-employed family labour is paid at market rate wages, less than half of the borrowers would be unable to earn enough to pay the interest rate under the economic-profit calculation framework.

Hugh Sinclair (2012) has many years of experience working with non-governmental organizations (NGOs) that provided microfinance to the poor worldwide and in Bangladesh. He claims that microcredit has not worked towards poverty alleviation from the beginning but has only worked to establish a small credit business, which in no way alleviates poverty. He concludes that “microfinance is not suitable for all poor people, and it needs to complement rather than replace other development strategies.”

Grameen Bank has also faced the criticism that the group bonding in its group lending system was not working for the borrowers but for the bank. However, after changing its lending structure and savings policy to Grameen II, the Bank claims that there is no group bonding and the new savings system makes the lending process easier for the borrowers. Other institutions and researchers also acknowledge that the shift to Grameen II had positive effects saying that small savings is useful for risk management of credit service and also beneficial for the future of poor borrowers.

Studies criticizing the new savings system have also been conducted, albeit to a lesser extent. Hugh Allen (2007) denied the common assumption that the savings system and insurance help poor people to run their small enterprises, pointing out that most of the members use the ‘so-called personalized savings’ to manage their household cash flow, and very few people are interested in investing to get out of poverty.

Mathematical studies have also been undertaken, but as they are outside the scope of my research, I will not discuss them here.

### **3. Aims of the research**

Grameen Bank has always boasted increase in the number of female members and disbursement as well as excellent repayment rates. It has also claimed that, microcredit has improved the economic condition of borrowers making significant changes in their lives. There is no denying the increase in the number of borrowers and outstanding repayment rates, but I feel that it is more important to examine how these loans are affecting women's lives and how they are linked to their empowerment.

So far there has been a lot of research on Classical Grameen system i.e. Grameen I. Grameen II, which is officially named Grameen Generalized System, has also been studied after its introduction in 2002. Many researchers have praised the savings system in Grameen II saying the new system is much more convenient than before while few researchers have criticized that the savings system does not benefit borrowers.

About forty years have passed since the inception of Grameen Bank and twenty years have passed since the transition from Grameen I to Grameen II. It is necessary to analyze in more detail what has changed and not changed in loan activities and practices over this long period. In my research, I would like to discuss the improvements made in Grameen Bank's policies and lending structure as well as their impact on the members of the bank. My last and most important theme is how Grameen Bank's microcredit has functioned for poverty alleviation and for the empowerment of rural women in the family.

### **4. Method and data collection**

My research consists of review of literature and data and case studies. I used both qualitative and quantitative methods. I employed several methods to collect data for the

study including questionnaires, individual interviews, group interviews, participant observation, and in-depth interview techniques. The group-based interviews and one-on-one technique enabled me to get the qualitative information to address the research questions. In addition to taking interviews, I also visited some borrowers' houses and working places such as grocery shops and poultry farms.

I obtained permission from the head office of Grameen Bank in Dhaka to conduct my field research in four rural villages around Chittagong District, Bangladesh, from December 2015 to February 2016. In accordance with the strict procedures prescribed by Grameen Bank, my interviews with Grameen borrowers were undertaken in the presence of Grameen Bank workers and officers. However, these were not obstacles to me. Since I am a local woman who knows the regional language and understands the cultural codes, I fully understand the verbal and non-verbal modes of communication. As a result, I am able to effectively explain many things that would hardly be noticed by foreign researchers. I chose Chittagong because it is considered to be one of the most religiously conservative areas in the country. Grameen Bank started its journey in such a conservative area, and I was curious to see how far Grameen Bank has been able to work with and empower women in such an area.

I conducted the interviews by visiting eight women loan centers in these villages. In addition to these one hundred interviewees, I also talked to many more women borrowers who were present at the Grameen loan center during my visits and other women whom I knew personally. Some women in my interview had been members of Grameen Bank in their area since its inception, while others had been members from one year to five years or had just become members. I have anonymized all the names of the interviewees to protect their private information. However, with permission from the

individuals and Grameen Bank, I included photographs of some women to convey the situation to readers. In the Bangladeshi context, there are no foreseeable negative consequences of having one's photograph in this dissertation. I also interviewed several branch officers of Grameen Bank, asking them about the characteristics of borrowers of each branch and the way they deal with their members.

Apart from literary research materials such as books, journals, reports, newspapers and pamphlets, I obtained the following documents from Grameen Bank: loan information of the 100 interviewees, one-month loan distribution data of several branches, 5-year loan distribution data of the Grameen Bank, *the Rule and Regulations Book of the Grameen Bank*, *the 2015 Annual Report of the Grameen Bank*, and Grameen Bank's archival documents.

All these data have been analyzed and the differences between past and current loan practices have been examined to reveal how Grameen Bank's microcredit has impacted the status of rural poor women in their family and society, and to elucidate patterns of financial improvement of their families.

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## Notes

1. World Bank (2019).
2. Bangladesh Bureau of Statistics (2017), p. xi.
3. World Bank (2019).
4. Yunus (1998), pp. 137-147.
5. Yunus (1998), pp. 195-200.
6. Reed et al (2015).

# **Chapter One**

## **The Rise of Microcredit**

### **1.1 Nongovernment organizations (NGOs) in Bangladesh**

Nongovernmental organizations are groups that operate independently of the government and contribute to the socioeconomic development of a country. They are found in countries throughout the world. Presently, the scope of their activities has grown to such an extent that their activities are vital in developing countries.

In Bangladesh, NGOs have been working for poverty alleviation and social development for over 50 years, and they are now an integral part of Bangladesh recognized by the government. Consequently, the number of NGOs in Bangladesh increased steadily especially during the 1990s, and there are a total of 2495 registered NGOs now.<sup>1</sup>

Before I start talking about microcredit of Grameen Bank, it is important to know the origins and the development of NGOs in Bangladesh, as this will help us understand how microfinance was introduced to the activities of NGOs.

#### **1.1.1 Christian charity programs**

Bangladesh was a part of India during the British colonial period of India, which began in the eighteenth century. At that time, it was called Bangla. The British East

India Company first came to India to trade, expanded their trade, occupied and established British rule in India. Under British rule, various Christian missionaries entered Bangla and attempted to institutionalize charitable work and social welfare activities. They selected remote and poverty-stricken areas and established hospitals, schools, and orphanages. These missionary organizations, including the Baptist Missionary Society, which was established in 1794 and the oldest among them, provided services to people affected by natural disasters.<sup>2</sup> Their objective was not only social welfare but also the conversion of the people to Christianity. The number of Christian missionaries increased after they were granted permission to come to India and engage in religious proselytization under the Charter Act of 1813.<sup>3</sup> With the support of the British government, the number of Christian missionaries continued to grow and enhance their presence through the establishment of hospitals, schools, and colleges.<sup>4</sup>

In response to the large number of institutions established, the British government legislated the Societies Registration Act of 1861 and limited their activities to literary, scientific and charitable purposes, but the missionaries continued their religious work under the banner of social welfare work.<sup>5</sup>

After a long struggle, British rule in India came to an end in 1947. The subcontinent was divided into India and Pakistan. Pakistan had two parts, East Pakistan (now Bangladesh) and West Pakistan. After the British left India, the missionaries remained and continued their activities in Pakistan from 1947 to the 1970s.<sup>6</sup>

At that time the Pakistan government did not restrict missionaries. As a result, these missionaries along with many other contributors worked actively without government support. Due to the laxity of the Pakistan government, many European

countries sent missionary organizations to Pakistan through NGOs and other private organizations. Many NGOs came to East Pakistan in the name of serving the afflicted, such as World Vision (1950), American Southern Baptist Mission (1957), SMI (1958), YWCA (1960), Association of Baptist World Evangelism (1965), YMCA (1965), Dishari Foundation (1968), College Christian Theology Bangladesh (1968), Inter-Life (1970), and MCC (1970). Other western NGOs also worked in rural East Pakistan from 1947 to 1971, including CARITAS, CARE, Red Cross, and OXFAM. The East Pakistan government welcomed them hoping their cooperation in rural development would facilitate the development work of the government. These NGOs became more focused on converting people to Christianity but made little progress since Pakistan is a Muslim dominated country. Nevertheless, the NGOs continued their social welfare work.<sup>7</sup>

### **1.1.2 Cooperative programs for rural development**

The Pakistan Government was set in West Pakistan. East Pakistan and West Pakistan launched a development program called the Village Agriculture and Industrial Development program (V-AID) in 1953. The program was funded by the Ford Foundation and the US International Cooperation Administration (ICA), and its main objective was to establish village councils, through which development activities for agriculture, modernization, health, education, road construction, credit assistance to farmers, and cooperation with market management could be operated.

Western modernization was at the core of the program, but their activities failed to be understood or accepted by local residents, since they had no idea of western technology. As such, the program had to depend heavily on government workers for its



implementation. However, since the assistant training officers from the government could not train or build good relationships with the rural people, the villagers lacked the knowledge and guidance to implement the program properly. The program was a complete failure, US funding was stopped, and the program was ended in 1961.<sup>8</sup>

After the failure of the V-AID program in 1961, a project called “Comilla Model” was started by Dr. Akhter Hamid Khan who had directed V-AID. The East Pakistan government and the Ford Foundation provided funds for this project. The main aim was to modernize agriculture and develop rural infrastructure. The following objectives were established:

- (a) Coordination and decentralization of government activities and delivery services
- (b) Provision of credit support for protecting poor farmers from the high interest rates of moneylenders and middlemen, and
- (c) Provision of training and advanced technological services for improved agricultural production.<sup>9</sup>

Learning from the mistakes of the V-AID program, this program gave the initiative to poor and rich farmers. Each village had a cooperative society that would work for the interests of both the poor and rich farmers and develop the infrastructure of the village. Several activities were undertaken, including family planning, health, education, and sanitation. The Comilla Model was based on group formation, weekly meetings, members’ savings plans, and awareness-raising.

The Comilla Model was short-lived despite good intentions, since only the rich farmers ultimately benefited from it. To make matters worse, most rich farmers did not

pay back the money they had borrowed. Many researchers pointed out that small farmers did not procure the expected benefits. Rural internal politics was mainly to blame for this. During the Pakistani period, villages were isolated, and the government did not have enough power to control the village leaders. Although village administrative officers appointed by the government were responsible for running the village, they only collected taxes and surveyed land. Rural politics was controlled by the landowners and their allies. Almost all village matters, including money lending, sharecropping, and labor exchange, were controlled by the rural elite and their clans. Poor farmers were dominated by the village aristocracy.

The officials of the managing committee in charge of the administration of Comilla Model did not establish any direct relationship with the poor farmers, so they did not know their real needs. They only had contact with and listened to the rich farmers who always made sure that they were the ones to benefit from the project. The poor landless farmers were totally left out of the project.

According to Dr Khan, the project was beset by mismanagement, corruption, and unscrupulous practices. There was a communication gap between the officers and the villagers. All of these reasons contributed to the failure of the Comilla Model project.<sup>10</sup>

### **1.1.3 Beginning of local NGOs**

In 1971, East Pakistan became independent from West Pakistan and was named Bangladesh. NGOs became vital to Bangladesh because they all adopted war rehabilitation programs. International aid organizations also worked for postwar reconstruction of the country and rehabilitation of refugees. The state was not strong

enough to deliver welfare services to its people and had to depend on western aid and local NGOs for this purpose.

In addition to foreign aid organizations, Christian NGOs and local NGOs also started programs in Bangladesh. Established in 1972, the Bangladesh Rural Advanced Committee (BRAC) is the country's first local NGO. BRAC provided postwar relief assistance for resettling refugees in the remote northeastern region of Bangladesh. Fazle Hasan Abed, who founded BRAC, realized that relief distribution could not be a permanent solution for the poor. He thought it was necessary to build infrastructure in rural regions if there were to be a total, long-lasting solution.

In 1973, BRAC adopted community-based rural development programs with the involvement of all village community members. But BRAC realized that the beneficiaries of these programs were basically those who owned land and had other productive assets. In 1976 it changed its rural development program to target only poor, landless farmers, small farmers, artisans, and poor women.

BRAC also emphasized that the empowerment of rural women in the family and society was the most important issue for overall development and poverty alleviation. So, BRAC formed separate groups for women because the work they do is different from that of men. In addition, it hoped that women's participation in conservative rural society would increase if women were able to work together with other women apart from men.

BRAC's founder also believed that credit and other financial support were very important. That was why the organization divided its program into two parts, one for training and the other for credit supply. BRAC began first with training programs for

major rural economic activities, such as farming, livestock, poultry, fisheries, and sericulture. Then it launched a credit supply program targeted at specific groups of people. Area managers and program officers of BRAC and village assistants chosen from among BRAC members were involved in the implementation of the loan supply plans.

From the beginning, credit was offered to the people in groups. All group members had to attend weekly meetings and put two taka in their individual savings account. The interest rate on the loan was 23 percent. Three percent was paid to the managing committee of the members, and five percent was kept in the members' group fund in order to cover loan defaults.<sup>11</sup>

The Comilla model was the first development program to target small groups. Later, the idea of lending to small groups was used by BRAC in its training-based lending structure. Yunus followed with a similar group lending structure in his microcredit project. Although the Comilla model was not successful, group lending and microcredit operations by NGOs were quite successful.

Later other NGOs, such as the Association for Social Advancement (ASA), Proshika Human Development Center (PROSHIKA), Gonoshastha Kendro (GK), Gono Shahajya Sangstha (GSS), and Nijera Kori, were established in Bangladesh. In the mid-1980s, NGOs viewed internal political instability as an opportunity to provide social services with the help of foreign donors. These NGOs were involved in rural reconstruction, and the government came to have closer relationships with the NGOs on rural development issues. In the late 1990s, NGOs grew rapidly in the country and

established themselves as service providers for education, health, sanitation, and family planning as well as providing credit for alleviating poverty.<sup>12</sup>

## **1.2 The beginning of Grameen Bank**

As observed above, charitable activities were initiated under British rule, and cooperative programs were introduced in the Pakistani period. After Bangladesh won its independence in 1971, foreign NGOs launched and later expanded their activities for postwar resettlement and rural development. It was only later in the 1980s that local NGOs introduced microcredit programs. Grameen Bank is a pioneer among them.

Muhammad Yunus, founder of Grameen Bank, was an economist and knew very well about NGO activities in Bangladesh. Dr Yunus felt that it took too long for NGOs to provide credit to the poor, so he decided to eliminate training programs and provide timely loans. He implemented several experimental microcredit projects before he officially launched Grameen Bank, a microcredit bank.

### **1.2.1 Yunus before Grameen Bank**

Muhammad Yunus went to America in 1965 to study for a doctorate degree in economics. After acquiring his degree, he was appointed as a lecturer at Middle Tennessee State University. He returned to Bangladesh in 1972, joined a government company as a planning commissioner, and later became the head of the economics department at Chittagong University, whose campus was close to Jobra Village. On his way to the university, he noticed that there were many empty plots of land around the

village. He was curious to know why the land was left uncultivated. He visited the village to talk with the farmers and found out the land was not farmed because of poor irrigation in winter. He wanted to do something for the local villagers with the help and initiative of his economics department. The irrigation problem was not new in Bangladesh, and the government had undertaken many measures to solve it. Dr Yunus described the reason that it was still unsolved as follows: “The government, generously assisted by donor agencies, invested in modern irrigation technology, but no one invested time, resources or effort to resolve the people-centered problem”.<sup>13</sup>

Dr Yunus took steps to solve the problem and find a way to cultivate in winter and produce more food for the villagers. He adopted an agricultural cooperative method called *Nabajug* (“new era”) Three-Share Farm. He talked with the local farmers and asked the landowners for their permission to use their land during the dry season. Sharecroppers would contribute their labor, and Dr Yunus would contribute funds to cover irrigation water, fertilizers, seeds, and pesticides. Their harvest would be shared equally among the landowners, sharecroppers, and Dr Yunus. Poor farmers agreed after some objection, while rich farmers showed interest in the idea. Dr Yunus and his students visited and instructed the farmers every week, and good results were obtained. Dr Yunus’ idea was successful, and the farmers could get a better harvest in the dry season. Dr Yunus’ Three Share Farm received the President Award in 1978.

The success of the Three Share Farm proved to be a great lesson for Dr Yunus. It gave him a chance to observe the lifestyle of poor people, especially how rural poor women worked as agricultural labourers. During the harvest, labour was needed mostly for threshing rice from the dry straw. This was work that women traditionally did, but

the conditions were harsh. Women worked from early morning to evening and earned the equivalent of 40 US cents for processing four kilograms of rice. Dr Yunus calculated that poor women could earn four times more if they had could invest money in their own paddy and process it themselves.

It was clear to Muhammad Yunus that rich farmers benefited much more than poor farmers. It was also obvious that most agricultural labourers owned no or little land. During the cultivation season they worked as labourers and the rest of the year they worked in other activities or were idle. Dr Yunus thought it was necessary to find potential income sources for them, because farming alone was not enough to get by. These experiences inspired Dr Yunus to work with landless poor people for alleviating poverty. He studied the lifestyle of rural poor people more closely and tried to find what he could do for them so they could become poverty-free.<sup>14</sup>

Dr Yunus learned from his own work and from Comilla Model's credit cooperative programs that rich and poor people could not work together due to different financial capacities and that large groups were difficult to supervise. He also realized that training programs were unnecessary, and it was better to provide credit right away.

Through his observation of rural life, Dr Yunus concluded that poor people possessed various skills and did not necessarily need any kind of training. He believed that it was their lack of money that made it difficult to exploit their skills. Even if they found a way to use their abilities, they could not profit much because of the high interest charged by moneylenders. As a result, they were unable to improve their life.<sup>15</sup>

Muhammad Yunus believed that credit is a human right and giving poor people access to credit would enable them to improve their lives.<sup>16</sup> So he hit upon an idea of a

new type of financial institution to replace commercial banks and moneylenders that would allow poor people to borrow money easily.

In 1976 Dr Yunus introduced a microcredit project in Jobra Village for poor people. People were provided with collateral-free loans. Initially, 42 women in the village borrowed a total of 856 taka (US \$27), all of which Dr Yunus supplied from his own pocket. Because it was impossible for Dr Yunus to keep supplying money himself, he hoped to receive the support of banks, but at that time none of the banks believed his project would be successful.<sup>17</sup>

### **1.2.2 Transition from project to an institution**

After many attempts, a local bank named Janata Bank agreed to give loans on the condition that Muhammad Yunus be the guarantor of the loan. Dr Yunus used the loan to distribute money to the poor. The second round of the project also achieved good results, and Dr Yunus decided to extend his program. In 1977, Mr. A. M. Anisuzzaman, the managing director of the Bangladesh Krishi (Agriculture) Bank came to show interest in Dr Yunus' project. He allowed the opening of a special branch of his bank in Jobra Village. That was the first time Dr Yunus used the name Grameen Bank, which means "Village Bank." Dr Yunus and his team of students supervised their experimental project well and obtained good results including a high loan repayment ratio.

Based on the success of the start-up programs, the project expanded its operations to Tangail District north of the capital city of Dhaka with the support of the Central Bangladesh Bank. This initiative was also successful, leading Dr Yunus to appeal to the government for the approval of the project as a special bank under a special law. On



October 2, 1983, the project officially became an independent bank named Grameen Bank.<sup>18</sup> Grameen Bank provided small loans to the poor, especially to poor rural women, so that they could engage in income-generating activities and become self-reliant.

Muhammad Yunus intended to show that although women had been powerless in a male-dominated Muslim society, direct loans to women would enable them to appear in public, learn how to write and count, and become small entrepreneurs. And this in turn would lead to their empowerment. Dr Yunus knew very well that the two key phrases, “poverty alleviation” and “empowerment of women,” would attract worldwide attention, especially from western countries.

Since the inception of the project, the loan repayment rate has been very high, about 98%. This ratio is 40 to 60 percentage points higher than that of the Government Bank and has received attention worldwide. In this way, Dr Yunus has shown how far microcredit services have reached the poor and how well poor borrowers have been managed. In 2006 he was chosen as the recipient of the Nobel Peace Prize in recognition of the commitment of Grameen Bank to alleviating poverty.<sup>19</sup>

### **1.2.3 Expansion of microcredit**

In the wake of the success of the microcredit program of Grameen Bank, various NGOs, including BRAC, ASHA, and PROSHIKA, also began offering microcredit services. They maintained their training projects while providing microcredit. Foreign NGOs, which had been more inclined towards proselytization and committed also to relief work after the liberation war, also adopted the microcredit model, because it was

very attractive for the donor organizations as profits could be made from the money invested.

The number of NGOs with microcredit programs rose to 59 in 1990 from 13 in 1985. By 1995, the number had increased to 301.<sup>20</sup> According to *World Bank 2006*, about 2,000 microcredit NGOs operated in Bangladesh in 2007.<sup>21</sup> And, it was estimated that nearly 24.5 million borrowers were involved in microcredit programs run by over 7,000 NGOs in November 2010.<sup>22</sup>

After Dr Yunus received the Nobel Prize, microcredit activities unfolded in countries around the world. At the end of 2013, the microcredit community had reached 211 million, of which 114 million lived at or below the extreme poverty line.<sup>23</sup>

In the past few decades, microcredit has become a strong development strategy around the world. It is attracting the world like a magnet and seen as a way to solve such problems as poverty, women's low status and lack of power, illiteracy, poor nutrition and health. In the following chapters, I will discuss in detail how Grameen Bank has conducted its activities in accordance with policies it has formulated. I will also examine whether Grameen Bank's microcredit is really a cure-all for all people.

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## Notes

- 1) Singh (2016), p. 11.
- 2) Gupta (1971), pp.14-44.
- 3) Sharma (2018), pp. 20-35.
- 4) Gupta (1971), pp. 65-66.
- 5) van Schendel (1981), pp. 28-34.
- 6) Ahmed (2018), p. 25.

- 7) Islam (2016) p.5.
- 8) Faraizi, et al. (2011), p.10, Lewis (2019), pp.2-3, Boyatzis et al. (2014), pp.289-293.
- 9) van Schendel (1981), p.28.
- 10) Ibid., pp.28-34, Bateman (2010), p.7.
- 11) Khandker et al. (1996), pp. 9-18.
  
- 12) Khandker (1998), pp.16-17, Roy (2010), p. 126, Alam et al. (2011), p. 3.
  
- 13) Yunus (1998), p. 66.
- 14) Ibid., pp.66-72.
- 15) Yunus (2007), pp 113-115.
- 16) Roy (2010), pp 23-24.
- 17)Yunus (2007), pp.46-47.
- 18) Grameen Bank History 2000, Yunus (2007), p. 47.
- 19) Bateman (2010), p. 11.
- 20) Credit and Development Forum (CDF) (2001).
- 21) Dichter et al. (Ed.) (2007), p. 193.
- 22) Alam et al. (2011), p. 5
  
- 23) Reed et al. (2015).

## **Chapter Two**

### **Grameen Bank Policies**

#### **2.1 Group formation and its significance**

Grameen Bank provides banking facilities to poor women by getting women to come together in a group. During the bank's formative years, there were many problems that arose with regard to the structure of the group and its activities, but today the groups run very efficiently. What lies behind this success?

One point that must be mentioned in this regard is the success achieved in getting members to comply with the rules of the bank. Grameen Bank is well known for the strict training it provides new bank members. Because most rural women in Bangladesh are unaccustomed to dealing with loans, the bank gives them all the basic information on borrowing and repaying before approving their loans. Regular attendance at meetings and making loan installments on time consistently have been emphasized because negligent or irresponsible conduct by one would have an impact on the rest of the group. In the decades since the bank's establishment, have these practices and policies been maintained or changed?

In this section, I would like to discuss the rules governing the formation of the Grameen Bank groups and how the rules have changed and whether they work to the advantage or disadvantage of the members.

### **2.1.1. Rules and membership**

One of the outstanding features of Grameen Bank as a financial institution is that it specializes in microfinance to poor women without collateral. To pursue its original purpose of lifting women out of poverty and encouraging them to find a means of self-employment, financial services are provided by the bank on the basis of two sets of rules, *Bidhimala* and *Rin Nitimala*.

*Bidhimala* governs how the organization is run, while *Rin Nitimala* deals with the practical policies of lending. As the so-called “constitution” of Grameen Bank, the *Bidhimala* clearly defines the “poor” to whom the bank aims to extend a helping hand.

According to the World Bank, those who live below US\$1.9 a day are called “extremely poor” and those living below US\$3.1 a day are “moderately poor.”<sup>1</sup> Grameen Bank, however, selects its members not on the basis of their daily income but by the land they own. The bank named its member association “*Vhumihin Mohila Shomiti*” (Landless Women’s Association). *Bidhimala* 3.1 states that the members of a group are required to be landless and assetless. “Landless” is defined as household possession of no more than 0.5 acres (approximately 0.2 hectares) of land. “Assetless” is defined as total material possessions worth less than an average mid-level one-acre sized property situated in the same locale.<sup>2</sup>

The maximum size of land allowed for “the poor”, such as 0.5 acres of land and one acre property, as defined in the *Bidhimala*, is comparable with the definition for “landless households” that the Bangladesh Bureau of Statistics

developed in collaboration with USAID for National Land Occupancy Survey in 1977 and 1978.<sup>3</sup> The “landless” are categorized into three categories:

Landless I – Households with no land whatsoever,

Landless II – Those who own only their home but have no other land, and

Landless III – Those who own their own home and possess up to 0.5 acres (0.2 hectares) of ‘other’ land.

The third category is closest to the definition of landless and assetless in the *Bidhimala*. It is noteworthy that Grameen Bank’s members are not necessarily those who are totally landless or assetless, with nothing besides their homestead. Indeed, Grameen Bank has strict rules governing the size of land that its members can own. However, as can be seen here, it does not focus exclusively on “the poorest of the poor.”

### **2.1.2 Group formation**

The idea of the group is basic to Grameen Bank, and the formation of members into groups is what differentiates the bank from other financial institutions. The bank manages its entire activities through these groups.

The conditions for group formation are set down in articles 3.2 to 3.6 in the *Bidhimala*. First five members are required for the formation of one group (3.2). Group members must be permanent residents of the same village and must live within close proximity of each other (3.3). A group must consist of individuals with similar values who belong to the same economic level; and have trust in one another (3.4). No more

than one member of a household may apply for membership in Grameen Bank (3.5). Close relatives, such as parents, siblings, uncles and aunts or in-laws, cannot be part of the same group (3.6).



Members of a Grameen Bank group in Pahartoli

It is clear from these conditions that Grameen Bank is very careful of maintaining a balance between conformity and dominance. Locals familiar with each other with the same economic background are preferred for a group, but more than one family member or close relative cannot be accepted in a group.

Although article 3.2 states that five women are needed to form a group, article 4.0 provides for groups of up to ten members.<sup>4</sup> There are also cases where there are only four women in a group. If one member leaves a group of five, the bank officer must decide what to do about the situation. The officer may agree to a request by the other group members as well as by other groups in the same center to keep the number at four. The officer may allow the remaining four to continue the group until a new member is found. The final decision is made through discussions with senior officers and the

approval of the area manager. Any decision outside the scope of the rules is made in consultation with higher ranking officers because Grameen Bank's lending structure is hierarchical.

### **2.1.3 The evolution of group formation as a bank strategy**

Group formation was not part of the original plan. In the early days, there were no groups in Grameen Bank. The bank's members brought their daily installment to a local shopkeeper, since this location was considered a natural meeting place for the villagers. However, many payment and nonpayment problems occurred, and it was clear this system for retrieving loans was not viable. Some members were late in their repayment, while others did not make the installment altogether. At the same time, shopkeepers sometimes forgot to keep a complete record of the payments, and the result was a slew of claims and counter claims between borrowers and the shop owner. It boiled down to a question of whose word could be taken, which was of course problematic. In response, Dr Yunus devised an alternative method of regular repayment collection, whereby installments would be made in front of the other members, who would serve as witnesses. In time, the bank's loan installments were made every Friday.<sup>5</sup>

The idea of group formation was introduced at the same time. At first the bank provided the loan money to a group as a whole. All of the members had to use the money for the same purpose. But the bank workers soon realized that members wanted to use their loans for different purposes. The bank then allowed group members to make their own decision on how to use the loan, although the loan money was not given to



individuals separately but continued to be given to the group for distribution to individuals.

The number of members in a group is important. It is very difficult to maintain a group if there are too many members. Grameen Bank decided on the number five after a period of trial and error. Five members with the same socioeconomic background who could easily and readily come to trust one another was the condition that ensured women would make their loan installments on time and without fail.<sup>6</sup>

After forming a group, the group members select a group leader and an assistant group leader (*Bidhimala* 3.7). The group leader's job is to collect all the members' installments and hand them over to the bank officer.<sup>7</sup>

#### **2.1.4 Responsibility of group leaders**

The group leader and the assistant group leader have several duties within the group: 1) to monitor whether loans are used properly and duly repaid; 2) to ensure that every group member attends the weekly meeting; 3) to collect the weekly installment and savings from each member and bring them to the center officer; and 4) to make sure that every member of the group is aware of her responsibilities towards the group, the bank and herself. As a result, the work discipline will be well maintained in the group (*Bidhimala* 7.1-7.5).<sup>8</sup>



The group leader counts the weekly repayments of group members

Most of these duties are supposed to be undertaken by bank officers, but within the current framework of Grameen bank, they rest on the group leaders' shoulders. Thanks to the successful member selection and group formation, however, group leaders and assistant group leaders are rarely troubled. Each member is well aware that a failure to attend meeting and make installment regularly will trouble group members, so she will take an alternative measure, such as asking another member to cover her installment prior to the meeting date.

### **2.1.5 Making a center house**

*"Vhumihin mohila kendro"* (landless women's center) are commonly called *kendro ghor* (center house). The centers are designed to let the members get together for their weekly meeting to pay back their loans, deposit money in their savings and pension accounts, and discuss related financial matters. The center is made by the members. All the members of the center contribute money toward the construction of the center or, if they do not have the money, they can obtain an interest-free loan from the bank for this

purpose. The bank only gives interest-free loans for the construction of the center house. After the center is built, all members have to repay the loan.

According to Grameen Bank's *Nitimala* 2013, a center must have at least 60 members. Initially, the number was set at 40 members, but a change was made. The rule on the size of the group also changed, rising from 5 to 10. Previously, a center with 40 people would have 8 groups of 5 members each. At present, a center of 60 has 6 groups of 10 members each.

There are rules for managing the center. According to Grameen Bank's *Bidhimala* 18.2.1, all of the group leaders elect a center leader (*kendro prodhan*) and an assistant center leader (*shohokari kendro prodhan*). The election takes place in the Bangla month of *Chitra* (March 15 to April 13), and the two officers assume their duties on the first day of the month of *Boishakh* (April 14 to May 14). The center leader leads the weekly meetings. If she is absent, the assistant center leader takes over. Their duties include maintaining discipline, ensuring full attendance by all the groups' members, making sure installments are made, preparing loan proposals, and following the rules and regulations of the bank. It is particularly important that the center leader herself follows all the rules of the bank and repays her loan. If the center leader defaults on a loan or breaks the rules of the center, she must step down from her position. This is also true for the assistant center leader. The center leader and the assistant center leader maintain regular contact with the bank officer. The center handles all kinds of work in consultation with the bank officer.<sup>9</sup>

### 2.1.6 The “Sixteen Decisions”

The group members used to be given strict training programs before receiving its first loan money. The programs included learning how to sign their names and memorizing the bank’s “Sixteen Decisions”. The Sixteen Decisions, a social charter for the borrowers, was adopted as an integral part of the bank in a national workshop for center leaders in 1984. All sixteen decisions had to be memorized by all the members of Grameen Bank, because as Dr. Yunus says in his 2007 book *Creating a World Without Poverty*, “without any social agenda, it is not possible to empower them by lending money only.”<sup>10</sup>

The sixteen decisions are given below

1. “The four principles of Grameen Bank – Discipline, Unity, Courage, and Hard Work - we shall follow and advance in all walks of our lives.
2. We shall bring prosperity to our families.
3. We shall not live in a dilapidated house. We shall repair our houses and work towards constructing new house as soon as possible.
4. We shall grow vegetable all the year round. We shall eat plenty of them and sell the surplus.
5. During the plantation seasons, we shall plant as many seedings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.

7. We shall educate our children and ensure that we can earn to pay for their education.
8. We shall keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall boil water before drinking or use alum to purify it. We shall use pitcher filters to remove arsenic.
11. We shall not take any dowry in our son's weddings; neither we shall give any dowry in our daughter's weddings. We shall keep the center free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone; neither shall we allow anyone to do so.
13. For higher income we shall collectively undertake bigger investments.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help.
15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.
16. We shall take part in all social activities collectively”.

With this kind of social development program, Grameen Bank attempted to deal with the causes of poverty by making bank members conscious of keeping their families

smaller, sending their children to school, not accepting or giving dowries, and drinking clean water.

After the completion of training, each member of the group was required to pass an oral test. Only then was the group formally approved and granted access to Grameen Bank's microfinance.

The "Sixteen Decisions" played a role in raising the awareness of women living in rural communities in Bangladesh. Today, however, there is no need to memorize them, and the goal of raising women's awareness has been replaced by a new emphasis on expediency and convenience of both female borrowers and bank officers. After more than 40 years, both the bank and the borrowers have a wealth of experience, and initial training programs no longer serve the purpose they once did. Newcomers have learned from older members about all the rules and practices. That shows the effective role played by member selection and group formation. At the meetings, women borrowers want to return home as soon as possible after making their installation because they need to do their housework. At the same time, bank officers need to rush from one center to the next for loan collection. According to *Bidhimala*, one bank officer supervises 10 centers with around 500 members.<sup>11</sup> Karim has described a similar situation.<sup>12</sup>

### **2.1.7 National Identity Card**

Since the introduction of the National Identity Card (NID) in Bangladesh on July 22, 2008,<sup>13</sup> several rules and practices have been changed. As was mentioned earlier, it

is essential for an applicant to live in close proximity to the members of the group. The National ID card provides confirmation of this.

I witnessed the simplified procedure for residence check when I visited the center of Ajimpur. A woman applying to become a member of Grameen Bank showed her NID card and the bank manager checked her NID together with her application form. Immediately after that, the manager put his signature on the form for approval.

The application procedure used to be more complex and stressful before the introduction of the NID. An older Grameen member told me that to the minds of local villagers, becoming a Grameen member was perceived as a difficult process. Today, however, the procedure has been simplified.

“I was afraid to become a member of Grameen Bank. At the time [1992], it was very difficult to become a member. The officer came to our village every evening and told us to recite the “Sixteen Decisions.” If I got even one line wrong, the officer would not approve my application. It took me six months to memorize all Sixteen Decisions. Only after that could I join the bank. My father-in-law, who is no longer alive, taught me how to write my name. He taught this to me with my kids. At that time almost no one knew how to write, and thumb impressions were used instead of signatures. The bank officers used to teach all the members to write their name at the regular meetings. The initial training sessions are no longer necessary. Now if a new member cannot write her name, the group members teach her to write her name. At present, you only need to complete the application and show your National ID card. You don't need to memorize the Sixteen Decisions. The officer will say to you, the "Sixteen Decisions" are printed in the book, so take a look at that page.”



From left to right, the center's officer a new member, and the center leader

Most old Grameen members I talked with had similar views. It is now easy to become a member, but it used to be very difficult. The bank officer in charge visited and checked each applicant's house to collect information about the applicant's living. Training was important, and great care was taken to inculcate women in the bank rules. Furthermore, loans would not be given until another group member has completely repaid the loan.

Karim makes similar comments on her research findings. She also stated that members once had to memorize the Sixteen Decisions and recite them at the beginning of each weekly meeting, but now they cannot remember them. New members never have to learn them.<sup>14</sup>

### **2.1.8 Member selection and role of the group**

During my field work, one of the center managers explained to me the process of member selection when adding a new member to an existing group. The female manager had 10 years of experience working for the bank.



First the existing group members select a candidate. Then the group leader introduces her to all the other members at the center. With everyone's consent the center leader recommends her to the bank manager. The manager stresses the importance of consistent repayment. "If you don't think you can make the weekly installments on time, Grameen Bank will not want to have you as a member." The Grameen officer in charge cannot leave the center until he or she has collected all the installments of the members. All members must find a way to make the payment, even if it means borrowing money from somewhere else. If someone does not show up at the center, the officer will visit her house with the group's members and remind her of the unfortunate consequences. "If you skip your installment, a senior officer of the bank will come, and then the police will come. Then neighbors will gather in front of your house and cast doubt on you as a good person. You will lose face and honor in the community. But if you make the installment, none of these problems will befall you."

After a long history of practices Grameen members know well how problematic it is not to make their installment. There were times when a member would flee without repaying her loan, and the remaining group members would quarrel because they had to make the payments for her. Such trouble was common many years ago but are very rare now. Problems today occur only in remote areas where Grameen Bank has new branches, and the new members are unaccustomed to the bank's rules.

A bank manager I interviewed recalls: "I did not have anything to do as a bank officer when problems and disputes among borrowers occurred. I would suggest they calm down and try to understand the situation, saying, 'She is a group member and you all are committed to helping one another.' They then would respond, 'Why should I

pay? I have no money!’ Anyway, all the members of the group were forced to make the remaining installments, and I felt very bad for them, personally.”

As is clear, the essential point in selecting a member is her ability to repay the loan money without troubling the group or the center. If somebody resides permanently in the same village close to other group members, can attend the center meetings regularly and on time, and can get along with the other center members, she will be regarded as a good member.

The Grameen Bank centers I visited for my research were established mainly between 1985 and 1990. An older officer said to me, “Back then, we visited a village and knocked on people’s doors. As they knew nothing about Grameen Bank, we had to introduce ourselves first and foremost. Now everyone knows the bank and we do not need to say we are from Grameen Bank.”

In terms of the procedures of member selection and group formation, they have undergone a great deal of change in the bank's history of over 40 years. At the beginning, everything was new. Bank officers had to think of strategies to attract new members, and it was quite troublesome to work as a group because nobody had any experience. It could be said that Grameen Bank has grown and developed through the experiences of these initial members. Once its reputation was established, the bank could easily attract new members every year, and today, bank officers do not even have to worry about educating new members, since the groups run so well that older members teach younger and newer ones about the rules and practices.

## 2.1.9 Application form

Here is an application form I have collected. It is entitled “*Group shodosho hobar abedon o bektigoto tohaboli (nuto/puraton/otirikto shodosho)*”, i.e. “Application and personal information of the group member (new/old/additional member)”. It consists of two parts. One part of the form is for all applicants including those who are going to be a Grameen Bank member for the first time, those who left the bank but want to rejoin the bank, and excess members. Excess members are those who are joining a group which already has 10 members, which is the maximum number of members for a group according to the bank’s rules. The second part is only for a new member, entitled “*Nuton shodosho bachaier check list (ha othoba na gore onushakhor din)*,” Selection of the new member’s check list (check Yes or No).

Below is a translation of the first part of the application.

(Page 1)

.....Branch

..... Zone

Name of committee:	
Center No:	Group No:

Joining date:
Account No:

Application for becoming a group member and personal information (Former/new/excess member)

National ID card number									

1.0 Name of applicant:

For former members

1.1 Previous center

1.2 Loan No:

1.3 Date of leaving the group

1.4 Reason for leaving the group

1.5 Number of times loans were taken

1.6 Amount of loan[s] received

1.7 Value of property accrued as a result of the loan

1.8 Amount of savings returned at the time of leaving the group

2.0 Address:

Present	Paternal
Husband's name	Father's name
Village	Village
Post office	Post office
Thana (Police Station)	Thana (Police Station)
District	District

3.0 Marital status: Unmarried/married/divorced/separated/widowed/other:

4.0 Details of applicant and applicant's family members

Serial No	Name	Age	Relation to applicant	Ability to read news papers	Ability to write name and address	Has a fifth-grade education (yes or no)	Left school before completing fifth grade (yes or no)	At present a student or not	Ability to sign name	Occupation
01										
02										
03										
04										
05										

5.0 Breakdown of property owned (answers should be given as a percentage of total land owned)

Home	Agricultural fields	Garden	Pond	Uncultivated land	Land in mortgage	Leased land	Mortgage at hand for land offered for lease	Land offered for lease	Occupied land without legal title

Condition of lease: .....

6.0 Details of homestead

Fence/wall							Shed				
Stalks of jute plant	Bamboo	Straw	Leaves	Mud	Tin	Others	Tin	Leaves	Straw	Tin and Straw	Others

7.0 Animals and other assets

Animals				Other assets		
Cows:	Goats:			Benches:	Beds:	Chairs:
Sheep:	Ducks:			Tables:	Bicycles:	
Hens:	Others:			Radios:	Jewelry:	
				Others:		

8.0 All of my assets which are pawned to others:

(Furniture, jewelry, homestead, cultivated land, and others)

Condition of mortgage:

9.0 Total annual income of the family.....Taka.

10.0 I have less income in the months of .....

11.0 Number of people who earn money ..... Men:.....Women:.....

12.0 Are any members of your family members of other Grameen Bank groups? Yes/No

13.0 Me/my members of the family are in debt to other organizations Yes/No

14.0 Description of my work.....

Agreement:

15.1 I promise that I will obey the rules of the group, center, and the bank. I must be present at the weekly meetings of the center. I

will not do anything that works against the interests of the bank. I am bound to obey the rules and orders as well as any new rules and orders of the bank as issued by the administrative authority of the Bank.

15.2 According to the loan agreement, all members are obliged to regularly repay the loans taken from Grameen Bank.

15.3 Neither I nor any other members of my family will take any loan from any organization other than Grameen Bank. If it is proved that I and/or other members of my family did take a loan from another organization, we will immediately return Grameen loan money along with interest installments.

15.4 All my assets and capital gained as a result of the loan will be pledged as security to the bank until repayment of the loan.

16.0 Authorization:

16.1 After taking a loan from Grameen Bank, if there is any irregularity in repaying the loan, the branch manager will procure money for repaying the loan by transferring money from all of my personal savings, special savings, Grameen pension scheme (GPS), and other savings, and the bank authorities may cancel my membership of the Bank.

16.2 The bank will be able to buy shares in the bank for me by using money from my personal savings.

16.3 If any installment of the loan I have made is deferred, then the bank authorities can stop withdrawal of money from my savings accounts.

16.4 If I fail to repay a loan by the deadline, my loan will no longer be a "basic loan". After that time my loan applications will be accepted only by agreement. The bank authority will repay all of my debt from my personal savings, and my debts may be transferred to contract debt.

16.5 At the same time, I will give the bank the authority to transfer the money for loan insurance from my personal savings account to my loan insurance account after I am included as a member.

Signature of Father/Husband (or other guardian, if they are not present):

Signature of Applicant:

If you want to join your former group

(A) The information of the applicant given above is all correct.

We are interested in having this applicant as a member of our group/ center.

She will obey the rules of the group, center, and bank. It is certified in this regard.

Signature of group leader:

Signature of center leader:

(b) Recommendation of the branch:

The applicant can be accepted as a group member under this recommendation.

Signature of center manager

Signature of branch manager

Date:

The applicant has been approved as a member

Signature: Name:

Designation:

Date:

Let us turn our attention to what kind of information is important for Grameen Bank in selecting a member. All the information is about the member herself, her family members, and her family's assets.

Number 4.0 is about detailed information of all family members. These include education and occupation of the applicant and her family. The education and occupation of the family members become the basis for decisions on the family's economic status and whether the family can make the loan installments.

Questions 5.0 to 8.0 concern the applicant's and her family's land, home, animals and other assets, and outstanding loans. This part of the application is very interesting in many respects.

Number 5.0 asks about details of the applicant's land in a chart. According to the bank's rule, the bank is supposed to target people who have less than 0.5 acres of land. But here the bank also asks for the amount of agricultural fields, ponds, gardens, and uncultivated land, in addition to the house. If an applicant owns a pond or a garden in addition to the house, she is not poor enough to be a Grameen Bank target.

The same chart asks for the amount of land in mortgage, leased land, mortgage at hand for land offered for lease, and land offered for lease. Loans are a common practice for borrowing money. In Bangladeshi villages, poor people often borrow money from

money lenders by pawning valuables, such as jewelry, land, or other assets. If they cannot pay back the money with interest, the items they pawned become the property of the moneylender. In this way, many farmers who owned land have become landless because of their inability to pay off a debt. Grameen Bank is very careful about this situation, because poor people sometimes lose land that has been pawned when they are already in debt. The situation is a warning sign that they may not be able to repay the bank's loan. This is why the bank asks about assets that are pawned.

Poor villagers who have no land to cultivate often lease land for cultivation. In a study published in 1996, Todd reported Grameen Bank did not permit loans for leasing land. At that time, many women were refused loans if they stated the purpose was to lease land. To get around this rule, some women falsely stated a different purpose to the bank while they actually used the loans for leasing land.<sup>15</sup> However, Rahman found that in 1997 the bank launched two new types of loans, one for animal sharecropping and another for leasing land. Since then, members have been allowed to receive loans for leasing.<sup>16</sup>

The bank asks about the amount of leased land and the condition of the lease. This is because poor farmers borrow money to lease land and generally the condition of the lease is that half of the harvest or a certain payment of money be given to the landowner. But sometimes farmers do not get the expected yield due to a natural disaster or some other reason. When this happens, the farmer will be unable to regain the capital invested and will become more indebted. That's why the bank is careful to collect details on the financial health of the applicant. The bank does not take any risks.



Asking for the “mortgage at hand for land offered for lease” and “land offered for lease” seem to contradict the bank’s basic stance of providing loans to people with less than 0.5 acres of land. It is hard to imagine that people with enough land so they can lease part of it or get a mortgage on land have less than 0.5 acres of land. Are they qualified to become Grameen members? Why does Grameen Bank put these questions in the application?

One reason may be that the economy of rural societies depends largely on agriculture. Land is the main capital. But landlessness and land shortages are major problems for farmers. The land market is very active in villages. Land markets are shaped by buying, selling, and leasing. Those who once owned land become landless because of mortgage defaults or the selling of land. On the other hand, moneylenders become landlords. This leads to a divide between the haves and the have-nots. A landlord can start a business by leasing or selling land. Through this process, those who lease land and succeed become self-reliant by buying more land from other landlords. But there is also a chance that the landlord becomes a defaulter. The fluidity of land ownership provides NGOs and microfinance organizations with a great chance. On one hand, the bank lends money to landless people. On the other hand, it also lends to landowners because they are good clients and future customers, too.<sup>17</sup>

Questions number 6.0 and 7.0 ask for details of the applicant’s house and land, livestock, and assets (including furniture and appliances). Among the people I interviewed, older members of the bank told me that in the 1980s and 1990s, bank workers would write down the members’ assets. If somebody could not make an installment, they would confiscate and sell them. Today, details on assets are written in the application but are not verified. Moreover, sales from used furniture would not be

enough to repay the remaining loan.

To prevent loan defaults, the bank confirms the annual income of the applicant's family (number 9.0), which month or months of the year income is lower (number 10.0), and how many members of the family earn a salary (number 11.0).

Grameen Bank gives importance to household income because a family with more income is better off than a family with many dependents and fewer income earners. The bank is actually trying to determine two points. The first is does the person really need a loan? And the second is can she make all the loan installments? At the same time, the bank is also considering what amount of loan would be appropriate. By providing loans to the middle class or wealthier people, the bank ensures that it can balance out the risk of the loans it gives to poor members.

Number 12.0 asks whether someone else in the family is a member of another Grameen Bank group. If another member of the family is already a member, the bank will not approve the loan because of the risk of giving too many loans to the same family. Besides, if the applicant and another member of the family already have a loan from other institutions (number 13.0), then the bank would not give her a new loan because she is already in debt and it is uncertain whether the new loan could be repaid.

Number 15.0 stipulates the bank's strict rules for borrowers and is the most important part of the application. Members are instructed to observe the rules of the bank and make the installments on time. The bank can change the rules as it sees fit and members must obey the new rules. The position of members is subordinate to that of the bank authorities. Number 15.4 is very contradictory. Although the bank claims to give loans to poor women without any collateral, 15.4 contradicts this claim. Members must pledge all their assets and capital gained through the loan as security to the bank until

the loan is repaid in full. This is the same as collateral.

Number 16.0 covers the loan authorization. Transferring power to the bank authority is a condition for becoming a member of the bank. With this authority, the bank has the right to transfer the member's deposited money to recover loan installments. Savings accounts are compulsory for all members of the bank.

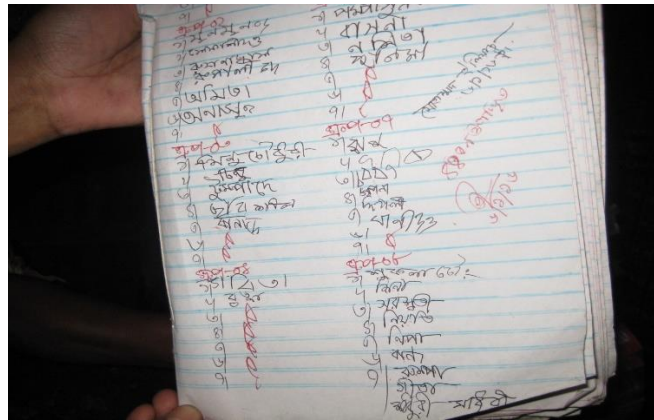
Finally, it is clear from the above discussion that the agreement and authorization section highlight the great power of the bank authority. Members' personal savings, deposited money, business capital, and assets are held as security by the bank until the loan is fully paid.

Second, despite the fact that the bank says that the loans are for poor women, it is obvious that the loans are actually provided to their families. That is why details of the family members, family assets, and family income must be given. Ensuring the bank's security is the main priority for the bank.

Third, though questions are asked about the occupation and other details of the family members, almost no information is collected on the applicant's control over the loan, opportunity to work, benefits of the work, or personal income. Those poor rural women are supposed to take out loans from Grameen Bank to earn money and become self-reliant. However, in close-knit rural communities, working areas and opportunities for women are limited. The bank, for its part, does not check to see that the loans are used properly by women.

When perusing the applications submitted by members and held by the bank, I noticed that all the information and details on income and property of the applicant's family members were highlighted. This information is obviously very important to the

bank authority when deciding who it will give a loan.



Signature of members

The last section of the application form is agreement and authorization. This section is for borrowers who take out loans from the bank. Basically, these two parts cover the main conditions for taking out a loan. The other sections are information for the bank. When I read the rules of the agreement and authorization, some of the points were difficult to understand and I doubted that rural women could understand these rules. The section for signing their name might be the only part that would make any sense to them. Many likely borrow money from the bank without reading or understanding the rules properly. The bank workers undoubtedly explain the most important rules to borrowers, but it is questionable whether all of the members really understand the rules. It is possible that they agree to these conditions because of the ease with which their loan will be approved.

#### **2.1.10 Application form for new members**

Now, I will describe the second part of the application form which is only for those who will become new members of the bank.

Names of the members:  
Group number:  
Name of the center:  
Center number:  
Date the check list was filled out:

**Check list for Picking New Member (Check Yes or No)**

**1.0 About the applicant's husband**

- 1.1 Is he an employee of governmental/nongovernment organization ranked fourth class or above?
- 1.2 Is his salary above 4000 taka a month?

**2.0 About the applicant**

- 2.1 Are you a member of any other institutions?
- 2.2 Do you have any loans in your name from an institution?
- 2.3 Do you have any blood relations in this group?
- 2.4 Are any members of your family in the same group or center?
- 2.5 Do you celebrate "Kurban" in *Eid ul- Azha*?<sup>18</sup>
- 2.6 Did you or any other member of your family provide help or services in any way in other's land or home last year?
- 2.7 Do you or any other member of your family participate in the project of "food for work"?<sup>19</sup>
- 2.8 Are you or your family members listed for the old age allowance?
- 2.9 Did you take any *Zakat al Fitra* skin sacrifice money of *Eid ul-Azha*?<sup>20</sup>
- 2.10 Do you have a Vulnerable Group Development (VGD) card? If you do not, did you have one before?<sup>21</sup>

**3.0 House and land**

- 3.1 Do you have more than one tin shed home?
- 3.2 Do you have more than two tin shed homes?
- 3.3 Is the value of your home above 40,000 taka?
- 3.4 Is the area of your land excluding your house larger than 10% of the area of your home?
- 3.5 Do you earn 4000 taka from activities within your property surrounding your home?

**4.0 If you own one or more of the following items, you cannot join the group.**

- 4.1 Do you have a color television?
- 4.2 Do you have a refrigerator?
- 4.3 Do you have a washing machine?
- 4.4 Do you have an air conditioner?
- 4.5 Do you have a vacuum cleaner?
- 4.6 Do you have a microwave oven?
- 4.7 Do you have a sofa set?
- 4.8 Do you have a bed?
- 4.9 Do you have a wardrobe?
- 4.10 Do you have a motorcycle?
- 4.11 Do you have a trawler?
- 4.12 Do you have a power tiller and or other farming equipment?

**5.0 Others**

- 5.1 Is your home near the center?
- 5.2 Are there any members who are the same age as you in the group?
- 5.3 Have you talked with the members of the center and the group about becoming a member?
- 5.4 Do the members of the existing group know each other?
- 5.5 Will you have any difficulties participating in the meetings or coming to the office center?
- 5.6 Did you talk to the head of the household about becoming a member?
- 5.7 Have you gotten any information about the applicant from someone other than a neighbor?
- 5.8 Have you been to the home of the member?
- 5.9 Details of home: Made of mud, Made of bricks, etc.
- 5.10 Did you fill out the application (form no. 1) in the member's house?

We have examined the above mentioned issues.

Signature of Verifier

Name  
Patronymic  
Date

The above issues have been verified and the selection of the members is correct.

Branch manager

signature

Name  
Date

The above is a translation of the second part of the application into English. The questions provide a clear indication of what kind of members Grameen Bank is trying to attract.

The first set of questions relates to the job position and the income of the applicant's husband. He should not be a top-ranking government or NGO employee, and his monthly income should not exceed 4,000 taka (\$ 47). In the 1980s, 4000 taka was sufficient for one household to live on, but today prices have increased, so the amount is low and only enough to live on and not to save.

The reason for acquiring such data is obvious. In a patriarchal society like Bangladesh, it is the husband, not the wife, who is the breadwinner of the family. The husband's job position and his income verify the ability to pay regular installments if his wife joins Grameen Bank. As a microfinance institution seeking to help poor women, Grameen Bank should have members who are poor but able to make regular repayments. It is quite natural that the bank tries to eliminate any risk in advance by checking on the applicant's husband's economic situation.

The second set of questions is about the applicant's transaction with other banks. A Grameen Bank center manager told me, "We can't accept those who take loans from other financial institutions. We think it is very difficult for a borrower to deal with multiple installments at the same time. There is also a case in which a member of another institution comes to us to compensate for her preceding installments. It will be harder for the borrower to make repayments, which will bring trouble to us."

Another bank manager told me about a different way of dealing with an applicant who was found indebted to another bank: "We observed her closely for a while to see whether she repays money on time and, if she does, we approve her application and start

financing her. It is against the rules, though.”

I myself have had an opportunity to talk with two women living in the village of Ajimpur who were Grameen members but belonged to ASA as well. The officer in charge said, “We knew they were members of another NGO institution, but we have accepted them as Grameen members because we were assured of their regular repayment to ASA.” Fernando’s 2006 study shows that in his research 90% of the borrowers were members of more than two NGOs.<sup>22</sup> Lamia Karim’s 2011 study also shows that in her research area almost 50% of the borrowers borrowed money from five to six NGOs. They borrowed money to repay other NGO loan installments.<sup>23</sup>

The third set of questions concerns the applicant’s housing situation, such as the number of rooms, value of the house, and house rent. All of this information sheds light on the economic situation of the applicant. Although Grameen Bank is known for not taking any collateral from borrowers, it evaluates the applicant’s residence in advance as potential security. If she is unable to repay her loan money, the bank will take her house in return.

The fourth set of questions aims to examine whether the applicant possesses any luxury items. Ownership of any modern electric appliances, luxurious furniture, or vehicles is regarded by the bank as solvency enough to survive without bank loans. It hints that if you check yes to any one of these questions you will not be accepted as a Grameen member.

The bank seems to include these questions in the application form in order to give the impression that Grameen is a bank for needy people and to identify those who are economically disadvantaged. The check on luxury goods is, however, not strict as far as I have surveyed in a couple of Grameen centers. In Bangladesh today it is quite

common for a lower-middle class family to have a color TV, beds, and wardrobes. One member who owned such items revealed to me that she joined Grameen because it was easier to get loans.

When I talked to a female area manager, she said, “The rule states that those who own less than 0.5 acre of land will be accepted as a member, but we will actually allow those who need loans even if they own more than 0.5 acre of land. People today are not as poor as they used to be.”

Then why does Grameen Bank keep providing microcredit if people are not so poor? Why do people borrow money?

Among the final set of questions that cover various points, the most important is whether the applicant has discussed the loan with the household head. When a woman wants to become a member of Grameen Bank, it is necessary to have the consent of the family head, which could be her husband, her father, or another male member of the family. As the application makes clear, Bangladesh is still a patriarchal society.

Another interesting question is the source of information about the applicant. If the information is taken only from neighbors, it is not necessarily neutral and reliable; the applicant may convince her neighbors to speak well of her. This is why information from a third party is indispensable.

At the final stage of inquiries, the officer is to verify that the applicant’s household has been checked physically, and that the application form has been filled out at the applicant’s home. When all the questions have been answered by the applicant and, verified and approved by Grameen Bank, the applicant will be approved as a member of the bank.



## **Conclusion**

In this section, I have explored how Grameen Bank has established the process of member selection and group formation. All the bank's operations are executed on the basis of *Bidhimala* as a set of fundamental rules, but some rules have been modified and other rules flexibly adapted to specific cases during the 40 years of the bank's history. For example, a group is defined as consisting of five members, but it sometimes happens that one member quits, and the other four members want to stay as a group. On the other hand, the bank officer in charge prefers to keep the group to increase members, so the group is rarely dismissed, and the group members are encouraged to recruit a new member. Grameen Bank's *Bidhimala* includes an article allowing 5 to 10 people to make a group. It clearly shows that it is not the number of members that is most important for group formation. From the experiences of member selection and group formation over a long time, officers know how to manage groups and increase members most efficiently. That is why exceptions have been made and some rules stretched.

Training of new members used to be most essential in the early years of Grameen Bank, but now there is no such program. Because of this, the bank is more popular among local people than other institutions; there is no need to train new loan applicants. Rules and practices can be learned from senior members in the same group, and the responsibility of instruction of a newcomer rests with the group leader. Bank officers no longer need to bother about education because the group unit works well for reciprocal support. Maximizing the profit with minimum toil seems to be the bank's aim.

Examination of Grameen Bank's member selection reveals the fact that the bank takes only those who have the ability to pay regular installments. The primary selection is undertaken by the other members of the group, so the bank can impose the

responsibility onto the members.

The questions listed in the application mainly concern the economic conditions of the applicant's household, which means that the ability to repay the debt is of primary importance. Another point not to be overlooked here is that not a single question about the applicant's individual situation is asked. What kind of business do you (want to) have? Have you been trained for business? Do you have any difficulties in doing business as a woman? These questions should be asked if Grameen Bank welcomes poor women to its microcredit services for their entrepreneurship, but there is no such mention of this in the application. Indeed it is natural that the bank is concerned with the job position and the income of the applicant's husband because Bangladesh is a male-dominant society.

The group is the main foundation of Grameen Bank. In its earlier years, it was difficult for local bank officers to recruit members and unite them as group; without group formation it was impossible to organize illiterate and socio-economically weak women for their development. Training programs were utilized to teach them rules and discipline, and the idea of collective liability was instilled. With all these experiences, the group has now come to function well for both Grameen members and bank officers. Members teach themselves about the consequences of installment failure and help one another in need. They know better than bank officers about who can cope well as a new member. The group leader is in charge of ensuring each member's performance. Bank officers then have nothing to worry about in regard to the management of borrower groups and can concentrate on financial matters.

The group is a core unit that functions well, but its activities are limited to self-help and collective liability, and ultimately it is only the bank that benefits from group

formation.

## **2.2 The current practices of member selection and group formation**

With regard to the selection of members and formation of groups, Grameen Bank has some rules, which I discussed in the previous section. However, in practice there are many instances in which the rules are not followed. One of the things I asked members was how they came to take out a loan. On this point, they told me that first a Grameen Bank worker and the officer came to the village and asked them to join the bank. Some women thought it was a good idea and joined. Seeing them join, others became interested. Those who wanted to be a member contacted the bank worker and were told they needed to create a group of five people. Only when a group of five was formed would a loan be given. The interested individual would then invite her neighbors to join. This is how word of the bank got out. At the same time, the bank workers would also ask the men in a village to get their wife to join. In this way, many women came to know of the bank in the process of the formation of a group. This was the start. Here I will discuss group practices in the early years and look at how these have changed based on interviews with borrowers of the bank.

### **2.2.1 Size of groups and centers**

In “*Bidhimala 1978*” it is clearly written that in the event that one or more people leave the group and the number of members drops below five, new members must be found within three months. If this is not possible, then the remaining members must join another group. In cases where the remaining members join another group, the new group can have more than five people but no more than ten.<sup>24</sup> In the fourth edition of

*Bidhimala* 2013, however, it states that a group can have a minimum of five and a maximum of ten people.<sup>25</sup> The rules on group size have changed. The officer of the bank told me that initially, the maximum was five, but the rules had changed and as many as ten were permitted.

In the course of my fieldwork, I found that the size of the group varied from center to center. Some groups had as many as 11 people and others had eight, while in some centers, there were groups with only four. Rahman 1999 also noted that in several centers the groups were smaller than the minimum set down by the bank.<sup>26</sup> It is clear that over time, group practices evolved in ways that were not always in line with the rules. One example is the rules regarding leaving the bank. Officially, members could leave by paying off her loan. If a member left the group and the group shrank to four people, then the group could try to find somebody to replace her. However, if this were not possible and the remaining four members did not want to merge with another group, then the officer could let them continue as a group. Similarly, it was also possible for groups that already had 10 members to get the approval of bank officials to accept a new member. The officials took into account the wishes of group members because of the longstanding relationship they had with them. But it is important to note that officials themselves wanted to increase the number of people at the center, since this would mean more profit for the bank.

Under the bank's rules a center can have up to 60 members, but in practice there are always more than 60. For example, at one center in Jobra Village that I visited, the members told me they currently have 120 members. They also said it is difficult for everybody to gather and sit together because space is limited, and that many members have to stand during the weekly center meeting. One woman told me, "If anyone asks to

be a member of this center, we turn down the request because there are already too many.” The other three centers that I visited had 80, 83, and 125 members, respectively. Clearly, the bank employees and officials do not enforce the rules on the maximum number of members.

### **2.2.2 Responsibility for making a center house**

In Grameen Bank, the houses where the weekly meetings are held are built with the members’ money. In one of the centers I visited, the members said, “We make the center with our own money. Each member contributes 200 taka toward this. Not only the center house but also all the chairs and tables are purchased with our money. When a new member joins the center, we receive money from her. We collect money from the new members and set it aside for future expenses. If the center is damaged or tools need to be bought, we use this money for repairs and purchases. But we do not pay any money for rent. One kind member provides the room for us.”

One woman told me that at first the center was located in Datta para (Datta neighborhood), and the room was rented. After that her father-in-law’s relatives gave them space for the center. They used this for a long time. But one day, her brother-in-law said that he wanted to move into the home, so they could not use it anymore. Meanwhile, the center’s members from the Jele neighborhood wanted to move the center to their neighborhood. She said that she worried that if they moved the center to Jele, the young married women would have to pass through the bazaar to get there, an act that would bring shame to themselves because of the restrictions on women being seen in a public place. The bank worker also worried about this and asked her to do something. She said she would let them use her land to build a center, even though

she would be able to make money if she lent it out. Her sons were against the idea and told her not to do it. But she told them, “If I help people, God will see me.” And she let them use her place free of rent. The members each contributed 200 taka toward the construction. But they would not accept money from her and her daughter-in-law. New members need not contribute anything the first year but must donate money starting in the second year.



A member who provided land to build a center house



The center house built on her land

Another member told me that she let them use her place to build a center house but did not receive any rent money. As she said, “Who will I take money from? All of these people are from my area.”



The woman in the back row wearing a pink sari gives a small room in her home as a center house.

Similarly, the center leader of the Center in Ajimpur Village let the bank members use a small room in her house. And she did not accept any money. Above is a picture

taken during the weekly meeting at the center house. The center leader is the woman in the back row wearing a pink sari.

However, not all center houses are rent free. Some are rented. In one case, the rent was 800 (\$ 9) taka a month, and members contributed 12 (\$ 0.1) taka a month toward this. In Grameen Bank, the center house is used for the bank's weekly meetings, but the responsibility for finding the space for it and building it is the members'. The bank gives nothing toward its construction, even though its officers use it for conducting loan activities. As Karim remarked, "In the financial culture promoted by the Grameen Bank, nothing was free for these women."<sup>27</sup>



A rented center house in Jobra village



Members of the Jobra center

### 2.2.3 Learning from experience

Some of the troubles experienced by the members and bank workers in the early years of Grameen Bank's microcredit program fueled changes in the practices and rules. For example, originally all the groups' members had to be present for the weekly meeting. The meeting could not get underway until everybody was present. If somebody was late, the meeting's start would be delayed. When this happened, the other members got angry at the person who came late, because it meant the meeting will finish later and they would be late going home.

Moreover, if a member did not show up, the group members who were present would have to pay her loan installment. The bank worker in charge was not allowed to leave without this money, even if everybody else had paid up. One member described to me how the bank worker left the money on the table because not all of the loan installments were there. The group then had a problem. Nobody wanted to pay the money, but they had no choice. After the meeting ended, they went to the home of the member who was absent and asked why she did not come. They collected the money from her that they had paid to the bank worker, and they warned her not to do this again. They told her that they had consulted with the responsible bank worker in charge and had been told that if she continued acting this way, she would have to leave the group. The members often had trouble with her. This type of member was labeled a “problematic member.”

Other members also told me they had experiences with problematic members. When a member could not repay her loan, the group would have to find a way to deal with the situation. Sometimes all of the center’s members would go to her home and threaten her to get her to pay back the money they had put up for her. If they did not get the money, they would take all the furniture from her house and sell it. Sometimes a bank officer would go to the home and threaten to call the police. The situation sometimes bordered on being violent.

Some other center members also shared experiences they had had with loan defaults. One center leader, who was 60 years old at the time, told me a member of her group absconded without paying the 12,000 (\$ 141) taka she owed. Two other members also disappeared without repaying their loans. Even so, the bank manager would not give them a discount, even a small one. They had many problems repaying these loans.



Almost all the older members at the center had a similar experience. When somebody could not repay a loan, the repayment had to be made by the other people in the group and thus became a great burden and source of stress for them. This situation created bad feelings. Everyone blamed the member who had introduced that person to the group and told her to take responsibility for this. Repaying a loan was difficult enough; having to repay somebody else's loan was more than they could handle. Everybody came from the same socioeconomic background. Even so, they paid back the money.

These so-called “problematic” members not only posed problems to the members of the center but to the bank workers, as well. One older member described some of the difficulties faced by bank workers. “One member did not come to the weekly meeting and did not pay her installment. Sir (women bank worker) went to her house to collect the money. It was a rainy day, and there was flooding everywhere. When Sir got to her house, she told her to wait in her room while she got the money. Time passed, but she did not return. After a while, Sir realized she was not coming back and tried to leave. However, the door would not open. The doors of the room were locked from the outside. The member had escaped after locking the door. Sir shouted and shouted, and people from nearby houses gathered. When we heard what happened, we went there and broke the lock and let Sir out. The next day, *shalish* was called to the village. [*Shalish* is a village adjudicating board comprising rural elites who judge cases brought before them by the villagers]<sup>28</sup> The woman who had tried to escape had been caught and was present, as were the members and officers of Grameen Bank. A unanimous decision was made by the bank workers that she would leave the bank after paying back the rest of the loan.”

#### **2.2.4 Careful selection of members**

In the subsequent selection of members, these experiences came to serve as a warning and were taken into account when selecting new members. The members and the bank officer told me that it is rare for problems to recur, especially in older centers where experienced members are still active. The bank officer said that at first members did not understand the bank's rules clearly, and this was the cause of the problems. But now the members have experience, and they do not repeat the same mistake. Sometimes groups with new members or groups at a new center have difficulties recovering a loan, and groups in remote areas have other problems. But these kinds of problems are unusual, especially in the older centers of the bank.

As a result of these experiences, the members are careful when introducing a potential member. The following is something I was told in an interview. The present members of the center choose new members on their own judgment. They choose women who they know will be able to repay the loan. This is the main condition for being a member, because members do not want to take the responsibility for another member's debt. Even the bank workers want this. The bank worker wants to avoid troubles at his or her center.

When I asked the members how they knew who is able to repay the loan, they told me that it is women whose husband has some regular income source. The economic condition of the family may be good or fair, but if it is very good then no discussion is even necessary. In addition, they select members from among their neighbors and relatives. That is why it is easy to understand. On the other hand, the bank worker and the officer of the bank want to determine whether or not the member will be able to

repay. As I described in the previous section, there are questions about this on the application form. Although introducing a member is supposed to be the job of the bank worker, the bank worker shifts responsibility for this to the members. The members told me that the bank worker told them to introduce potential members.

I was present for a conversation between a bank worker and some members about who benefits from introducing a new member.

Bank worker: If you do not introduce new members to the bank, how can we continue in the future? If this bank did not exist, then where would you get a loan? The bank operates for your sake. Don't you benefit by being able to get a loan from this bank? If so, then you have some responsibility towards the bank.

At this point, the members smile and some of them reply.

Members: The bank always says that we are the ones who benefit. We have taken out loans for a long time, but the bank never gives us a reward.

Bank worker: (smiling) We give you loans and pay interest on your deposits. By taking out a loan, you can improve your family's circumstances. Is that not enough?

Members: We also pay interest on the loan. And the bank also makes a profit off of that.

Bank worker: Don't talk too much. Just do your duty.

In this conversation between the older members and the bank worker, I realized that in the beginning, just after they were introduced to the bank, they did whatever the bank worker told them to do. But with experience, they understood the bank's strategy. One of the older members told me, "I introduced many women to the bank, but now I do not. It is just a waste of time. The next generation will do it. Besides, people who need a loan will come on their own to the bank."



Senior members of Grameen Bank

The people who joined the bank in the 1980s and 1990s are now senior members of the center. They hand over responsibility to the next generation, who joined the bank as a result of their connection with them. As one older member said, “We are old. Now we don’t find any new members for the bank. We made the center stand. Now we will go into retirement. Now the younger generation has responsibility for bringing new members to the center. We have taught them all the rules.”

### **2.2.5 Relations between the borrowers and the bank workers**

In order to understand the loan program of Grameen Bank, it is necessary to understand the relationship between the bank workers and the borrowers in its official network. It is also important to understand the relationship among the network of borrowers in a loan center.<sup>29</sup> In the community, the loan program as a whole is managed by the bank worker and the members of the bank. Bank activities are conducted based on the rules set down by the bank authorities and in line with its practices at the field level. The practices are more important for the loan operation. To understand the loan operation, it is important to understand the practices and rules that govern the conduct and activities of the bank workers and the members.

In this section, I will describe the formal relations between the bank worker and members. In the two sections that follow, I will look at the informal relations between bank worker and members and the relations among the members.

The relationship between the bank and community is comparable to something you would see in a school. In a school, there may be a captain who is brilliant and a teacher who is likable. In Grameen Bank, the relationship between bank workers and the borrowers is like that of the teacher and students. For example, in school all students are compelled to remain loyal to the teacher, and loyal students are the teacher's favorites. In the same way members of a center are obliged to remain loyal to the bank staff. In school a captain is selected among the meritorious and skilled students as somebody who can manage the classes according to the instructions of the teacher. At Grameen Bank, a group leader and a center leader who maintains the groups and center in line with the direction of the bank's rules are also selected.

At school, new students do not know all the rules of the school, but the students in the highest grade know all the rules very clearly because they are accustomed to the school rules and know when the teacher's mood is good or bad and how the mind of the teachers work. The students know that if they listen to the teacher, the teacher will appreciate them. Some students in class are always obedient to the teacher, but there are always a few students who are less attentive. The teacher always threatens those students and tries to make them obedient in class. The students in the top grade at school have a responsibility to teach the rules of the school to newcomers and see that the junior students listen to them. Similarly, in the Grameen Bank system the senior members teach the rules of the bank and center to the people who have just joined, and the new members also listen to the senior members who introduced them to the bank.

Students in school fear and respect their teachers. In Grameen Bank, there is a similar situation. There is only one difference. At school the teacher attempts to build a better future for the students; he or she takes the interests of the students at heart. But in the bank, employees only take steps to help members when it is in the interest of the bank. All the members of the bank obey their bank worker, and they accept the way things are done at the bank.

In the Grameen Bank's loan operations the bank worker and the officer exert control over members to show their administration power. The poor rural women are afraid of office work and fear administrative work and the law. In Grameen Bank workers maintain a strict official routine. According to S.M. Rahman, most microfinance institutions and NGOs do not have a culture of customer service. Field workers do not consider their organization's borrowers as customers. They think they are granting privileges to the clients rather than selling services.<sup>30</sup>

During my visits to the centers, I noticed that all the borrowers in the center must call men and women bank workers "Sir," just as children call their teacher "Sir" at school. This is one of the bank practices. In a village I visited, I went to a center with the area officer and manager. The bank worker was present at the center when we arrived there. When we entered the center, all of the members stood up and said "*As salamu alaykum*, Sir," which is an Islamic phrase to show respect. The other centers followed the same practice for greeting bank officials. In some centers, the members called me "Sir" when I interviewed them. Rahman (1999) and Karim (2011) also noted this.

Even female officers had to be addressed as "Sir" by Grameen members. This is something that was not mentioned in other analyses that I found in my research. I went

to a center in Ajimpur Village for an interview. The day I went coincided with the regular weekly meeting at the center. My presence meant a change in the daily routine of the members and a different atmosphere. Everyone got excited after seeing me. A lot of women began talking, and it was noisy. I could not hear their answers clearly. Suddenly the officer cried out, “Everyone is silly. What are all of you doing? You’re all talking and too noisy.” I noticed the officer said to the members, “Even though we came, no one told us ‘*As-salamu alaykum* Sir’ or stood up.” Hearing the officer’s angry voice, everyone grew silent. And everyone said together the Islamic phrase showing respect: “*As-salamu alaykum Apa.*” [“*Apa*” means “sister” and is the polite way to address women.] However, the officer chided them and said, “What? What is *apa*? Say ‘Sir.’ I taught you how to show respect. Have you forgotten this?” Then they answered, “No, we haven’t.” Calling the female officer *apa* was an indication of the absence of an institutional relationship. This is why the officer told the members to address her as “Sir.” By exerting administrative power over the members, the bank workers controlled them and ensured they would faithfully maintain the rules of the bank.

Grameen Bank centers that have a repayment rate of 100% are called *valo kendro* (good center), and centers with a low repayment rate are called *kharap kendro* (bad center). The bank worker also holds up “good centers” as a model that other centers should emulate. In centers that are “bad” the center leader comes under pressure, being told it is her responsibility or shame. In the same way, a good center leader is praised. At some of the centers I also saw Grameen Bank officers use expressions when talking with the members, like “*valo shodosho*” (“good members”) and “*kharap shodosho*” (bad members). It was similar to “good student” and “bad student.” In the Bangla language, “*valo*” means “good” and “*kharap*” means “bad.” The bank worker labeled

the borrowers who follow all the rules of the bank “good members” and those who do not follow all the rules as “bad members.” To encourage members, the bank gives certificates, and receiving one is a source of pride. The awards also show other members that exemplary members are honored. Seeing this makes other members interested in complying with the rules of the bank.

Furthermore because of the emphasis on good members and good centers, if a member has problems and is labeled “bad,” then troubles easily arise among the members. Since the members are neighbors and relatives, the problems of the center negatively affect the member’s personal relationships.

Below is a photograph of a member who was rewarded as a “good member.”



This member was awarded the Grameen Bank Bodhwa Prize in 2010 at Jobra Hathazari branch center.

While talking with the members at the center, I saw that they also took pride in the fact that all the members had repaid their installments without problem. That is what qualifies them as good. The two words “good” and “bad” have an impact on the members. When someone is labeled “bad,” the people around her will be disrespectful to her. Nobody wants to lose the respect of the people around her. For this reason, the members of the group try to be called “good members.” The bank officer uses this word to manipulate members and get them to obey the rules because a number of good



members make a good group and good groups make a good center. And in recognition of the achievement of operating a good center, the responsible bank worker receives an award from Grameen Bank.

One bank worker told me, “We [women bank workers] make them fear us so they listen. The centers are very noisy. When all the women get together, they talk. And when everyone speaks together, it is difficult to work. If I cannot keep the accounts correctly, there will be mistakes in the books. I will have problems. When it is too much, suddenly I get angry and give them the evil eye. They become silent. I tell them I am also a human like them. If they are all shouting, how can I do my work?”

“Sometimes when a member breaks the rules, I have to be harsh without averting my gaze. But later I will tell her politely, ‘There was no way for me to help you. We do not have permission to do anything that is not written in the rules. We both have to understand this.’”

To make borrowers understand the difficulties they face in their position between bank branch manager and borrowers, the bank workers will sometimes say, “If I cannot do my work, my boss will be angry with me. Now, what am I supposed to do if you say that to me? Or, “If you all do not listen to me and obey the rules, then what can I tell my senior officer? I will lose my job. You will all be responsible for that. I do not own this bank. I am doing my job. I also need to listen to my honorable officer. So without any ado, you should follow all the rules and listen to what your group leader and center leader say, too.”

Since the village women are not familiar with the official rules, they fear official documents and officers. None of them have any institutional experience except their own schooling. By joining the center as a member of Grameen Bank, the women are

bound by its rules. To ensure they adapt to the banking system, the bank worker or officer must act in an authoritarian fashion and be strict with them and pressure them to follow the official rules. The bank workers and officers tell them that if they do not obey the rules, they will be responsible for the failure of the bank. They instill in the women a fear of failure and loss of the respect of the other members. That is why the members follow the rules of the bank and why the practices have continued to this day.

### **2.2.6 Informal relations between bank workers and members**

Under the Grameen Bank system, one bank worker is responsible for ten centers (*Bidhimala* 4.0) and has limited time to complete his or her work.<sup>31</sup> The bank workers whom I met were always trying to finish their work as early as possible by coming to a center at the scheduled time. It was expected that all members would be present at that time, too. After finishing his or her work at one center, the worker would go to the next, where again he or she would have to finish work by a specific time. The bank workers also were under pressure to complete the work at all the centers they were in charge of. One women bank worker told me, “I arrive at my first center at 6:30 in the morning. If I do not get there in time, I cannot finish my work in time.” Because of their tight schedule, bank workers want to avoid problems whenever possible so they can finish their work on time.

To ensure smooth loan operations and maintain client networks at every center, the bank workers must have strong ties with the group leaders and center leaders, because they have the power to influence the members of the center. The group leaders and center leaders have even more responsibility and are under more pressure than the members.

The bank workers and officers treat the group leaders and center leader as the most revered individuals in the center. As a result, they both take their responsibilities seriously. The bank workers and the officers make them feel proud and obey them. The bank worker tells them, for example, “You are the center leader. If your center does not do well, then what will the senior officer think? Who needs the loan? The bank was established for you.” The bank workers thus try to enhance their awareness of the importance of their duties.

The borrowers also obey the center leader and group leaders. With this authority, the group leaders try to ensure that 1) All members come to meetings on time; 2) The members bring their installment and mandatory savings. And the center leader tries to ensure that all the groups are well managed. Accordingly, it is important for the bank to choose proper group leaders and a center leader. This point was also confirmed by my research.

New members who come to the bank through an active member listen to and obey this member, because she is the link to the center’s good network in the center. The bank worker needs active women like this to get word out about the bank to new areas of the village and to provide a helping hand for the bank worker. In this way, active members become influential members of the center. And naturally these members are chosen to become group leaders and the center leader.

Similarly, some members who have good relations with the group leader and center leader also provide support for the running of the center. Through this “partnership,” they learn how to manage the groups and centers. The members providing such support always follow the rules of the bank. Here it is important to point out that in Grameen Bank, the group leaders and center leader can never be a defaulter or at any time have

been found to have broken any rules of the bank. Anybody who has broken the rules cannot assume these positions. After serving as group leader or center leader for an extended period of time, they hand over power to other influential members. Even after doing so, they retain their influence but in a position from behind the scenes rather than in the center.

In some of the villages I visited, I saw the new center leader was economically solvent and socially powerful in the locale. For this reason, maintaining the center's loan operations and building a new center were easy for the bank worker.



A center leader



Center leader's house

According to the Grameen Bank by laws, elections by the group leaders for the center leader and assistant center leader must be held every year. However, there is no limit on the center leader and associate center leader's term of office. At one center I visited, an older member had remained the center leader for a long time because of her leadership skills. The other members also said that they had been invited or introduced to the bank and led by this woman for a long time and expressed their hope she would continue in this role, because it requires both physical and mental strength. Other members, however, try to avoid taking on responsibility. According to the center leader, "They trust me as center leader. It is an honor, and I hope I can continue in this position

maybe even until my death.”



The women on the far right has been a center leader for many years

Since bank workers operate in the community, they have direct contact with borrowers. In Grameen Bank, banking activities are managed in a number of groups, and both the influential members and mutual understanding between bank workers and borrowers play an important role in ensuring the bank’s smooth operations. It is also written in the bylaws that all group leaders must maintain regular communication with the bank and make use of the bank to ensure the loan process runs smoothly. The benefits of a good relationship between the bank worker and borrowers include: 1) Loan operations can be completed quickly; 2) New members can more easily be introduced; 3) Accurate information about the financial condition of the members can be accessed readily; and 4) Members can solve problems among themselves; and 5) Group leaders can teach the rules of the bank to the new members. With the help of an influential member, bank staff are able to reduce their workload. However, in many cases, this relationship also becomes a source of conflicts.

In some cases, longstanding relationships between the bank worker and the groups can lead to favoritism, which causes conflict among the groups at the center. In addition, “irregular” members who sometimes cannot pay their installments on time can get a

bank worker to approve a big loan by making a strong request and getting the support of the other members. This sometimes happens because she has a good relationship with the bank worker, but other group members get mad at the special treatment accorded this person.

### **2.2.7 Relations among the members**

In the center, the selection of members is guided by personal relationships. At all the centers I visited, the members favored their relatives and close neighbors. Though the bank rules state that close relatives are not allowed (*Bidhimala*, 3.6),<sup>32</sup> borrowers favor their relatives because experience has taught them that close relatives are trustworthy and easy to convince. The risk is minimized if a relative is selected. At one center in Pahartoli Village, most of the members were related to each other. The center leader told me she introduced her *jaa* (husband's brother's wife, the cousin's wife) and other relatives, too.

Rahman also found that an influential member named Sofia made three more centers with her close relatives. In another center described in his study, out of 120 members, 111 were relatives.<sup>33</sup> With regard to this point, I asked the bank officer about the rules and was told, "Close relatives are allowed when they do not live together."

However, during the time when centers for men were operated, husbands and wives would in some cases both be members, even though they lived together. Rahman found that at such a center, husbands and wives from 33 households were members of Grameen Bank.<sup>34</sup> Centers for men are no longer common, so double membership by spouses is not a problem. However, in my research, I found that there were instances when the mother-in-law and daughter-in-law were both members of the bank, though

not at the same center.

I asked one mother-in-law whether she lives separately from her son, and she told me that they live and eat together. According to the older members, “In our time the bank officer said that in one family only one person could become a member of the bank (*Bidhimala*, 3.5).<sup>35</sup> But now the officer says that mothers, daughters, mothers-in-law, and daughters-in-law can all be members.” Then the officer replied, “The rules are the same as before, but it’s okay if they are not at the same center.” When another member told the officer that there are five people from the same family in the same center, the officer could offer no explanation.

Evidently, bank officers and bank workers sometimes break the rules. The reason, as I understand it, is that the bank officers are interested in increasing the number of members at their center. In the field, they would like to loosen certain rules in accordance with the situations.

Furthermore, the women choose close relatives as people who they can introduce to the bank because it is easy to talk with them and convince them. The members told me that when they were asked to introduce people to the bank, they wondered, “Where can we find a member? And to whom will we go?” Ultimately, they decided to talk to a close relative or neighbor.

That is the reality of the situation. The village women who are not allowed to leave the house alone have no way to find a member for the bank. For this reason, they look for people in their neighborhood or relatives and introduce them to the bank.

In the group, those who maintain good relations with their group leader can receive favors from her. For example, if somebody is unable to make the meeting on time, she can get special permission from the group leader to come late if she tells the group in

advance. In one family, the mother-in-law was a member of one center and her son's wife was a member of another center. On the day that I visited the center, I heard the mother-in-law tell the bank worker, "Today I will go home early because I have to pay my son's wife's installment to the other center." Clearly it is possible for a member to make somebody else's loan installments. Group leaders sometimes allow practices that go against the rules because of their ties to the group. Another borrower said to me, "When I had a job, I used to come early in the morning to pay my loan installment and could not remain until the end of the weekly meeting. For this reason, I let my group leader and the center leader know in advance. And that's how I got permission from Sir (bank worker)."

The group leader also makes requests to the bank worker when, for example, a member needs a bigger loan, or an irregular member wants to take out a loan. In the case of a decision on big loans, the approval of all members of the center is necessary. If borrowers cannot maintain good relations with other borrowers and influential members of the center, they will not get any cooperation. In some centers the officer said the decision on all loans is dependent on the approval of all members.

In Ajimpur Village, an older member of the center introduced a new member, a neighbor of hers. The bank worker and the center leader said they would check which of the groups did not have enough members and place her in one of these groups. But because of the personal ties they had, the member asked the center leader to let her neighbor join her group. The neighbor, she said, does not know other members at the center. The center leader then approved her request.

In another center in Jobra there was a daughter and mother at the same center but not in the same group. I asked the mother about this, and she replied, "I was a member



of another center. I left that center, but later I wanted to become a member again. The center wouldn't take me, so I became a member of this center. This one is far from my house, however." In the discussion on member selection in the previous section, I noted that the members of a center would not consider an application by people who wished to become a member again but had made trouble for the center. Maybe this was the case for this woman. Here the members have the full power to decide who can become a member. Her daughter, a member of the center, put in a request to the center leader and her mother was accepted as a member. The mother's application was approved because of the daughter's relationship with the other borrowers.

Because of the relationship, sometimes members make their relatives' installment in their place. Sometimes they borrow money from somebody in their group if they do not have enough to make the installment. The bank benefits from these practices. The bank officer said, "This is mutual cooperation. The group's members help each other."

The bank workers regard the borrowing and lending of money within the group as a form of mutual cooperation. Though this cooperation makes the bank worker's job easier, it can also cause problems, too. The group leader has a responsibility to help her group. But when the leader cannot help, she tells the group to lend money to the member who is unable to make the installment. One member said, "Sometimes doing this is a problem because we have also paid our own installment on the same day and do not have any extra money."

I asked what people did in such situations. She told me that if the group cannot help her out, the group leader will ask other groups for their help. I also asked what happened if a "problem" member could not pay them back, and the members told me they would first ask her why she was unable to. After this, the whole group would go to

her home and urge her to pay the money back. She added, “We all are relatives and neighbors; we know each other very well, so there is no chance this would happen.” Hearing this, I felt that if a member maintained a good relationship with her group, it was easy for her to get help. Under Grameen Bank rules, members can withdraw money from their account if they have problems. But most of the time the bank workers try to get them to repay with cash. I will discuss about it in the next section.

In other centers it was clear that personal relations had an effect on the center’s operations. In some places people who wanted to become a member of the center could not join because they were not known well by anyone in that center. Some became a member of another center through their connection with a relative.

I also encountered borrowers who were members, even though they were not from the village. In Pahartoli Village, one member said, “I am not from this village. I moved here because of my husband’s job. But now I live here permanently.” I asked her why she was able to join the bank, even though she came from a different village. She said, “I had a good relationship with the bank’s members because I taught their kids. They put in a request to the bank officer for me.” I saw another case like this in another center. It is also written in the bank’s bylaws (*Bidhimala* 3.3) that groups members should be permanent residents of the village.<sup>36</sup> In Rahman 1999, mention was made of Rubi, who was married but living in her birth home and who had become a member of the local center.<sup>37</sup>

In two centers I visited in Shakpura, all the members were religious Hindus. And all of the members of the center were family, relatives, and neighbors living in the same part of the village. They did not consider applications from people of other religions, like Muslims. At some centers in Jobra Village, Muslim borrowers said that they would

accept women of other religions, but at this center, the Hindu borrowers would not accept Muslim women. That's why some of the borrowers who live close to the area were not allowed to join the center. In such cases, they would become members of a center that is further away.

I interviewed one Hindu member who told me that the people at her center would not accept Muslims as members. She explained that they all lived in the same area and did not wish to have a person they did not know. She said they told this to their bank workers. In line with the borrowers' wishes, the bank worker approved the restriction. One of the factors underlying the decision is the village social organization, which I would like to discuss next.

Karim describes the structure of village life in Bangladesh. "Rural social life is made up of the patrilineage (*gusti*), homestead (*bari*), and neighborhood (*para*). *Gusti* is the anthropological term for patrilineage of groups of men who are agnatically related and who live in physical proximity."<sup>38</sup> The homestead is a place, often with a physical boundary, where a group of people with distinct agnatic kin establish their residential homes. The link of a common male ancestor and co-residence provides the physical, social, and emotional dimensions. The neighborhood is a territorial-cum-moral boundary surrounding the community. For the people living there, it is a frame of reference for social and political activities such as exchange of food in connection with life-cycle ceremonies and religious feasts.<sup>39</sup>

A patriline is formed with many homesteads and a neighborhood is formed with many patrilines. Each village has many neighborhoods. The physical boundaries may not be visible, but there are invisible moral boundaries. Some neighborhoods have only Muslims. Others may be Hindu or Buddhist. The people in these neighborhoods have

lived there for generations and generations. When a center is built in a Hindu neighborhood, it is highly likely that most of its members will be Hindu.

That is why at some centers, most of the borrowers are Hindu. But in the banking system, there is no rule that all members of a center must be of the same religion. In practice, the membership depends on the location. In some Hindu neighborhoods that are close to Muslim neighborhoods, women from both groups are members of the same center. But if the majority of the borrowers are from one community, they generally decide to restrict membership to women from their community. The decision is made by the members of the center. And they ask the bank officer to only accept the women from their community. When all of the members tell the officer that they want only people from their community to become members, the officer agrees because he or she understands that this is the best way to ensure problem-free and close personal relations among the members.

## **Conclusion**

Relations among borrowers have a big impact on the loan operations of Grameen Bank. By becoming a leader of a group or center, borrowers acquire managerial skills. They learn how to work in a group and make decisions as a group. But in reality, favoritism plays a central role in borrowers' relations, obedience to influential members and others in a position of power is more important than cooperation, and the use of religious concepts reinforces conservative practices among the borrowers. Such practices do not pave the way for women's empowerment; they instead enable the smooth loan operations in a center.

The women I encountered in my field work were all aware that there were some

rules that must be followed. There was no need for the bank worker to explain all the rules. If somebody broke a rule in the weekly meeting, the rest of the group would tell her this should not happen again. Rules governing the group are designed to bind members together as a whole. In connection with the purpose of making groups and centers, As Aminur Rahman commented, “The objective of the organization of borrowers in groups and centers for the lending operation is not only to provide them economic opportunities but also to create an environment in which borrowers are able to exchange socially needed information, encouragement, and motivation for confidence building. The stated goal is to build unity, solidarity, and leadership among borrowers and ultimately to improve their social development and empowerment”.<sup>40</sup>

On the surface, the fact that an illiterate and poor woman can lead a group or center of a bank seems a great achievement of the Grameen lending system. But the reality is different. I was able to see that group leaders and center leaders take pride in their role. However, in most cases, personal relationships and links with influential members are major factors in who assumes these positions of leadership.

### **2.3 Loan schemes and saving systems of Grameen Bank**

Grameen Bank has different types of loan, savings, deposits, as well as insurance schemes. How these schemes are conducted, such as their term, initial loan ceiling, the process for getting additional loans and the amount available, and other issues will be looked at in this section.

### **2.3.1 Loan Schemes as described in *Nitimala***

All loan schemes of the bank are managed in accordance with the guidelines in *Grameen Bank's Loan Policy (Grameen Banker Rin Nitimala)*. The first edition was published in July 2004, and the version presently in use is the fifth edition, which was published in March 2013. This book describes the rules of and instructions for all the available loan schemes. According to *Grameen Bank's Loan Policy*, there are 11 types of loan schemes for the members of Grameen Bank.<sup>41</sup>

1. Basic loan (*Shohoj Rin*): The first loan for any member is a basic loan. The maximum amount for the first loan is 15,000 taka (\$ 176). The duration of the loan is from three months to three years or more. Permission from the coordination and management department is required for a loan to be extended over two years. A member can take her second loan, with a maximum of 18,000 taka (\$ 212), after being a member for one year (45 weeks).
2. Special investment projects (*Bisesh Biniyog Prokolpo*): This loan is offered for special kinds of investment opportunities. Large amounts that exceed the limit of the basic loan can be borrowed. At least two years of membership is required to qualify for this loan. Members themselves or members of their family must have experience in the project for which the loan is taken. The maximum amount of the loan for a first-time borrower is 20,000 taka (\$ 235). The duration for this loan is three months to three years or more.
3. Bridge loans under the special investment projects framework (*Bisesh Biniyog Prokolper Odhine Shetu Rin*): This loan is for members who have a basic loan and acceptable savings deposits exceeding the amount necessary to

cover their basic loan. The loan has no conditions regarding the period of membership. Those who qualify can take a short-term bridge loan under the special investment projects framework against any deposits in order to meet immediate needs. They may take this loan any time for three, six, or nine months. However, the member may not withdraw any money from her account before full and due repayment of this loan. Approval from the area manager is required for this loan.

4. Housing loans under the special investment projects framework (*Bisesh Biniyog Prokolper Odhine Griho Rin*): Members can take a housing loan under the special investment project framework of 25,000 taka (\$ 294) or more with a 20% interest rate [in addition to the Housing Loan described in number 7 below]. In this case, the bank will verify whether the member has the qualifications for this amount of money.
5. Young entrepreneur loan under the special investment projects framework (*Bisesh Biniyog Prokolper Odhine Nobin Udogta Rin*): The concept for this loan is “We will not seek job opportunities from others, we will create job opportunities for others.” Therefore, members who have a Grameen Bank Higher Education Loan (scheme 9) and a GPS account with a minimum of 200 taka (\$ 2.3) per month qualify for this loan.
6. Loan to promote the development of rural businesses under the special investment projects framework (*Grameen Bebsha Bikasher Shuparishe Bishes Biniyog Rin*): This loan is for members who are successful, skilled, attentive, and industrious. Those who have been members for at least three years and who

have a GPS account with a minimum of 200 taka per month qualify for this loan. This minimum loan is 50,000 taka (\$ 588).

7. Housing Loan (*Griho Rin*): This loan is for members who wish to build houses on their own land. Women who have been a member for three years can borrow up to 10,000 taka (\$117). Those who have been a member for more than three years and fewer than five years are eligible for loans of between 10,000 taka and 20,000 taka (\$ 235). Women with five years' membership or more years can take out loans from 20,000 taka to 25,000 taka (\$ 294). The housing loan interest rate is 8%. This loan can be taken only once. If a member needs to borrow more, she can use loan scheme 4 at an interest rate of 20% under special investment projects.
8. Contract Loan (*Chukti Rin*): If a member is unable to repay a basic loan within the specified period, the basic loan is turned into a contract loan. The responsibility of the members of the group and center is to provide opportune times to contract borrowers to settle their loan. The maximum duration of a contract loan is three years.
9. Higher Education Loan (*Ucho Shikha Rin*): This loan is provided only to the children of members of Grameen Bank. The loan installment repayment starts one year after receiving the last loan disbursement. However, the borrower will start to pay a 5% service charge on the loan one month after receiving the final disbursement.
10. Struggling Members (beggars) Loan (*Shongrami (Vikhuk) Sodosher Rin*): This loan is provided without interest to people who rely on begging for their livelihood in the Grameen Bank branch area. The struggling member is able to



take a loan of up to 1,000 taka (\$ 11) in the first year. The amount is increased every year up to a maximum of 5,000 taka (\$ 58).

11. Spacious Center House Construction Loan (*Shuporishor Kendro Ghor Nirman Rin*): The house built for the weekly meetings is called the center house. An interest-free loan for building a center house is offered, with the maximum set at 30,000 taka (\$ 353). In the case of a 30,000 taka loan, each of the 60 members borrow 500 taka (\$ 5.8).

I have so far explained the 11 schemes in the loan policy. Among them, numbers 2 to 6 are under the Special Investment Projects framework (*Bisesh Biniyog Prokolpo*). Now I will describe the Special Investment Project Loan according to *Grameen Bank's Loan*.

A large loan that exceeds the debt ceiling for special types of investment is called a special investment project. Members can take this loan in addition to a basic loan. This loan is provided for leasing, village (“*polli*”) phones, cattle, immediate needs, housing, young entrepreneurs, and many other projects. A two-year membership is required, except in cases of loans for cattle and village phones, when a one-year membership suffices. The member or member’s family must have experience for the proposed project. The duration of the loan is three months to three years. The amount of the loan is 50,000 taka (\$ 588) to 300,000 taka (\$ 3533). However, it is necessary to sign a one-year account hold on the withdrawal from savings accounts for a special investment loan of between 50,000 taka (\$ 588) and 100,000 taka (\$ 1177). Permission from the coordination and management department is required for a loan of 300,000 taka (\$ 3533). Members may not take more than two types of special investment project

loans at the same time. Because of the strict conditions, only members with a good record qualify.

In Grameen Bank, members who have repaid loans in accordance with the rules for five consecutive years are called “*Sonali* members” (golden members). Members of category A and B are good members. C category members are those who have been late in their payments. Therefore, the special investment project loan is available to category A and B as well as golden members. C category members do not qualify for this loan.<sup>42</sup>

### 2.3.2 Loan schemes according to the annual report

Now let us examine how Grameen Bank presents its loan schemes in its Annual Report 2016. What is the impression that they want to give the world outside the bank? According to the *Annual Report 2016*, there are six types of loan schemes: Basic Loan, Microenterprise Loan, Housing Loan, Higher Education Loan, and Struggling Members (Beggars) Loan. In the annual report, the Contract Loan is called the Flexible Loan.<sup>43</sup>

#### Loan Schemes

*Nitimala*

*Annual Report 2016*

1. Basic Loan	1. Basic Loan
2. Special Investment Project (SIP) Loan	2. Microenterprise Loan
3. Bridge Loan (SIP)	
4. Housing Loan (SIP)	
5. Young Entrepreneur Loan (SIP) Loan	
6. Recommendations for the Development of Rural Business under Special Investment projects (R. D. R. B.) Loan (SIP)	

7. Housing Loan	3. Housing Loan
8. Contract Loan	6. Flexible Loan
9. Higher Education Loan	4. Higher Education Loan
10. Struggling Members Loan	5. Struggling Members (Beggars)
11. Spacious Center House Construction Loan	

As can be seen in the chart above, schemes 2 to 6 of the *Nitimala* are included in the annual report under microenterprise loans. In the annual report, the bank clearly writes that the housing loan is for making a simple tin-roof house, and a maximum 25,000 taka (\$ 294) will be lent at an interest rate of 8%. It does not, however, mention the additional housing loan under the SIP loan at an interest rate of 20%.

The special investment project loans are important schemes of Grameen Bank and are introduced in the annual report as “microenterprise loans.” In the annual report, it is written that they are for fast-moving members [who take and repay loans in short cycles], and that members take larger loans averaging 34,879 taka (\$ 443) under this scheme. The maximum size of a single loan taken so far is 4.0 million taka (\$ 52,825) for fish feed, poultry feed, fish farming, and fish wholesale and retail business. The other major targets are grocery stores, pharmacies, dairy farms, auto-rickshaws for transportation services, and stone businesses for construction.

Tens of thousands of taka are huge amounts for poor people. The bank claims that the scheme is a “silent revolution in rural Bangladesh”<sup>44</sup> because it encourages the cultivation of leadership and entrepreneurial qualities and self-employment opportunities. But is this loan actually for women?

Let's take a look at the amounts and businesses for which women and men take microenterprise loans based on information in the *Grameen Bank Annual Report 2016*.<sup>45</sup>

#### Top 25 Activities in Order of Amount for which Members Took Out Loans in 2016

Men				Women			
	Activity	Number of loans	Aggregate total		Activity	Number of loans	Aggregate total
1	Grocery shop	2,932	172,204,957	1	Grocery shop	187,485	12,077,560,588
2	Stationery shop	2,274	155,619,548	2	Stationery shop	281,760	4,178,635,308
3	Cow fattening	2,902	102,142,892	3	Cow fattening	91,886	2,742,546,413
4	Milk cow	2,318	83,681,313	4	Milk cow	79,277	2,704,821,369
5	Land lease	1,357	73,261,187	5	Rice/Paddy trading	73,418	2,438,884,571
6	Paddy cultivation	1,236	72,639,275	6	Land lease	44,271	1,715,978,910
7	Rice/Paddy trading	1,555	68,184,473	7	Paddy cultivation	47,472	1,388,125,078
8	Miscellaneous business	768	51,731,254	8	Farming	29,745	1,052,171,754
9	Clothes retailing	596	39,970,783	9	Watermelon cultivation	40,909	1,044,794,739
10	Bullock fattening	1,075	35,791,567	10	Bamboo works	27,761	1,007,296,941
11	Watermelon cultivation	438	19,520,918	11	Miscellaneous business	25,064	1,001,876,501
12	Clothes shop	516	19,396,752	12	Vegetable cultivation	24,075	911,376,288
13	Vegetable trading	495	19,268,102	13	Vegetable trading	27,819	902,805,054
14	Betel leaf cultivation	509	18,809,548	14	Clothes shop	20,872	791,469,543
15	Farming	383	18,286,724	15	Fish trading	20,774	760,067,684
16	Stationery goods trading	250	17,803,700	16	Agricultural equipment production	22,422	741,362,673
17	Agricultural equipment production	405	16,781,196	17	Clothes trading	14,535	720,779,200
18	Plantation	348	15,246,899	18	Fish farming	21,361	676,751,158
19	Vegetable cultivation	348	14,406,662	19	Plantation	18,928	648,160,250

20	Land preparation	254	14,400,859	20	House repairing	8,382	621,008,355
21	Medicine shop	288	14,273,334	21	Betel leaf cultivation	17,791	557,889,941
22	Bamboo works	342	14,211,534	22	Puffed rice making	13,262	533,124,493
23	Fish trading	295	14,153,501	23	Furniture making	11,564	527,024,396
24	Boro-Irri rice cultivation	348	12,817,860	24	Medicine shop	10,631	510,826,696
25	Shop trading	259	11,930,826	25	Cane works	12,220	483,731,701

(Amount in BDT million)

Source: *Grameen Bank Annual Report 2016*

This chart shows that far more women than men take out loans, and the aggregate total is much higher for women than men. In Bangladesh, even if women take loans for their own work, they have to rely on male members of their family for market management. Moreover, rural women are not directly involved in many of the activities listed above, including house repairs, furniture making, medicine shops, grocery shops, stationery shops, and clothes shops.

*Grameen Bank at a Glance 2016* describes the loans for microenterprises as follows. “This loan is used in [sic] for fish feed, poultry feed, fish cultivation and fish business which is operated by the husband of the borrower. Power-tiller[sic], irrigation pump[sic], transport vehicle[sic], and rivercraft for transportation and fishing are popular items for the microenterprise loans.”<sup>46</sup> It is obvious that the microenterprise loans are for husbands of female borrowers of the bank.



Pictures of women entrepreneurs in the *Annual Report 2016*

Further, the *Annual Report 2016* shows a picture of a woman managing a clothing store with a man.<sup>47</sup> But it should be noted that in Bangladesh, women are rarely seen managing a store in the local market. The details of the types of work rural women engage in will be discussed in the next chapter.

Altogether, although Grameen Bank describes the details of 11 loan schemes in the *Nitimala*, it describes only 6 in the annual report. And although, the basic loan is the first loan that members can take, there are no details about the basic loan in the annual report. And for whom is the microenterprise loan actually for? Grameen Bank's annual report does not go into that. In the annual report, Grameen Bank gives the world the impression that women are using microenterprise loans.

However, it is doubtful whether women are actually involved in these businesses. In fact, in *Grameen Bank at a Glance 2016*, it is clearly written that the loan is for husbands of the members. This means that the loan provided to women as detailed in the chart is not used by them but by the male members of their families. Therefore, it can be said that, the microenterprise loan is actually used by men, and women serve only as a means for procuring them.

### **2.3.3 Savings for Grameen Members**

In 2002, Grameen Bank started a new savings system under the name Grameen II. In this system each member is offered a personal savings account. Weekly savings are compulsory. The money in this account can be withdrawn at any time. After becoming a member, women must buy a 100 taka (\$1.1) share in the bank.

The bank offers various other deposit systems for members and non-members including the Grameen Pension Scheme (GPS), Fixed Deposit (FD), Monthly Profit Project Deposit, Doubled in Seven Years, Doubled in Eight Years, and Doubled in Nine Years. Opening an account is not compulsory, but anyone who wishes to open a GPS account can open one or more accounts with a monthly minimum of 50 taka (\$ 0.5).

Several kinds of loan schemes require insurance, such as the Loan Insurance Savings Fund, Higher Education Loan Insurance Fund, New Entrepreneur Loan Insurance Savings Fund, Rural Phone Savings Fund, Center Welfare Fund, and Central Emergency Fund. The loan insurance funds are used in the event a member dies. Her unpaid loan money will be covered by her insurance savings. For every 1,000 taka (\$11) borrowed, loan members pay 30 taka (\$ 0.3) as loan insurance. If members wish, they can buy insurance for their husband too. Then, when the member's husband dies, the bank will give them 1,500 taka (\$ 17). The bank offers 7% interest on loan insurance.

If, for example, a member takes out a 5,000 taka (\$ 58) loan, she will pay 150 taka (\$1.7) as loan insurance. On the day when the loan is given, a new member will pay for her total insurance in cash. Regular member pays insurance money from her personal savings account and, if there is not enough money in her account, with cash. On the day she receives the loan money, her insurance money will be transferred from her personal

saving account. According to the saving rules of the bank, the bank must inform members about this. When a member fails to repay the loan according to the debt contract for the loan, the bank will take the principle and interest from the member's savings accounts. After that, her membership will be canceled.<sup>48</sup>

According to *Nitimala*, the minimum amount of weekly personal savings is set in accordance with the amount of the loan. The details are shown below.

Amount of loan	Minimum weekly personal savings
Up to 15,000 (\$ 176)	10 taka (\$ 0.11)
From 15,001 taka to 25,000 taka (\$ 294)	15 taka (\$ 0.17)
From 25,001 taka to 50,000 taka (\$ 589)	20 taka (\$ 0.23)
From 50,001 taka to 100,000 taka (\$ 1179)	30 taka (\$ 0.35)
1,00,001 taka and above	50 taka (\$ 0.58)

(*Nitimala*, 2013)

When members want to take another loan after their first, the ceiling for the second loan can be decided by one of two methods.

The first involves setting the loan ceiling on the basis of her savings deposits. The total amount of deposits considered are called "acceptable saving deposits". The acceptable savings deposits include GPS, Fixed Deposit, Doubled in Seven Years, Monthly Profit Project Deposit, and personal savings accounts. Rural Phone Savings Fund and savings credited accounts to pay for rural phone bills are excluded. The debt limit based on this method will be 150% or 1.5 times the total amount of acceptable saving deposits. Nevertheless, if the member receives the loan on this basis, she will be



unable to withdraw money from the any of these accounts. However, once the term of the acceptable savings deposits is finished, the savings can be withdrawn according to the rules. If the borrower reduces the outstanding loans by paying the installments, then the difference between 150% of the acceptable saving deposits and the outstanding loan can be withdrawn.

Here I would like to give an example of this first method from *Nitimala* for better understanding. Let's say a member's previous credit limit for a basic loan is 15,000 taka (\$ 176), and her acceptable saving deposit is 12,000 taka (\$ 141), and she wants a new loan 26 weeks later. Her new credit limit will be 12,000 taka times 1.5, which is 18,000 taka (\$ 212). This amount is higher than her previous credit limit. She can use this new credit limit for taking the next loan from the bank. If this basic loan member's acceptable saving deposit is 10,000 taka (\$ 117) or less, her credit limit will stay unchanged at 15,000 taka (\$ 176).

Under the second method, the loan ceiling is based on the previous ceiling. Normally, 45 weeks after the initial loan is taken out, the new scheduled debt limit and ceiling are decided. But after passing the 26 week mark, if a borrower needs to borrow money again she can take out a loan equivalent to the amount of money that she has repaid. The area manager can increase the limit to 2,500 taka (\$ 29) and the zonal manager can increase the limit to as much as 5,000 taka (\$ 58). Further, if members who borrow money from the bank and regularly repay their installments without default will be given a 10% increase in their loan ceiling after 45 weeks. But members who did not make their installments regularly will only be given a 5% increase.<sup>49</sup>

The chart below shows the mandatory savings and other conditions by type of loan.

Loan Schemes	Interest Rate	Weekly Savings	Deposits (Monthly)	Savings funds/ others
Basic Loan	20%	Mandatory		
Microenterprise Loan	20%	Mandatory		
Housing Loan Under Microenterprise Loan	20%	Mandatory		
Housing Loan	8%	Mandatory		
Young Entrepreneur Loan	20%	Not necessary	GPS 200 taka (mandatory)	New entrepreneur loan insurance
Business Promotion Loan (scheme 6)	20%	Not necessary	GPS 200 taka (mandatory)	New entrepreneur loan insurance
Higher Education Loan		Not necessary	Not necessary	5% service charge and Higher Education Loan Insurance Fund

According to the bank, deposits are not mandatory but when a member wants another loan, the amount of personal deposits is what the bank takes into account to approve the new loan.

For example, after taking out a loan for 15,000 taka (\$ 176) a year, members can take out a loan of up to 18,000 taka (\$ 212) 26 weeks into the loan if they have a deposit of 12,000 taka (\$ 141) in the bank. Otherwise, the loan limit will remain unchanged. Members can take the amount of money that they have repaid in 26 weeks as a loan again. This means if members want more loans within 26 weeks, they will have to deposit 12,000 taka.

On the other hand, if the member does not have any deposits, after 26 weeks, she can take a loan for the amount that she has repaid. The new loan ceiling will be decided after 45 weeks, and the amount will be affected by the performance of the center and the members of the group. In that case, the loan ceiling can be raised by of a maximum 10%.

In addition to this, the area manager can increase the loan ceiling by 2,500 taka (\$ 29) and the zonal manager by 5,000 taka (\$ 58) if they wish. This method does not allow for significantly bigger loans. Moreover, the member will be dependent on the center and groups. So, to take a big loan, the main condition is to keep deposits in the bank.<sup>50</sup>

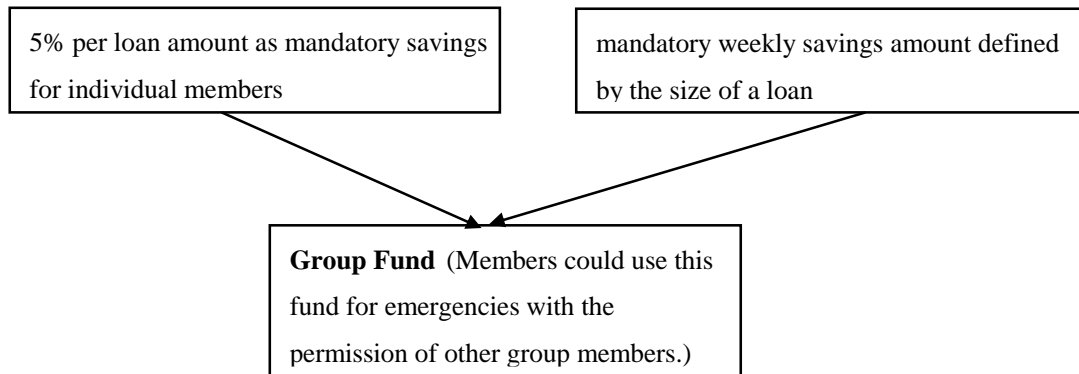
### **2.3.4 From group funds to individual savings**

According to Grameen Bank's review of savings systems, in the initial period of Grameen I, the mandatory savings were a group fund. The group fund was divided into two parts: one was 5% of the loan amount of individual members, which was mandatory savings, and the other was the mandatory weekly savings set in accordance with the size of a loan. Members could request access to the money in the group fund in case of emergencies, but they had to receive permission from the other group members.

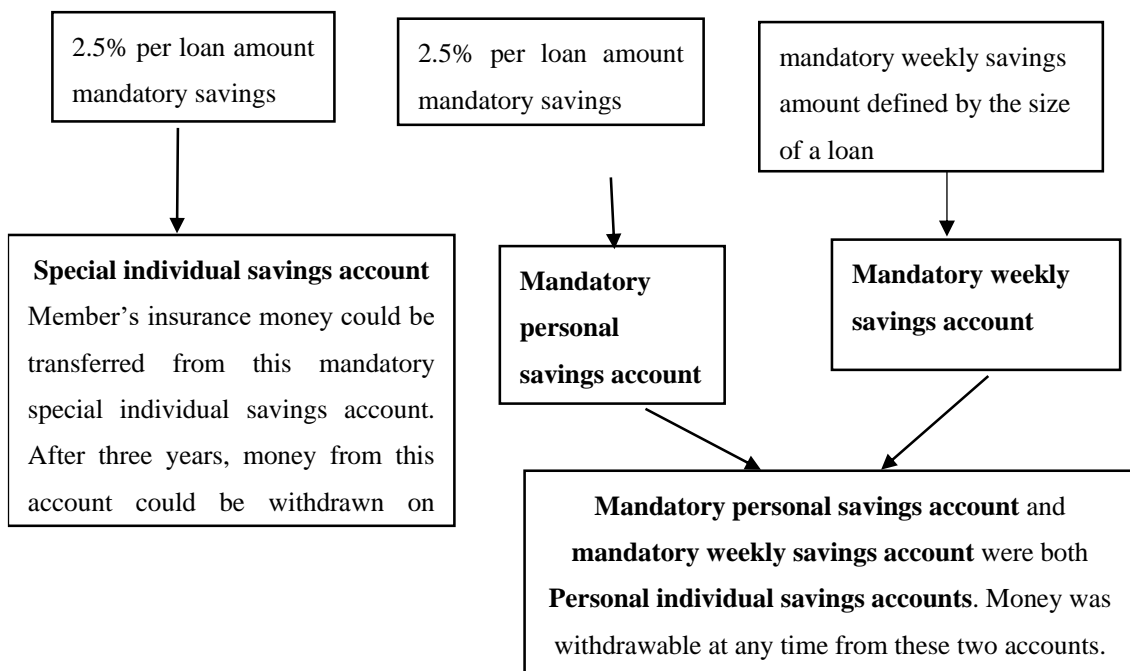
In Grameen II, the savings system was changed from group savings to individual savings. Under this system, 2.5% of the loan amount had to be paid into the mandatory special individual savings account and loan insurance money could be paid from this special individual savings account. After three years members could withdraw money from the special individual savings account as long as a minimum balance was maintained. There were two other savings accounts that the members could withdraw money from at any time. These two accounts were called Personal Individual Savings Accounts. One was the personal savings account for 2.5% per loan amount mandatory saving and the other was the mandatory weekly savings account for saving the amount defined by the size of the loan.<sup>51</sup>

Some of the rules for savings in Grameen II were changed in the *Grameen Bank's Rin Nitimala 2013*, which is still in use (See Chapter 2.4). Now members must have one weekly mandatory saving account defined by the size of the loan. Other deposits, saving funds, and insurance are not mandatory for members. Nevertheless, members need to deposit money to take out bigger loans, although deposits are not mandatory. Similarly, though loan insurance is not compulsory, almost all the members have insurance because the bank tells them unpaid loan money will be covered by the insurance money upon the death of the member. The 100 taka (\$1.1) bank share is compulsory only when she becomes a member, but if members wish, they can buy more shares from the bank. Below I show flow charts for better understanding.

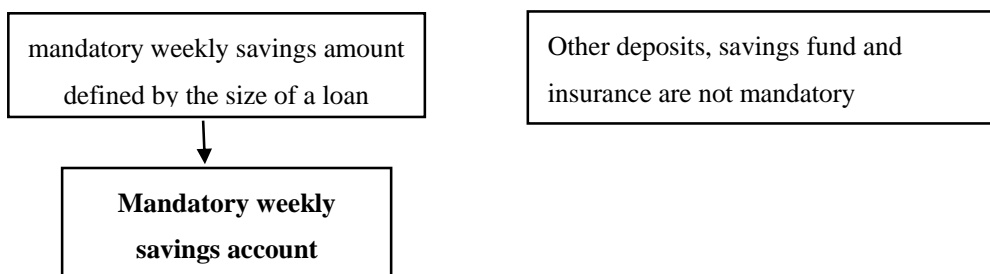
**Grameen I (Mandatory savings for members)**



**Grameen II (2000) (Mandatory savings for members)**



**Grameen II (2013)**



According to the savings system Grameen II (2013) a member pays the following:

Loan installment + interest + weekly mandatory saving + loan insurance + share + deposits (monthly).

Here are two examples.

If a member takes out a 5,000 taka (\$58) loan:

Her first payment will be 440 taka (\$ 5.1) in total, comprising a 110 taka (\$1.2) loan installment, a 15 taka (\$ 0.17) interest payment, a 15 taka weekly mandatory saving, a 150 taka (\$ 1.7) loan insurance payment, a 100 taka (\$ 1.1) stock purchase payment, and a 50 taka (\$ 0.58) monthly deposit (Grameen pension scheme).

The mandatory weekly payments thereafter will be: Loan installment (110 taka) + interest (15 taka) + weekly mandatory saving (15 taka), for a total of 140 taka (\$ 1.6).

The monthly payment will comprise: Mandatory weekly payment (140 taka) x 4 + monthly deposit (50 taka), for a total of 610 taka (\$ 7.1).

Now if a member takes the maximum 50,000 taka (\$ 589) loan:

First repayment:

Loan installment (1,100) + interest (150) + weekly mandatory saving (20) + loan insurance (1,500) + share (100) + monthly deposit (50) = 2,920 taka (\$ 34).

Mandatory weekly payment:

Loan installment (1,100) + interest (150) + weekly mandatory saving (20) = 1,270 taka (\$ 14).

Monthly payment:

Mandatory weekly payment  $(1,270) \times 4 + \text{monthly deposit } (50) = 5,080 + 50 = 5,130$  taka (\$ 60).

The above examples show that the weekly mandatory savings and monthly deposits must be paid in addition to the loan installment and interest, which increases the total amount of money to be paid. Moreover, depending on the size of the loan, the amount of interest and other necessary payments also increase. So, it is clear that if a member does not have a regular monthly income, she would be unable to take a big loan even if she needs one. I will go into more details in my next chapter.

## **Conclusion**

It is clear from Grameen Bank's savings regulations that without savings, members cannot borrow money from the bank. Savings are used as a member's personal loan security. When a member faces any difficulty in repaying her weekly loan installment and interest, she will pay them from her personal weekly savings account. If a member regularly repays her first loan, then the bank trusts her and continues providing loans. The next time, she can take out a larger loan under two conditions. She can take a loan in the amount of her personal deposit plus the amount of money that she has already repaid to the bank.

Therefore, there are two aspects to the savings system. The first is that personal savings are more flexible than the previous group fund system. The second is that depending on the amount of the deposits, members are allowed to take more loans from the bank.

## **2.4 Grameen II makes loan operations easier**

The way Grameen Bank initially conducted its activities is now called “Classical Grameen” or Grameen I. The bank accumulated much experience operating microcredit activities until it faced serious trouble in the late 1990s. To deal with the situation, the bank changed its system to “Grameen Generalized System” or Grameen II which is more efficient and makes loan operations easier. Details of this transformation will be discussed in this section.

### **2.4.1 The story behind Grameen II**

The bank started facing problems after the 1987 flood. The Rangpur region which was the best performing region of the bank, was badly damaged and 170 members lost their lives. The next year, in 1988, and again in 1991 Rangpur was struck by floods. This time the situation was worse than in 1987. The floods damaged most of the crops, which was the main source of income for borrowers. All bank work and repayments stopped for several weeks. The flood of 1991 not only damaged Rangpur but the Chittagong region. Several years later, the flood of 1998 caused record-breaking devastation. As many as 71% of Grameen’s branches, 58% of its centers, and 52% of its members were badly affected by the flood. One hundred and fifty-four bank members died, and many others lost family or suffered damage to or lost their house. After this massive flood the bank declared 42% of its centers “disaster centers” and stopped all of the normal banking work, such as collecting loan installments from the borrowers.

In the aim of improving the conditions of borrowers, the bank approved interest-free cash loans and also considered letting members use 90% or 100% of their



savings from the group fund. Borrowers were allowed to receive new loans and also the group was given a one-year extension on their repayment schedule. Besides this, the bank also provided housing loans. The bank was also at risk, but to relieve the economic pressure on the debtors in distress, it put off collecting repayment until January 1999.

All of this was done not only to recover from the flood damage but to promote economic activity through the issue of new loans, enable home repairs with a new housing loan or loans from the group fund. In short, meeting the emergency needs during the flood and the post-flood period increased the debt burden of the borrowers. Their old loan debt along with the new loan and the group fund loan taken after the flood created a huge debt for the borrowers, and they faced problems in repayment.

Commenting on this situation, Grameen Bank founder Dr. Muhammad Yunus said, “Soon borrowers started to feel the burden in accumulated loans. They found the new installment sizes exceeded their capacity to repay. They gradually started to stay away from weekly center meetings. Grameen Bank repayment started to show quick decline. We tried to improve the situation, but it did not produce the desired results. Impact of the post-flood repayment crises was compounded by its overlap with a recovery problem from an earlier crisis. In 1995, a large number of our borrowers started staying away from center meetings and stopped paying loan installments. In order to resolve the problem, the bank modified some rules, but its repayment rate had gone down in the meantime. Many borrowers continued to abstain from repaying their loans even after the matter was resolved.”<sup>52</sup>

Under such circumstances, the bank itself had suffered fund problems in flood and flood rehabilitation. In order to increase the rate of repayment of loans, increase group fund, and approve new loans for borrowers, the bank needed new funds to continue the

pre-flood operations. To overcome this financial crisis, the bank had to borrow \$ 20.37 million with 10% interest from the Bangladesh Central Bank and another \$ 40.75 million with 10% interest from a commercial bank by issuing three-year bonds with a government guarantee.

After obtaining the funds, the bank started a new operation. One year after the flood, in the middle of 1999, the bank faced its worst condition. At that time various regions served by the bank were facing large-scale default with a large number of borrowers in arrears. The condition of some branches was extremely bad, with the repayment rate down, borrowers not attending the center meetings, and the staff demoralized.

Due to the excessive flooding, the condition of the bank was very delicate. And it was very difficult to handle the operations with the classical Grameen. The bank had reached a point where a new set of rules was vital.

After the flood of 1998 Grameen, which did not have the flexibility to deal with the huge natural disaster, responded by adopting a new system. The bank prepared to introduce a new flexible system, and began shifting away from the traditional to a new system from 2000. Finally, in 2002, Grameen Bank was completely transformed. The old system came to be called Classical Grameen or Grameen I. The new system was named Grameen Generalized System or Grameen II, and was designed to deal with both normal and disaster situations.

Several changes were made under the new Grameen II system, including basic loan, flexible loan, bridge loan, and educational loan. But most important were the changes made to the savings system. Special individual savings accounts and personal individual savings accounts were set up for all members of the bank. The Classical Grameen

“group loan fund” came to be fully converted to personal savings.<sup>53</sup>

#### **2.4.2 Savings more than requirement**

In Grameen II, or the “Generalized System” of the bank, the loan operation system is more flexible for the members. According to *Grameen II Diaries* “in the original version of Grameen, copied by all other microfinance institutions, members were required to save a small amount of money each week, deposited into a group-owned account. These deposits could not be withdrawn until the members had held their accounts for 10 years, or relinquished their membership of Grameen Bank.”<sup>54</sup> But under Grameen II a personal passbook savings account allows Grameen members to save a little amount each week, and they can withdraw money from this account as they wish at the weekly meeting. Many members used their savings to manage cash-flow management problems. This was the first time the access became flexible for the members. “It was easy to save a little each week into a resource that could be tapped at will for any purpose”.<sup>55</sup> Members can withdraw two or three times a quarter. For introducing this easy use of a personal passbook savings account, savings activity rose dramatically. There are now approximately 20 million microfinance customers in Bangladesh; this is no trivial development.<sup>56</sup>

Here *Grameen II Diaries* explain that Grameen members have many advantages due to the new Grameen II savings system. First, under this system individual savings are more flexible than the group fund savings system. According to previous rules those members who wanted to use group funds for their urgent need had to get permission from all the members of the group. In that case, if all the members did not give the permission the member could not use the group fund. Further, if the member’s

relationship with the rest of the group was not good, she would face problems using the group fund. With the individual savings system in Grameen II, all those problems are solved, and the group's liability is not as big, as members can withdraw money as they wish.

Second, the members of the groups can take out a loan together. Under the old system of Grameen Bank, it was only after one member repaid the loan that another member could take one out. Loans were given in turn to the members of a group. But under the Grameen II system, all the members of the groups can take loans within a short time of each other. As an area manager said, "If a group has 10 members, then first two members can take out loans. All members of the group can get their loan within two weeks or at most one month." So after the introduction of this new individual savings system members can easily get a loan.

Collins reports that those advantages were obtained thanks to the introduction of savings in Grameen II. However, it is important to note that the savings are mandatory. As *Nitimala* clearly describes and my own research has indicated, in the new savings system, individual savings are mandatory for all Grameen members. Savings are required to take out a loan. In my field work I saw that the bank workers encouraged their members to deposit more money in their mandatory savings account than the rules require.

I collected data on the amount of money saved by the 100 women I interviewed. Here is a chart showing how many Grameen members deposited money more than the required amount.

Village	Less	Equal	More
Ajimpur	1 member	3 members	21 members
Shakpura	1 member	4 members	20 members
Pahartoli	0 member	1 member	24 members
Jobra	0 member	2 members	23 members
Total	2 members	10 members	88 members

Apparently, most members, regardless of which village they were from, saved more than the required amount. The bank workers tried to push their members to save for their future. In the center the officer told me, “We encourage our members to save as much money as possible. It’s called “profit for them”. In the future if they have any problems, they can use their savings.” I talked to the members about savings. Some said, “It is to our benefit. Because if we save a little in the bank, we will be able to use it if there is a family emergency.”

These savings not only benefit the members but also the bank. This money provides a safeguard for the bank, because if a member does not pay her debt, the unpaid debt can be taken from her savings. Furthermore, additional loans to members are given based on the amount of savings they have. The more money somebody has in her savings account, the bigger the loan she can take. That is why the bank workers encourage and push members to save as much money as possible.

Initially, a member can borrow a maximum of 15,000 taka (\$ 176) for one or two years. During this period, the member will also save money. Based on the amount she saves, she can then get a second loan. The savings can also be used in case of an emergency.

The bank manager said, “We do not give a big loan at first. The amount of the loan is increased gradually, but if somebody wants to borrow more than 50,000 taka (\$ 589) soon after becoming a member, we check how much she has saved. If she has enough savings, then we consider her. This is how we deal with loan application and fixed pension deposits. So, the savings are used for three purposes: 1) Recover unpaid debt, 2) help to get a big loan, and 3) provide a safeguard in the event of an emergency.

This savings system ensures a member does not default on her loans and also boosts the security of the family. But a member must have the ability to save enough money to benefit from this system.

### **2.4.3 Difficulties withdrawing money from savings accounts**

In the rules it is written that members can withdraw money from their savings account when they wish. *Grameen II Diaries* also show that members withdrew some of their savings two or three times every quarter. But in my field experiences, the situation was quite different. Only members with a sufficient amount of saved money withdrew money.

When a member wanted to withdraw money, the bank worker would show some reluctance in its approval. At one center meeting I attended, a member indicated that she intended to repay the loan using money from her savings account, and the officer responded, “There will be no money left if the money is used this way. In the last few weeks, you repaid the loan installments using money from your account.”

With regard to withdrawing money, one bank worker told me, “If there is a tendency to withdraw savings money, there will be no balance of savings.” The bank workers try to stop members from withdrawing money and insist that they repay the

loan installment in cash.

Borrowers want to use their savings not only for repaying their debt but also for personal purposes, too. On this point, one bank worker told me, “Sometimes a borrower wants to withdraw money suddenly. In some cases, the husband has asked her for the money. Sometimes they come to the center with their husband. But I tell them that money cannot be acquired immediately. If I give money because her husband came to the center, other couples will do the same. As a result, the rules will not be followed.” A similar case can be found in a Karim interview, where the manager says, “Poor people have so many wants. If we don’t keep them on a tight leash, fiscal discipline will break down”.<sup>57</sup>

At another center I heard a story of a bank worker behaving very rudely toward an older member after she asked to withdraw money for repayment of her weekly installment. When she asked for 1,000 taka (\$ 11) from her savings account, the bank worker got angry and said in a loud voice in front of other members, “Get out of here, and bring the money before 2 PM.” (Members have to go to the branch office to withdraw money from their savings account.) So, she had to hurry to make it back by 2. The bank worker threw her bankbook (which is used to keep accounts). She told him, “You are the same age as my son, how could you say this? In this center everything is ours. We made the center and bought all the chairs and tables with our money.”

When the member told me this story, she was about to cry. She said to me, “I am a senior member of this center. How could he threaten me like that? If he acts this way again, I will keep him tied to the chair and locked inside the center house.” The bank worker and the manager laughed when they heard her say this. When the manager asked the bank worker about the matter, the bank worker said, smiling, “I told her that after

bringing the money she should get out.”

In the course of interviewing members, I realized that withdrawing money is not as easy as the Grameen Bank’s rules make it seem. Bank workers behave rudely and in doing so, try to stop members from withdrawing savings.

The economic conditions of the members are not the same all the time. Most of the Grameen members I interviewed said that sometimes they borrow money from their group’s members or relatives and other people they are connected with informally to repay their weekly installment when they have a financial problem, especially on rainy days, when work is not readily available. However, one point that was perplexing was why would members borrow money for repaying their loan even though they had a savings account?

There are two answers. First, members cannot use their savings as they wish. Second, “enforced”<sup>58</sup> savings is an extra burden for the poor members. Later I will explain how the members used their loan money for their household expenditures, because this will throw light on the matter. Furthermore, banks in Bangladesh have the experience of natural disasters. This experience led to improvements by banks in their savings system.

In *Grameen II Diaries*, the bank worker also worried about the balance in the savings account because unlimited withdrawals would push the balance too low for comfort.<sup>59</sup> That was why at an early stage of savings practices the bank workers rejected almost all requests for withdrawals. But members gradually became frustrated that they could not retrieve money from their own account and grew reluctant to put money in their savings account. This led the bank to consider an alternative. In 2004 the Grameen headquarters informed bank managers at every branch about a new rule on withdrawal.



“You may withdraw cash from your personal savings at any time” was the rule, and this was printed on every page of members’ bankbooks.<sup>60</sup>

However, the new rule was not applied in all cases. The bank workers were now willing to consider withdrawals by members who have a balance equal to or more than the amount of the loan. But in the case of members who did not have enough money saved, the bank would not consider their request. In one center I visited, some members asked the bank worker about how much money they have in our savings account. They wanted to know if they had enough money saved. They also understood that not having enough in the bank would mean the bank would not approve a large loan. This rule is the norm for members now. They know the practices of the bank. That is why the members also try to maintain a savings balance. So it is clear that the bank has the rule on mandatory savings as collateral, to be used in recovering outstanding debt.

### **2.4.3 Attracting members through the pension scheme**

In 2000, Grameen Bank launched its pension scheme (GPS) system. Members who take out a loan of 8,000 taka (\$ 94) or more must have a 50 (less than \$1) taka GPS account for five or ten years, depending on the scheme they are enrolled in.<sup>61</sup> The GPS system has since changed. A GPS account is no longer compulsory for members who take out loans of 8,000 taka or more. Members who wish to open an account can do so with 50 taka, as was previously the case. Members who enroll in a five-year scheme get 10%, 8%, to 6% interest (the rate decreases with time), and members who enroll in a 10-year scheme get 12% to 9% interest.

According to *Rin Nititmala*, members who open a GPS with more than 50 taka can have their loan ceiling raised 500 taka (\$ 5.8) for every extra 50 taka they have in their account after six months. But if subsequent applications for a new loan or higher loan are made, only the portion of GPS money not taken into account initially can be considered.<sup>62</sup> That means that in order to take out a bigger loan, members need to increase the amount of money they have in their GPS account. I have already shown how the GPS account is related to an increase in the loan volume. Both the bank and the members benefit from having a GPS account. In my field experience, I found that the bank encourages members to open a GPS account.

Grameen Bank's GPS account operations began to grow in 2003. The savings balance continues to be good because the savings accounts are combined with the GPS accounts. The GPS has attracted many people. Some who are not poor seek membership in Grameen because of it. Members who have joined Grameen expressly to access a GPS, members who hold several accounts, and members who try to avoid taking loans, argue that putting money in a GPS is far better than using spare cash to pay off short-term loans (because of the interest they can receive by saving the money). At the end of 2004, for the first time Grameen Bank's total deposits exceeded loans outstanding. The Grameen II savings increased from \$146 million in mid-2002 to \$344 million at the end of 2004.<sup>63</sup>

Now I show the number of members in my study who have GPS accounts and the amount of their deposits.

Amount in GPS account (taka)	Number of people
0	2
50-500	52
501-1000	24
1001-1500	6
1501-2000	6
2001-2500	3
2501-3000	3
3001-4000	1
4001-5000	1
5001-5500	1
5501-6000	1
TOTAL	100

As can be seen, all but two members, or 98%, have money in their GPS account. Of the two who have nothing in their account, one is the wife of a rickshaw puller who earns between 200 (\$ 2.3) and 300 taka (\$ 3.5) daily. She has a 10,000 taka (\$117) loan for one year. Every week she pays 250 taka (\$ 2.9) for her loan installment and deposits 30 taka (\$ 0.3) as her mandatory weekly savings money. In total, she pays 280 taka (\$ 3.3) every week. After paying this money, she has no money left to put in her GPS. Her income is very low and she can barely survive.

The other member was, until her husband's death, a regular member of the bank. A year after her husband died, she borrowed 5,000 taka (\$ 58) for one year for her son's work. Her weekly installment is 125 taka (\$ 1.4) and her mandatory weekly savings is 50 taka. Her total weekly payment is 175 taka (\$ 2). But now she has nothing in her

GPS account.

Judging from my field experience, it is very likely that members with less than 500 taka (\$ 5.8) in their GPS account are married to somebody who has a job with no security, like a rickshaw puller, day laborer, or peddler. These women can save only a little. Those members with GPS amounts between 500 taka and 1,000 taka (\$ 11) are generally married to somebody with a regular job but not a very high income. They could be called the rural lower middle class. People whose GPS amounts are between 1,000 taka and 2,000 taka (\$ 23) are married to somebody with a regular income and can be called the rural middle class. And finally, those with 2,000 or more taka have a business or a steady job and could be called the moderately rich rural clients of the bank.

So, here we see that all members, poor and rich alike, have a GPS account. Poor people also have a GPS, though the amount in the account is small. As Rutherford said, poor people like to use deposits for their “spare cash.”<sup>64</sup>

In one interview, a member said, “A small amount of money cannot be stored in the house. It is better to deposit it into the bank; it will be useful for the future.” Poor people like pension plans more than other types of accounts. In my study, most of the members said they deposit money for future events and security, like the marriage of a daughter, a son’s higher education, building a house, and the overall future security of family members.

GPS has long been favored because it gives interest and can be opened with just a small amount of money. Most commercial banks do not let people open accounts with such a small amount. As Rutherford said, Grameen II included GPS accounts, just like commercial banks. The fixed deposit system of commercial banks is very popular

among middle and wealthy classes in Bangladesh.<sup>65</sup> So it can be said that the Grameen Bank II system provides poor people with a means of doing this.

I also found that most poor rural women have no knowledge about the Central Bank (government bank). Some of them knew about it but did not have easy access. The banks are far from the village, and there are also many official documents that need to be completed. Most rural women are illiterate, so filling out these documents is very troublesome for them. In the case of Grameen Bank, the bank officer prepares the entire document and members only need to sign it. This is easy for them. They can also get loans from the bank, so opening an account in the same bank is easy. The GPS interest rate is higher than that of the Central Bank. Central Bank gives 8% interest on deposits, while Grameen gives 10%.

Some members know about the Central Bank, but they chose Grameen Bank because they have loans from it. Though GPS is not compulsory, the GPS account money counts when applying for a big loan. Thus, those members who run a business make use of the GPS system to obtain bigger loans.

It is clear that those who have taken out or need a loan have opened a GPS deposit account. Poor people open a GPS thinking about the future, and small business owners open a GPS account to increase the amount of money they can borrow. Moreover, wealthy members also have GPS accounts. The demand for GPS is not limited to poor people. A woman cannot open a GPS account if she does not take out a loan, so she may join the bank and take out a loan just so she can open a GPS account, even if she does not need a loan. After taking out the loan, she will use that money for her family.

Many other studies, including a longitudinal study of a group of Grameen members known as the *Grameen II Diaries* by a group of researchers, including Rutherford, also

have found that some women only join the Bank for the GPS.<sup>66</sup> In my study, too, some members joined the bank only to open a GPS account. They said that when they expressed interest in joining the bank to open a GPS account, the bank officer told them, “You cannot be a member of the bank with just a GPS. To maintain a GPS account, you must borrow money from the bank.” The bank worker insisted that they borrow money. These kinds of members take a small loan for this purpose. Here I present a conversation I heard between the bank manager and a new member.

#### Example 1

Manager: You cannot just have a GPS only, you have to take out a loan, too. Take a loan of 15,000 taka (\$ 176). Any amount below this, and the loan will not be approved.

Woman: I'm not able to take out a big loan. And what will I do with the money I borrow?

Manager: We cannot give you a smaller loan.

Woman: I only want to become a member for the GPS. If I need a big loan, I will take it out later.

Manager: Okay. Then take out a 10,000 taka (\$117) loan.

Woman: No.

Manager, Nowadays, 10,000 is not a lot of money.

Finally, in the face of the pressure from the bank manager, she borrowed 10,000 taka.

In this conversation it is clear that the bank manager insisted that women who want to join for the GPS must take out a big loan. Finally, the savings and GPS deposits ensure the bank's security. The bank lends to people who have the ability to pay the bank the required insurance fees.

### Example 2

I noticed that the Grameen Bank workers usually push wealthier people to take out a big loan, even if they do not need it. One of the women I interviewed told me she took out a 10,000 taka loan when she applied to open a GPS account. Her husband has a garage for car repairs. He knew about the GPS and told his wife to join the bank so she could open a GPS account and that he would pay the loan installments. She took out a 10,000 taka loan. The couple has four daughters. The oldest daughter is working in a private company as a computer operator, and the second and the third daughters work in the police department. The youngest daughter is studying to be an engineer. She used the loan to cover the costs incurred when her daughters got a job.

### Example 3

In Village one member said she first joined the bank only for the GPS and that she borrowed 3000 taka (\$ 35) for that reason. But one year later she borrowed money for her son's medicine shop. I noticed that members who joined the bank only to open a GPS account were not the poor people targeted by Grameen Bank in the rules.



A Grameen member with GPS account book.



Grameen Pension Scheme (GPS) book.

These three episodes clearly show that families with money have no problems getting a loan and opening a GPS account. However, other families have a problem

getting the loan needed for GPS. I present an example of one such family below.

One woman told me she only joined the bank to open a GPS account. For this purpose, she borrowed 5,000 taka (\$ 58). She could not borrow a lot of money because she wouldn't be able to pay the installments. One year later, her family's expenditures increased, it became hard to make ends meet, and she wanted to leave the bank. But the bank forced her to take out another loan. She remained a member of the bank for another year. She did not want to continue her membership in the bank because she did not have surplus income. Her husband has a tailor shop with a few employees, so he has to pay their salaries. They also have one son and one daughter, which means they have education costs. The boy is 13 years old, and he has a heart condition. They spend a lot of money for his treatment. She said, "I am struggling to do all of this, and the loan is extra pressure on me. Also, I have to attend meetings every week, which interferes with my housework, too. It is only for the GPS that I am paying the loan installment money." When she talked to me, the bank manager was also there. The manager looked very embarrassed and assured her he would solve the problem.

So from this interview, I understood that bank workers sometimes push their members to borrow money for the GPS account. Members want to keep their GPS account so cannot cancel their membership, and this situation is very stressful for them. They feel trapped and feel they have no other choice than to take out a loan. But in Grameen II there is a deposit system for non-members too. Non-members do not need to borrow money from the bank to open a GPS. However, bank workers generally do not mention this to rural women, because they worry that too many people will open a GPS without becoming members. The bank benefits when the number of members increases. When somebody becomes a member, both sides profit. The bank gains when



loans are taken out and money is deposited. Although GPS deposit is not compulsory, in my field experience in practice it is compulsory.

So it is clear that the bank's intention is to increase the number of customers, especially wealthier customers who are not a risk.

#### **2.4.4 Insurance for members**

Beside the mandatory weekly savings, the bank also has an insurance system for members, but it is not compulsory. The money for the loan insurance is paid by members on the day of the loan disbursement. Interest on the loan insurance savings is not paid to the members but is used to create an insurance fund (*Rinbima shonchoy thohobil*). When a member dies, the bank recovers the member's unpaid debt from her loan insurance. If the member's unpaid debt cannot be recovered from her insurance money, the bank covers the remaining debt from her savings and pension accounts. Then the remaining balance is returned. It is an improvement of Grameen II over the previous system. Before the loan insurance system was made, if any member died, her unpaid loan would be paid by family members. Members were told on the day of the weekly meeting that if a member died, the bank worker would take the money on that day from her family members. And if the member's husband died, the bank worker still insisted that she pay on schedule. I heard somebody say, "Money was taken from a member's dead body." Nowadays, this does not happen. In one interview, a member said that after her husband died the bank waived her 30,000 taka (\$ 353) debt. And this debt was recovered from the members' loan insurance money. Also after the death of a bank member's husband, the bank contributed 1,500 taka (\$ 17) to the widow.

This system benefits both the members and the bank. The members who take out

insurance have a sense of security about the future. The bank feels this minimizes risks. For example, if somebody borrows money, she has the ability to pay the other expenses connected with the loan, like mandatory savings and insurance money. Though under the Grameen II system weekly savings are mandatory, in my study area almost everybody paid the loan insurance money. All the members said that at first, it was hard for them because of all the fees and costs. Initially a lot of money was needed. Saving money is not a burden for those members who have a regular income or established business.

#### **2.4.5 Loan against savings**

As I have explained, the amount of savings a member has is important for getting a loan. A total of 88% of the people I interviewed had saved an amount that was above the minimum requirement. And some members had saved much more.

The following data details the savings payments and deposits in taka of the top five among 100 members in terms of weekly savings.

Name	Amount of basic loan	Amount of business loan	Weekly Installment for basic loan (Loan and Interest)	Weekly Installment for business loan (Loan and Interest)	Weekly savings (Basic loan and business loan)	Minimum required weekly savings
Jhumur	80,000 (\$ 942)		2,000 (\$ 23)		300 (\$ 3.5)	30 taka (\$ 6.3)
Sokhina	120,000 (\$1414)		3,000 (\$ 35)		400 (\$ 4.7)	50 taka (\$ 0.5)
Jahanara	350,000 (\$ 4125)		8,750 (\$ 103)		500 (\$ 5.8)	50 taka (\$ 0.5)
Rabeya	400,000 (\$ 4714)	200,000 (\$ 2357)	10,000 (\$ 117)	2,800 (\$ 33)	800 (\$ 9.4)	100 taka (\$ 1.1)
Rima	100,000 (\$ 1178)	200,000 (\$ 2357)	2,500 (\$ 29)	5,000 (\$ 58)	1500 (\$ 17)	80 taka (\$ 0.9)

These members saved eight to ten times more than the bank required. The amount of their loan was also big, too. Actually they all have well-established businesses and send their sons overseas. That is why they have the ability to save so much money.

As researchers (Chowdhury 2007, Fernando 2006 and Karim 2011) note, the microfinance NGOs, including Grameen Bank, are now interested in the moderately rich.<sup>67</sup> The big amount of weekly savings enable them to take big loans. Even those members who do not have enough savings are able to get big loans, as the records I have collected show. The reason lies in the fact that they have good performances in their GPS.

The following data are from those members with smaller amounts of weekly savings (in taka.

Name	Amount of basic loan	Amount of business loan	Weekly installment for basic loan (Loan and interest)	Weekly installment of business loan (Loan and Installmen)	Weekly savings (Basic loan and business loan)	Minimum required weekly savings	GPS And FD
Niru	120,000 \$1,414	300,000 \$35.36	3,000 \$35	4,200 \$49	100 \$1.10	100 \$1.10	700 \$8
Madhobi		120,000 \$1,414		3,040 \$35	60 \$0.70	50 \$0.50	200 \$2.30
Shopna	50,000 \$589	50,000 \$589	1,250 \$14	1,250 \$14	50 \$0.50	40 \$0.40	2000FD \$23 200,000 \$2357
Champa	100,000 \$1,178	40,000 \$471	2,500 \$29	560 \$6.60	50 \$0.50	50 \$0.50	800 FD \$9 170,000 \$2,003
Kakoli	12,000 \$141		250 \$2.90		50 \$0.50	50 \$0.50	400 \$4.70
Aroti	60,000 \$707	100,000 \$1,178	1,500 \$17	1,400 \$16	60 \$0.60	60 \$0.60	800 FD \$9 10,000 \$117
Chameli	100,000 \$1,178	100,000 \$1,178	2,500 \$29	2,300 \$27	50 \$0.50	60 \$0.60	1000 \$11
Shikha		100,000 \$1,178		2,500 \$29	30 \$0.30	30 \$0.30	800 \$9
Shyla	200,000 \$3,257		5,000 \$58		60 \$0.60	50 \$0.50	1300 \$15
Jhuma	36,000 \$424	30,000 \$353	900 \$10	420 \$4	50 \$0.50	40 \$0.40	200 \$2.30
Lili	40,000 \$471	40,000 \$471	1,000 \$11	1,000 \$11	50 \$0.50	40 \$0.40	1500 \$17
Jobaida	50,000 \$589	100,000 \$1,178	1,250 \$14	520 \$6	50 \$0.50	50 \$0.50	600 \$7
Nahar	60,000 \$707	50,000 \$589	1,500 \$17	1,250 \$14	50 \$0.50	50 \$0.50	2500 FD \$29 200,000 \$2,357
Aysha	20,000 \$235	150,000 \$1,767	500 \$5.80	3,750 \$44	60 \$0.60	65 \$0.70	1500 \$17
Moyna	130,000 \$1,532	250,000 \$2,946	3,250 \$38	6,250 \$73	100 \$1.10	100 \$1.10	6000 \$70
Sukhi	120,000 \$1,414	150,000 \$1,767	3,000 \$35	3,750 \$44	100 \$1.10	100 \$1.10	2300 \$27
Kabari	60,000 \$707	45,000 \$530	1,500 \$17	1,125 \$13	50 \$0.50	50 \$0.50	500 \$5.80
Chumki	30,000 \$353	50,000 \$589	750 \$8	1,250 \$14	50 \$0.50	40 \$0.40	400 FD \$ 4.7 36,328 \$428

Those with deposits either equal to or somewhat more or less than the amount of the weekly savings determined by the bank also have a large loan because though the amount they deposit into their savings account is not large, they make another deposit,

either into their GPS or fixed deposit account. The minimum balance for GPS accounts is 50 taka, but the members have more than that. Even those members who have less savings money have a high GPS balance. One member has 1,500 taka in her GPS account, and another has 1,000 taka. So the bank will provide a big loan. If there are any problems unpaid debt can be covered by the money she has in her accounts. So for the bank, these members pose no risk.

Only two out of 100 women did not have a GPS account. Below is data on their savings and loan portfolios.

Savings, payments of members without a GPS account (in taka)

Name	Amount of Basic loan	Amount of Business loan	Weekly installment of Basic loan (Loan and Interest)	Weekly installment of Business loan (Loan and Installment)	Weekly savings (Basic loan and Business loan)	Minimum requirement of weekly savings	GPS And FD
Nur	5,000 \$ 58		125 \$ 1.4		50 \$ 0.5	10 \$0.1	0
Meri	10,000 \$ 117		250 \$ 2.9		30 \$ 0.3	10 \$ 0.1	0

Although the two have no GPS account, they have weekly savings and are saving more than the minimum required. Their loan is not big by comparison with those of other members of the bank. However, it seems that even a small amount of weekly savings can be the bank's security for loan rendering. If they do not pay the installments, their group must take the responsibility of the members.

#### 2.4.6 Loan volume and savings

As we have seen, the weekly savings and the GPS amount are closely related to the loan operations of Grameen Bank. But there is another rule in Grameen Bank's loan

operations whereby the loan volume can be set without taking into account a member's savings amount. Now we will see how this is done. One or two years after taking out their first loan, the total amount of money loaned to individual members and the center as a whole is looked at. Members who have repaid their loan installments on time and in full can get a 10% increase on their loan total. The performance of the other groups, however, is also taken into account in the decision. The ceiling may only be increased by 5%, for example. Depending on the loan repayment record of all the groups, members can also get additional loans. In this way, Grameen II reintroduced rules that took into account the performance of the group in decisions on how much individual borrowers could take out. In my field work, members were told that to get approval for a large loan of 50,000 taka (\$ 589) or more, all of the members of the groups at the center must sign the loan document. In other words, if the member cannot make her loan installment all the members at the center will be responsible for her unpaid debt. These rules are unchanged. Classical Grameen rules are still part of the Grameen II system.

#### **2.4.8 Collateral-free with conditions**

The bank has always claimed that it does not require collateral of any kind from its members. But in practice, this is not the case. By analyzing the rules of the bank and my field experiences, I realized that the mandatory savings money, deposits, and rules that the individual with her group are all in a way collateral for taking a loan from the bank. According to Karim, there are three kinds of unstated collateral: (1) built-in financial safeguards; (2) the community as fiscal enforcers; and (3) the instrumentalization of shame as a loan recovery technology".<sup>68</sup>

Since the beginning of Grameen Bank, collateral was part of the microcredit program. In this context Rahman 1999 said that Grameen Bank is the first money-lending institution in Bangladesh that sets a group-based social collateral system against material collateral in its lending among poor rural people. The conventional model of a lending system demands material collateral from its borrowers. The rural poor people, especially rural women, have no ability to give material collateral, and because of this they are always excluded from institutional credit facilities. The introduction of the “group-lending” system for the poor rural women became a new lending model. This system creates a joint liability of lending system. The groups are responsible for the loan debt of other members. So, this group lending system introduces “social” collateral in the microlending program.<sup>69</sup>

But in *Grameen Bank at a Glance*, it is clearly written, “Although each borrower must belong to a five-member group, the group is not required to give any guarantee for a loan to its member. Repayment responsibility solely rests on the individual borrower, while the group and the center oversee that everyone behaves in a responsible way and none gets into repayment problem. There is no form of joint liability, i.e., group members are not responsible to pay on behalf of a defaulting member”.<sup>70</sup>

In practice, however, this is not the case. Individual repayment responsibility works when the members have enough savings and the bank can recover her debt from the savings deposit. But when the members do not have enough savings, then the group has to share in the responsibility.

Further, in Grameen Bank apart from deposits, there are some special conditions to take a big loan. When loans above 50,000 taka (\$589) are taken, a document of agreement must be drawn up. And for the special investment project (*Bisesh biniyog*

*prokolpo*) loans between 50,000 taka and 100,000 taka (\$1178), members must fill in the document titled “Acceptance to make special investment loans.” In this document the conditions are clearly written. Here I present some of the main conditions. If the loan is not repaid, all movable and immovable property of the members and the property bought with the loan money shall be transferred to that branch of Grameen Bank. Until the debt is repaid with interest, those assets cannot be sold or transferred (condition number 4).

Members cannot trade partnerships with anyone outside the extended family with the loan money of the bank (condition number 5). If a member fails to repay the loan or if there is any irregularity relating to the members, then the bank authority can take legal action against the members. The bank can confiscate a member’s property and sell and transfer it if necessary (condition number 6). In the event of natural calamities, fire, theft or other business losses, members must still repay the loan (condition number 7).

All of these conditions are the same for another Grameen program known as the Young Entrepreneur Loan for Special Investment Projects. Furthermore, there are additional conditions in cases where a vehicle is purchased. The ownership of the vehicle will remain in the name of the bank until the loan is paid. After the full repayment of the loan with interest, the name of the owner will be entered on the document.

For the housing loan agreement, it is clearly written you cannot claim ownership of the house, sell, or transfer it until all repayments on the home loan are made. If a member is unable to repay the loan installments, the bank can take legal steps against the member. In addition, the members of the center will be forced to repay the unpaid loans on behalf of that member.



The agreement on loans for higher education is the same. But with such loans, students must make their address known to the bank until they find a job. If there are any irregularities in the repayment of the student loan, the bank will be able to take the necessary steps to inform the company where she or he is employed. Members who agree with all of these conditions will then sign the agreement paper.<sup>71</sup>

According to *Grameen Bank at a Glance*, “Grameen Bank does not require any collateral against its microloans. Since the bank does not wish to take any borrower to the court of law in case of non-repayment, it does not require the borrowers to sign any legal instrument”.<sup>72</sup>

It is clear that the information contained in *Grameen Bank at a Glance* and the actual rules are totally different. In the rules, it is clearly stated that the bank can take legal steps against a member in the case of non-repayment. Now we can say the bank has both kinds of collateral—the “social” group based and material, i.e., savings and agreement.

#### **2.4.8 Total savings of my study village**

After the shift from the Classical Grameen to the Grameen Generalized System (Grameen II) was completed at the end of 2002, the bank’s 292 branches made a surplus. Dr Yunus predicted that in 2003 the total deposits under the Grameen II system would increase more than the outstanding loans. In the future the bank would not need to borrow money for its own funds. It could run a normal credit program with its own deposits and even make surplus.<sup>73</sup>

I also collected data on how much the people in the villages I visited saved. These figures throw light on the difference between the bank loan disbursement and loan

outstanding and the amount of deposits. Below is the chart of loans and savings of the villages.

Table 1 Jobra Village loan and savings data (in billion taka)

Year	2010	2011	2012	2013	2014	2015
Loan disbursements	11.36	12.99	13.19	14.12	14.70	15.52
Loans outstanding	4.25	4.67	4.83	5.15	5.26	5.51
Members savings	10.70	10.97	11.87	13.38	15.004	16.96

Table 2 Ajimpur Village loan and savings data (in billion taka)

Year	2010	2011	2012	2013	2014	2015
Loan disbursement	7.27	7.90	9.60	9.50	11.77	12.35
Loan outstanding	4.50	4.56	5.25	5.49	5.94	7.39
Members savings	7.38	8.14	10.66	12.38	14.58	16.39

Table 3 Pahartoli Village loan and savings data (in billion taka)

Year	2010	2011	2012	2013	2014	2015
Loan disbursement	76.08	96.02	92.78	98.75	99.56	111.37
Loan outstanding	55.14	48.46	55.58	58.41	54.94	64.92
Members savings	92.59	85.86	96.99	111.79	128.82	118.11

Table 4 Shakpura Village loan and savings data (in billion taka)

Year	2010	2011	2012	2013	2014	2015
Loan disbursement	105.55	116.53	128.05	137.85	143.55	154.76
Loan outstanding	67.19	73.74	72.52	84.25	82.10	86.96
Members savings	112.09	138.55	155.75	185.05	220.15	222.88

In Jobra Village, we can see that in the four-year period from 2010 to 2013 total savings are a little less than loan disbursements and loans outstanding. However, after that the savings increased in 2014 and 2015. In the other villages the savings were more than the loan disbursements and loans outstanding. Grameen Bank's *Annual Report 2016* shows that in a total of 83.57% branches, the savings exceed the loans outstanding.<sup>74</sup> As noted in *Grameen Bank at a Glance*, "Grameen Bank's growing amount of deposits will be more than enough to run and expand its credit program and repay its existing loans".<sup>75</sup>

## **Conclusion**

This is why Dr Yunus said that the bank's future is secure and that it would be able to run its own fund without outside capital. The savings and deposits of members and non-members are the bank's capital. Grameen Bank has no need to borrow from another source. For this reason, the bank workers give priority to increasing the savings and deposits. In all the branches the bank workers insist members save as much money as possible. By doing so, the bank is able to recover unpaid loans and be safe from any risks. Grameen II savings strategy is successful.

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## **Notes**

1) World Bank (2015).

2) *Bidhimala* (2013).

3) Garibay et al (2010).

4) *Bidhimala* (2013).

5) In the mid-1980s, Friday was a holiday in Bangladesh because most of the citizens of this country are Muslims and Muslims consider Friday to be special from a religious point of view.

6) Dowla et al. (2006), pp.18-19.

- 7) *Bidhimala* (2013).
- 8) Ibid.
- 9) *Grameen Banker Rin Nitimala* (2013), pp.58-60.
- 10) Yunus (2007), pp.57-59.
- 11) *Bidhimala* (2013).
- 12) Karim (2011), p. 75
- 13) Eicher et al. (2010), p.8.
- 14) Karim (2011), p. 75.
- 15) Todd (1996), p. 14.
- 16) Rahman (1999), p. 98.
- 17) *The Daily Star* (2015).
- 18) Eid ul-Azha (Eed Al-Adha in Arabic) means “Festival of Sacrifice”. It is the second big festival of Muslim people. On that day Muslim families who can afford to sacrifice (Qurban) ritually acceptable animals such as sheep, goat, camel, or cow, do so and then divide the flesh equally among themselves, the poor, and friends and their neighbors. Sultan (2016).
- 19) Food for Work (FFW) program launched by the government in 1975 when people in Bangladesh were starving due to high food prices and rural unemployment. This is to ensure the availability of food grains in rural areas and at the same time create job opportunities and provide food grains as wages instead of paying cash for the labor. Ahmed et al. (1995), p. 46.
- 20) Zakat/Fitr is an Islamic relief. During Eid ul-Azha (Eed Al-Adha in Arabic), a family donates that skin or the money from selling the skin of the animal to the poor after sacrificing it. Sultan (2016).
- 21) A program taken with the help of the World Food Program (WFP). A card was issued to registrants to help victims of war, floods and famine in the 1970s. This program has been taken mainly improvement to the lives of the extremely poor households. The VGD program has evolved over time to focus on helping poor women came out of poverty. This program is of two types, one is Food Security Vulnerable Group Development (FSVGD), the other one is Income Generating Vulnerable Group Development (IGVGD)  
(<http://fpmu.gov.bd/agridrupal/content/vulnerable-group-development-vgd>).
- 22) Fernando (Ed.) (2006), p.213.
- 23) Karim (2011), p.74.
- 24) *Bidhimala* (1978), p.13.

- 25) Ibid. (2013).
- 26) Rahman (1999), p.73.
- 27) Karim (2011), p. 71.
- 28) Ibid., p.43.
- 29) Rahman (1999), p.83.
- 30) Dichter et al. (Ed.) (2007), p. 196
- 31) *Bidhimala* (2013).
- 32) Ibid.
- 33) Rahman (1999), p.88.
- 34) Ibid., p. 87.
- 35) *Bidhimala* (2013).
- 36) Ibid.
- 37) Rahman (1999), p. 86.
- 38) Karim (2011), p. 58.
- 39) Rahman (1999), pp. 58-59.
- 40) Ibid., p. 8.
- 41) *Grameen Banker Rin Nitimala* (2013), pp.1-58.
- 42) Ibid., p.1.
- 43) *Grameen Bank Annual Report* (2016), pp. 7-8.
- 44) Ibid. (2014), p. 11.
- 45) Ibid. (2016), p. 31.
- 46) *Grameen Bank at a Glance* (2016), p.8.
- 47) *Grameen Bank Annual Report* (2016), p.8.
- 48) *Grameen Banker Rin Nitimala* (2013), pp. 1-10.
- 49) Ibid.
- 50) Ibid.
- 51) Dowla et al. (2006), p.74.
- 52) Ibid., p.140.
- 53) Yunus (2007), pp.62-63, Dowla et al. (2006), pp. 137- 159.
- 54) Collins et al. (2009), P. 158.
- 55) Ibid., p.162.

- 56) Ibid., p.155.
- 57) Karim (2011), p. 44.
- 58) Ibid., p. 73.
- 59) Collins et al. (2009), p. 161.
- 60) Rutherford (2004).
- 61) *Grameen Banker Rin Nitimala* (2005), pp.10-11, Rutherford (2004).
- 62) *Grameen Banker Rin Nitimala* (2013), pp.1-60.
- 63) Rutherford (2004).
- 64) Ibid.
- 65) Ibid.
- 66) Ibid.
- 67) Chowdhury (2007) p.97, Fernando (Ed.) (2006) pp.187-238. and Karim (2011) p. 74.
- 68) Karim (2011), p. 74.
- 69) Rahman (1999), pp.77-78.
- 70) *Grameen Bank at a Glance* (2016), p.2.
- 71) *Grameen Banker Rin Nitimala* (2013), pp. 62-96.
- 72) *Grameen Bank at a Glance* (2016), p.2.
- 73) *Grameen Bank Annual Report* (2002), p.5
- 74) *Grameen Bank Annual Report* (2016).
- 75) *Grameen Bank at a Glance* (2016), p.4.

# Chapter Three

## Loan Disbursement and Loan Recovery

### 3.1 Loan control and loan use

In Grameen Bank 98% of the members are women. Grameen Bank targets poor rural women because they are deprived of many social benefits and face hunger and poverty more than men. The bank seeks to improve their condition by lending them money. The founder of Grameen Bank, Muhammad Yunus, said, “Money going through a woman in a household brought more benefits to the family as a whole than money entering the household through a man”.<sup>1</sup> That is the reason Grameen Bank chose poor rural women as its target. But do women actually have control over this loan? Can they use the loan money for themselves?

Several studies (Goetz and Gupta 1994, Rahman 1999, Karim 2011, Alam and Molla 2011) have looked at whether women have control over loans. Goetz and Gupta found that women have full or significant control over their loan in 37% of all cases, limited control in 17%, partial control in 24%, and no control in 22%.<sup>2</sup> Rahman found that in 217 cases, 7.8% controlled their loan, and 5% had joint control with their husband. By contrast, husbands had control in 59.9% of all cases, and the sons had control in 18.9%.<sup>3</sup> Karim found that in 3% of 158 households, women used the loan by themselves, in 6.3% they controlled the loan money jointly with their husband, and in 89.8% the husbands controlled the loan money.<sup>4</sup> Alam and Molla found that in 10.6% of 537 households, women used the loan by themselves, in 84.4% male family members had used the loan money, in 2.0% third party had used the loan money and 3.0% had no responded.<sup>5</sup> The proportion of women who had control over their loan was relatively

high in the Goetz and Gupta study and smallest in Karim's research.

In my research of 100 households, women had control only in five cases. In the remaining cases, I was told that their husband or son was in charge. I also talked with other women borrowers outside the sample group, and they told me that in their family, their husband or son used the loan. In my field work the women I interviewed all told me something similar about how the loan was used. Most thought it is natural that men would use the loan money. Women are in charge of affairs inside the house, while men are responsible for matters outside the home. The women borrowers said, "Handling money is men's work." They felt that their duty as women was to bring loan money for their husband or son. One women borrower said, "In my family, account keeping is not my work; it is my husband's. My husband brings food from the market and my duty is to cook for my family." Below I introduce examples of women who control their loan money.

### **3.1.1 Loan control by women**

All of the women I interviewed who said they control their loan partially or fully were divorced, widowed or had a spouse who lived abroad. My results for the most part concurred with those of Goetz and Gupta in their 1994 study.<sup>6</sup> But the Goetz and Gupta study did not touch on the subject of women whose husband lived abroad. Here I present some examples of women who controlled their loan fully.

Hena came back to her father's house after she got divorced from her husband. She studied up to the ninth grade and worked in a shoe shop for eight years. When she married, she stopped working. But after her divorce and return to her parents' home, she decided to do something. She joined and borrowed money from Grameen Bank and



started a small business. She opened a poultry farm. She now has a total of 3,000 hens and ducks. Her father helped her with the marketing matters. After his death, her brother helped her. Initially, she did not face problems because she made loan installments using money she had earned at her previous job. When her business started going well, she thought about starting a new business.



Hena and trees she planted for business.



Hena with center leader and assistant center leader

She had inherited some land from her father which was adjacent to her parents' house. She started a plant business with 300 trees. When I interviewed her, she proudly told me her story and looked very confident. She could do whatever she wanted. She said, "I was fine after the divorce. I could even afford to pay the 100,000 taka (\$ 1,178) for my mother's medical treatment." This woman is outgoing, has skills and support from her paternal family. That is why she can fully control her loan money and has become self-reliant.

Rubi presently borrows money for her two sons. When she first joined Grameen Bank, however, she used the money for her own business with her husband's permission. She sold saris in her village door to door. Her husband did not have a secure job and had a bad drinking habit and forced her to give him money for this. When she refused, he

would beat her badly. On the day the loan money was distributed, she had a friend come along and she told her husband the money was not for herself but for her friend. A few years later, her husband took another wife. Rubi then lived with her two sons in a different house from her husband. She continued her sari business with loans from Grameen Bank and Association for Social Advancement (ASA), another NGO. When she had difficulties making the repayments, she borrowed money from her relatives. Seven years later, when her two sons were adults, she stopped her business. She said, “When my two sons started their business, they told me, “You have worked hard for us, so relax now.” I told them I would not go door to door in the village but would only sell saris from my house. But they still would not agree. They insisted I rest. So now I borrow loan money for my sons.”

Another woman, Naima, borrowed money while her husband was abroad. She has two sons and three daughters. She told me that she lives near Grameen Bank’s *Kendro ghor* (center house) and became curious after seeing many women join. Her husband has land in front of their house, and she wanted to use the land to open an auto rickshaw garage. People in the area park their auto rickshaw in her garage. Naima says that she now has a 500,000 taka (\$ 5910) loan. She did not ask for permission from her husband to borrow money and the business was her own idea. But when he came home, he was happy to see this and supported her.

Naima subsequently expanded her business by renting two auto rickshaws with the Grameen loan. Her two sons also went abroad a few years later and now send her money, too, so she is confident that if she ever has any problems repaying the loan, she can manage somehow. Since her house is near the road, she has no trouble going to the market. She says, “Everything is very near. I do not need to go so far for shopping. I did

not have much schooling, but my daughters go to college and they help me count the loan money. Now I also know how to count.”

After our interview, the manager of the bank commented, “We do not usually get women entrepreneurs, but she herself came to the bank to take out a loan. And she is successful in her business. From the beginning her household economic condition was good, but through her involvement with the bank, her financial condition got better.”

In Jobra Village, a woman named Shila joined the bank for her husband in 1994. Her husband died two years after she joined. She told me that since her husband’s death, she has been on her own. She has no children. She lives alone. She does cane work, has some livestock, and also sells rice. When rice prices were low, she purchased a large volume of rice and sold it when the rice price rose. For example, she was able to sell rice she purchased at 100 taka (\$ 1.1) a kilogram for double that price. I asked her who helps with business decisions on when and how to buy and sell the rice. She answered that she makes the decisions, but she hires a laborer to go to the market. She also bought land with the loan money. In all she purchased 16 acres. She is now self-sufficient and successful in her business. I asked her why she still borrowed money, and she replied, “I have been alone since my husband’s death. I have been a member of the bank for a long time. When I come here, we all meet and talk together. I have a good relationship with my group members and the bank worker. I am comfortable with them and do not feel alone. That is why I am still a member.” Shila’s case is special because she has no male relatives who might interfere in her life and thus has full control over her loan money.

### **3.1.2 Loan control by male relatives; partial control by women**

In the above cases, we saw that the absence of the husband was one situation that enabled women to control their loan. This brings up the next question: Are all women who are divorced or whose husbands live outside the country able to control their loans in the same way?

Munni is one example. Munni's husband lives abroad. Before going abroad her husband had a salon shop that he established with a loan from Grameen Bank. The husband kept in frequent touch with the bank officer by phone. Munni told me that her husband decided on the amount to be borrowed and that she only went to the bank meetings for receiving and repaying the loan. In her husband's absence, his business is managed by his brother, who lives with her in an extended family.

Munni thus is not involved with and has no responsibilities for the business. In her case she has no control over the loan even though her husband lives abroad; her husband's brother has taken over her husband's business and is in control of the loan.

Another woman whose husband lives abroad is Ferdous. She says that her husband told her to join the bank and also tells her what to do with the loan money. She listens to him. She bought land and leased it to some tenants. She manages the land herself, including collecting farm rent and negotiating with the tenants on matters. It is clear that she can partially control the loan money, even if the decision on purchasing the land was made by her husband when he lived overseas. But she is in charge of the loan matters as the wife.

Women whose husbands live abroad and do not live with their husband's family have more freedom. But if they live with their husband's family, then one of the men in the family is likely to take control of the loan money. Most borrowers whose husbands

have died continue to live with their husband's family, and their father-in-law, brother-in-law, or other close male relatives help them in their business. But in such cases, they have partial control over the use of the loan money. Similarly, male members of the family control the loan money of women who have returned to their paternal home.

For example, Tahera was separated from her husband and came back to her paternal home with her two little kids. Her elder brother took responsibility for the living costs of the three of them. In 1982 she joined Grameen Bank and borrowed money for making mats from cane. I asked her who sold her handicrafts at the market and who bought raw materials. She answered that her brother did. Tahera added that he also helped her keep track of her loan payments and balance and that she was dependent on him. However, her life is easier now that her sons are working. She stopped doing cane work and now borrows money for her son's poultry farm.



Tahera's son's poultry farm on the roof of her paternal home

### **3.1.3 Full loan control by husband and son**

Most of the Grameen Bank borrowers I interviewed told me that they hand over their loan money husband or other male. I would now like to look at the conditions in which they borrow money and how the loan money is used.



Amena at her husband's poultry farm

In Shakpura Village there is a woman named Amena, whose husband has a poultry business near her house. She joined the bank for her husband's business and all of the loan money is handed over to her husband. She does not know how her husband uses the loan money; she only knows the money is for his poultry business. She helps her husband on the poultry farm. She is not conscious of who controls the loan and gets no salary for her work. She said, "There is nothing I want. I am happy if my husband takes care of our two daughters properly."

For another interview, I visited a tea shop run by the husband of a Grameen borrower.



A woman running her husband's shop with her son

The tea shop was near her house, and every day she made snacks that her husband sold at the shop. Her husband also had a lumber business where he sold trees. When her

husband could not be at the tea shop because he had to be at the lumber business, she minded the shop with her young son, who was in primary school. At such times, she would sit in the back of the shop while her son would sit in front of the cash register. She had primary school education and could keep track of the accounts with her husband. However, decisions on how the loan money would be used were made by her husband. I asked her how much money she got to help out at her husband's tea shop, and with a laugh, she told me, "I do not get any money. I do not need any money."

I asked the same question to another woman who also made snacks for her husband's shop. She answered, "We survive on the income of the shop. Why should I take money for just making snacks?"



Husband of a Grameen borrower in his own shop

Another borrower who was present at that time said to me, "We are asked to take out a loan. We get the loan and give it to our husband. Men use the loan money and they make the loan installments. Our husbands earn money, and we live on that money. How could we ask for money from that income? You (interviewer) can do it because you are earning money. If your husband does not support you, you can survive. If our husband or son does not earn a living, we cannot survive. We have to stay in their favor."

In another village, I talked to a husband and wife. The borrower's name was Runa.

Runa became a Grameen member because her husband advised her to do so. With her first loan, she bought a cow. And then when her husband started a poultry business, she borrowed money for him. The poultry farm is on the roof of the house.



Runa's house with a poultry farm on the roof.



Some chicks of the poultry farm.

Her husband said, “At first, I took out a loan from Bangladesh Krishi (Agriculture) Bank. For the application, I had to submit all the documents for my land and house to the authorities of the bank. And the interest rate fluctuated from 12% to 10% to 9%. But when I found out about Grameen Bank, I decided to borrow from here because you can get a loan easily. You do not need to submit any documents of your house or land. And you can also open a savings account and make deposits. The bank worker comes to us; we do not need to go to the bank. If you repay regularly without any problems, you can easily get a big loan. It takes a lot of money to set up and run a business. If you maintain good relations with the bank officer and follow all the rules of the bank, then you can get a big loan. That is why I suggested that my wife become a member.” Runa said, “The whole family helps out at the poultry farm.” Then I asked her in front of her husband, “What do you get out of this? Do you get any money from it?” She answered, “No, there is nothing I want. What would I do with the money? My husband takes care of all my needs. If I need something, I tell him, and he gives it to me.” Runa's husband



also stated that his wife had no need of money but always helped him in his work.

In another case I talked with a member's husband alone. The bank officer had suggested that we go to the borrower's husband's shop, interview him, and also see the shop. That indicated the officer knew who actually uses the loan money. And it was a very normal situation.

The borrower's husband told me his wife joined the bank maybe in 2007. He had a Bengali snacks and tea shop. At that time the government officials said he had to move since shops could no longer be operated on the land. He then thought he would open a big shop in another place. He discussed this with an older brother who lived in the area. His brother's wife was a member of Grameen Bank. Moreover, around that time, many women in the neighborhood were also joining Grameen Bank. On the advice of his older brother, he also became interested in joining. He told his wife to join the Grameen Bank. His wife became a member and received a 10,000 taka (\$117) loan for one year. He worked part-time at a furniture store. Over the course of the next year he repaid his loan so he could get a bigger loan next time. He cultivated a good relationship with the Grameen officer. The officer heard his story and told him that the bank could give him a 50,000 taka loan. The officer asked him whether he would make the installments, and he answered yes. He also borrowed a 50,000 taka (\$ 589) privately. The total of 100,000 taka (\$ 1,178) was the amount of his initial investment to reopen a larger tea and snacks shop at the present location two years after he had closed his former shop.



A borrower's husband at the shop that he reopened (left) and the bank manager (right).

The husband said he was really grateful to the officer and that without his help he could not have established his business. He also told me that he borrowed money from his friends too, that's why he could start and maintain his business. “Currently I have a loan of 420,000 taka (\$ 4,965), which is almost repaid. The shop has so far invested up to 200,000 taka (\$ 2,357). In business, you need money whether the business is small or big.” Then I asked whether he gave his wife anything for taking out a loan for him. Is she his business partner? He said, “No, she is not my business partner. I make all of the loan installments. I do everything. I even do all the shopping for my family. My wife just goes to the bank. She is a homemaker and takes care of my family.”

In all of my interviews, I found that women and men see eye to eye on the use of loan money of women. Both men and women feel that it is normal that men use the loan, even though the loan is taken out by the women. Almost all the women said they borrow money, but the loans are used by their husband. Even though some women do not know how their husband uses the loan money and some women help out with their husband's work they do not take a single penny for their work. In my field work some women took out loans over many years. At first it was for their husband and now it is for their son. Here I present some examples of women who now borrow money only for their son.

Khaleda has been a member of Grameen Bank for 35 years. “At first I joined the bank [to get money] for my husband’s Bangla sweets shop. But the business did not go well, and he closed the shop soon after that. Later he got a job in another sweets shop. We also did some farming. That was why we needed a loan. After my husband died, I started borrowing money for my two sons. My older son is a matchmaker and my younger son is employed at a garment factory. My older son’s income is not steady, and he can’t live just by matchmaking. He also does agricultural work, which is what he needs the loan for. I just come here to borrow money. I hand all of it over to my son, receive the installment from him, and pay it back to the bank. I don’t understand a single rule of this bank.”

Chobi started to take loan money for her husband in 1991. Her husband was a rickshaw puller. After his death she borrowed money for her two sons. She said, “When my husband was alive, I just gave him the loan money but had no idea what he did with it. I didn’t ask him about it. Now I borrow money for my two sons. They have two auto rickshaws. When they tell me to stop borrowing money, I’ll do so.” When I asked her how big of a loan it is and how much the installments are, she answered, “I do not know. I do not read or write. I am not educated.”

According to the bank manager, this woman had a loan of 300,000 taka (\$ 3,536). She told me that she always goes to the bank with her son to get the loan money. This is because in the case of large loans, the bank requires that the borrower be accompanied by a male relative.

A woman in the village of Pahartoli joined the bank so she could get a loan for her son’s meat business after her husband died. Her situation in this respect is similar to that of Chobi’s. The woman says, “My son has a big business and needed a loan for running

it. I will continue taking out loans as long as he wants me to. I don't understand numbers—I just hand over the money to my son. He counts the money and gives me the regular installment.” Then I asked, “What did your son give you for borrowing money for him?” She replied, “What will he give me? I live with him. He takes care of me. Why would he give me money? What would I do with money?”

One of the women I interviewed took out a loan for her son's side business. Dipa first borrowed money for her husband's farming and tobacco business. Her son is a schoolteacher and also has a medicine shop. She says, “I started borrowing money for his business after he asked me to.”

Many Grameen members first started borrowing for their husband and later took out loans for their son. They have been a member for a long time and are now elderly. Some of them let their daughter-in-law take over as a Grameen member. The membership and involvement in the bank in these cases passes from generation to generation.

### **3.1.4 Loan use with husband's permission**

Only seven of the hundred women I interviewed share the loan money with their husband. None of them took out a loan only for themselves. In the beginning the loan was entirely for their husband. In time they thought they could do something with the loan money and consulted with their husband. If their husband approved, a small part of the loan amount could be used for an undertaking by themselves.

For example, in the village of Shakpura, a woman named Lubna first borrowed money for her husband. Her husband has a hair salon. Her husband always used all the loan money. One day she thought of doing something. She talked with her husband and

after getting his permission she borrowed money to buy a sewing machine for herself. She had learned to sew at a sewing school, but she was not able to start a business. She said, “I thought I could start my own small business. But realistically, doing so was difficult. I have two school-age kids. Every day I get up early so I can get my kids ready for school. After that I do all the housework and I also prepare lunch for my family and my husband’s shop workers. It takes time to do all of this. I am too busy with all the housework and my kids. Sometimes I sew clothes for myself and my kids. But I don’t have enough time for a business. So, I cannot start one. My husband is repaying my loan installments. It’s really difficult to start a business when you’re doing housework. In the future, when my kids are grown, maybe I will give it a try.”

Another woman borrows money for her husband’s meat business, but she sells homemade Bangla spices from home. Most of her customers are her neighbors. Although the loan is wholly for her husband’s business, she sometimes uses the money for her spice business with her husband’s permission. She said, “My husband is understanding. I can use all of my profits and don’t have to give any to my husband. I put away money for my daughter’s future, I also have my own pocket money and occasionally when my husband’s business is not going well, I can make the loan installment with my business money. My husband fully supports my spice business. He purchases the raw ingredients from the market, and I dry them at home. He then takes them to the bazaar and has them ground.” I asked who makes the family decisions. She replied, “My husband consults with me sometimes, but the big decisions are always made by him.”

In the village of Ajimpur, which was also part of my study, one woman told me that Grameen Bank’s center house (*kendro ghor*) is close to her home, and she saw

many women gathering and borrowing money there. Her husband worked as a clerk for a judge, but his salary was not so good, and they had trouble making ends meet. She wanted to join the bank, thinking she could improve her family's circumstances, and she consulted with her husband.

She told him, "There is a bank named Grameen Bank. I hear the bank has good facilities for women. I want to join the bank, but what do you think?" Her husband said, "What would you do with a loan? If you borrow money, you'll need to pay the installments. We have children in school. Can you pay back the money?" She answered that she could. Her husband then said, "If you can pay it back, then you can borrow it." In 1988 she joined the bank and has been a member ever since.

She used the loan money to raise crops and also bought livestock and has continued borrowing money and working. She said, "My husband is a very kind and supportive person and he always listens to me. That is why I am able to do all kinds of work. I can use and control my loan money fully. She added, "Now my husband has retired, and I am old. I borrow money for my son. My son has a snack food shop in the local bazaar."

From my field study, I found that few women have control over the money they borrow. The only women who have control are women whose husband has died, lives apart from them because of a divorce or separation, or lives overseas. These women have no male to depend on. However, it is not just the physical absence of their husband or male relative serving as their "guardian" that gives women control over the loan. A number of other factors are involved, as we saw in the case of Munni and Ferdous. I list these below.

1. Engagement in traditional income-generating activities at home or in the village

2. Having an idea or skill
3. Being in a supportive environment

In cases in which one or more of these conditions exist, women can control their loans themselves.

With regard to the first condition of having a business at home or in the village, Goetz and Gupta said in their 1994 study that women can get control of their loan when they invest their loan money in jobs that women have traditionally done. Keeping poultry and other livestock, raising milk cows, having family land for crop cultivation and rice grain husking, or separating the grain and husk of rice are all seen as women's work and the products can be sold by women from their home. There are restrictions on the purchase and sale of cattle in the market by women.<sup>7</sup> However, in my study, women were involved in other activities besides the activities mentioned above, like the sale of plants and traditional wear, the auto rickshaw garage business, and the rice business. But in these cases, too, women work near their home or within the village.

Hena's case is a good example in which she has full control over her loan. She has both ideas and is willing to take the initiative. Also, her family is supportive of her. She has been able to control and use her loan. In the case of Naima, her excellent business sense and her husband's approval have been the key to her successful business and partial control of her loan.

As can be seen, control of the loan is not entirely predicated on the absence of the husband. It is also connected with the environment of the home and the woman's own ideas. Some women did not have special ideas, skills, or experience but had to take a loan because their husband was not providing for them or had died, and they needed to start a business to survive. They are in full control of the loan money. Rubi's husband

did not have a regular income and was not taking responsibility for her and her children. Her living condition was poor, and this led her to do something for her survival. In the case of Shila, her husband died and there were no male relatives on the husband's side of the family to take care of her. She thus had no choice but to borrow money for cane work, livestock, and a rice business.

In contrast, many of the women who take a loan for their husbands have no idea what their husband does with the loan money. Some help their husband's work free of charge. They believe it is their responsibility to help out with their husband's business or work. Even borrowing money for their husband is considered one of their duties. They borrow money for their husband, and when their husband retires, they borrow money for their son. The decision of whether to take out and how to use a loan is made by the husband or son. The point of the matter is that in rural society, women are not allowed to act independently. They must obtain the approval of one of their male relatives.

Moreover, women doing business with their husband's permission or using the loan money jointly with their husband use their income not for themselves but for their family. Some women use the money they make to pay back their husband's loan. As Rahman said, women who have partial or full control over their loans sometimes use the loan money jointly with their husband. Most of the time they consider their income a family resource to be used by the whole family and not as their personal income.<sup>8</sup>

All of the women with a small business said that when selling goods in the market, they depended on their husband, father, brother or other male relative. They could not do business without the help of these men. In Bangladesh the markets are fully controlled by men. And some markets, like the cattle market, are not open to women, though livestock rearing is considered women's work traditionally. The restrictions on



women participation in the marketing process hinders their self-reliance, loan control, and loan use.

Women are allowed to do work that can be done from the house. Men believe they must protect them when they go out of the house. Even among the women I interviewed, the women who look after their husband's shop or poultry farm do not have to go far from home to do so. In some cases, the husband had a poultry farm or shop, but women could not help them because of the distant location of the business. Control over the loan money is also dependent on the venue and kind of work they do.

## **Conclusion**

It is thus clear that it is very difficult for poor rural women to do something on their own. They need men to support every single stage of their life because of the structure of rural society of Bangladesh. In the patriarchal practices of rural society, women always depend on men. Most of the women thought handling money is men's work, and in such cases, they do not know the details of how the loan is used. The women who use their loan money do so because they are in a situation in which they must. They do not have a "male guardian," and they need to survive despite the patriarchal society system. It is not that they have a conscious desire for independence. Others have received permission from their husband to do something, as long as it is considered within social boundaries. The women with full control over their loan still must work within the restrictions of a patriarchal society. But those who do something can make a positive impact on their family. Their position in the family rises, as well as their confidence. In some ways, this represents progress toward self-reliance.

## **3.2 Loan repayment**

As I pointed out before, not all of the loan money is used for income generating activities. This is especially true for poorer families that need to use the money to cover household expenses. In such cases, how do these families repay their loan on time?

### **3.2.1 Sources of loan repayment**

Rahman's 1994-1995 study found that 33% of loan installments were made by women using their household investment profit, 10% were made using the loan principle, and 57% of the money repaid came from other sources, namely, relatives, moneylenders, and women in their Grameen Bank group.<sup>9</sup>

Goetz and Gupta (1994) describe a case of a woman who repaid a loan she took out but did not use for herself. Her husband was not able to make the loan installments, so the woman used the money she had saved up by cutting down household expenditures. Many Bangla women make their loan installment by selling, eggs, fruit, and homegrown vegetables or by the saving habit of cooking one "handful of rice" less than she would like to cook. When the loan repayment money comes from a woman's household income,<sup>10</sup> this results in a reduction in the family's assets. The meager amount of money women have managed to make is completely wiped out by the loan repayment.<sup>11</sup>

In my field experiences, I encountered similar cases where women repay their loan not only from their income generating work but also from other sources.

One woman whose husband has a small shop told me that when her husband had trouble repaying the loan, she sold their goat and cow and also borrowed money from her relatives, which she later paid back with interest. She also told me that when her

three sons and two daughters were little, they needed money for many different things, such as education and health care, and special occasions. The whole family was dependent on one person's income, and it was very difficult to make ends meet, let alone repay the loan. Now that her sons are grown and have their own income, it is no longer difficult to survive. Needless to say, repaying the loan is no longer a problem.

Another woman whose husband is a day laborer told me when her husband does not have enough work, she makes the installments by selling cow milk and hen or duck eggs. She also borrows money from relatives when necessary.

Still another woman, Meri, is married to a rickshaw puller and has a 10,000 taka (\$ 117) loan from Grameen Bank. She said that when money was tight, she managed to make the payments by skipping a meal a day. She also borrowed money from neighbors and relatives on occasions.

Kakoli, another bank member, is married to a man who ran a chicken stall in the local village local bazaar. She had a 80,000 taka (\$ 942) loan. Nevertheless, she told me that even with the loan from Grameen Bank, she had to borrow money from a moneylender. Sometimes, when there were more household expenses than usual, it was difficult to come up with the money for the installment. She told me, "When my daughter got married, I spent a lot of money on her wedding, so I did not have enough money to make the installment payment. To repay this loan, I had to borrow money from a moneylender. Moreover, after repaying this loan I still have to borrow more money to buy the gold jewelry I promised I'd give my daughter."

In the interviews I conducted, I found that women with no husband struggled the most to make the repayments. In Patiya, one woman I interviewed told me she became a member in 1988 but a year later, her husband died, leaving her to raise four sons and

three daughters alone. It was very difficult for her to survive. Her elder brother visited her once a month and bought her enough food for one month, and she only had to buy rice. She also borrowed money from Grameen Bank and used it to buy livestock, including a goat and cow, and pay her children's education costs. She noted, "It was difficult for me to manage the installment payments. My elder son had to quit school when he was in fourth grade and go to work. He got a job in a shop where photo frames were made. I repaid the loan with money that my son earned. Sometimes I had to borrow money from relatives, too."

In the above example, it is clear that when women are unable to get enough money together for the installment by cutting down on household expenses, they borrow money from other sources. Obviously, the new loan is not used entirely for income generating work. The women use the money both to cover their household expenses and to deal with a problem paying for something the family is facing at that time. As a result, they do not get the full benefits the loan was designed to bring them and the profits that would otherwise have enabled them to repay the loan.

It is important to note that in Grameen Bank, the decision on the loan ceiling is determined by the income of the member's husband and the economic condition of her family. In the case of poor families, the loans usually range from 5,000 taka (\$58) to 10,000 taka (\$ 117). However, this is not a sufficient amount, and in some cases women must borrow money from another source.

Almost all of the women from poor families told me that they had trouble repaying the money. In the face of such difficulties, they sold their livestock, borrowed money from a relative, and sometimes even borrowed money from a moneylender or NGO. Among the women I spoke with, two admitted they owed money to a moneylender and

NGO.

In Karim's 2011 study, 50% of the women had loans from more than one NGO. Many got loans from five or six NGOs. The reason for doing so was to pay off the debt they had incurred as a result of a loan they took out through another NGO.<sup>12</sup>

Almost all the women from a poor family I interviewed borrowed money from relatives. I also found that they commonly borrowed money from members of their bank group. When one member of the group faced problems in a loan's repayment, she borrowed money from somebody else in her group. This practice of borrowing money from other women in the group and the problems that arose as a result are described in Chapter Two.

### **3.2.2 Loan repayment gap**

Why do women borrow money from other sources? Is it that they just need to start paying the money but are unable to do so? Or is it because they need money for some other purpose? Clearly, it is not always just for repayment.

In some cases, it is because the loan is not sufficient, and they need more money. In other cases, it is because they are not able to manage the installment payment. And one reason for this is that in the Grameen Bank rule, the repayment of a loan must begin one week after the loan is taken out. If the loan is used for income generating work, how could somebody possibly make a profit in just a week?

Karim stated that in Grameen Bank it is often difficult for women to begin repaying the money they borrow just one week after investing it in something. For example, women who take out a loan to purchase a cow must begin paying back the money to Grameen Bank in a week, though it takes six months for a cow to produce

milk and more time until this milk can be sold. But the bank will not wait. In the repayment schedule, borrowers can only manage to make the installment when they have another income source such as their spouse has a regular job or stable source of income as a day laborer.<sup>13</sup>

In my field work I also asked the women who had borrowed money about how they repaid their first installment.

One woman told me, “For the first two years after borrowing money, it was really difficult for me to pay the money back to the bank. I managed the installments by borrowing money from six places.” Though she said, “six places,” this phrase actually means “numerous” sources. Essentially, she repaid her loan by borrowing small amounts from many places.

Another woman told me, “It was very hard for me to come up with the repayment money the first few weeks. Initially, I repaid the money using the small amount of money I had in my own savings. Later I borrowed from another place.” She also mentioned it was very difficult to repay the loan installment before a profit from the business was made. These remarks were made in in the presence of other group members, and some of them, upon hearing this, said that they had the same experience.

All women, regardless of whether they were from a poor family or not, agreed it is not possible to make a profit from a business in a week. Some of them told me that during the first few weeks, they paid back the money with money from their own savings and others said they borrowed money from relatives. They noted that their own experience was that it took time to establish their husband’s business. The people who started a new business required a minimum of one year to make a profit. Until then, they needed to depend on other sources to repay the money. I also found that some

women with multiple loans were borrowing more than they needed for their husband's work. Some women said they were borrowing enough money so that they can set aside some money to make their installment payment for the following week from that money.

### **3.2.3 Good family conditions**

Families whose financial condition was good because the husband had a stable income, or the family had another income source have no problem repaying the loan.

For example, Chonda is a midwife. She borrowed 50,000 taka (\$ 598) for her husband's grocery store. Unfortunately, the store could not stay open much longer. Her husband had rented the land on which the shop stood, but the landowner had given him notice that he wanted it back. He had no choice but to shut it down.

When I asked Chonda how she made her installments, she told me she could do so because she had an income and her son was sending back money from abroad. She also said that she had taken a loan from BRAC for their son's business. I asked her whether she had any trouble paying back two loans, and she told me, "No, I did not have any problems managing the repayments, because I had my own income in addition to my son's income."

I encountered many women whose husband or son lived overseas and sent money back to them. Such families did not have any problems. Often the families had a small business that they continued in the absence of the husband with the cooperation of other family members.

To my surprise, all of the families somehow found a way to repay their loans. This reflects the fact that in Grameen Bank, there are strict rules for loan repayment. This is

something I already discussed in Chapter Two. And it is important to note again that women take more responsibility for loan repayment.

### **3.2.4 Women's loan repayment responsibility**

Let us turn our attention to the question of why women take more responsibility for repaying a loan. The practice of loaning money to women has evolved over the years. As Yunus stated in his book, *Banker to the Poor*, "Grameen has come a long way since its establishment. Now Grameen Bank lends money to husbands, but only through their wives. The principle borrower remains the wife". He also comments that the relationship between the husband and wife is improved when the wife takes out a loan. Yunus notes that one man told him that he was an agriculture laborer at the time his wife, Farida, joined the bank. He went on to say, "Farida works very hard to make sure she makes every single weekly installment on time. She has not missed a single installment yet." Then Yunus asked him, "Did she have your consent before she joined Grameen?" The husband replied, "She did. She kept on asking for permission. Finally, I gave in".<sup>14</sup>

As Yunus has stated, the loan is given to women and repaid by women. The husband assumes that his wife will repay the regular installments.

Two things are clear from Yunus' comments, including those about the husband. The first point is that women are the conduit for the loan to the husband. The second point is that there is no doubt women feel responsible for the repayment, although they do not share in the use of the loan.

I described the first point in section 3.1 on loan control and loan use, that most of the women hand over the money to their husband or son. But below I would like to touch on the issue of the responsibility of loan repayment.



According to Goetz and Gupta, the repayment delinquency rate is higher for men than women. In addition, women are also more vulnerable to social pressure.<sup>15</sup> Yunus said that women give priority to their children and family, while men do not.<sup>16</sup>

In my field experience, I encountered poor women under pressure to repay a loan. Women are always responsible for their family. From what I have observed, there are two main reasons why this is so. The first is that women's main priority is their family and the second is the power of social shame.

In patriarchal societies, it is believed that regardless of the work women do, their first responsibility is to their family. After marriage, a woman's main responsibility is to take care of her husband, her children, and her husband's family. Women are taught that it is their duty to support their husband. They themselves also believe this is what they must do, since this is the way things have been done for many generations. As a result, women's main ambition in life is to improve the condition of their household. In the course of my interviews and fieldwork, I realized that this is why women assume more responsibility for the repayment of the loan.

In my discussion on loan control (Section 3.1), I pointed out that women helped out at their husband's business without receiving any salary or compensation. In a similar vein, they viewed the repayment of a loan as their duty. A failure to repay the loan would impact the whole family.

For example, in Ajimpur a woman borrowed 20,000 taka (\$ 235) for her husband's tea shop, but the shop subsequently went out of business because of a lack of profits. Although her husband found employment in another tea shop, his income was not enough for the family of four to survive on, and far from enough to pay back the loan. Her husband then told her to get a job so they could pay back the money. She remarked,

“I started working in a factory so we could repay the loan. I had no choice, because the bank officer did not allow late repayment and our group’s members and the bank officer also would have been angry with me.”

After repaying all the loan money, her husband told her to quit her job. At present, she has a 25,000 taka (\$ 295) loan for land on which she cultivates potatoes and peppers. She also has a goat. Obviously, it was only under her husband’s directions that she went out to work.

Generally, women in rural areas work within the boundaries of their village. But when the husband has no choice, he has his wife work outside the village so they can repay their loan. He knows that he has to repay the loan. The bank would not let them get away with not repaying the loan, and they would be harassed as a result. However, once the loan is repaid, he directs his wife to stop working and go back to doing traditional work in the village. It is clear that the idea that women are responsible for repaying the loan and the fear of shame are the two factors at work here.

### **3.2.5 Social shame as a leverage in loan repayment**

I would like to explore social shame and its relationship to loan repayment. Shame, self-respect, and honor are important facets of human interaction, but in Bangladeshi rural society, these concepts have a huge influence on expectations of how women should behave.

Shame is used as a tool to control the poor in society, especially poor women. There is an age-old practice of shaming men through women. In the community one’s social standing is dependent on the protection of the family name, the honor of women, and the patriline. To lose face in society is the mark of dishonor.<sup>17</sup>

Women come to have a direct connection with society when borrowing and repaying loans at regular meetings. And for this reason, they are the ones who are most subject to “social shame,” especially in the case of a delay or default of loan repayments.

I found in my own research that the fear of losing face was strongest among poor women. Women who could not make the loan installment on time damaged their own reputation in their group and also brought shame to their group. In addition, bank officers take advantage of women’s fear of shame and losing face in society and also humiliate them.

I asked women about loan repayments, specifically, what happened when they could not make the installation on time. Did their bank officer give them extra time? If the difficulties were due to unforeseen circumstances, could they tell this to the officer and gain their understanding?

The answer I got from all the women was the same. Every single woman I spoke with said that the bank officer refused to hear them out when it came to problems about loan repayment. There was no possibility of getting an extension on their loan installment. I already touched on this in chapter two. I also quoted a bank worker as saying, “If you skip your installment, a senior officer of the bank will come and then the police will come. Then the neighbors will gather in front of your house and doubt your honesty. You will lose face and honor in society” in Section 2.1.8 on member selection and role of the group. The main focus of the bank is to recover the loan. In this way the bank uses shame to ensure the repayment rate. As a result, the women have a fear of losing face in society and among their peers in the bank group.

One woman described how an officer yelled at her, saying, “You are not going to repay? This is not money from your father! Whatever the case, you must repay the loan.” The officer also told her, she cannot expect the bank to accommodate her needs saying, “I am not your father’s servant. Do I have to adjust to your repayment schedule?”

Another woman commented, “In front of all the members, it is very hard for me to say I cannot repay the loan. If I don’t make the installment, the other members of the group will also suffer. This is a matter of honor. I can skip a meal, but I cannot skip repaying the loan. It would be an insult to others, and it would make it difficult for me to continue living here in the community.”

All the women I interviewed were afraid of this kind of harassment, and they did whatever they could to repay the money. This type of heavy criticism came not only from the bank officers but also from the members themselves. In the loan group practices in Grameen Bank, if one member cannot make the loan installment, the rest of the group pressures them with harsh words. Women fear losing face by failing to make the regular installment.

The social practice of shaming somebody in Bangladesh is common in all NGOs and used as a tool for recovering loans. Grameen Bank, like other NGOs, has been practicing it as a strategy for ensuring loan repayment.

In *Microfinance and its Discontents*, Karim refers to an “economy of shame.” Women borrowers are the main victims of this “economy of shame”.<sup>18</sup> Even though women are unable to use the loan money, they are the ones who shoulder the risk of being shamed for inability to repay.

One woman noted, “Sometimes it is difficult to manage the installment. I get so worried, I’m not able to sleep at night. All I can think about is how to make the next

loan installment. Sometimes I think that once I repay the loan, I will not borrow again. But when we face difficulties to survive then we need to borrow money again.”

Another older woman told me that she would happily skip meals if it meant she could repay the loan money. Otherwise, the bank worker would yell at her in front of everyone and make her feel ashamed of herself.

Husbands also fear losing face and come under stress, especially if they are poor. They sometimes mistreat their wives because of their anxiety about paying off the loans. If and when the wife manages to repay the loan, the problem is solved for them, and they do not have to worry.

For example, one woman quietly told me that her husband has no idea how she manages to repay the loan. But she and her husband had no problems getting along because she was able to make the installments. Essentially, she had to take full responsibility for repaying the loan.

Another woman told me that her husband’s income was not enough to survive on. He was not able to take any responsibility for the repayments. Worse yet, he often got drunk and beat her.

In a patriarchal society, men are the head of the family and have responsibilities as such. Women take out a loan for their husband, acting as their partner. But if they have any trouble in loan repayment, their husbands feel stressed and ashamed because they perceive it as their wife’s inability to repay the loan. And they subsequently become critical of their wives.

On this point, Karim said that the responsibility of loan repayment and the bank officer’s insults to the wife are also insult to the husband although the loan money is actually used by the husband.<sup>19</sup>

In most cases women feel more responsible than men for the repayment. Some husbands beat their wife when they cannot repay the loan. Among the women I interviewed, one told me that her husband refuses to any take responsibility for the repayment and made his wife bear full responsibility.

## **Conclusion**

It is the women who have to meet and talk with many people because they are the ones who take out the loan. They must initially deal with the group members, then the bank staff, and finally, society as a whole. Basically, Grameen Bank operates for the good of society, particularly women. The bank is a social economic institution and the groups of Grameen borrowers are part of society. Since women are caught in this multiple and broad-based connections with society, they feel the greatest responsibility, and this responsibility is accompanied by utmost stress and a fear of shame. As a result, they are the most self-sacrificing in loan repayment.

### **3.3 Loan diversion**

Women are given microloans mainly to do some income generating work themselves. But as I have already discussed, few women can actually control or use the loan money. Dr Muhammad Yunus stated, “Borrowers would have to be constantly observed. The moment you (lender) stopped supervising, there would be a risk for abuse of the loan”.<sup>20</sup> Supervision is given great importance in the regulation of Grameen Bank loans to ensure that loans are used for income generating work. I will write about loan supervision in my next section. In this section I will discuss how loans are used in the household economy for purposes other than income generating activities.

### **3.3.1 Background for loan diversion**

Rahman's study in 1999 shows that 78% of loans were used for purposes other than those approved by the bank.<sup>21</sup> Other studies also show that loans are diverted. Todd's research shows that only 6 people out of 41 used the loan for the approved purpose.<sup>22</sup> Loans were used for different purposes in 51.6% of the households in another study.<sup>23</sup> According to John Hatch, the founder of FINCA International (one of the world's largest microfinance institutions), 90% of microloans are used in current consumption rather than to fuel enterprise.<sup>24</sup> This means that 90% of loans are actually diverted.

There are many reasons for loan diversion. Poor families in Bangladesh have always had to overcome various problems. Natural disasters and illnesses are their worst problems. Every year 80% of the Bangladesh population go through floods, earthquakes, and droughts. Cyclones affect 70% of the families and 25% get their land submerged in flood water.<sup>25</sup>

In my interview area, poor borrowers always gave the same reason for loan use in the household. They were people who suffered most in the rainy season including farmers, day laborers, fruits and vegetable peddlers, rickshaw pullers, employees with a small salary, and men with a small business. Poor tenant farmers are terribly affected by any type of natural disaster. They lose their crop but still have to pay the rent to the landowner. Moreover, there are no opportunities for other work during the rainy season. To survive they have to rely on loan money. Further, poor households cannot afford to spend money for their health and are at four times more vulnerable to health risks than rich households.<sup>26</sup> Chronic illness of a child or adult is enough to throw a poor household in financial catastrophe. They have no choice than to use loan money for

medicine and treatment.

For example, a fruit peddler's wife in Shakpura village told me, "In the monsoon season my husband has less work. The income falls and it is very difficult to meet the needs of the family. That is why I sometimes use the loan money for household needs". In this way poor households divert their loan money for household needs in their struggle to make ends meet.

In my observations, I saw that these borrowers use the loan money not only to cover their needs, but also to do what they would if they had more income. Poor families and lower-middle class families have learned to use their loan money more wisely through many years of experience of loan use. They now use the loan money according to the priority of each life stage of their family.

In the beginning, Grameen Bank provided loans to the members based on their ability for repayment. Members did not always get the loan according to their needs. Talking with the members of those early years, I understood those who really needed a loan to invest in income generating work initially did not get the opportunity to divert loans for other purposes.

Chobi, told me a story of when she took a loan in the 1980s. Her husband was a rickshaw puller, and she took a loan to buy a rickshaw and all the money was spent to buy one. "At that time, it was difficult to borrow a big loan. A rickshaw was expensive, and we did not have much money, so I borrowed money. If I used the loan money for another purpose, how could my husband buy a rickshaw? My husband always used the loan money for his business because I got less than the amount I applied for. When we faced any difficulties in our family, we borrowed money from our relatives. After my husband's income increased gradually, I could borrow a bigger loan and then I bought



household items utilizing some of the loan money.”

Lata was another poor borrower from the same village. She borrowed a loan in the 1990s. “At first, my husband worked as a Bengali sweets maker in a sweets shop. After that he decided to open his own sweet shop, but we had no money for that. So, I joined Grameen Bank and first borrowed 3,000 taka (\$ 35). All of the money was used to buy food stuff for the shop like sugar, flour and milk. At the beginning a big loan was not available, so all the loan money was used to buy things for the shop. At home, I made puffed rice to sell and until the profit came from the business, we survived by selling puffed rice and sometimes borrowed money from relatives. In this way, we borrowed more money again to invest in the shop until the shop made enough profit to repay the loan money.”

“The bank then gave us a big loan because we had the ability to repay. Then the loan was mainly used for our business but also for other purposes of our household.”

“My husband’s business was not so big, so sometimes the profit was low. I have three sons and two daughters, and my mother-in-law also lives with us. All the expenses of the household could not always be covered with the income of the store. Moreover, we have to pay installments. So, we sometimes had to divert the loan money to our household needs such as costs for my children’s education and for my husband’s medical treatment. I did all of this with the loan money. After my husband died, we closed the sweets shop. I do not need any loan money for myself. Now I take a loan for my second son’s drugstore.”

### 3.3.2 Planned diversion of loans

We can see from the previous examples that poor people could not divert their loans at the beginning in the 1980s and 1990s. When their repayment ability increased, the bank gradually gave approval for increased amounts. Only then were they able to divert their loan money for other purposes besides their business. When they became able to borrow bigger loan amounts, they then used the loan money to build or fix their house.



Work is underway to build a house with a loan for business

Chobi, from the previous section told me, then “with the loan money I made a semi-concrete house though I cannot remember the loan amount. After that I took a 50,000 taka (\$589) loan for my husband’s business, but I actually used the money to bring a gas line to my house.”

Here is another example. Lata told me, “I also built a house with the loan money, although I cannot remember how much money I borrowed because I did not borrow all the money together in one time. We slowly made a house little by little with the loan money.”

A third woman, Zinuk said, “My husband had no land or house. We lived in a rented house. Later I bought land and also made a house with the loan money, although not all the amounts were borrowed together in one time.”

A woman from Jobra village, also made a similar comment to me in front of the bank officer, “I always use loan money for my household. For example, this time I am repairing my house window with the loan money.”

The situation changed further in 2001 when the rules of Grameen Bank were changed from ‘Classical Grameen’ to ‘Grameen II’. In the new rules borrowing and repaying loans became more flexible than the old rules of Classical Grameen. This led to increase of loans diverted to household needs.

For example, in my research area I saw that many borrowers build houses with a loan for a business instead of using a housing loan. I have already given some examples. Even with the presence of the bank officer, borrowers admitted that they used the loan for building a house.

Now let’s look at an example of how borrowers diverted their loans in 2015. Roma first borrowed a loan for her husband. Her husband is a tenant farmer and also a day laborer. Tenant farmers usually bear all the cost of cultivation and at the end of the year, rent is paid with the rice crop to the landowner. Roma said she paid 40 *seer* (One *seer* = 933 grams)<sup>27</sup> of rice to the landowner for forty acres of land. Only rice left after payment to the landowner is their own. And after planting the paddy it takes some time to harvest. In that time, her husband worked as a day laborer for income to manage their household expenses and pay the loan installment.

Roma says, “Although the loan money was mainly spent for cultivation, some money was used for household needs. After I receive the loan money from the bank, I go to market to buy clothes and some delicious food for my kids on the way back home,” She added with a smile, “Every time a loan is taken, a small amount of money is spent for ourselves. For example, I remember, I once received a 20,000 taka (\$235) loan and I

spent 2,000 taka (\$ 23) to buy clothes for my kids and myself and I also bought some delicious snacks for the kids. It is not just me, everyone (other members) does this.”

My husband’s income is not sufficient to meet all the expenses of our family. I have spent the loan money to pay for my kids’ education (school fee and tutor’s fee), medical costs and many other things. That is why I need to take a loan each year. Loans are not always available they are available only once or twice a year.”



Roma in front of her house with her relatives

“I also built my house with the loan money. I borrowed a 60,000 taka (\$ 707) loan. 50,000 taka (\$ 589) was used to build the house and 10,000 (\$ 117) was used for cultivation and other household needs”. She said, “I told sir (bank officer) the loan is for my husband’s work. But I actually used the money to build my house.”

I was shocked to hear this. I was more shocked that she told me this in the presence of the bank officer. But the officer just nodded at her words as if they were quite natural.

“This year, due to floods, my husband was unable to cultivate, and we face difficulties in surviving. We have to pay the loan installment by borrowing money from our relatives, which is how we manage to survive.” At the end of the interview, I asked her my last question, “How long are you going to borrow money?”

She replied, “Until my daughter’s marriage. Our family always had financial

trouble because my husband's income is unstable. When my kids were little, the cost of the family was a little lower but still we could not save any money. Now the kids are grown, the cost of living has increased, and there is no money left. After joining the bank, although it is hard to manage the money, we have forced ourselves to deposit some money for the future. That is a benefit for us. In addition to investment for my husband's work, I have started taking loans for my kids' education, and to build a house. I plan to continue taking loans until my daughter's marriage".

### **3.3.3 Loan use for higher education**

In my research area, I saw poor families use their loan money for their children's education. Although Grameen Bank offers a loan scheme for higher education, only one member from out of one hundred members in my interview had taken an education loan. The majority of the members divert their loan to pay for their children's education.

For example, Kameni, whose husband was an employee of a tea shop, took a loan to borrow land for vegetable cultivation. She said, "I have a daughter studying in higher secondary school and a son studying in his final year at university. After completing his honors course, he plans to study in an MBA course that costs \$1,784. My family income is not enough to pay for my son's higher education. So, I want to borrow money for my son's MBA course.

### **3.3.4 Loans diverted for dowries**

From my observations, preparation and payment of dowries for their daughter's marriage is a physical and mental burden on poor families and lower-middle class families. They divert the loan money for dowries although dowries are prohibited by

Grameen Bank. This also increases the debt of poor households. Why are dowries necessary for a daughter's marriage? Let's examine dowry practices and culture in rural society.

According to Karim, "Dowry is the payment of money and goods to the groom's family by the bride's family at the time of the marriage".<sup>28</sup> In Bangladesh, dowry was originally a custom practiced in Hindu culture, but in the 1970s Muslims also started the practice.<sup>29</sup> Today dowry is practiced in many communities in Bangladesh, especially in rural areas. This custom is a burden for poor families.

The Bangladesh Government passed the Dowry Prohibition Act in 1980 and dictated that both taking and giving dowry as punishable offences. Due to law enforcement and various anti-dowry propaganda, the demand for direct dowry decreased in urban society but it still exists in the rural society of Bangladesh.<sup>30</sup> However, indirect dowries are still practiced as a custom throughout Bangladesh. It now takes the form of a gift which the father of the bride gives to the groom and the groom's family on the occasion of a marriage.

Receiving and giving dowries on their children's marriage is totally prohibited by the rules of Grameen Bank. Grameen Bank reported in 1994 that 30,000 Grameen members had dowry free marriages.<sup>31</sup> But what is the situation in contemporary society? Rahman found in his study village, there were no dowry free marriages in 1999.<sup>32</sup> Karim found that, "in the recent study of microcredit, it was found that dowry exchanges had risen to 82 percent of all borrowers".<sup>33</sup>

In my interviews in 2015, some borrowers admitted that they gave dowries for their daughter's marriage but most of them said they had given a gift to their daughter's husband. Poor families and lower-middle class families borrow loans for this purpose.

The bank officers also know that members borrow money for dowry on their daughter's marriage. Even though they know everything, they do not say anything. At one center, a bank officer tried to convince me saying, "Actually we do not give loans for dowry. They (the members) said, they gave dowry, but it is not dowry, it is a gift. Borrowers cannot explain it correctly." I will give some examples on how loans are diverted for dowries.

Kameni from Ajimpur said, "In addition to my husband's work, I used the loan money for my children's education, and also borrowed money for my younger daughter's wedding jewelry."

In Pahartoli Village, a borrower told me that she gave 40,000 taka (\$ 417) to her son-in-law on her daughter's marriage. "Just a few days ago I gave him 20,000 taka (\$ 235)."

Another woman said, "Although I told the bank officer the 50,000 taka (\$589) loan was for my husband's business, I used it for her daughter's marriage, too". Still another woman borrower said, "My daughter is married, but jewelry has not yet been given. I have to borrow money for making a jewelry set for my daughter." She said she will also borrow money from a money lender too.

Lata from my former example also said, she used 30,000 taka (\$ 353) for her daughter's marriage but told the bank officer she was borrowing money for her husband's business. In this way borrowers are diverting their loan for their daughter's marriage and dowry.

### 3.3.5 Use of loans for going overseas

In the examples above, we have seen that borrowers use their money for different needs of the household to cover income shortages. In addition to these, I found that some borrowers take loans to send their husband or son abroad.



A borrower who has sent her son overseas

For example, Zahera first borrowed a loan for her husband's rice business. She admitted that she also used the loan money for household purposes. But even when she sent her elder son abroad, she told the bank officer the loan money was for her husband's business.

Joba from Shakpura said, "I took a loan to send my husband abroad. All the money was spent on preparation to send him abroad such as getting his passport and his airplane ticket. I cannot remember the actual amount of the loan, but maybe the ticket cost 70,000 taka (\$ 827). The bank officer knew all about it."

### 3.3.6 Loan "at her disposal"

When I was interviewing at the centers, other women told me about various types of loan diversion. For example, an old borrower said, "I once quit membership, but now I have returned because I have to take a loan again. After the birth of my grandchild, I have to send many things for my grandchild to my daughter's house." In Bangladesh,



when a daughter gives birth, it is the custom for her paternal family to send presents to the grandchild including a baby cot, clothes, and other essential things for the baby. Poor and low-income families work hard to carry out these responsibilities.

Another borrower said, “I do not always tell the exact use of the loan to the bank officer since I can use the loan as I like. After taking a loan for business, I come home and use it as necessary. The bank does not check how I used the loan, the bank only checks whether the repayment is just in time.”

Since poor families and lower-middle class families suffer many shortages in their life, they cannot fulfill their wishes at most times. Women usually give up their wishes for their family. As a human instinct, when women get a good amount of loan money in their hands, they buy something for themselves and for their children.

For example, one member said, she used some of the loan money to buy snacks and other goods for herself and kids. Another member who had been taking a loan for 30 years told me, “When I get a lot of money at once, I cannot control myself. My kids also see that their mother has money and plead with me to buy new clothes and pants for them.” Other borrowers admitted they do the same.

I also found that families who run businesses also use the loan for different purposes sometimes. For example, Lubna’s husband has a hair salon. As part of a Hindu ritual, the family made a contribution to the temple for her deceased mother-in-law and used loan money for this. Although, this was not an immediate need, the family did so because they have the ability to repay.

In the same way, a Hindu Brahmin family in Shakpura Village used the loan money to organize a worship ceremony in their own home. They told me very proudly, that it is a very worthy way to use the loan money.



Brahmin priest in his temple



Brahmin priest's house

These kinds of purposes may not be for the basic needs in life. It is human nature to use money for other purposes when they can afford to do so. Loans are used to enrich people's lives, and not only used to earn more income.

### 3.3.7 Good income borrowers

Borrowers from upper-middle class families and above have a regular income. The husband may have a good job or an established business or he may live overseas. These families do not need to use their loan money for the household.



A good income borrower

For example, Runa's husband has a medicine shop and also a poultry farm business. She never has to use the loan money for household needs and she never needs to borrow money from her relatives. Her husband always uses the loan money for his poultry farm business.

Nahar's husband and elder son both live overseas. She told me, at first, she joined the bank to open a fixed deposit account, but later she started a business for extra income. She never needs to use loan money for her household or other purposes.

Loans are diverted up to middle class families. Members from upper classes do not need to divert the loan. Grameen Bank has targeted wealthy members too. These members can continue their life without diverting loan money. But poor and lower-middle class families have to divert the loan money.

## **Conclusion**

Overall, in my field research, I realized that, borrowers have to divert their loan for other purposes mainly due to three reasons:

1. There is no other way than the loan money for poor households to fill their basic needs.
2. Gradual increase in their income enables them to use loan resources according to their life plan.
3. Human instinct

Borrowers do not always divert the loan money for uncertain needs like medical treatment. But loan money becomes a vital part of the household economy in the long term. Borrowers use the loan money for their children's education, medicine, making houses, buying land, daughter's marriage ceremony, dowry and many other things. In poor families there are so many needs that they cannot be covered with their low income. They always need to borrow money for survival. So, they take loans to meet their needs step by step.

Borrowers also use loan money to develop assets. When all the needs cannot be covered with their husband's income, they borrow money. In my interview, most of the members bought land and built their house with money from loans. They also bought things necessary for the house like furniture and tube-wells. Women are happy because these increase their assets, but it also increases their tendency to take loans. This makes them stay in debt and more debts.

Desire is an instinct for people. The ability to meet human needs may be limited, but human desire is endless. This is an innate nature of man regardless of whether they are rich or poor. After getting the loan money, some is used for their shopping.

Poor people take loans for income generating work but also for many other purposes. This is because after paying the daily living expenses, the loan installment, and interest to the bank, they do not have any deposited money. So, there is no alternative but to borrow another loan or borrow from some other source. It is human nature for poor people to want to improve their living. This was a common trend I saw among members. Those with good income take loans too to increase their income and to meet other needs.

Women are not allowed to do any income generating work without their husband's permission. This is why they give full attention to improving their family condition by handing over the loan money to their husbands. Poor women struggle the most to improve their family condition. Though women may not generate income themselves, they are happy that by taking a loan, they can improve their husband's income, let their children study, prepare for their daughter's marriage and dowry money, build a house and get things necessary for the house.

### **3.4 Loan supervision of Grameen Bank**

In the previous section, I discussed how borrowers divert their loan money for other purposes. In this section, I would like to examine why this happens from the viewpoint of the bank as the loan provider. The founder of the Grameen Bank Dr Muhammad Yunus said, “Loan supervision is important; otherwise there is a chance to misuse of the loan”.<sup>34</sup> According to the rules of Grameen Bank, primary supervision starts from the borrower’s groups. The group leader and the assistant group leader of each group are responsible for proper loan use, regular presence of the group meeting, and repayment of the loan.<sup>35</sup>

According to this rule, the group leader and the assistant group leader are supposed to supervise the members’ loan use after it is provided by the bank, and they make a report to the bank worker in the specified form. The bank worker must verify the report and submit a paper to the branch manager. The area officer is also responsible for the verification of loan supervision.<sup>36</sup> Several studies have reported how loans are actually supervised.

In 2011 Alam and Molla stated that, “About 88% of the borrowers report that they had to mention the business field in which the credit would be used. But in fact, 44% of the borrowers do not invest the credit in the proposed field”.<sup>37</sup> In Rahman’s study a borrower put it like this, “Everybody in the system knows where borrowers use their loans; reporting to ‘Sir’ (the bank worker) is nothing but just a formality”.<sup>38</sup>

Todd’s research of 1996 also found that “Bank workers gave loans knowing that the loan was not always used properly. They will also give approval for another loan if the borrowers can repay the loan in due time”.<sup>39</sup>

We may say that the lack of proper supervision is allowing improper loan diversion.

Then why does the bank not supervise loan use though it is clearly required in the bank's rules? I will examine this issue from my field experiences.

#### **3.4.1 No more supervision?**

Although there is a rule for proper supervision of the loan, I did not see the rules being enforced in my research area. Neither the center leader as the top of the members nor the bank workers, respond to this issue in accordance with the rules.

A woman borrower said, "I borrow money for my business, but I use it as I wish. I do not tell how I used the loan money because Sir (bank worker) does not come and see".

Another borrower said, "It is not Sir's (the bank worker's) business to see how I used the loan after taking the loan money. Sir will only check whether I can repay the loan properly or not".

A borrower in Ajimpur Village told me, "In the early days when loan operations were introduced to my village, bank workers checked the use of every loan. For example, when someone borrowed money to buy a cow, the bank officer in charge made sure one week later if she had actually bought a cow or not. This was because all the members were new borrowers at that time. But now the bank workers do not check how the borrowers use their loan money."

From this we can see that in the early stage, the bank officers were uncertain whether the members could actually repay their loans or not. So, the bank officer supervised the use of each loan very seriously. Today, debts are not monitored. So long as a member is able to repay her first loan properly, it is not difficult to get another loan.

How is supervision among group members undertaken then? One group leader

says, “Who does it? Who has the time for it?” Another member said, “What is the use of supervising other members’ loan use? What will the bank give me for the work? It’s only a waste of time. Moreover, this will only have negative effects on the relationship among members. We all know each other here.”

In my field research, I observed that the bank members came to the center only to pay their loan installment. They wanted to return home as soon as possible to do their housework. Members take it for granted that they can use the loan money according to their needs. As such, loan supervision in groups is not practiced.

#### **3.4.2 The perspective of bank workers**

When I asked a bank worker about loan supervision. He said, “We initially asked group members about a newcomer wishing to join the bank because they know each other as they live in the same area. But now if a new member applies for a small loan, we do not check anything for the loan. But if she applies for a big amount, the bank officer in charge as well as the area officer will come to check the newcomer’s business.”

Another bank manager says, “We check their business the first time, but when we see that she can repay regularly we do not come to check any more. We have developed a good understanding of those who have been taking loans for a long time, which is why we do not have to check. Moreover, we know well from our experience that those without income generating work will probably have difficulties repaying their loans and may have to leave the bank.”

The bank workers repeatedly used the word ‘check’. I must note that when they say ‘check’ that means the bank workers will check the borrower’s repayment ability.

They have no intention to check how the loan is used. Supervision is totally neglected.

Another important point is the bank workers' heavy workload. According to the Grameen Bank rules, each bank worker supervises ten centers and about five hundred members.<sup>40</sup> They not only go around loan centers to collect repayments, but also have to work at the bank office.

A female bank worker, who refused to disclose her name, said to me, "In the beginning, the job was very stressful. I had a lot of nightmares of quarreling with the members. I was always worried about recovering the loans properly at all the centers in my charge. Now I am used to my job, but I still feel pressured. I have to start my work at six o'clock in the morning. If a center's loan collection is delayed, it will delay collection at the next center. I also have to do the rest of the work at the office. I cannot think of marriage yet due to work pressure."

Once I visited a center for my field work. The bank worker was in a rush at her work, collecting the installments, taking signatures of the members, and asking them for new loan proposals. She then quickly left to go to the next center. At another center, I heard a bank worker yelling at the members, "Hurry up! I have to go to the next center!"

We may ascribe the heavy workload on bank workers as a major reason for the neglect of loan supervision. However, I want to point out that there is another reason, which is hidden practices.

### **3.4.3 Hidden practices**

The Grameen Bank has a five-star system to rate the performances of its workers. To climb up the ladder, workers work hard so they have no overdue loans, larger deposits than loan outstanding, and are making profit for the branch. Earning stars in



these ratings leads to promotion, which raises the workers' status at the workplace and in the society. The Grameen Bank claims that the competition among the staff and between the branches will eventually achieve their ultimate goal of "poverty alleviation".<sup>41</sup>

Ironically, a "good" bank worker who earns many stars is not interested in the ideal of alleviating poverty. S/he is intent on increasing loan repayments and amount of deposits and does not care about proper loan use. This is because the more members take loans and make deposits, the more profit s/he will earn for his/her own branch. Making his/ her branch profitable is indeed the shortcut for his/her job promotion.

I have also felt through my interviews that bank workers are willing to overlook how the loan will be used so long as they can provide more loans to good borrowers who are punctual with their repayment. Borrowers take advantage of this banker worker's weak point. They know that as far as they repay in due time and finish the loan without any problems, they will be offered loans of larger amounts, which will be profitable to the bank and the bank worker in charge.

As a result, in my interview area, many borrowers showed no hesitation in saying that they needed the loan for their daughter's marriage or other purposes that were not written in their application for the loan in front of the bank worker and bank manager. Some borrowers even tell the bank worker outright that they are taking the loan for dowry payment. I have shown many such examples in the previous section.

## **Conclusion**

From the bank workers' interviews, the borrowers' interviews, and from my own experience, I realized that loan supervision is no easy task and very time-consuming.

Since loan diversion for other purposes is so common and widespread, it cannot be controlled without regular inspection

If proper loan utilizations are to be checked, it is necessary to check the borrower's work directly. For example, if a member borrowed money for her family's poultry business, the best the bank worker can do is to check if her family really has a poultry farm. However, it would be difficult for the bank worker to check if she actually invested the money in the poultry business or used the money for other purposes. It would be necessary for the bank worker to check the business accounts to prove this. This takes a lot of work and time. It is impossible for one bank worker to monitor loan use of 500 to 600 members alone in addition to managing the regular tasks. Although loan supervision is an important part of Grameen Bank according to the rules, the matter is strategically neglected.

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## Notes

- 1) Yunus (1998), p 88.
- 2) Goetz et al. (1994), p.11.
- 3) Rahman (1999), p. 110, figure 6.
- 4) Karim (2011), p. 55.
- 5) Alam et al. (2011), p.37.
- 6) Goetz et al. (1994), p. 12.
- 7) Ibid., p. 13.
- 8) Rahman (1999), pp.112-113.
- 9) Ibid., p.141.
- 10) Rural women have domesticated ducks, chickens, and cows. The only income they get is household income from selling eggs from these ducks or chickens and cow's milk. They use this money as their pocket money. When women have to spend this little pocket money or sell any of these animals to repay the loan, it is considered as a loss in family assets. Goetz et al. (1994).
- 11) Goetz et al. (1994), p.19.

- 12) Karim (2011), p.74.
- 13) Ibid., p.43.
- 14) Yunus (1998), p. 91.
- 15) Goetz et al. (1994), p.19.
- 16) Yunus (1998), p.88.
- 17) Karim (2011), p. 84-85.
- 18) Ibid., p. 87.
- 19) Ibid., p. 86.
- 20) Rahman (1999), p.115.
- 21) Ibid., p. 116.
- 22) Todd (1996), p. 24.
- 23) Faraizi et al. (2011), p. 89.
- 24) Beck et al. (2007).
- 25) United Nations Office for the Coordination of Humanitarian Affairs (OCHA) (2018).
- 26) Rahman et al. (2013), pp. 1-7.
- 27) Schulz (1913).
- 28) Karim (2011), p. 83.
- 29) Ibid.
- 30) Bangladesh Ministry of Law, Justice and Parliamentary Affairs (1980).
- 31) Karim (2011), p.84.
- 32) Rahman (1999), p. 115.
- 33) Karim (2011), p. 83.
- 34) Rahman (1999), p. 116.
- 35) *Bidhimala* (2013).
- 36) Rahman (1999), p. 116.
- 37) Alam et al. (2011), pp. 16-17.
- 38) Rahman (1999), p.116.
- 39) Todd (1996), p. 25.
- 40) *Bidhimala* (2013).
- 41) Dowla et al. (2006), pp. 191-192

# **Chapter Four**

## **Endless Cycle of Debt**

### **4.1 The Development of Grameen Bank**

Yunus once said about the start of the bank and the expansion of its microcredit project, “We have come a long way: from \$27 lent to forty-two people in 1976 to \$2.3 billion lent to 2.3 million families by 1998. A Micro-credit Summit was held in 1997 to launch a worldwide campaign to reach 100 million families by the year 2005, and Grameen programmes spread all over the world, from Ecuador to Eritrea, from the Norwegian polar circle to Papua New Guinea, from Chicago’s inner-city ghettos to remote mountain communities in Nepal – by 1998 fifty-eight countries have Grameen clones”.<sup>1</sup> Thirty-four years later, in 2017, the bank had 8.39 million members, lent \$2.9 billion, and also made a net profit of BDT 2.27 billion. [sic]<sup>2</sup> Undoubtedly this is a great achievement for Grameen Bank.

What is the secret behind this amazing development of Grameen Bank? One of the reasons for its success lies in its high loan recovery rate, a record that Grameen Bank is very proud of. According to the bank’s report, it maintains an outstanding recovery rate of 99.05%.<sup>3</sup> Grameen Bank has obviously made loan recovery the highest priority. But there are, however, many other reasons besides loan recovery. I will discuss these in this chapter.

The foundation of any institution is its economic stability and profit. This is also the case with Grameen Bank. As the bank provides microcredit to poor people, stability

and profitability are a challenge. Poor people have different types of financial troubles, and it is natural that the loan repayment comes after their own survival is secured. Grameen Bank is, however, very successful in loan recoveries; there are very few default cases and most poor members duly pay back the full installments. What is the secret to this high loan recovery? By analysing related documents and the results of my own field research, I would like to point out four main factors:

1. Interest rate
2. Duration of installment
3. Savings policy development
4. Group liability
5. Monitoring

The bank has had various challenges over time, but through those difficulties it has developed rules while the principles remain unchanged. Now I will explain these five factors and their development.

#### **4.1.1 Interest rate**

The first thing that enables the high loan recovery is the interest rate of Grameen Bank. Grameen Bank's annual interest rate for income generating work is 10% at a flat rate and 20% on a declining basis.<sup>4</sup> There is debate over whether the rates are high or low. The bank always claims that its interest rates are lower than those of NGOs. Microcredit Regulatory Authority (MRA) of Bangladesh has set the highest level of interest of microcredit at 27% on a declining balance method.<sup>5</sup> Compared to this, Grameen Bank's interest rate is low. It should be noted, however, that Grameen Bank's

interest rate exceeds 20%, when other mandatory fees are included. Let us look at the situation of NGOs and banks in Bangladesh.

There are three well established NGOs in Bangladesh that have microcredit programs: BRAC (Bangladesh Rural Advancement Committee), ASA (Association for Social Development), and PROSHIKA. Established in 1972, BRAC is the largest NGO in Bangladesh. BRAC's interest rate is a flat 15%.<sup>6</sup> ASA's rate is also 15%,<sup>7</sup> and PROSHIKA's is the same as Grameen Bank, or 20%.<sup>8</sup> Bangladesh Krishi (Agriculture) Bank is a specialized government owned bank. It provides short-term loans of up to 18 months for agriculture and other small businesses at an interest rate of 9% without any collateral.<sup>9</sup> Other nongovernment banks provide loans at interest rates of 12% to 13%.<sup>10</sup>

Thus, the interest rates of government and nongovernment banks and NGOs are lower than Grameen Bank. Then why don't poor people take loans from those banks?

Although the interest rates for loans of other NGOs are lower, the borrowers also have savings accounts at the banks. Grameen Bank pays the highest interest of 8% to 12% on savings, while most NGOs pay 5% to 6%, and a few pay 7%.<sup>11</sup> Thus, Grameen's high interest rate on savings can be used to pay for the high interest on loans. This is why people prefer Grameen Bank. Among the people I interviewed, some told me they chose Grameen Bank because of its high interest on deposits.

Agrani Bank Bangladesh Ltd has taken an initiative named 'Online Krishi and Polli Loan' as a step to make it easier for farmers to get loans by applying online. But according to the data of this online site, out of a total of 2.6 million farmers only 25% of the farmers have taken this loan. A large portion of the farmers are deprived of this loan facility because they do not understand how to apply. Also, 75% of the 25% of farmers

who have taken loans are not making good profits or are facing losses due to high-interest rates.<sup>12</sup>

Even though the Government Bank has low interest rates, it is difficult for illiterate rural poor people to access the service. Lack of knowledge about government loans and the unsupportive attitudes of the bank staff have deterred the rural poor from making use of low-interest government loans. Many documents are required, and small loans are not provided by the Government Bank. In comparison, Grameen Bank's offices are located relatively close to where the borrowers live, and bank workers help borrowers complete the necessary documentation. Any size loan, whether small or big, is available if all conditions are met. As such, the Grameen Bank's "easy access" attracts poor people.

Further, *Mahajons*, or local moneylenders, demand interest on a daily, weekly or monthly basis, ranging from about 10% to 120%,<sup>13</sup> whereas interest of banks including Grameen Bank are on an annual basis. Mortgage deeds are required by *Mahajons* and banks, but at Grameen Bank this is not required, and interest can be paid from deposited money.

Borrowing money from moneylenders has greatly decreased since Grameen Bank started its microcredit program. This is another reason why Grameen Bank's microcredit programs have gained popularity despite the fact that they do not provide the lowest interest for loans.

Grameen Bank's founder knew very well that: 1) *Mahajon's* interest rates were very high and 2) it was difficult for poor people to get government loans. He thought it would be convenient for rural poor people to borrow money from a bank in their

vicinity even if the interest rate is a little higher than the government rate, as long as it is much lower than that of moneylenders.

Grameen Bank claims that its 20% interest rate on loans is not high because since 1998 it has not taken any foreign donations and all the loan operation costs, including salaries and bank facilities, are managed with the interest on loans.<sup>14</sup> Now that Grameen Bank has accumulated enough funds to cover operation costs and make a larger profit, it seems natural that it should either lower the interest rate on loans or raise the interest rate on deposits.

The bank has handled this issue very cleverly. As has been said above the only source of income of the bank is the “interest earned on the loan and the deposit money of the members. If the interest rate of the loan is reduced, the income of the bank will be reduced. Then there will be no choice but to reduce the interest rate of the deposit”.<sup>15</sup>

The bank is aware that lowering the interest rate for deposits would reduce its attractiveness for its members, which would result in less income for the bank and threaten its financial stability. The bank wisely uses its power to convince members that the current interest rate on loans is not high at all. The bank is giving them a relatively good rate on saving deposits. Members accept the higher interest on the loans because of the good interest they get on the savings deposit. In a sense, the deposit is used as collateral to maintain the high loan interest rate of the bank. But another question remains. How do poor people manage to pay the 20% interest rate?

According to the *Human Development Report 2019*, estimated on survey data of 2014, “In Bangladesh, 41.7% of the population are multidimensionally poor while an additional 21.4% are classified as vulnerable to multidimensional poverty.”<sup>16.7</sup>



percent of the population live in severe multidimensional poverty, and 14.8 percent live below the income poverty line (measured by the percentage of the population living below PPP US\$1.90 per day).<sup>16</sup>

By their rules, Grameen Bank targets poor women who have no more than 0.5 acres of land or property. It is really surprising that such poor women can manage to repay the installments for a loan with 20% interest. What then is the secret?

#### **4.1.2. Duration of installment**

The secret of good repayment is the weekly installment system. In *Banker to the Poor*, Yunus writes that Grameen Bank's repayment rate has been high from the beginning. But how was this possible? "If the repayment time were to come six months or one year after the loan has been taken, even if the borrower had the cash ready in his pocket, he or she would hesitate to give it back because it is such a large amount, and large amounts are difficult to part with." [sic] So the bank decided to make the regular payment as small as possible and easy enough for the poor people to pay back.<sup>17</sup>

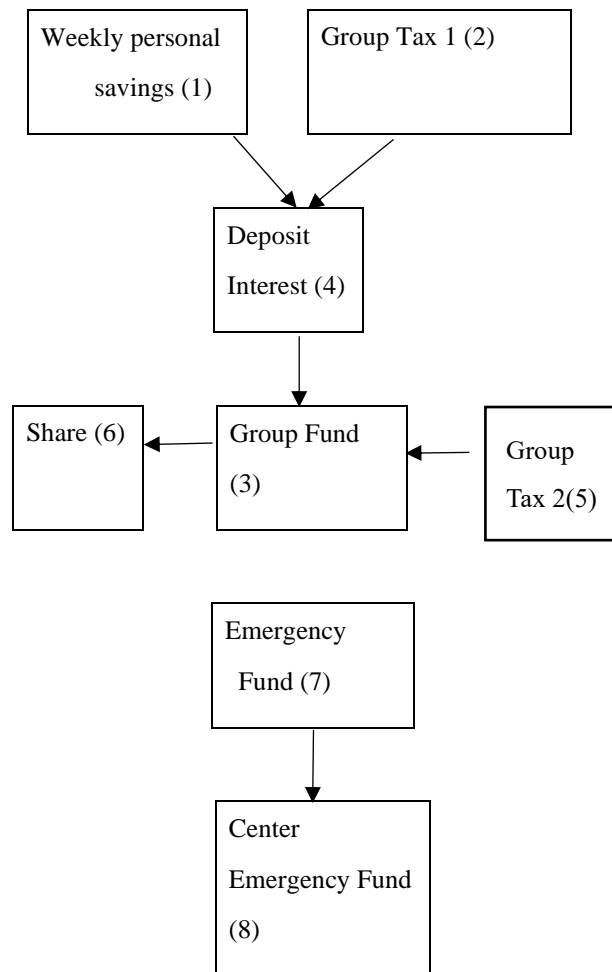
Initially, the bank started taking the loan interest daily. Since it had only 10 or 15 borrowers, daily collection was an easy task. But when the number of borrowers increased, daily collection became difficult and the bank shifted to weekly installments. Paying a small amount of money per week was still much easier than repaying a huge amount all in one time, because poor families were always under difficulties. And since borrowers paid the installments at the weekly meeting, any problems for loan repayment were known immediately.<sup>18</sup>

In my interviews, many borrowers said that it is easier to pay a small amount of money at short intervals than a big amount of money after a long duration. In addition, it is not so difficult to manage a small amount of money. As I have mentioned in chapter two, for example, if a member borrowed 5,000 taka, her weekly installment is 125 taka, and her mandatory weekly savings is 15 taka, so she must pay a total of 140 taka. Even if she faces problems repaying this 140 taka installment, there are many other ways to manage it. Because it is a small enough amount, she can borrow this from her relatives and pay them back at a later date. She can also sell her a hen, duck, or another domestic animal. Although she would lose money doing so, she could buy it back when her financial situation recovered. In this way, the small installment payment could be managed in several ways and borrowers could get back to their regular installment cycle without heavy pressure.

#### **4.1.3 Savings policy development**

From the beginning, borrowers had to deposit additional money in the bank in order to get a loan. The reason, according to Dr Yunus, was “To design an organizational framework which will provide reasonably dependable forum through which the banking system can extend credit to the landless without collateral but not without ‘security’, institutional arrangements, both from the side of the landless and from the side of the banking system, will be such that extending credit to the landless will become a sound banking proposition”.<sup>19</sup> In other words, Grameen Bank has introduced a kind of savings system since its experimental stage which has security both for the institution and for the landless poor.

To make this easier to understand, I have outlined the system in the chart as below:



Savings System of Classical Grameen up to 1995

Every borrower had to deposit one taka every week as personal savings (1). And an obligatory 5% from the loan went to “Group Tax 1” (2). Personal savings and the Group Tax 1 were accumulated in an account called “Group Fund” (3). Further, the bank provided 8.5% interest on the member’s deposit (4), which also went to the Group Fund (3). Borrowers could use their own money in the Group Fund for several purposes, such as school tuition, medication, and buying food during the “lean season,” or the period of time when weather was bad and harvest was limited, as well as when there was little work. There were two conditions on the use of the Group Fund money. Borrowers could

use it with the permission of the members of the group, and they had to pay 5% group tax called “Group Tax 2” (5). This tax money also went to the Group Fund (3). Borrowers had to buy a 100 taka share of the bank (6) from this Group Fund money. Members did not have any personal right to the money deposited in the Group Fund. If a member left the group, she would receive her personal weekly savings but could not demand any kind of money from the Group Fund.

In addition, each borrower put some money in another fund called Emergency Fund (7), which was a life insurance fund for borrowers at an amount equivalent to 50 per cent of the amount charged by the bank as interest on her loan.<sup>20</sup> Yunus knew very well that disasters are common in Bangladesh, and in order to prevent cases of repayment default due to disasters and other misfortunes, he introduced this Emergency Fund. Another fund, “Center Emergency Fund”<sup>21</sup> (8), was formed with the interest of the Emergency Fund.

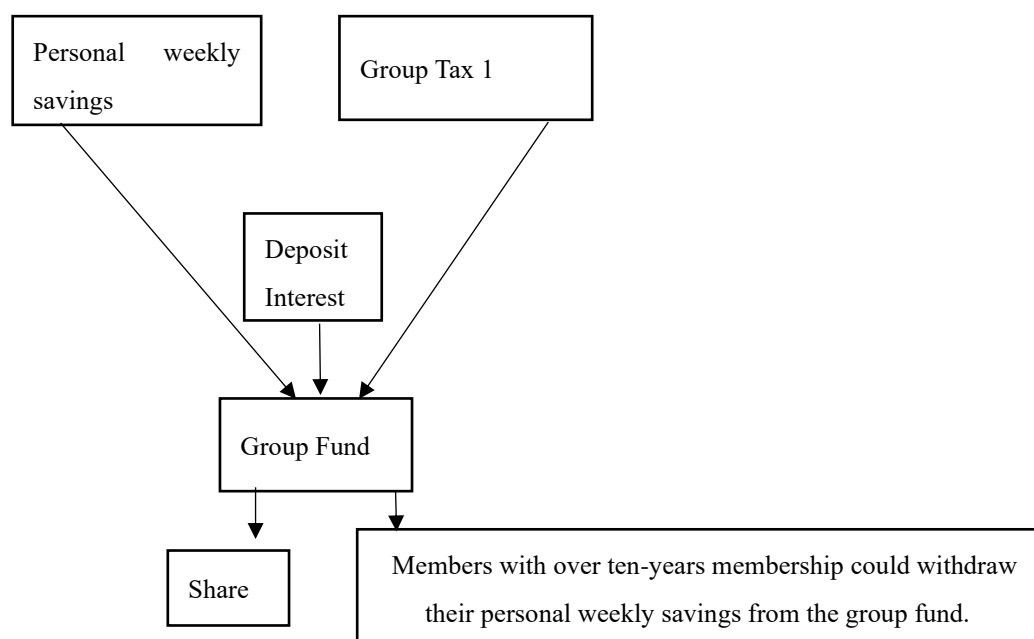
In October 1983, the bank’s total savings in Group Funds and Emergency Funds amounted to US \$ 0.66 million. The bank extended loans amounting to a total of US \$6.4 million to a total of 50,000 landless people. The repayment rate was over 99%.<sup>22</sup> The bank thus stood in a stable position by collecting installments and deposits in this way.

If a member died, the bank asked the group to find somebody from that family to become a member and continue her loan. If any members were affected by a flood or other natural disaster, the bank never forgave their old debt. Rather, it gave another loan, added a new installment to the installment for the old loan, and the repayment was made slowly over a long period. Dr Yunus once stated, “But no matter what cataclysm,

weather disaster, or personal tragedy befalls a borrower, our philosophy is always to try to get the person to pay back the loan even if it is only at the rate of halfpenny a week”.<sup>23</sup>

Initially, there was no problem with members in this kind of savings system. But members gradually became frustrated as none of the amount deposited to the Group Fund and Emergency Fund could be used for personal purposes. There was an interesting occurrence in 1986. When some group members in Tangail could not repay their regular installments, the bank worker in charge put pressure on the group members and started removing the tin roof from their houses.

As a result, one day all the group members decided that they would stop repaying the loan. They wanted to withdraw the Group Fund money for their needs.<sup>24</sup> In response to the members’ protest, Grameen Bank changed its Classical savings policy in 1995 to allow members easier access to the fund.



New savings system of Classical Grameen from 1995 up to 2000

As shown in the chart above, members with over ten-years membership could withdraw their personal weekly savings from the group fund. If a borrower cancelled her membership before then, she could withdraw her contributions only after paying her outstanding loan. The bank no longer took Group Tax 2, although the rules for getting the group's permission to use money from the Group Fund remained unchanged. The bank also no longer collected money for the Emergency Fund, because there was already enough money in it.

The bank started to pay death benefits from its interest to borrowers upon their death. Since 1995, the family of old borrowers got 2,000 taka (\$ 23) and the family of new borrowers got 1,000 taka (\$11) from the bank when they died.<sup>25</sup> In 1998, the bank decided to stop receiving any foreign donor funds. The deposits in Grameen Bank had grown sufficiently so that the bank could run and expand its credit program by itself.<sup>26</sup> The fact that the bank had become self-dependent was a significant development.

Moreover, the savings fund is very important for the bank. At the beginning the bank needed approval of the government as a financial institution and had to show the government that it was a successful project. To be successful, the bank needed borrowers and savings. The problem was that the original savings security system was so complicated that members could not use their own money easily, nor could they withdraw money personally. Moreover, the bank workers pressured and harassed members to repay their loans. The borrowers were mentally and economically exploited by the one-sided rules of the bank.

Later, the bank relaxed its savings system to keep members calm, but it was always attentive about its own security. As Dr Yunus said, the bank will launch a security

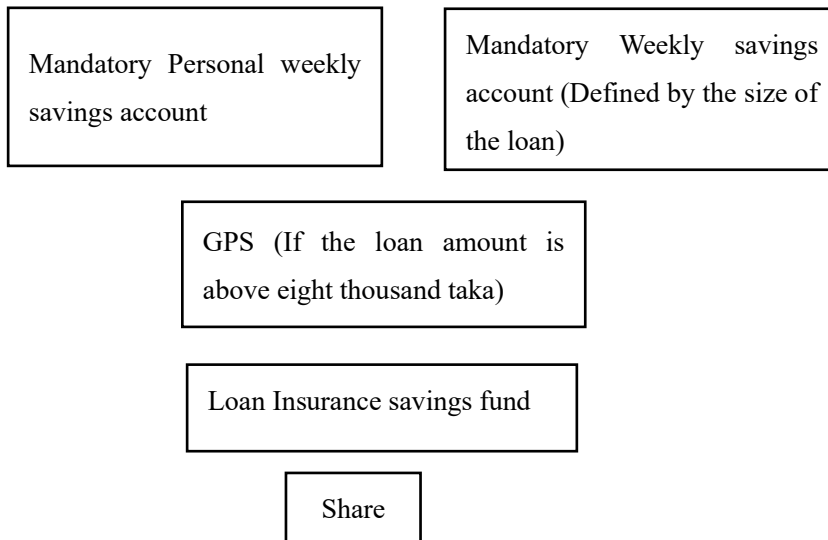
system that will be convenient for both the bank and borrowers.<sup>27</sup> But in reality, the security of the bank always gets priority. Initially, in 1976, the Grameen Bank's microcredit project had no funds for security. Dr Yunus knew the habits of poor people very well. If the bank gave easy access to their deposited money, poor borrowers would use it immediately. For this reason, the bank did not allow borrowers easy access to their savings fund.

It should be noted, however, that behind the successful development of Grameen Bank was the money that the bank forced its members to deposit. Though Dr Yunus always stressed that these savings would help members in times of trouble, in reality the money was not for times of members' crises. The deposited money would help them only when they had difficulties in repayment, which would solve the bank's problems.

In 1995, the bank relaxed the savings rules so that people who have been a regular member for over 10 years could get the money they deposited back. This change was very tricky because it meant the bank could keep members for 10 years in this way. The bank could manipulate its members very cleverly as most of the rural members were illiterate and had little understanding about the rules of the savings system. They were happy to know that they were now able to withdraw their deposited money and no longer needed to pay Group Tax 2 or Emergency Fund money.

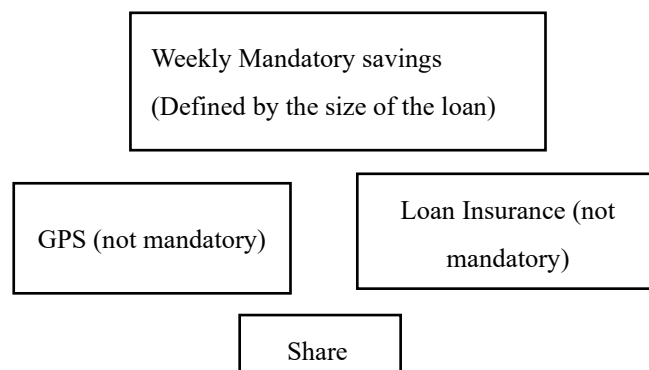
The bank thought the change would work well, but the massive flood in 1998 hit the members hard. Although the bank allowed them to use the Group Fund, which was entirely against the rules, the money was not sufficient to deal with the financial difficulties suffered as a result of the flood. Then from these experiences the bank decided to make a radical change to its savings policy.

In 2002, the bank started a new savings system called Grameen II. I have described the Story behind Grameen II in chapter two. Under this new system, all the members can open a personal savings account and fixed deposit account and they can use both personally.



#### Grameen II Savings System from 2002

According to the *Annual Report 2002*, most of the Grameen branches benefited from the shift to the Grameen II saving system. In the new system, the bank's profit rises when the period of the deposit is longer.<sup>28</sup> In 2013, the Grameen II savings system was revised for the second time and it became simpler, as shown below:



#### Grameen II savings system from 2013



Weekly savings are mandatory, and the amount is defined by the size of the loan. Other deposit accounts, such as GPS and loan insurance, are optional and interest is paid by the bank for these optional deposits. As the interest rate on the GPS account was very attractive, all the members opened GPS accounts although it was not mandatory. The GPS account has been introduced not only for the benefit of the members but also for the bank, because this account money and interest are also controlled by the bank. The bank workers usually encourage their members to open a GPS account because it is used by the bank for loan recovery (See Chapter Two).

The following statement is typical of the bank workers' viewpoint. "We give you loan without any collateral, but savings secure your debt. You make your own security, which can secure the bank. That is why you can get the loan. Be thankful to the bank for facilitating you to get a loan. The bank is for you." It is true that more and more members have been attracted after the introduction of the personal savings system and higher interest rate for deposits. As I have already touched on in chapter two some of the women, I interviewed joined Grameen Bank only for its GPS account.

Another important change of the rules is the bank's flexible loan. If a member cannot return her loan in the fixed duration, she has a chance to repay the loans within certain flexible terms. During the extended period, the bank can earn extra interest without losing a precious member. Based on the development of the savings system, the bank is now fully well established and profitable and there seems to be no risk of the bank's losses.

#### **4.1.4 Group liability**

In the Classical Grameen model, the group mechanism was one of the most important strategies. Dr Yunus was well aware of poor women's feelings and behaviour. He knew that poor women felt helpless individually, but they would have cooperative support in a group. He also believed that group pressure would make the loan process smoother, raise social awareness, and skilful leadership would be produced from the group. He also thought that group solidarity would be stronger if borrowers made their own group, and that primary group supervision among group members would reduce the workload of bank workers.<sup>29</sup>

In the Classical Grameen system, members got loans individually, but the repayment responsibility was borne by the group. This meant that group members were responsible for the unpaid debt of individual members. Many researchers (Goetz and Gupta (1994), Rahman (1999), Pollin (2007), Chowdhury (2007) have already criticized this rule, saying this was one kind of collateral and also the reason for the high repayment rate. Moreover, personal relationships among members sometimes went bad because of the group responsibility for the repayment. Grameen Bank failed to build group solidarity and group-based social development as Dr Yunus initially planned. Many unpleasant incidents occurred in the group, as I have already explained in Chapter Two.

After the long-time practice of group responsibility in the Classical Grameen system, the bank also realized that there were disadvantages and decided to make changes to the group system. The most important change was that "the group was no

longer required to provide guarantee for the loans to its members”.<sup>30</sup> This means the members no longer had to bear responsibility for other members’ unpaid debt.

The elimination of the group liability of loans rule was closely related to the change made to the savings system. As a result of the change from the group to individual savings system, every member now has her own security system. That is why there is no need to use the group as security for loan repayment of a defaulting member. But the bank did not abandon the group system entirely. The weekly meeting of the group at the center house remains and is utilized for monitoring among members.

Although it is true that, “loans can be taken individually,” loan proposals should still be submitted through the group and the group leader. Neither the group leader nor other members have responsibilities for loans other than their own. Nevertheless, everyone is supposed to check at the time somebody submits an application for a loan whether that person can duly pay back the loan.

In my field research, I saw that even now if any members are late to a meeting or does not manage the installment, the bank worker does not take the installments of the rest of the group. In the case of large loans, the bank requires all the members of the center to sign a document agreeing that if the bank is unable to cover the amount needed for the loan installment from a member’s savings and other deposited money, the members of the center would pay the rest of the loan in her place. That means if one member of the group does not obey the rules, the bank worker will not only reprimand that person but all the other members of the center, as well. To avoid this, every member must obey the bank’s rules. Further, the bank workers’ work is also made easier by the group. A bank worker needs to take care of all the members in a given

period of time, which is impossible on a one-to-one basis. Collection of the payments and savings by the group is also a labor-saving measure for the bank.

In the new policy of the Grameen Generalized System, or Grameen II, the bank rewards members and groups for good performance. The poor performance of a member is dishonour for the whole group to which that member belongs.<sup>31</sup> Here, good performance means good repayment of loans. If a member or group's members maintain regular repayment they are rewarded as a good member or good group. On the other hand, the bank reproaches members for irregular repayment.

This dishonour means a lot socially, especially for poor women. I have already written in the previous chapter about the impact of social honour, and how important it is for poor women. In this new strategy, the bank very cleverly manipulates members psychologically by using social norms. The bank has convinced its members that they no longer have to repay other members' unpaid loans, they only should maintain the group responsibilities such as making the regular installments and mandatory savings and other deposits. In this way, by developing the group system, the members are satisfied with each other, and the interests of the bank are protected.

#### **4.1.5 Monitoring**

Monitoring is one of the most important parts of Grameen Bank's policy. Dr Yunus understood implicitly that "supervising effective enforcement of bank policy is important" for a successful microcredit project.<sup>32</sup> He knew that if the bank's policy functions are well supervised from the beginning, then in the future its system will work automatically. The bank workers were therefore very attentive to the implementation of

such policies as proper group formation and proper use of loan money for income-generating work. They also trained their members to choose the right people for making a group and for maintaining group responsibility. In a sense, the Grameen Bank developed a group-based monitoring system.

In the second chapter, I described the group rules and how groups functioned both for the bank and the members. With long experience with the rules, old members now know their responsibility well, so bank workers do not need to explain all the rules one by one. If there are any changes to the rules, the bank worker explains them, but usually it is the old members who explain the rules to newcomers. The group leader and assistant group leader are responsible for monitoring the group's members, and the bank worker monitors whether the group leader and assistant group leader are carrying out their duties properly and whether all the groups are functioning well.

“Group monitoring” means that the group leader and assistant group leader ensure that all of the members attend the weekly meeting regularly, make all their loan installments, and make their mandatory savings deposits. They are supposed to monitor whether the group members are using the loan properly or not, but in reality, this is difficult since they cannot intrude upon family matters of other members. It is only the bank officer who, with the administrative authority, can actually monitor the members' loan use. I found in my interviews that in the early stages of a group, when all members were new, the bank workers needed to monitor loan use one by one. But now monitoring loan use by bank workers is not necessary because the members have been members of the bank a long time and they could not have continued being members unless they made all their loan installments.

Further, in practice influential members, the group leader, or any group member can introduce somebody to the bank as a potential member. The bank worker obtains basic information about the woman from the member who introduces her. After that a membership application form is completed. All her financial information, including her husband's income, other family members' economic condition, and assets must be disclosed in the application form. This information is necessary for the bank worker to judge whether a person can make all her loan installments on time. Moreover, the bank worker always approves only the amount of the loan that she will be able to repay. For example, in Grameen Bank the smallest loan is 5,000 taka (\$ 58). If a member takes out a 5,000 taka loan, her weekly installment will be 125 taka (\$1.4). This amount is not too difficult to pay once a week even for families with a meagre income. Even if the member could not use her loan money in any income-generating work, she would probably still be able to repay the money if she had a minimum regular income. Thus, the bank approves the loan depending on the capacity of each member. And in this way, the most important issue, namely, "loan use," is less important of a matter.

From the discussion above, it is clear that the monitoring system works efficiently because the bank changed the rules and improved the system so that bank workers and officers do not have to go from house to house to monitor whether borrowers use the loan properly. The bank has become much more commercial. It now only monitors the members' savings and regular payments of installment and does not monitor whether members really use the loan as planned. The bank is now well known and well established, and like other banks, the focus of the Grameen bank officers is now on increasing the bank's profits.

It should be noted that house-to-house monitoring by the group leader never became part of its operations. When Grameen Bank was established, the system was new and people had no experience or understanding of it. Careful monitoring was necessary for the establishment of rules, such as group formation, repayment of the loan money, and other mandatory saving money.

But over time, as the bank's contacts increased and members became acquainted with the bank rules, the pattern of bank monitoring developed. Now bank workers fully depend on groups for primary monitoring when selecting a new member and for loan use. The bank is satisfied as long as the loan is repaid regularly from what is supposed to be profits from income-generating work.

## **Conclusion**

From all of the above discussions, it is obvious that the bank's position has become much stronger than at the time of establishment. Over time, the bank has developed its policies based on its experiences. Policies for savings, group liability and monitoring have been changed and developed so that they work very well for the bank. The change in savings policy has contributed significantly to the development of the bank and has also had a positive effect on the group. The members are pleased with the personal savings system which enables them to use their deposited money for personal needs. At the same time, it functions as security for the bank. Simplification of the rules for borrowing and repaying loans has greatly reduced the risk of bank default. Improvement of the bank's policies has extended to the point that though monitoring is not conducted by the bank officers, it works automatically in the banking system.

## **4.2 Enriching Women Members**

Over time, Grameen Bank established itself as a successful microcredit organization by shifting and adjusting its strategies. However, it remains to be seen whether members experienced a similar improvement in their lives. According to Yunus, “If the goals of economic development include improved standard of living, removal of poverty, access to dignified employment, and reduction in inequality, then it is quite natural to start with women. They constitute the majority of the poor, the under-employed and the economically and socially disadvantaged”.<sup>33</sup> Yunus’ statement indicates that he gives utmost importance to the economic as well as social development of women. In addition to offering loans for the economic development of members, he also created programs for their social development. Yunus realized that to improve the lives of poor women, it was not enough to provide only financial services. It was also necessary to promote a strong social agenda.<sup>34</sup> Grameen Bank’s policy was formulated to improve the financial and social development of poor rural women who become members.

### **4.2.1 Financial development of women borrowers**

The bank provides small loans to poor rural women for their financial development. In the previous chapter, I discussed how the bank provides loans, the number of women getting a loan, and how they use it. I mentioned that very few women can use or control their loan money by themselves. Most of them hand over the money to their husbands, and much of it is used not only for income-generating work but for household needs. The next question is in what situations does microcredit contribute to women’s financial



development?

Women do not utilize the loan, but their family benefits from it. When loan money is used for their husband's work, and their husband's income improves, then the family's economic condition develops. As a result, the family as a whole leads a better life. The economic condition of the families of the members develops.

Although this is not exactly the personal development of women borrowers themselves, women are happier since their family is better off. Having been born and raised in a patriarchal society, women think only about the situation of their husband and children and are thus satisfied. Thoughts about improving their own personal situation do not cross their mind. Women, especially rural women, take it for granted that they are born to contribute to and sacrifice themselves for their family. I will discuss the empowerment of women and patriarchal practices of Bangladesh later in next section.

Taking out a loan does not directly lead to the economic development of women. Since not all families are free of poverty, the loan helps the family get by and plays a role in the economic development of the family.

#### **4.2.2 Social development of women borrowers**

“Social development is about improving the well-being of every individual in society so they can reach their full potential. The success of society is linked to the well-being of each and every citizen”.<sup>35</sup>

Although the focus here is on each and every citizen, most women still lag behind in social development. Bangladesh is one of the countries where women, especially poor rural women, are left behind in social development.

According to Dlamini and Julia, “in addition to limited access to education, economic inequities, and development policies that fail to be woman-centred, the significant issues of gender, status and race cannot be discounted. The literature suggests that women are in a situation of multi-jeopardy that includes discrimination by race, class and gender. Additionally, women also face constraints imposed by traditional cultural norms, reproductive roles, and political values and structures”.<sup>36</sup>

Boserup argues, “Women are at risk along a number of domains and this limits their potential as major participants in planning, implementing, and reaping the benefits of social development strategies”.<sup>37</sup>

The Bangladesh government started its first program for women’s social development for post-war rehabilitation in 1972 by establishing the Women’s Rehabilitation Board. The organization made a list of abused women and children, offered programs for their rehabilitation and vocational training, made treatment facilities for war affected women, established showrooms and sales centers for productive employment for women, and much more. Later, the Women’s Rehabilitation Board became the Bangladesh Women’s Rehabilitation and Welfare Foundation with the passage of a law in parliament in 1974.

The government adopted the First Five-Year Plan (1973-1978) and arranged for the rehabilitation of women affected by the war of liberation from Pakistan. At the same time, for the first time, women’s development was emphasized in education, health and family planning, and economic self-sufficiency. After that, a women’s employment and skills enhancement program was implemented for the years 1978 to 1980. This program was incorporated in the Five-Year Plan from 1990 to 1995.<sup>38</sup>

While the government and NGOs were working for the rehabilitation and

socioeconomic development of women, in 1976, Dr Yunus launched direct credit as a means to promote the economic development of women. His priority was the economic development of poor rural women. Grameen Bank started by providing financial services through community-oriented systems. Shortly after that, in 1980, Dr Yunus realized that providing credit was not enough to improve women's condition. He thought that some kind of social agenda to encourage women in their community to stay active and achieve their goals was needed.

Against this backdrop, the bank unveiled the Sixteen Decisions in 1984. Although it is not clear whether the bank made its social agenda in accordance with the government social program for women, it is clear that the Sixteen Decisions played a very important role in membership applications and group formation (See Chapter Two). The bank decided that all members must recite all Sixteen Decisions and swear to comply with them at the center's weekly meeting.

Women were forced to memorize the Sixteen Decisions to become a member and get a loan. But in fact, no action was taken by the bank officers to put into action the goals of the decisions for women's social development. Social development is not possible by merely memorizing social agendas unless they are properly implemented. I did not hear from the any old members that they incorporated the Sixteen Decisions in their family life.

Sometimes members acted contrary to the decisions. In an interview, an older member told me that she pulled her son out of school because he had to work to repay the installment to the bank. Several other members also said that they prepared their daughter's dowry by loan. It is now a common practice to use loan money from Grameen Bank for a dowry, and the bank officers are well aware of this. Instead of

implementing decisions made for the social development of women, the bank workers turned a blind eye to actions taken by members that ran counter to Grameen Bank's social agenda (See Chapter Three).

Apart from education and dowry, there are other social indicators, such as keeping the family small, planting vegetables around the house, using a pit latrine, keeping children and the environment clean, and drinking safe water. But no action was taken by the bank to implement these indicators.

All of these social agendas were not new to the Grameen members because, as I mentioned above, the government implemented measures for this purpose before Grameen Bank was established. For example, government health workers visited women's homes and talked with them about family planning, gave them advice on family planning and health awareness, and distributed free sanitary latrines. Moreover, even before Grameen Bank opened, BRAC also had the same agenda in its Eighteen Promises.<sup>39</sup> I asked old members if they followed the Sixteen Decisions. They replied, "They are nothing, all of us know about them. Like, drink safe water, use a pit latrine, keep your environment clean, and also unity, discipline, etc. Not just Grameen Bank, there has been a lot of publicity about these issues from the government. At that time, to be a member of the bank, they had to be memorized, so everyone memorized them. The bank officers did not come to verify which members actually obeyed the Sixteen Decisions".

In addition, the decisions call for more investment for a higher income. I would ask, however, how can women decide whether to make a big or small investment, when they do not have the freedom to use a loan? Only a few members can use their loan money on their own. Their number, however, is small and their environment is obviously one in

which their husband and male members of their family are helpful. Only in such a supportive environment can members do anything with the loan.

Among the 100 women I interviewed, two looked after their husband's shop a few hours a day in the absence of their husband. One woman looked after her husband's shop when her son was at primary school, and the other looked after her husband's shop with the help of her father-in-law. Meanwhile, another woman established her own business. She was able to do this because her husband lived abroad. Part of her motivation was seeing all the women who borrowed money, which made her want to give it a try, too. This is how she joined and started her business. But beside this it is true that her environment was supportive (Details on her situation is provided in Chapter Three). In reality, a great majority of women do not have the opportunity to develop financially or socially.

## **Conclusion**

It can be said that Grameen Bank created parts of the social agenda by following the lead of other NGOs, but it did not take any further steps to implement them properly. The Sixteen Decisions had no impact on women's social development. But that is not to say that Grameen Bank made no contribution to women's development. According to such researchers as Goetz and Gupta, Rahman, and Karim, after the NGOs came to a village, women came to be able to leave their house. In Bangladesh rural women live with the conservative practice of *purdah*. They are not allowed to go out beyond the village boundary without a male relative. But the arrival of the NGOs and Grameen Bank on the scenes had the effect of enabling rural women to leave the house. All the women members of the bank came to the center alone.

In my own research areas, some older women members told me that they had not known how to count. After joining the bank and meeting other members, they realized the importance of counting and began studying with the help of the group. The women I met who learned how to count did not, however, learn to read.

Finally, until women can be educated and directly involved in economic activities and also move freely in rural society, we cannot say they have obtained social development. Grameen Bank still has a long way to go in the realization of its social agenda.

### **4.3 The challenge of poverty with small loans**

Poverty is a global problem, especially in countries in South and East Asia where most of the poorest people in the world live. Dealing with poverty is a major challenge for all of these countries. The World Bank has used the poverty headcount ratio at \$1.90 a day (in 2011 international (PPP) prices) (% of population) also known as the international poverty line, or the proportion of the population living on an income of less than \$1.90 per person per day, as an indicator to measure extreme poverty on a global scale. During the 25 years from 1990 to 2015, the proportion of the world's population living in extreme poverty dropped significantly from about 36% to 10%.<sup>40</sup>

In Bangladesh the proportion of the population in extreme poverty dropped from 44.2% in 1991 to 13.8% in 2016. Although it is true that the rate is lower than previous years, more than 20 million people still live below the poverty line, and the Bangladesh government has a responsibility to lift them out of poverty.<sup>41</sup>

To eliminate poverty and create economic growth and jobs for poor people, the government and NGOs have been working together for social development,

infrastructure development, and economic development of the country. Since the establishment of microcredit programs in 1983 and their development through the 1990s, microcredit gained status as an effective way to reduce poverty.

#### **4.3.1 Eliminating poverty with microcredit**

Dr Yunus believed credit to be the first and most important element in an anti-poverty program. Although the development of health services, sanitation, housing, and other infrastructure are very important issues, these are long-term processes and take considerable time to alleviate poverty. On the other hand, giving credit to poor people and enabling them to create work opportunities provides a much more direct way to get rid of poverty. Poor people naturally have skills they have cultivated to ensure their survival. Training them in new skills is a waste of time. Poor people already know how to, for example, husk rice grains, raise cows, and pedal rickshaws. The credit cash motivates them to work harder and raise their capabilities and develop other abilities.<sup>42</sup>

There are two points in the statement by Muhammad Yunus. First, he directly responds to the poverty issue by giving credit, and second, he is very optimistic about skills. According to Muhammad Yunus, lack of money is the main cause of poverty. If everyone had money, even a small amount, there would be no poverty. So, first of all, you need to ensure a way to secure income.<sup>43</sup> He focuses on self-employment for this purpose and believes poor people need accessible credit. Dr Yunus points out that poor farmers suffer from moneylenders' high interest rates. That is why he gave priority to solving the credit problems of poor farmers by providing low-interest loans. In the beginning he started a microcredit program for farming activities. Later he also included small businesses as he thought people could use it for different activities and expand

their income sources.

Why did Dr Yunus focus on farmers? Bangladesh is largely an agriculture-dependent country. Almost 70% of the total population lives in rural areas and agriculture is a major income source in those areas. More than half of the farmers are landless, owning less than 0.5 acres of land, and 45% own 0.5 to 0.75 acres of land.<sup>44</sup> Those farmers have no choice but to rent land for cultivation. They are called tenant farmers.

Tenant farmers have to bear all the costs for cultivation and pay half of their crop to the landowner. The farmers always need to borrow money for cultivation. In the 1970s, most of the tenant farmers borrowed money with high interest from moneylenders because government loans were only provided to rich farmers.

Farmers could not earn much profit after paying high interest to moneylenders and giving half of the crop to the landowners. Moreover, these poor farmers often had to survive the economic crisis due to various natural disasters. Because of all this, they could not get out of poverty.

Secondly, Dr Yunus was very optimistic about making use of already acquired skills rather than trying to teach new ones. To him, training poor people was nothing more than wasting time. Rather than asking them to do something new that they had no idea about, he believed investing money on work they were doing at the time, such as farm work, animal husbandry, and pedaling a rickshaw, would enable expansion and increase income. Providing easy credit to the poor, who are denied credit by the government and private banks, is indeed helpful, but is this the only way to overcome poverty?



Poor people need money not only for their work but also for various kinds of basic needs. If they do not use the loan money for its purported purpose of income-generating work but for their basic needs instead, they will not be able to benefit from credit. Researchers (Goetz and Gupta, 1994; Rahman, 1999; Karim, 2011) also found that most of the poor families use the loan money to meet immediate needs of their family.<sup>45</sup>

My research has indicated that poor families use the loan money for various purposes connected with daily life. I will later discuss how poor families use the loan money in their life in a rolling cycle. Since the loan is used for multiple purposes but not for the intended use as a way to enhance income, it fails to enable poor families to become free of poverty.

Knowledge and experience of the users are vital for proper use of the credit for business and investment. Some women may be able to do their work with permission and support of the male members of the family, but poor women usually need some primary advice and training about the work and marketing process when they want to start their own business.

Women in most rural households have some domestic animals, but there are many differences between rearing five or six hens at home and raising a hundred chickens for business. When a woman rears a few domestic animals with her own income, the problems that may occur, such as the animals' sickness or death, are manageable. It will be a loss for the family, but there will be no worries, such as how to repay the loan money. But if a woman invests loan money on hundreds of chickens and something disastrous happens, the impact on her family will be much greater because she will have to repay the loan installments.

It is natural that a woman, as a bank member and borrower, should be given some

basic knowledge of market management and risk management. Grameen Bank, however, does nothing to provide illiterate poor women with any primary understanding of business, even though the bank gives her a sizable loan.

#### **4.3.2 Poverty Indicators of Grameen Bank**

Microcredit programs have expanded very quickly in Bangladesh. Many NGOs adopted microcredit programs in their policy. The microcredit programs quickly captured the market because of the high demand among poor people. But have all the poor people benefited in the same way? Did the poor rural people succeed in escaping poverty to the same degree as the microcredit institutions have succeeded in establishing themselves?

How can we measure the extent of poverty alleviation? Poverty indicators have been formulated by authorities of countries and institutions on the basis of what they consider as most important to the people. Such indicators place a high priority on poverty alleviation around the world.

The Global Multidimensional Poverty Index (MPI) has been developed and released annually by the United Nations Development Programme and the Oxford Poverty & Human Development Initiative from 2010 and tracks deprivation across “three dimensions and 10 indicators: health (child mortality, nutrition), education (years of schooling, enrollment), and living standards (water, sanitation, electricity, cooking fuel, floor, assets).”<sup>46</sup>

Grameen Bank has its own poverty indicators to evaluate how far out of poverty a member’s family has moved.<sup>47</sup> They are:

1. The family lives in a house worth at least Tk. 25,000 (twenty five thousand, \$ 370) or

a house with a tin roof, and each member of the family is able to sleep on bed instead of on the floor.

2. Family members drink pure water of tube-wells, boiled water or water purified by using alum, arsenic-free, purifying tablets or pitcher filters.

3. All children in the family over six years of age are all going to school or finished primary school.

4. Minimum weekly loan installment of the borrower is Tk. 200 (\$ 2.3) or more

5. Family uses sanitary latrine.

6. Family members has adequate clothing for everyday use, warm clothing for winter, such as shawls, sweaters, blankets, etc, and mosquito-nets to protect themselves from mosquitoes.

7. Family has sources of additional income, such as vegetable garden, fruit-bearing trees, etc, so that they are able to fall back on these sources of income when they need additional money.

8. The borrower maintains an average annual balance of Tk. 5,000 (\$58) in her savings accounts.

9. Family experiences no difficulty in having three square meals a day throughout the year.

10. Family can take care of the health. If any member of the family falls ill, family can afford to take all necessary steps to seek adequate healthcare.

Muhammad Yunus examined the lifestyle of rural poor people in Bangladesh and made the indicators by prioritizing some of the minimum requirements, which, if fulfilled, would effectively put a family over the poverty line. Looking at these indicators, we see that two things are emphasized to reach this standard. One is

economic improvement, and the second is lifestyle improvement. For economic improvement, the bank focuses on savings practices and future investment, and for lifestyle improvement the bank focuses on a healthy, hygienic life in which people's basic needs are met. It is true that these two factors are the main causes of poverty, which the bank understands very well, but they are still very difficult issues.

Now, let us see what kind of action Grameen Bank has taken in this realm. First, let us look at the steps taken for economic improvement. For economic improvement of poor people, Grameen Bank prioritized credit. The bank does not emphasize the development of skills, knowledge, education, and training for the poor. The bank states that only credit can solve the economic crises of the poor.

With regard to the bank's fourth poverty indicator, namely, the capacity to repay 200 taka (\$ 2.3) a week, and the eighth, or an annual savings balance of 5,000 taka (\$ 58), one might wonder what they signify. Is the ability to repay and save a key to poverty reduction? I do not know if there is any other country in the world where the ability to repay loans and the amount of savings are indicators of poverty alleviation.

The 200 taka weekly installment figure is affordable even for low-income families, such as rickshaw drivers, day laborers, and hawkers. In my research, there were a total of seven members in this category who had a minimum weekly installment of 200 taka. Six of them had a GPS account worth 200 taka. Such people are categorized as the poorest by the bank. As I have already explained in connection with the application form of the bank, the bank checks the work and income of the female applicant's husband, and families must be deemed to be able to make a minimum weekly installment of 200 taka. So, this indicator in reality has no meaning.

Regarding the annual savings balance, Grameen members must deposit a certain

amount of money for mandatory savings. Yunus said in *Grameen Bank Prokolpo 9*, poor people cannot save money easily unless the bank forcibly collects some money. This will help them in the future, and they will also acquire the habit of depositing money.<sup>48</sup> This is a good idea, but in reality, the policy does not go quite as well as planned.

In my research, the lowest amount of mandatory savings was 30 taka to 50 taka. If the mandatory weekly savings amount is 30 taka (\$ 0.3), then in 45 weeks (or one year, according to the bank's rules) it will take 4 years, and in the case of 50 taka (\$ 0.5) it will take 3 years for the total deposit to reach 5,000 taka (\$58). There is no guarantee that the poor families will not find themselves in need of money for an emergency during these three or four years. Generally speaking, it is extremely difficult for poor families to maintain an annual savings balance of 5,000 taka (\$ 58).

Poor families often face unexpected costs in their family life. To cope with these unforeseen situations, they have no option but to borrow money, usually more than 5,000 taka, from other sources. I have already discussed this matter in the previous chapter. In my research, I found that in the face of such problems, they borrowed money from other sources to put the mandatory savings money in the bank. One borrower told me that she had to borrow 50,000 taka (\$ 589) from her relatives for her husband, who suffered from a stroke during the loan period.

Then what is the point in keeping a 5,000 taka annual savings balance? Even if a poor family has 5,000 taka in their savings account and the bank declares the family poverty-free, what about their other debts? How can we say it is economic improvement when members deposit their mandatory savings money by borrowing from other sources? We should not judge that she is out of poverty until she gains the ability to save money easily from her own income.

I have already stated in Chapter Two that the savings account is used as security for the loan and collateral for the next loan. When any member has a problem repaying her weekly installment, she will pay it from her savings account. And when members are able to deposit enough money in their savings account, they will be allowed to take out a bigger loan in the future.

Besides the mandatory savings, almost all the members have GPS accounts. If an installment is not duly paid, the bank first tries to retrieve it from the member's savings account, but if there is not enough money in that account, the bank will withdraw money from the member's GPS account. So savings are actually used as loan security for members and for the bank as well.

The question remains whether these poverty indicators of Grameen Bank really work well or whether they are justifiable. The matter needs to be studied more in the context of the actual situation of the poor people.

As we all know, the first thing that usually comes up with the issue of the poverty is ensuring food security. In Grameen Bank's ten indicators, however, the first priority is on housing; food is only mentioned in the second to last indicator. According to Yunus, the monsoon period in Bangladesh is long and houses are often damaged due to heavy rain. Women work at home with loan money and this is why the house serves as a "workshop" for them. And if the workshop is not durable how can they work? Thus, above all women need a place where they can work comfortably.<sup>49</sup> That is why Yunus gave priority to housing.

It is clear Dr Yunus considers the house to be a place for generating income. If the house is not well, then the income-generating work will be disrupted. The bank thus launched housing loans for members to make repairs from various natural disasters,

including floods and typhoons. But loans are given on the condition that they are repaid.

According to Grameen Bank's rules, to get a minimum housing loan of 10,000 taka (\$ 117), membership of at least three years is required, and for a full housing loan of 25,000 taka (\$ 294), membership of at least four years is required (See Chapter Two). This means the loan is available only to those who have a good loan repayment record, which means that they have a regular income and no food problems.

Although, Dr Yunus emphasized the importance of building a house as a place for income-generating work, the loan conditions have been set in the opposite order, you have to start your work first, then prove you are qualified, and finally you may get a housing loan.

Then, what will members do if the house is damaged within the first three or four years of membership? I will give an interesting story one member shared with me. In 1991, there was a massive flood, and most of the houses in the village were badly damaged. The bank provided a fixed 1,500 taka (\$ 17) loan to purchase tin for the members of the bank. The date of application for the loan was fixed. The registration fee was 150 taka (\$ 1.7). One woman mistakenly applied for a loan after the deadline. The bank worker refused to take her application, but the other members urged the bank officer to approve her application. The bank worker agreed on condition she pay 150 taka registration fee and an addition 50 taka (\$ 0.5) for a late application. From this example there is no doubt that Grameen Bank exploits the poor. The bank takes extra money for its profit when the poor are in tremendous need.

In indicator number 7, the bank states that all families must have a source for extra income, like a vegetable garden. The idea is good, but this is only possible for members who have enough space around their residence. A small vegetable garden may not be

enough for extra income, but it will help them eat.

Similarly, regarding the other poverty indicators for lifestyle improvement, the bank did not take any notable steps. In contrast, government health workers advised poor families in rural areas that nutritional deficiencies in their children could be handled by planting vegetables in the empty space around their house, rearing a few hens and ducks for eggs, as poor families cannot afford fish or meat. The government undertakes the Food for Works program during the slack seasons for food security.<sup>50</sup> The government and NGOs have also engaged in many other initiatives to raise social awareness.

The Grameen Bank workers, however, do nothing like the government to raise awareness or offer free services for poor members. The bank has aligned this agenda with the priority for the loan itself. The bank's philosophy seems to be, "Everything you need in your life can be obtained with loans, from a house to a sanitary latrine, and such purchases will lift you out of poverty. You do not need to wait for the government or any other charities and support from NGOs. And then you will show yourself that you have become poverty-free".

To improve a poor family's lifestyle with the loan, the bank has focused on the power of money as an investment for raising income and purchasing power.

#### **4.3.3 Who is poverty-free?**

Now, then why is it that not all the poor succeed in emerging from poverty after using the microcredit? What kind of people were unable to do so? Here I will discuss this question.

Lifting oneself out of poverty with the loan depends on many factors, such as how



poor the family initially was, the number of family members, and what kind of profession they were involved in. Another important factor is how much or how far the loan is utilized with adequate knowledge and skills.

In an interview, Muhammad Yunus said, “Poor people can get out from poverty after taking a loan about 8 to 12 loan cycles”.<sup>51</sup> In *Group-Based Savings and Credit for the Rural Poor*, Yunus said that “vicious cycle of “low income ~ low saving ~ low investment ~ low income” can be broken by injecting credit in the cycle; “Credit ~ more income ~ more savings ~ more investment ~ more income.”<sup>52</sup>

In my research, 41 out of 100 members have taken out loans for more than 10 years; 33 members for more than 20 years; and 8 members for more than 30 years. The other 18 members have taken out loans for fewer than 10 years. The majority of members have taken out loans for longer than the period of time assumed by Dr Yunus. Does this mean that Dr Yunus’ proposition is not correct, or does it mean that members have lifted themselves out of poverty and there is another reason these members have continued getting loans?

It should be noted that Dr Yunus overlooked poor people’s expenses and their lack of income for basic needs. In general, poor people use their loan money for their immediate or emergency needs rather than for income-generating work. If they earn enough to save money, they can invest money for income-generating work, and if they can make enough profit from their business, they can invest more. But if the profit is not enough or if they suffer from any other damage, in the event of a natural disaster, for example, they need to take additional loans, which leads to more debt in their life. So, the cycle depends on the balance between profit and loss. The loan cycles of poor people often proceed in the following way:

Credit → expenses → **no savings** → no investment → credit  
→ **small savings** → small investment → **profit** → more income → credit → bigger business  
→ **loss** → debt → credit

Below I will discuss the lives of women I interviewed to throw light on this topic.

My first example is the wife of a rickshaw puller who took out her first loan in 1999. When I interviewed the woman, she had been a member of Grameen Bank for 16 years. But the condition of her house was not very good. The roof leaked and rain fell into the kitchen.



Rickshaw puller's house



Inside of the house



The kitchen of the house

After talking to her, I realized why her financial condition had not improved even after taking loans for many years. From the beginning, her economic condition was not good. Due to lack of money she had to use the loan money for food, medicine, her children's education, and other such needs. That was why her loan money could not be fully invested in income-generating work. She made cane mats but since the cost of the

material was high, she could not buy enough material. She could make only one or two mats a month and sell them for 300 taka (\$ 3.5) to 500 taka (\$ 5.8), which by far did not put her in a position of self-reliance.



Making a cane mat

Her husband's rickshaw was also bought with the loan money. Her husband earned 200 taka (\$ 2.3) to 300 taka (\$ 3.5) a day transporting people in his rickshaw. But during the rainy season, there were fewer passengers, and his income dropped. Moreover, he sometimes could not pedal the rickshaw because of bad health. A few years ago, their three daughters got married. For the ceremony, she sold her land and also borrowed 10,000 taka (\$ 117) from the bank. When her elder daughter gave birth to a child, she sent many gifts for her grandchild. All of the time she used the loan money for other purposes because there were no other options for her.

At present, she has a 10,000 taka loan. She pays 220 taka (\$ 2.5) as her weekly installment for the loans and deposits 30 taka as mandatory weekly savings. She has no other savings deposits in the bank. Her husband's daily income is 300 taka, so their monthly income stands at around 9,000 taka (\$ 106). Her total monthly installment is 1,000 taka (\$11), and after paying this, they have only 8,000 taka (\$ 94) left to survive. Although she can manage her loan installment with her husband's income, and they can eat three times a day, it is not enough to live comfortably. I remember that she made

only one vegetable dish for lunch when I visited her house, although it is very common for Bengali families to serve at least two dishes, including one with fish. This is a typical situation for poor families in Bangladesh.

This family's life and livelihood have not changed much since taking out a loan because their income does not cover their expenses. They have no savings for their next investment. That is why they are still poor as before.

The second example is a poor family that was able to get out of poverty. In 1988, a widow joined the bank. She had four sons and three daughters. First, she borrowed 3,000 taka (\$ 35), with which she bought some chickens and ducks. Then she bought some food and paid the school fees for the children with the rest of the money. She had no income, but as she had to pay the loan installment, she had her eldest son work at a photo shop when he turned 9 years old. But it was difficult to survive only by raising a few hens and ducks and her eldest son's small income. The woman's elder brother helped their family and she sometimes borrowed money from her relatives, too. Later, with the next loan, she bought a goat and a cow. In this way, she managed to take care of her family.

When her daughters got older, she arranged their wedding ceremony with the financial help of her relatives. After her eldest son had grown up, he opened his own photoshop with her loan money. It was at this time that the family's financial condition started to improve.

Her life changed a lot after sending her second son overseas. She borrowed money from the bank for him with the excuse of using it for the photoshop. The second son sent money from overseas and she repaid the loan money. From this time onwards her financial condition kept improving. Her next two sons also went overseas, and she never

had to face poverty again. Although she no longer needs loans, she continues to borrow money because of her long-standing relationship with the bank. She continues to attend weekly meetings where she has good relations with the center members. “The center meeting is like a community to me,” she says.

This widow has taken out loans for 20 years, and she was able to put poverty behind her. She did not do any business herself. She took loans to buy some livestock but not to start any form of business. She bought some livestock and sold milk and eggs, but the money was not enough for her family’s survival. Her brother’s physical and financial support, money from other relatives, and the loan money for her household needs were indispensable. Her relatives also helped her to arrange the marriage ceremonies of her three daughters. Thus, she had to go through a lot of hardship in her life until her four sons had a sufficient income of their own. Here the important fact is the existence of male relatives and sons and the support from relatives, in addition to the Grameen loan.

The comparison of the above-mentioned two cases shows that, despite the similar economic conditions in their initial stages of loan-borrowing, the second family has come out of poverty while the first family remains poor. The difference lies in the number of male family members and the availability of external support.

The first family has three daughters but no sons, and their expenses are higher than their income due to their daughters’ marriage cost and social needs after marriage. They had only one source of income, the husband’s rickshaw pulling. This profession is closely associated with one’s physical ability and the natural environment. Unfortunately, this family had no outside support from friends or relatives. They were unable to have any savings or borrow money from the bank to invest more. This case

tells us that even with credit support, reliable income sources and support from relatives are still very important in order to come out of poverty. That is why the first family is still struggling with poverty.

The third example will help us understand that poverty is not just due to the lack of credit. A woman joined Grameen Bank in 1992 and borrowed money for repaying the cost of the tin for their house. Her husband was an employee of a tea shop. After paying off the first loan, the wife borrowed 3,000 taka (\$ 35) and bought some livestock. She also used it for household needs. The third time, she borrowed 20,000 taka (\$ 235) to open a small tea shop for her husband. Unfortunately, the tea shop had to be closed within a year due to losses. The husband then started working at another tea shop, but his income was not sufficient for the family's survival. Moreover, the loan installment was a burden. As there was no other way, the wife started to work for a garment factory to repay the loan. It is worth mentioning that in the 1990s, the salary of a garment factory employee was 930 taka (\$10),<sup>53</sup> while that of a tea shop employee was only approximately 2,000 taka (\$23).<sup>54</sup> There were four people in the family: the husband, wife, and two children. However, her salary was not enough for them to survive. After repaying the loan money one year later, she borrowed money for a fourth time to lease land for cultivation. Besides working at the tea shop, her husband started to cultivate the leased land. When the farming did not go well or when he was ill, they borrowed money from their relatives. They have been surviving in this way. In 2013, the wife stopped working, and currently she has a loan of 25,000 taka (\$ 294). She bought a goat and used the rest of the money to lease land and cultivate vegetables.

This family could not establish their business with loan money, and moreover they have fallen into more debt and have faced more difficulties after losing their business.

After borrowing money for 23 years from the bank, they are not classified as “poor” since they fulfill the poverty alleviation indicators of Grameen Bank, but they are still struggling to lead a fully independent and comfortable life with Grameen loans.

Let’s look at a fourth example. This family had three children. The husband was a farmer, and the wife was a midwife trained by the BRAC bank project in her village. She told me that she borrowed money for farming but sometimes used it for household needs because farming did not provide a steady income. Crops could not be cultivated all year round because of various natural hazards, such as excess rainfall and floods. At difficult times when they could not manage their family costs and the loan installment, they borrowed money from relatives. They also borrowed money from BRAC Bank when they could not get a loan from Grameen Bank.

The expenses of the family were very high at that time, with various needs of the family, including children’s education, medicine, and many other social expenses. So, they had to rely on loans and support from relatives. When their children grew up, she borrowed money for her son to open a grocery shop. In the meantime, her husband became ill and stopped farming. One year later, the son closed the shop and went abroad. He sent money from overseas and with the remittance, they could maintain their life and also repay the loan installment. Later in 2014, the woman’s husband decided to open a small grocery shop and borrowed 50,000 taka (\$ 589). The shop had to be closed within a year because the landowner wanted to use the place for another purpose. They still had to repay the loan installment, but they did not have any problems because her son sent money from overseas and the wife was still working as a midwife.

In this case too, Grameen credits were not the main reason for overcoming poverty. From the beginning, this family was not so poor that they could not have three meals a

day, but they were moderately poor because their income was low. For cultivation, a poor farmer always needs initial funds to invest in farming. In that sense, Grameen credit was essential and they benefited from the Grameen loan. But they also had to rely on the BRAC loan and relatives' money.

This family did not overcome poverty by expanding farming with Grameen credit. They were fortunate and did not become more debt-ridden because both the husband and the wife earned decent incomes. Because of this, they were able to repay the loan even though they had borrowed from various sources. Finally, the family's financial condition improved after their son started a business and then went abroad. The income he made abroad was far better than what he could get in Bangladesh. The couple said that they have had no more money problems since their son went abroad, and now they hope to build a brick house.

If you look at all the examples above, it is understandable that it was not only Grameen credit that helped them overcome poverty. And not all of them could come out of poverty. Credit is an important factor, but not the only way for the poor to get out of poverty. Poor farmers need credit for cultivation, and rickshaw pullers need credit for buying a rickshaw. Credit income is indispensable to send a son overseas, although this usage is not income-generating work according to Grameen Bank.

In the case of the rickshaw puller and the farmer, physical ability and the natural environment are most important, but to start a business, you should have a good idea, good skills, and adequate knowledge on investment. But above all you need to have enough savings to be allowed a large amount of loan money to start a business.



## **Conclusion**

Grameen Bank has prepared its own Poverty Indicators. The bank believes that loan members can fulfill the indicators and get out of poverty by expanding ways and earning income through loans.

Although credit support is important for poor people, it is more important that they are really able to use the loan money for income-generating work. The bank says that when they become able to repay the loan money regularly, they will use the money for income-generating work. But researchers have a different view. Poor people manage their installment money in many other ways, such as borrowing from relatives, friends, NGOs, and also from their group's members (Goetz and Gupta, 1994 Rahman, 1999; Karim, 2011; Alam and Molla, 2011; Faraizi, Rahman and McAllister, 2011; Dichter and Harper, 2007; Khandker, 1998). Poor families have many needs, but their income is not sufficient to meet all their needs. That is why they borrow money for their needs. But once they borrow money, they must begin paying it back. If they cannot make enough profits, they face problems making the installments. Then there is no way other than borrowing money again from other sources.

When all the borrowers can make profit from their income-generating work and are able to fulfill the ten indicators with their own income, we can sincerely say that they have all benefitted from Grameen Bank's microcredit. Otherwise, we cannot say so.

### **4.4 Life goes round in endless debt cycles**

The bank always claims they provide loans to "the poor", but in my field work I have not seen any members who are extremely poor, unable to eat three times a day, or whose family members have no regular income. In my research area, all the members

have a certain income, from day labor to established businesses. They all borrow money according to their repayment ability to meet their needs.

However, the following question remains. How long will it take a family to get out of poverty by taking a bank loan? Because as we already understand from the previous section that borrowing money is not the only way of out of poverty. Despite all these years, the same people are still taking out loans. Here I will discuss how long the loan life of poor families continues or how long after taking a loan they are able to live a self-sufficient life without a loan.

#### **4.4.1 From the bank's perspective**

Yunus said in an interview that it would take eight to twelve loan cycles for members to become poverty free. At the same time, he commented, "Grameen Bank is like a club. Once you join, you will become a lifetime member. We consider a group of five people as a new family and close friends. It is not just taking a loan, but a process to change their lives."<sup>55</sup>

What exactly is his message? Is it not a contradiction in terms? Is he talking about getting rid of poverty with a loan? Or is he encouraging poor people to borrow money again and again to improve their living standards?

In my field research, none of the bank workers said that their members "are self-reliant and free from the bank." On the contrary, one member told me she wanted to leave the bank, but the bank worker persuaded her to take out another loan.

Grameen Bank's 1978 publication on the institution's bylaws (*Bidhimala*) states that, "If a member's cultivable land increases more than 50% or the total amount of property surpasses an amount determined by the bank, she will be forced to resign as a

member of the group.”<sup>56</sup> But later, the bank changed the rules on membership resignations. The bank never forces their members to resign, even when their cultivable land increases more than 50% or their property grows greatly. The bank even pushes them to continue borrowing. It seems the bank’s policy is “the more members, the more profit.”

#### **4.4.2 The members’ financial condition**

The bank always claims it provides loans to “the poor,” but among the women I interviewed, not a single one was extremely poor, unable to eat three times a day, or whose family members had no regular income. In fact, all of them made a certain amount of money, either as day laborers or with established businesses. They all borrowed an amount of money that was commensurate both to how much they could pay back and how much they needed.

Now let us see why these people continue to borrow money. They are satisfied with the loan as a means of improving their life or for other purposes. Some researchers have grouped the members into two categories: poor clients (moderately poor) and rich clients. I will divide the members into three groups and discuss their situation based on the type of work they do and amount of their loan. The first is basically lower-class families. The second is mainly lower-middle class families. And the final group is mainly middle-class families. We can get a better understanding of Grameen members by looking at their characteristics as a group. The three groups differ with regard to their background for loan continuation.

Lower-class families include tenant farmers, day labourers, rickshaw pullers, hawkers, and small shopkeepers. In my research, most of the borrowers agreed that the

first loan was not enough as an investment for work. Members who took out loans in the 1980s and in the 1990s said their first loan was 2,000 taka (\$ 23) to 3,000 taka (\$ 35). The amount was not small for that time, but not big enough to start a new business. Even after taking out additional loans three or four times, the loan amount increased only minimally. So, they had to borrow money from other sources.

For example, a rickshaw peddler's wife said her husband wanted to buy a rickshaw. In 1991, when she became a member of the bank, the amount of her first loan was only 2,500 taka (\$ 29), though a rickshaw cost about 30,000 taka (\$ 353) at that time. Four years later she got a loan of 25,000 taka (\$ 294) which was still not enough, so, her husband borrowed 5,000 taka (\$ 58) more from another source and bought a rickshaw. Later, she again took another loan and bought another rickshaw which her husband rented to someone else.

The reason lower-class families borrow money from other sources is not just because the Grameen loan is not large enough. An equally important reason is they have to divert some of the loan money for other needs in their life (See Chapter Three).

Rahman's 1999 study lists three reasons for the lack of consistent income: (1) structural dimensions of the rural economy, such as seasonal price fluctuations; (2) Family or life-cycle effects, such as children's education costs and daughter's marriage; and (3) unexpected and sudden crises, such as death or illness in the family or natural calamities.<sup>57</sup>

In my field research from 2015 to 2016, the situation that Rahman described had not changed. Low-income families still faced the same problems. Because of the seasonal price fluctuation in the rural economy, scarce investment, low profit and low income, lower-class households were unable to meet all their household needs.

Moreover, poor families were always under economic stress for a variety of unexpected crises including natural disasters and illnesses.

In times of a crisis, lower-class households must use some of their first loan for their immediate needs regardless of the loan amount. For example, one member told me she used her first loan not for her work but to buy a few hens, ducks, and food. She used her second loan for her husband's work and her children's tuition. She always used the loan money for various needs of the household, and not for her work.

In addition, the amount of later loans is decided on the basis of the change in the borrower's occupation, that is, their income and their ability to repay the loan. The borrowers in my research area commented that although they needed a large loan, they also needed to think about how to repay that large amount. If they took out a large loan, they might be unable to manage the loan installment. They then would face more problems. In reality, there were invisible limitations on how much money poor borrowers could borrow. For example, in my research, 20,000 (\$ 235) to 30,000 taka (\$ 353) was the highest amount a lower-class family could borrow for agricultural purposes and 50,000 taka (\$ 589) was the highest amount they could borrow for small businesses.<sup>58</sup> It takes many years before lower-class members can qualify to borrow a big loan of 50,000 taka. Low-income families regularly take out loans even after getting the largest loan possible, because they are always short of money and struggle to make ends meet.

As I mentioned in the previous chapter, the loan of one woman, Lata, was 3,000 taka (\$ 35). Her husband invested all the money in a small sweets shop. Their family survived by selling puffed rice, and they also borrowed money from relatives. After two years, when the business started to make some profit, she could repay the loan money

and became eligible to borrow a larger amount like 10,000 taka (\$117). This is how her husband managed his small business. She borrowed from Grameen Bank and used some of the money for her household needs, because her husband's business was small and he did not always make the same in profits. They had a big family, but the main income came only from her husband's shop. On the little income they made, they could not cover all household costs, including those for their children's education, medicine, daughter's wedding ceremony, and much more. She borrowed 30,000 taka (\$ 353) for her daughter's marriage ceremony. Almost all the income was spent on their family, loan installments and other mandatory savings money in the bank, so she had to borrow again for the next business investment. When her husband's business was not going well, they needed to borrow money from other sources to repay the loan money and pay for household costs. In this way, she has gone through loan cycles throughout her life.

However, I also found that they have learned to manage their loan money wisely according to their plans for the household and for maintaining a good balance. Income has always fluctuated for low-income families, and they are accustomed to this situation.

For example, Chompa, used the loan money as planned for her kids' education and to build a house. She also had a plan to borrow money for her daughter's marriage. Although this family was always under economic stress and at risk of debt, they depended on loans to meet the various needs for every step in their life stage.

In a sense, it has become a habit for lower-class families to depend on loan money. Because their income is always low, they cannot deposit money. Besides the family expenses, they have to pay loan installments and the mandatory savings to the bank. This leaves them without money in their hands. As a result, they use loan money for

other demands. It costs ten thousand taka to buy a chest or bed. Since they never have that much money, they rely on loans to fulfill their needs. As the weekly loan installment is small and well within their control, these lower-class families can no longer imagine life without loans. In this way, the immediate needs of the family, the situation during crises, and lack of consistent income create a cycle from which it is difficult to extract oneself. Low-income families are living in cycles of loan and debt risk.

Lower-middle class families, meanwhile, comprised moderately large businesses, like decoration shops, butchers, chicken farm businesses, clothing shops, drugstores, grocery shops, rice shops, and hair salons. In many cases, they have alternative income sources like farming or a job of their husband and/or son. As they have an alternative source of income, these families do not have to worry about their loan repayment. Even if their business is not going well, they can cover it from the alternative income source. These families take loans for regular business investment and also to expand their current business.

For example, a woman borrowed money for her son, who is a butcher. Since he has a big business, he was always in need of money that he could use to invest. She has almost paid back her current loan of 50,000 taka (\$ 589) and is planning to apply for another 50,000 taka loan. It costs 50,000 to 60,000 taka (\$ 707) to buy a medium size cow. Her son's business is going well and in order to maintain and expand the business, good investments must be made. That is why she regularly takes out loans. Her son uses the loan money, and from the profits he makes he pays the installment and manages his family costs, as well. Any money left over is invested in his business again. This is how her loans keep his business running and expanding.

Another woman borrower is the center leader at a Grameen center. In addition to working a regular job, her husband also runs a grocery store with his younger brother. When I interviewed her in 2015, she had a loan of 60,000 taka (\$ 707). Her husband planned to open another shop with more loans in the future. In the case of this family, the husband's job is the main income source, but since he has a younger brother to handle his business, they started a business together. Her husband's elder brother also joined in, and as a result, they are making extra income. So, they can afford to use loans for further business expansion.

In my research, I found that lower-middle class families sometimes use the loan money for other needs too. Though they do not depend on the loan money for household costs, they sometimes use the loan for additional needs of their families.

For example, a member's husband has a hair salon. She borrowed money from the bank for her husband to go abroad in hopes of earning more. During his absence, he had an employee run the shop. The husband came home two years later because he could not find a good job abroad. Even though he borrowed a lot of money to go overseas, there was no financial crisis because he still had the hair salon. Later, the wife started to take out Grameen loans for various purposes, such as buying a sewing machine and making a donation to the temple for the husband's deceased mother. She told me, "Even though we have the shop, we need a lot of money for different things. I bought a sewing machine with the loan. It cost 10,000 taka (\$ 117). It is better to borrow money from the bank because I can repay it slowly. Otherwise I have to spend all my deposit money."

In the case of this woman, she took out loans for various purposes although her husband had a regular income. She bought the sewing machine with a plan to make clothes and sell them in the future.



In another case, a member's husband was a temple priest. He used the loan money for a ceremony at his temple. Because they have a regular income, they are confident that they will be able to repay their loan. Thus, they use the loan to do something for their family. Increasing wealth is an innate instinct for people, so there is no end to the demand for loans that will enable them to have a better life.

Another related point I noticed is that when some families use their loans to start a business for side income or to expand a business, families who see them are sometimes curious and inspired to act. They think, "If I do something in addition to my regular job, I can also earn some extra income." The bank workers can easily convince such families, saying, "See, using a loan, your neighbor is successful. You can also do it." As I have also described, group members are usually selected from their neighbors or relatives, so they are well acquainted with each other. It is quite common for them to try to put into effect a similar plan in the hopes of achieving the same success.

Further, as a bank manager told me, there are some members who no longer need a loan but wish to remain a member and take out a small loan of 10,000 taka (\$ 117), for example. They do this in the event they need a loan again in two to three years' time. If a member leaves the bank and rejoins, she will need to wait for two years for a large loan. That is why they remain members even if they do not need to borrow money at that moment.

This shows that the rules of the bank are made in such a way that the bank worker can keep their clients for the bank as long as possible. The sustainability of the bank depends on those members who constantly take out large loans and have no problem repaying them. The bank workers are also tactful to keep members and make them loan dependent.

Finally, I can say that no matter what the business needs are or how strong the urge to expand the business and to improve living conditions is, lower-middle class families are tied to the loan cycle, whether consciously or unconsciously.

The last group, middle-class families, are those with well-established businesses. For them, it is easier to borrow money from Grameen Bank than from a government or non-government bank.

I talked with a member named Runa and her husband, who has a drugstore in the local bazaar. Her elder son works for a company. Her family is relatively rich as they live in a large two-story house. She took out a loan because her husband started a poultry farm. Before taking the loan from Grameen Bank, he borrowed money from Bangladesh Krishi Bank. As it took quite a long time for the loan processor to approve the loan, he stopped borrowing loans from Krishi Bank and asked his wife to join Grameen Bank, because it was much easier to get loans from Grameen Bank (See Chapter Three).

Now he has a total of 1,300 hens in his poultry farm. His wife's loan is 230,000 taka (\$ 2711), her weekly installment is 5,750 taka (\$ 67), and her weekly mandatory savings is 200 taka (\$ 2.3). She also keeps 2,800 taka (\$ 33 ) in her GPS account. Her husband said, "The need for business loans does not end." They have gradually taken out bigger loans to expand their business because the amount can be increased as they wish, since she has enough money saved and she always repays money on time.

#### **4.4.3 Loan as part of family plan**

In my field research, I saw a generation of women who had been members and taken out loans their whole life. I described why they have been on loans for so many

years. These families still have loans, not for themselves but for their sons. In my fieldwork, I saw many wives who took loans for their husbands and are now taking loans for their sons after their husband's retirement or death. And in some cases, old members invited their daughters-in-law to the world of Grameen loans. In this way, the connection with Grameen Bank continues from one generation to the next. But what is the reason behind this?

As a result of my research, I found that loan continuation of a household depends on the sons' educational qualifications, sons' job selection and the family's loan practice. This is true of all households, whether they are lower-class, lower-middle class, or middle-class. By family loan practice, I mean that the children of families who take and use loans consistently also take and use loans in the same way. I will discuss these three factors and how they lead to the continuation of the loan to the next generation in detail.

In general, every family wants to have their children well established in the future. A good education is important to everyone because it is the path to better job opportunities. But not every household can provide their children with a decent education, especially in the case of poor rural households. In Bangladesh, 85% of the population lives in rural areas. According to the *Household Income and Expenditure Survey 2016*, 26.4% of the people living in rural areas live in poverty.<sup>59</sup> In most rural areas, children of poor families struggle to finish primary and secondary school. Viewing education as a fundamental right, the government of Bangladesh places importance on educating the children of poor people. The government has taken many measures, including the Food for Education Program (FFEP) in 1992 and Female Secondary Education Project (FSEP) in 1994, to ensure access to schools by everyone, especially the poor.

Through FSEP, the government provides cash incentives to girls whose monthly attendance rate is higher than 75% and academic scores are over 45%. Since 2002, the Stipend for Education Project (SFEP) has paid 100 taka in cash in place of 8 to 12 kilograms of wheat or rice for the FFEP. Textbooks are distributed free of charge, and the government recently started providing free meals at schools and free education up to the eighth grade.<sup>60</sup> As a result, the primary and secondary school enrollment rate is rising. According to the *World Bank Report 2016*, the primary school enrollment rate rose from 80% in 2000 to 98%, in 2015 and the secondary school enrollment rate rose from 45% in 2000 to 54% in 2015.<sup>61</sup>

Despite the success in school enrollment, the dropout rate is still high. A research study showed a dropout rate of 40% and 37%, respectively, because of poverty and difficulties adapting to the school rules and system. In poor households, 80% of all income goes to buying food, so families cannot save money and cannot afford to spend money on their children's education.<sup>62</sup> Although government schools do not charge tuition, there are many hidden costs for education, like school uniforms, notebooks, and extra tutorial fees. Tutors are needed because teaching time at school is limited and uneducated poor parents in villages cannot help their children study.<sup>63</sup> As a result, children cannot pass their exams and become frustrated, lose interest in studying, and stop attending school. That is why it is difficult for children of poor households to complete their school education.

Moreover, children of poor and low-income households have to work to support their family financially. In addition, in such events as the father's sudden illness or death, poor families have no other option but to send their child to work in order to survive. As was shown in the previous chapter, a member's son left school in fourth grade after his

father's death and started to work to earn money for the family.

In my research, although loans are supposed to be used for income-generating work, the money is often diverted for children's education. In this way, their children can complete their secondary education and those who can afford more loans may send their children to obtain higher secondary education. After finishing higher secondary education young people can have more options for employment. Thus, the loan is used for the next generation. Now let us study the relationship between level of education and the job market and how it is linked to loan continuity in the next generation.

In rural areas, of those who complete secondary education and higher secondary education, 57% have jobs in the service sector, 23% work in farming, and 15% own and run their own businesses.<sup>64</sup> Those in the service sector do not earn much because almost all are employed in small shops and companies that are near the village or in the local bazaars. They work in transport operations, barbershops, laundry services, agro-processing, shops keeping, garment padding factory, contractor services as mechanics, and in garment factories. Of those who have no formal education, 52% work in farming, 12% in services, and 10% own and run their own businesses.<sup>65</sup> As the rural job market is small, those who have no formal education and those who graduated with a secondary school education compete in a small job market. But the salary is not enough for them to live on. For this reason, many of them use a loan to start a small business as a second source of income, such as a grocery store, or lease land for cultivation in addition to their main job.

Some of them try to go to the Middle East to work because educational qualification is not required there. Around 600,000 taka (\$ 7071) to 700,000 taka (\$ 8250) is needed to go to those countries, which is a huge amount of money for a poor

family. A loan from Grameen or another place enables families to send their children overseas. Those who are engaged in farming or run their own business always need loans to lease land, buy tools, and make investments.

Here I will give an example of how low-income households pass on loans to the next generation. A woman borrower went from house to house in the village to sell sari. To continue her business, she took loans of up to 50,000 taka (\$ 589). From her small business she could feed her family but could not afford to send her children to school. Her children thus only completed secondary education. After her sons grew up, they worked for a steel cupboard shop. They learned their work well and wished to start their own business. The mother gave them the money she had borrowed to start a business. They rented a small space from the owner of the cupboard shop who had taught them the trade. The mother stopped selling saris, but she still borrows money and hands it over to her children so they can continue their business. Since their mother has consistently borrowed money from the bank and paid the installments on time, the bank officer approves the new loans she asks for. As a result, the children have no problem obtaining funds because their mother is always able to get a loan.

Lower-middle-class households educate their children until graduation from formal education. Because of their higher loan repayment ability, they can divert their loan money for their children's higher education. After completing higher education, they have the opportunity to join the job market not only in rural areas but also in urban areas. Job competition is very high in urban areas. Some of them manage to get a good job, but many do not. If they do not earn enough from the job, they try to do something on the side for extra income. Some work in a family farm or business and others continue borrowing money, as they know very well how their bread winners have utilized loans

for their education and for starting up a business. Young people from families who have taken out loans for a long time for their businesses often choose to start a new business after graduation because they have access to their mother's loan.

For example, one borrower's husband worked as a court clerk and also did farming. They always took loans for rice farming and growing livestock. Sometimes the member diverted her loan money for her son's study. After graduation her son started a snack shop business at a local bazaar with her loan money. She said, "My son told me he wanted to do business and he found a good place. I gave him my loan money to start his business. I have always paid back my loan on time and have been borrowing for a long time. That is why the bank officer knows me very well and I do not face any problems in borrowing a big amount for my son's business. I took 160,000 taka (\$ 1885) for my son's business. Now I borrow just for my son's business."



A member who is borrowing money for her son's business

In this case, the son became aware of the benefits of getting a large loan in the context of long family loan continuity and made use of this advantage to start a business. A suitable location and good investment are important in starting a business. Here the combination of the two made it easier to start a business.

Another woman borrower's husband was a postal worker, but he also farmed and had a tobacco business. She took out a loan for farming and her husband's tobacco

business. She had no problem repaying the loan because her husband had a job. Her husband farmed and ran a business in addition to his job as a postal worker in hopes of earning enough income so that they could lead a somewhat comfortable life and educate their children. The woman helped her husband with the farming work. She has been taking out loans for over 20 years. She did not stop taking out loans even after her husband died. After his death, she gave the loan money to her son. Although her son is a primary school teacher in the village, he started a drugstore with his mother's loan money.

Here, the son was brought up seeing his family make use of loans since he was a boy. Though his father was employed by the post office, he ran a business with the loans to earn extra income. It was natural for the son to rely on loans the way his father did to try to raise his standard of living. Long-time members of the bank do not have to wait for big loans. It is thus an advantage to the next generation when the mother is a senior member of the bank. Moreover, primary schools in rural areas close early, so the woman's son is able to spend his afternoons running the drugstore.<sup>66</sup>

I have already described that middle-class households take loans from Grameen Bank because of easy access to loans. These families are financially stable, and they have the ability to provide a higher education for their children. Since their children have the opportunity to study at good institutions and remain in school until graduation, they can get a good job. They can select their own profession or open a business of their choosing. Some of them join their family business and take out loans from the bank to expand their business.

For example, one family has a clothing business and after raising business capital by taking out a loan from the bank, the business started to make a good profit. The



husband expanded his business and opened another clothing store. Their son also joined the family business after graduation. Their business prospered, and they borrowed more money to open a third store, which is managed by the son.

Children from middle-income households can choose their profession because their family has no financial problems. Children from low-income families do not have as much education and have to work from a very young age to provide financial support for the family. Without higher education, they do not get well-paid jobs. Moreover, they have fewer opportunities in the rural job market. Under such circumstances, they have no choice but to use their mother's loan money to do farming, open a small business, or go overseas to a Middle Eastern country to work. In the case of lower-middle class families, the children continue making use of loans taken out by their mother. Some of them use it to start a business, and others use it as an extra income source besides their permanent job. Through the continuation of family loans, children of lower-middle class households also have the tendency to use loans and obtain larger amounts in the next cycle for additional income. Children in the middle class follow a similar path of loan continuation from generation to generation and tend to borrow more money to expand the family business as they become more involved.

## **Conclusion**

In the beginning of this chapter, I raised two questions in the context of Yunus' contradictory statement. From the discussion above, it is clear that Yunus focused not only on poverty alleviation but also on continuously raising living standards. However, the bank has been doing this for their own profit. Members' loan continuity is far more important for the bank's sustainability, because if customers quit the bank after getting

out of poverty and do not take out regular loans, the bank's long-term survival will be threatened. Because of this, bank workers have long been pushing members to become lifetime members of the bank. Though bank workers are strict on loan repayments, they are often indifferent to their use as has been reported in this section.

Income in lower-class families is not stable and they are always in a financial crisis. That is why they continuously borrow money. Loan dependence is created by continuously fulfilling various needs with loan money. As such, it is difficult for them to get out of loan dependence. It is a kind of human instinct that there is no end to desires. It is not that they do not benefit from a loan. They can run their business with the loan money, but the problem is that they will never be free from loans.

Lower income families can only afford to make a small investment that does not bring a big profit. They also have to divert some portions of the loan money to living needs, as the profit from their business is not enough to cover all their household expenses. This reduces the amount that can be invested in the business, and as a result not much profit can be made. Once this practice becomes a habit, they cannot be free from loans. Those who have less want more, and those who have more want much more.

Seen from the outside, their quality of life has improved, as it seems various needs have been met with loans. For example, even a low-income family unlikely to have a brick house actually owns one. It is quite natural that anyone who sees this will assume the family's financial circumstances have improved drastically. But in actuality, it is the loan that enabled the family to build the house. Loan is not profit, but debt.

It can be seen that these people have lived their entire lives on borrowed money, a large part of which is bank loans. Their life is full of debt. As a result, they are always in

debt risk, and may suffer terrible consequences which can make them even poorer than their current situation at any time. The poverty of such low-income families has been relieved somewhat because of loans, and their purchasing power has increased, but their whole life has been turned into endless debt which will continue from one generation to another.

Lower-middle class and middle-class families are caught in a similar loan cycle. The difference is that the lower-class families take out loans for their survival, while lower-middle class families are dependent on loans from regular business investment. They also use loans to meet occasional needs of their families where they need to spend a big amount of money or wish to increase their wealth, such as building a big house and buying land. They know they have the ability to repay the loan and are careful to use the loan wisely for additional benefits.

Improving one's living standard by taking a loan is essentially a trap. Once you get into this trap, you cannot free yourself and must spend your entire life in it. Their lives are stuck in loans and cannot be freed from loans. Everyone, whether from the lower class, lower-middle class, or middle class, wants to raise their living standard, and has become stuck on a carousel of endless debt cycle from generation to generation.

#### **4.5 The role of Grameen Bank in the empowerment of rural women**

Grameen Bank's microcredit program targets poor rural women in the belief that giving loans to women will make them self-sufficient and raise their status within the family. Below, I discuss whether and how Grameen loans have functioned as a means to empower rural women.

#### **4.5.1 Women's place in the patriarchal society in Bangladesh**

In patriarchal societies, women leave their ancestral family and move in with their husband's family. The status of the new bride hinges on whether she can give the family a son, because the husband's family property can be inherited only by a son and not his wife. Throughout their lives, women depend on male members of the family for economic needs and social protection. The responsibility for female members is passed on from fathers to husbands and from husbands to sons.<sup>67</sup>

Women are subordinate to their male guardians, and their daughters are also taught to comply with the traditional rules in the same way. As Hashemi puts it, "Women's subordinate position is not an inevitable fact of biology, rather it is a product of socialization process starting at birth".<sup>68</sup> In other words, female subordination to men is not a matter of nature but the outcome of the process of being taught to be submissive again and again by her family and society.

Another concept that shapes the lives of women is purdah, which is a Muslim practice that forbids women from being seen in public. Purdah has the effect of restricting women's mobility and opportunities in public, hindering their efforts to elevate their position, and keeping them in a secondary position in society. Purdah is associated with status and prestige in society. Disobeying purdah practices can even result in social shunning.<sup>69</sup> So, for the sake of their family as well as their own honor, women are forced to adhere to this practice.

Patriarchy and purdah practices stand as huge obstacles to the empowerment of women. Women have no right to make any kind of decisions about themselves or their children. Decisions regarding work, marriage, access to resources, and what they can do and cannot do are all made by male members of the family.<sup>70</sup> Women must obey men. If

they do not agree or do not obey, they will be forced to divorce or be physically abused. Poor illiterate rural women are unable to survive on their own because they have no income. Moreover, divorce is seen as a disgrace, and society blames women for a divorce. In most cases, women who return to their parents' home do not receive support as they have disgraced the family's honor. Returning with children is seen as an extra burden.

Rural illiterate women do not know they have such things as basic human rights or what they can do to secure their own rights, so they have no choice but to remain in their husband's home. Women think they must put up with their low position in their husband's home, however bad, because they were born into a poor family as a girl. The surveys undertaken to date all make this point clearly.

According to the *Report on Violence Against Women (VAW) Survey 2015* published by the Bangladesh Bureau of Statistics in 2016, 72.6% of married women in Bangladesh have experienced some kind of partner violence in their lifetime. By type of violence, behavioral control was reported by 55.4%, followed by physical violence reported by 49.6%. The proportion of women suffering such violence was higher in rural areas 74.8% than in urban areas 65.6%. The report also mentions that, despite high rates of partner violence, 72.7% of the victims have never told anyone about it. Only 1.1% reported to the police.<sup>71</sup>

Gender-based violence that women in Bangladesh experience “ranges from sexual harassment and emotional abuse, to child marriage, stalking, sex trafficking, acid attacks, rape and dowry killings.” Human rights violations, such as child marriage, dowry, unlawful divorce, polygamy, domestic violence, and fatwa are not uncommon, but are now being addressed as awareness is growing.<sup>72</sup> The number of cases filed for

violence against women and children rose from 17,752 cases in 2010 to 21,220 in 2015.<sup>73</sup>

These survey data clearly indicate that women in Bangladesh are completely dominated by their husband and that conservative patriarchal practices are still very strong. In virtually all walks of life, women are restricted from making their own choices and decisions, occupy the lowest position of society, and deprived of their rights. As a result, women in rural areas are the poorest and the most disempowered of all.

#### **4.5.2 How loans lead to women's empowerment**

So far it has been said that the reason the bank gives loans to women is because women are more responsible than men, and as a result, the repayment rate of the bank will be higher and there will be less risk for the bank. This is not to say that Yunus never said anything about women's rights or women issues. On the topic of women's empowerment, Yunus said, "Giving the women control of the purse-strings was the first step in giving her right as a human being within the family unit."<sup>74</sup> He believed that one way to gain control over the family budget was by loan money.

In a seminar on the empowerment of women, he made his point very clearly in answering a question from the audience. He said, "Microcredit played an important role to change attitudes of the women in Bangladesh. After getting money, women will be able to make family decisions that have not been able to do in the past. Giving loans to the women will benefit their children as well, because women are the most conscious about their children's future establishment."<sup>75</sup>

And on the question of how women get empowered by getting money, he gave the following example. "When a woman buys a cow with the loan and pays off the loan

money, she will be the owner of the cow. And in this way, she will borrow money again, expand her business while borrowing and paying off the loan again and again. This is how a woman can be self-reliant and become empowered. If her husband gives her a divorce, she can demand her cow because she borrowed and paid off the loan money. As a result, after a divorce from her husband, the woman can be self-reliant. Further, the bank has a pension scheme for women where women can save money for their future and also women are shareholders of the Grameen Bank. So that women will feel confident that they own the bank that will boost their confidence.”<sup>76</sup>

Dr Yunus’ statements suggest three points: First, that microcredit gives women the power to make decisions, second, that microcredit benefits the children of these women, and third, that microcredit will enable them to increase their own property and become self-reliant.

Let us examine to what extent Dr Yunus expectations have been realized and whether Bengali women have really been empowered by Grameen Bank loans.

#### **4.5.3 Researchers’ divergent views of Grameen Bank loans**

Some studies claim that microcredit empowers women by involving them in income-generating activities. Pitt, Khandker and Cartwright argue that the decision-making power of microloan users has increased significantly.<sup>77</sup> Mahmud and Bayes also argue that due to microcredit, women’s ability to earn money has increased. It has improved family welfare and also increased women’s mobility in the male-dominated public place remarkably.<sup>78</sup> Khandker reports that the microcredit program has made it easier for women to become self-reliant, especially in rural areas, where women have benefited most as they can be involved in low-cost nonfarm

activities at home. This has increased the amount of nonland wealth of women.<sup>79</sup> Hashemi argues that even when women hand over the loan money to their husbands, their family understands that the source of the loan is the wife, and this has raised women's status in the household.<sup>80</sup>

On the other hand, a substantial number of studies (Goetz and Gupta, 1994; Rahman, 1999; Karim, 2011; Faraizi, Rahman, McAllister, 2011) emphasize that microcredit does not empower women, and that in some cases it has even worsened their position in the family. More often than not, women are unable to establish control over a loan or use the loan for themselves. They have to hand it over to the husband. When a husband cannot repay the installment, it is the wife who is forced to repay the money. In such situations, women face much pressure in the household, and when they try to ask their husbands to repay the loan, their husbands sometimes react by hitting their wife.<sup>81</sup>

According to Karim, in 95 percent of the cases, husbands have control over the loan. Women rarely use the money themselves. Unless women have some marketing skills, it is impossible for them to be an entrepreneur.<sup>82</sup> Though there are very few success stories, they are given wide coverage in the news because they are widely promoted by the NGOs.<sup>83</sup>

It seems apparent from the arguments above that the extent to which a loan can play a positive role for female empowerment depends on how much the loan has been utilized for income-generating work and how much women can control the loan within the family. Now I will discuss this point based on the results of my own fieldwork.



#### **4.5.4 Loans to but not for women**

In my research of Grameen women members, only 5 out of 100 women I interviewed controlled their loan money. All five were either widowed, divorced, or had a husband living and working abroad. The absence of male family members was a key factor. The remaining women in my sample group had no control over loan use. The situation I encountered was even worse than what Goetz and Gupta<sup>84</sup> and Karim<sup>85</sup> reported. Grameen Bank often boasts that 96% of its borrowers are women, but in reality, a huge proportion--more than 90% in the case of the women I interviewed—cannot use the loan for activities that will make them self-reliant.

Even if a female member uses her Grameen loan for her business, she faces another difficulty. I interviewed a divorced woman with two children in Ajimpur Village. She and her children live with her parents. She runs a poultry farm utilizing her Grameen loan with her elder brother's supervision. She takes care of the poultry farm on her own, but she has no choice but to entrust marketing to her brother. In rural society in Bangladesh, women are not supposed to take part in selling eggs and chicken or buying feed at the market. In this way, loans provided to female members by Grameen Bank are virtually controlled by male family members within the context of the patriarchal system.

It is no exaggeration to say that Grameen Bank offers loans to women but not for women. In my observations, bank officers were well aware that female members borrow money for their husbands and not for their own business. In one case, a borrower visited the area office of Grameen Bank for loan application. In my presence, the area manager asked her the following questions: "What is your name?" "What is your husband's name?" "How big of a loan do you want?" "What do you want to use the loan for?" and

"What kind of work does your husband or son do?" After the woman answered these questions, the bank manager delivered the loan money to her. I noticed that the same questions were asked in all the other area offices as well. Most of the women frankly replied that they wanted to borrow money for their husband's business. The bank officers then asked what kind of business their husband does but showed no interest in the female borrower's job or income-earning activities. Lamia Karim also notes that the same questions are always asked by bank officers.<sup>86</sup>



A branch manager giving loan money to the members after asking questions.

The fact that Grameen Bank's microfinance presupposes male-dominated practices within a family and a society in Bangladesh is epitomized in its membership application form. Several questions on the form focus on the applicant's husband: "Is your husband an employee of government or nongovernment services from the fourth class or above?"; "Is your husband's salary above 4,000 taka?"; "Did you talk to the household head about becoming a member of the bank?" All of these questions are important for the bank because women cannot do anything without the permission of the male family head. The husband's job ensures the female member's steady loan installments.



The branch manager is talking to the husbands of the members.

When I asked a Grameen Bank officer about self-reliance of its female members, the officer answered, “It is the right thing to give loans to women. It may improve their position in their family.” Another officer said, “We not only lend money for their husbands, but we also lend money for women who want to start their own business. In the latter case we have to ensure she gets the permission of her husband or her male guardian. Then we can consider her application.” It should be noted here that Grameen Bank does support entrepreneurship for women, but only under traditional patriarchal views.

Traditionally in Bangladesh, the work done at home or within the boundary of *para* (neighborhood) is generally considered to be the work of women. Most rural women engage in rearing livestock at home. They sell chicken, eggs, and cow milk to their neighbors, but they never do so in the market. There are some women who make traditional embroidered quilts, shopping bags, and hand-fans in their spare time. Their husband, son, or another male relative takes them to the rural weekly bazaar to sell. Women are not barred from doing such kind of work as long as it can be done at home. However, they are entirely dependent on male family members for trade and contracts. Women are effectively barred from entering the markets.

Many researchers, including Kabeer, Goetz and Gupta and Karim, argue that the appearance and activities of NGOs have had the effect of giving women a larger public presence. Indeed, Grameen members regularly go to the center house to attend weekly meetings, sometimes crossing the boundary of their neighborhood to get there. Nevertheless, they cannot go out without the permission of their male guardians and it can only be for the purpose of the loan. The attendance at center meetings is a sign that they are no longer bound by socio-religious restrictions.

In the light of this, it is clear that Yunus did not take into full account the harsh reality of social norms and was overly optimistic about women's empowerment. He believed that a woman could own a cow when she bought one with microcredit and paid off the loan. In reality, however, she could not finish the loan repayment without her husband's income. How could she claim ownership if she did not pay off the loan with her own money? It is true that women can increase their family wealth by getting a loan, but the wealth is not considered to be their own because the loan money is repaid by their husbands.

Dr Yunus also says that women have pension funds and that they are shareholders of the bank.<sup>87</sup> But, the pension money women deposit in the bank is from their husband's income, and it is also the husband who determines the amount of money to be deposited. Several women borrowers told me, "We do not have an income, so how can we deposit money? It is our husbands who give us money to deposit in the bank. We deposit and withdraw the amounts our husbands tell us to. We do everything with our husbands' permission. They tell us to borrow money from the bank. If we borrow a loan for our husband's work, their income increases, and our family will be able to live a better life. And that is all we want."

Dr Yunus proudly says that compulsory bank share purchases enable poor women to have an equal partnership with Grameen Bank.<sup>88</sup> That is, however, nothing but a fairy tale. In the interviews I conducted, women told me, “We are called ‘the owners of the bank’ but we still do not understand how we own the bank. To date, we have not received anything from the bank.” I realized that if the purchase of Grameen Bank shares had not been compulsory, no one would have bought them. The members do not feel that the shares are beneficial to them. It is obvious that the compulsory share purchases have no impact on the empowerment of poor rural women.

#### **4.5.5 The true empowerment of women**

In the context of women’s empowerment, Morgan and Bookman stated, “Empowerment begins when women change their ideas about the causes of their powerlessness, when they recognize the systematic forces that oppress them, and when they act to change the condition of their lives.”<sup>89</sup> Empowerment begins only when women understand they have no power to control their life, feel something is being unfairly imposed on them, and they try to get out of that situation or try to seek change.

In this context, the Grameen Bank is not empowering women in their family in any way by giving loans to women. It can be said that Dr Yunus’ assumption that “only loans can empower women” has been proven wrong. The bank has never taken any kind of initiative to support them in their self-empowerment. Being self-sufficient is important for female empowerment, but the journey to self-sufficiency is not easy. Monetary assistance is indeed one of many requirements for self-sufficiency, but not the only one. Most rural women are illiterate. They take the supremacy of men in the traditional social system for granted.

Grameen Bank has never taken any initiatives to convince women that the powerlessness of women is the result of the patriarchal system and traditional practices that deprive them of the freedom to decide on their own and that force them to be subordinate to men. These are the obstacles to their empowerment. They could empower themselves if Grameen Bank raises their awareness of their disadvantaged situation and encourages them to become self-sufficient.

There are actually a small number of members, with some knowledge, who feel that nothing can be done or changed, because the whole rural society restricts women's mobility in all sectors. Being self-sufficient requires courage and self-confidence as well as proper direction, training, ideas, and cooperation from families, society, and institutions. But surprisingly, Dr Yunus seems to think that rural women do not need any guidelines or training towards their self-reliance despite knowing the conservative reality of rural society.

We can see from actual bank practices that nothing can be carried out without the husband's permission. Women have no chance to make their own decision on any kind of bank transaction. If the loan cannot be controlled by women, becoming self-reliant by engaging in economic activities is out of the question. Even women's limited involvement in economic activities is dependent on their husband's permission.

Dr Yunus has been successful in creating loan cycles that are passed on to the next generation, (See Chapter Four), and women have continuously played the role of loan takers for their husbands and children. Benefits for women from loan transaction are very limited. They can use some of the loan money for buying furniture, building a home, for their children's higher education costs, and even for their daughter's dowry. These expenses cannot be covered by the husband's income, so women are satisfied

with the Grameen loan because it enables them to spend the money for their family.

They feel they have benefited from the loan in this way, but they do not think they should do something for their self-reliance or independence. They believe they should always follow their husbands' words.

In some cases, a husband listens to his wife's opinion on family matters, something that rarely happened in the past. However, in such situations, the husband's personality, generosity, and political orientation or religious views are the deciding factor. As I have already said, in conservative religious patriarchal practices, women are always subordinate to the male members of the family.

Instead of becoming self-sufficient with a loan, something akin to a loan addiction takes hold among the women members, and ultimately this has the effect of holding them down even more. The more they repay the loan, the more they will depend on the loan money for their needs. As a result, they are less interested in taking up income-generating work for their independence.

## **Conclusion**

It may be true that microcredit programs of Grameen Bank are successful in addressing poverty to some extent and almost all the bank's members are women. However, the loans that are supposed to be utilized by women for their empowerment do not fulfill this purpose because rural women in Bangladesh have been subordinated to the male guardians in their family and social life.

Grameen Bank does not attempt to change gender relations in the patriarchal society by breaking the purdah tradition. Such practices as asking for the approval of the male family head and admitting male dominance of loan use have even reinforced the

patriarchal society. Empowerment is never possible if one relies on someone else. To be truly empowered, women need to be able to make decisions independently and economically, and this is something that will not happen just by providing women with loan money.

The key to changing the attitudes of both men and women is education. Long-lasting patriarchal practices cannot be overturned in one day. Grameen Bank has worked with the women of Bangladesh for about 40 years, but unfortunately no significant changes have been observed. There are a few examples of successful members, but this does not mean an overall improvement in women's conditions in general. Under these circumstances Grameen Bank still increases the number of its customers and maintains a high repayment rate. However, I must say that Grameen Bank's loan practices are far from empowering.

The bank should not only provide microfinance services to women but also take the responsibility to make sure that the borrowers use the money properly. The bank should also take some effective measures to strengthen the position of the women. Even if a patriarchal society requires a male guardian, the bank should ensure that its women members are able to participate in decisions on the use of the loan. The bank can provide educational programs on small businesses for women. When women's involvement is essential to the family business, the profits of the business should be shared by them.

If patriarchy is one of the roots of poverty, especially that of women, Grameen Bank, which is renowned worldwide for poverty alleviation and empowerment of women, needs to address this issue first.



## Notes

- 1) Yunus (1998), p.13.
- 2) *Grameen Bank Annual Report* (2017), pp. 3-7.
- 3) *Grameen Bank at a Glance* (2016), p.5.
- 4) *Grameen Banker Shuder Har* (2009), p. 2.
- 5) Microcredit Regulatory Authority (2010), p. 2.
- 6) Malek et al. (2007), pp. 242-243.
- 7) Rutherford et al. (2008), p. 6.
- 8) Datta (2004), P. 69.
- 9) Bangladesh Krishi Bank (2018).
- 10) *Dhaka Tribune (Journal)* (2019).
- 11) Credit and Development Forum (CDF) (2006), p. 9.
- 12) Online Krishi & Polli Loan (2019).
- 13) *Group-Based Savings and Credit for the Rural Poor* (1983), p. 3.
- 14) *Grameen Bank at a Glance* (2016), p. 3-4.
- 15) *Grameen Banker Shuder Har* (2009), pp. 4-7.
- 16) *Human Development Report 2019* (UNDP) (2019), pp. 6-7.
- 17) Yunus (1998), p. 113.
- 18) Dowla et al. (2006), pp. 111-114.
- 19) *Grameen Bank Prokolpo 1* (1979), p.1.
- 20) *Group-Based Savings and Credit for the Rural Poor* (1983), pp.10-11.
- 21) The Center Emergency Fund was made with the interest paid from the Emergency Fund. When a member died, the bank was to give a grant to the family of that person from this fund (*Bidhimala*, 1978).
- 22) *Group-Based Savings and Credit for the Rural Poor* (1983), pp.11.
- 23) Yunus (1998), p.156.
- 24) Pearl (2001), p. 3.
- 25) Dowla et al. (2006), p. 22.
- 26) *Grameen Bank at a Glance* (2016), p.3.
- 27) Dowla et al. (2006), p. 144.
- 28) *Grameen Bank Annual Report* (2002), p.5.
- 29) Yunus (1998), pp. 105-109.

- 30) Dowla et al. (2006), p.77.
- 31) Ibid., p. 78.
- 32) Rahman (1999), p. 115.
- 33) Yunus (1998), p. 89.
- 34) Ibid. (2007), p. 57.
- 35) Government of New Brunswick (2008).
- 36) Jones et al. (2003), p.96.
- 37) Ibid, p.98.
- 38) Bangladesh Ministry of Women and Children Affairs (2011), p 4-5.
- 39) Faraizi et al. (2011), p. 96.
- 40) World Bank (2018).
- 41) World Bank (2018).
- 42) Yunus (2007), p. 113.
- 43) Ibid. (1998), pp. 64-72.
- 44) Bangladesh Bureau of Statistics (BBS) Statistics and Informatics Division, Ministry of Planning. (2014), p. xxix.
- 45) Goetz et al. (1994), Rahman (1999), Karim (2011).
- 46) United Nations Development Programme and Oxford Poverty and Human Development Initiative (2019)
- 47) Yunus (2007), p. 111.
- 48) *Grameen Bank Prokolpo* 9 (1980), pp. 14-16.
- 49) Yunus (1998), p. 241.
- 50) Food for Work (FFW) program launched by the government in 1975 when people in Bangladesh were starving due to high food prices and rural unemployment. This is to ensure the availability of food grains in rural areas and at the same time create job opportunities and provide food grains as wages instead of paying cash for the labor. Ahmed et al. (1995), p.46.
- 51) Yunus (2001).
- 52) *Group-Based Savings and Credit for the Rural Poor* (1983), p. 12.
- 53) Ahmed et al. (2014), p.6.
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## Conclusion

Women's empowerment and poverty alleviation are two important issues that countries throughout the world have been grappling with. Muhammad Yunus' Grameen Bank concept has huge potential and has won acknowledgement as a very successful international organization that can offer a solution for these issues.

According to Dr Yunus, poor women have a natural potential, and by giving them money, they can better exploit their potential and empower themselves. Based on this viewpoint, Dr Yunus first started a project where he arranged to provide easily accessible microloans for poor women. In 1983, Muhammad Yunus' microcredit-based project was given institutional status as Grameen Bank. The bank was established to provide microloan services to rural poor women so that they could become self-reliant and poverty-free, empowered by the loan money. The bank did not demand any collateral for a loan. The bank became very popular for its easy loan conditions and the number of female members of the bank continued to grow. Its outstanding loan repayment rate of over 90% proves that it has managed its loan services well.

This thesis examined how well Grameen Bank's microcredit programs have eliminated poverty and empowered rural women in Bangladesh by analyzing the bank's rules and its application, and by conducting interviews with women borrowers.

The important findings I made were as follows. First, although Grameen Bank has provided loans to women for 40 years, it has not been able to ensure their self-reliance. Grameen Bank makes use of the phrase "women's empowerment," but there is no evidence that rural women have actually been empowered through the bank's programs. Second, though it cannot be denied that microcredit enabled relatively poor families to

lift themselves out of the minimum poverty level, it also can easily lead to loan dependence. Habitual use of loan money implies the risk of endless debt, which is passed on to the next generation.

Grameen Bank started its operation by organizing poor rural women to bring them out of the backward socioeconomic status and make them self-reliant and empowered. The bank created women's groups and conducted lending activities through these groups so that women could work together and organize themselves. In the process, they would also develop confidence and be motivated to become self-reliant. Although the initial idea was good, it gradually changed into something different. The bank's main focus shifted to financial activities, especially to group deposits and loan repayments. The most negative impact on group members was that one member's unpaid debt must be paid by the other members of the group.

As a result, instead of cooperation within the group, women have become more focused on saving themselves from problems by forming a group with familiar members who know each other's social and financial background.

The bank later introduced individual savings systems and claimed that members would be able to use the savings for problems of their family or in case of difficulties of loan repayment. It seems that the collective responsibility by the group, which should be something of the past, is still practiced in various aspects of the lending structure of Grameen Bank, such as the obligation of punctual attendance at the weekly meetings with all the money payable to the bank. This is not for the benefit of the members but only for the security of the bank.

The bank's main purpose was to give loans to empower women. Forty years later, the bank has yet to ensure an environment conducive to women's direct use of loans,

which is a key issue for women's empowerment. However, for these 40 years, the bank has established the system so that while it is the women who receive loans, it is actually their husband or sons that use them.

The bank has conducted its own system in harmony with the patriarchal system so that it could manage its affairs without stress. Due to the dominance of men in the family and the conservative religious purdah system in society, women cannot control and use their loans. Moreover, women's husbands command them to become members of the Grameen Bank for the loan. It is only with the husband's approval that wives are able to join the bank. I have not seen a single woman who took out a loan on her own initiative, or for her own work. Throughout its 40 years, the bank has not tried to take any measure to create an environment for its women members to earn their own income. Researchers have argued that the rate of women's loan use remains unchanged. According to my research, some women can use the loan in particular situations, such as the absence of husbands, but most women are unable to use their loan for their own income-generating plans.

In rural Bangladesh, the main task of women is to take care of the home. From this point of view, it is natural for women to function as family loan carriers, and the responsibility of women increases even more. When their family has any problems in repaying the loan, women are the most shamed. In patriarchal practices women are the bearers of family honor. Even if they do not use the loan themselves, women have to sacrifice themselves to protect their family's honor. Therefore, the position of women as the loan carrier cannot bring any special change for women's position within a family. Even if women help their husband in his business or other income activity, they do not get any remuneration for it. Grameen Bank's microfinance has not been able to lead to

women's empowerment but has established a highly successful microfinance business through women.

There is no doubt that the bank has created loan dependency through microcredit practices. It is not limited to just one generation, but also to the next. Low-income families always have to rely on loans. Since they cannot meet all the needs with their low income, members tend to use the loan money for their households needs. Because there is no supervision from the bank for proper loan utilization, members can freely use the loan as they see fit. They can build a house, buy household items, and otherwise try to improve their lives. They can also use it in case of an emergency. Thus, they consistently take loans from Grameen Bank and also take loans from other sources in case they have problems in repaying the loan or to cover the loan deficit. That is how they make their installments and feel satisfaction that the loan makes their life easier, even though in reality they are dependent on it. Their loan dependence is surely the result of the bank's commitment to "social business" rather than to its members' social welfare.

It can be said that loans have become as integral part of the family budget. Women take out loans to expand their husbands' business or ensure its survival. The loan money is also invested in the higher education of children, in businesses, or for working overseas. When the sons are successful, they can cover the loan installments and continue to borrow bigger amounts of loan money to expand their business. That is how a family utilizes the loan for alleviating poverty and economic development, and loan practices are thus passed on to the next generation. It is to be noted that establishing a business can make both profit and loss. Although the bank ensures its own security through various savings policies, the loan debt can easily become a big risk for the loan



borrowers in the event of any loss. Losing balance between profit and debt may result in financial difficulties that may not be recovered throughout their life.

As such it can be said that rural Bangladeshi families transfer the financial risk to the next generation. Microcredit is without doubt an endless debt. Poor families have benefited financially from Grameen Bank's easily accessible loan but this endless debt in the name of poverty alleviation must be reconsidered.

The biggest responsibility of Grameen Bank as the world's largest recognized Nobel Prize-winning organization should be to consider how it can fulfill its original promise. That was not about increasing membership or raising the loan repayment rate. It was about supporting women so they can actually generate income and establish their own dignity.

Unfortunately, it is true that the restrictions on women are still very strong in the patriarchal society of Bangladesh. Especially in present times, religious conservatism has increased politically and socially. Under these circumstances, if the bank is truly for women, then it must take some steps to cross social and religious boundaries. For this, Grameen Bank must raise awareness of women and take up primary education programs. After that, the bank should empower women by providing knowledge necessary for small enterprises.

Grameen Bank is well known all over the world as a microfinance institution. It has a strong image, especially for working with poor rural women. Everyone has seen the bank as an incarnation of a deity for helpless rural poor women. Indeed, a Japanese version of Grameen Bank, called Grameen Japan, was established in 2018. But many people, even in Japan, do not know how its operations will contribute to the empowerment of women. I have tried my best in my research to highlight the real

situation of Grameen Bank, both positive and negative. Grameen Bank claims to have elevated the position of women in society, but as I have shown in this thesis, the reality is different. The loans are rarely used by women themselves in the goal of economic self-sufficiency or independence. Instead, they are in nearly all cases used to supplement a family's limited income or provide a source for investment by the husband or a son. In this way, the returns cannot be enjoyed by women; they are not a means for female empowerment.

Grameen loans may have contributed to raising the status of living of poorer families. And in turn the local economy may also have grown. However, this has been done at the expense of women's well-being. Women are the ones who sign the contract for the loan and bear legal responsibility for repaying them. In addition, the dependency on Grameen loans for a better standard of living, as seen in the many members who take out loan after loan over the course of many decades, is in reality an additional stress on women whose lives are already very difficult.

It is time to rethink what is really important for women and what can be done to achieve this.

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# Appendices

## 1. Loan Installment Chart of Interviewees

**Chart 1 Shakpura, Boalkhali**

Number	First joining date	Present amount of loan(BDT)			Weekly Installment (BDT)			Weekly savings amount (BDT)	Grameen Pension Scheme (GPS) (BDT)	Fixed Deposit (FD) (BDT)
		Basic	Business	Cattle	Basic	Business	Cattle			
1	22/3/1993	5,000			L-110 I-15			20	200	50000(7yrs)2 5000(8yrs)
2	28/9/1997	50,000			L-1,100 I-150			75	1	
3	27/11/1997	5,000			L-110 I-15			50		
4	25/10/2004	5,000			L-110 I-15			100	200	
5	12/7/1998	20,000			L-440 I-60			30	500	
6	28/10/1983	5,000			L-110 I-15			50	700	
7	10/12/1983		120,000			L-2640 I-360		60	200	
8	26/9/1999	10,000			L-220 I-30			30		
9	28/9/1993	400,000	200,000 (2yrs)		L-8,800 I-1200	L- 2,200 I- 600		800	52,000	10,000
10	23/3/1993	10,000		10,000	L-220 I-30		L-50 I-10	30	100	
11	22/11/1988	50,000	50,000		L-1,100 I-150	L-1100 I-150		50	2,000	100,000 (8yrs) 100,000(8yrs)
12	9/12/1995	100,000	40,000 (2yrs)		L-2,200 I-300	L-440 I-120		50	800	35,000&10,000 &125,000 (9yrs)
13	22/5/84	15,000			L-330, I-45			30	100	
14	20/4/2003	12,000		10,000	L-220 I-30		L-50 I-10	50	400	
15	16/3/2004	15,000			L-330 I-45			30	200	
16	16/3/2004	60,000	100,000 (2yrs)		L-1,320 I-180	L-1100 I-300		60	800	10,000 (7yrs)
17	1/1/1985	200,000	50,000		L-4,400 I-600	L-1100 I-150		100	3,000	135,000 (9yrs)
18	22/4/97	60,000			L-1,320 I-180			60	200	20,000 (9yrs)
19	14/7/2013	10,000	15,000		L-220 I-30	L-330 I-45		50	300	
20	20/6/2010	100,000	100,000		L-2,200 I-300	L-2200 I-300		50	1,000	
21	31/12/2000	10,000			L-220 I-30			50		100,000 (7yrs)
22	16/3/2004		100,000			L-2200 I-300		30	800	
23	31/12/2000	200,000			L-4,400 I-600			60	1,300	
24	12/3/2006	25,000	40,000 (2yrs)		L-550 I-75	L-440 I-120		50	200	
25	26/2/1994	36,000	30,000 (2yrs)		L-792 I-108	L-330 I-90		50	200	

**Chart 2 Jobra, Hathazari**

Number	First joining date	Present amount of loan(BDT)			Weekly Installment (BDT)			Weekly savings amount (BDT)	Grameen Pension Scheme (GPS) (BDT)	Fixed Deposit (FD) (BDT)
		Basic	Business	Cattle	Basic	Business	Cattle			
1	1/11/2011							50	200&300 & 500	
2	27/3/1995	40,000	40,000	20,000	L- 880 I- 120	L- 880 I- 120	L- 100 I- 20	50	100& 500	
3	27/3/1995	20,000	10,000	20,000	L- 880 I- 60	L- 220 I- 30	L- 100 I- 20	60	200	
4	17/6/1995	20,000	210,000	20,000	L- 880 I- 60	L- 4,620 I- 630	L- 100 I- 20	100	300	
5	22/7/1995		50,000	20,000		L- 1,100 I- 150	L- 100 I- 20	100	2,000	
6	15/5/1990	50,000			L- 1100 I- 150			50	200	
7	21/12/1982		50,000			L- 550 I- 100		50	500	
8	22/6/1997	20,000		20,000	L- 440 I- 60		L- 100 I- 20	100	1000	
9	24/4/2000	23,000			L- 506 I- 69			150	500&1,000	12,003
10	17/11/2003	10,000			L- 220 I- 30			50	100 & 100	
11	20/4/1982	50,000	100,000		L- 1100 I- 150	L- 2,200 I- 300		50	600	29,177
12	20/4/82	60,000	60,000	20,000	L- 1120 I- 180	L- 1,120 I- 180	L- 100 I- 20	100	700 & 500	
13	13/11/1994	120,000			L- 2640 I- 360			400	500	106,503
14	27/10/1996	100,000	200,000		L- 2200 I- 300	L- 4,400 I- 600		1500	1000	
15	10/1/2004	60,000			L- 1320 I- 180			100	1000 & 1500	
16	3/6/2014	20,000	100,000		L- 440 I- 60	L- 2,200 I- 300		100	200 & 100	
17	30/4/1994	55,000			L- 1210 I- 165			125	200 & 200	
18	30/4/1994	22,000			L- 484 I- 66			100	200	
19	23/6/1994	60,000	70,000		L- 1,320 I- 180	L- 1,540 I- 210		100	200&100 & 500& 500	30,002
20	5/10/2011	20,000			L- 440 I- 60			50	100	
21	31/10/2010	4,000			L- 88 I- 12			50	500	
22	11/2/2015	15,000			L- 330 I- 45			50	500	
23	17/11/2003		20,000			L- 440 I- 60		50	500	10,302
24	16/10/2005	24,000		20,000			L- 100 I- 20	50	50 & 500	
25	21/8/2004	60,000	50,000		L- 1,320 I- 180	L- 1,100 I- 150		50	1,000&500 & 1,000	200,000

**Chart 3 Pahartoli, Raozan**

Number	First joining date	Present amount of loan(BDT)			Weekly Installment (BDT)			Weekly savings amount (BDT)	Grameen Pension Scheme (GPS) (BDT)	Fixed Deposit (FD) (BDT)
		Basic	Business	Cattle	Basic	Business	Cattle			
1	3/5/2011	50,000			L- 1,100 I- 150			50	1000	
2	14/3/1989	50,000	100,000		L- 1,100 I- 150	L- 1,100 I- 300(2yrs)		50	1000	
3	1/2/1995	25,000	40,000		L- 550 I- 75	L- 880 I- 120		50	1500	
4	1/2/1995	25,000	210,000	20,000	L- 550 I- 75			50	100	
5	5/6/2004	15,000	30,000		L- 330 I- 45	L- 660 I- 90		50	100	
6	5/2/2005		100,000			L- 2200 I- 300		100	5000	
7	14/8/2008	80,000			L- 1760 I- 240			300	500	
8	17/12/1988	30,000	200,000		L- 660 I- 90	L- 2200 I- 600		100	600	
9	12/5/1983	100,000	250,000	1,500	L- 2200 I- 300	L- 2750 I- 750	L- 75 I- 15	100	500	
10	25/3/1998	200,000			L- 4400 I- 600			200	4000	
11	17/12/2006	27,000	50,000		L- 594 I- 81	L- 550 I- 150		50	1000	
12	21/7/2003	70,000	250,000		L- 1,540 I- 210	L- 2,750 I- 750(2yrs)		100	1800	106819 (8 yrs)
13	14/2/2004	55,000	100,000		L- 1,210 I- 165	L- 1,100 I- 300		120	500	
14	18/6/2013	20,000			L- 440 I- 60			50	200	
15	20/5/2003	50,000			L- 1,100 I- 1150			100	100	
16	17/12/1988	30,000	50,000		L- 660 I- 90	L- 1,100 I- 150		50	800	36328 (8 yrs)
17	14/12/2008	10,000			L- 220 I- 30			100	700	
18	28/5/2014	20,000			L- 440 I- 60			100	200	
19	11/11/1991		300,000			L- 3,300 I- 900		250	1,000	
20	13/3/1986	350,000			L- 7,700 I- 1050			500	2,600	
21	30/4/2003		100,000			L- 2,200 I- 300		300	900	
22	29/11/1992		200,000			L- 2,200 I- 600		200	1,800	
23	10/3/2003		100,000			L- 2,200 I- 300		100	1,000	
24	15/1/2005	120,000	300,000		L- 2,640 I- 360	L- 3,000 I- 900		100	700	
25	20/7/2002	200,000	30,000		L- 4,400 I- 600	L- 660 I- 90		200	2800	

**Chart 4 Ajimpur, Patiya**

Number	First joining date	Present amount of loan(BDT)			Weekly Installment (BDT)			Weekly savings amount (BDT)	Grameen Pension Scheme (GPS) (BDT)	Fixed Deposit (FD) (BDT)
		Basic	Business	Cattle	Basic	Business	Cattle			
1	25/6/1987	5,000			L-110, I-15			30	200	
2	4/4/2012	30,000			L- 660 I- 90			50	200	
3	30/4/1987	25,000			L- 550 I- 75			40	100	
4	20/4/1988	50,000			L- 1,100 I- 150			50	100	
5	19/11/2006	12,000	110,000		L-220, I-30	L-1,320 I-180		100	400	
6	15/7/1992	25,000			L- 550 I- 75			40	500	57,627
7	18/5/1994	60,000	45,000	20,000	L- 1,320 I- 180	L- 990 I-270	120	50	500	
8	27/8/1988	60,000	10,000	1,000	L- 1,320 I- 180	L-220 I- 30	60	100	200&1000	
9	29/11/1988	30,000	110,000	15,000	L- 660 I- 90	L-1,320 I-180	90	100	500	20,631
10	23/5/2012	80,000			L- 1,760 I- 240			130	200	
11	2/11/2009	40,000		12,000	L- 880 I- 120			70	300	
12	12/9/1989	30,000			L- 660 I- 90			100	200	
13	28/6/2003	40,000		12,000	L- 880 I- 120			50	200&400	21,593
14	27/4/1997	20,000			L- 440 I- 60			50	100	
15	30/7/2003	5,000			L-110, I-15			50	200	
16	23/5/2012	8,000			L-176 I-24			30	100	
17	25/2/2004	20,000	150,000		L- 440 I- 60	L-3,300 I-450		60	100&500&500 &500	
18	19/7/1993	25,000			L- 550 I- 75			30	200	
19	21/12/2014	20,000			L- 440 I- 60			50	1000	
20	19/7/1993	130,000	250,000	5,000	L-2,860 I-390	L- 2,750 I- 750	90	100	1000&10,000&1 0,000&3,000	
21	19/7/1993	120,000	150,000	20,000	L-2,640, I- 360	L-3,300 I-450	120	100	500&300& 1500	
22	11/10/1987	6,000			L-135 I-15			40	200	
23	23/9/1997	50,000			L- 1,100 I- 150			40	200&1,000 &500	
24	30/7/2003		30,000			L- 660 I- 90		50	100&300& 200	
25	13/3/2013	18,000			L-396 I-54			30	200	

## 2. Application Form

ক্রম নম্বর : এক

**গ্রামীণ ব্যাংক**

শাখা :  
ঘোন :

সমিতির নাম : কেন্দ্র নং : গ্রুপ নং :	যোগদানের তারিখ : ঋণী নম্বর :
---	---------------------------------

**গ্রুপ সদস্য হওয়ার আবেদন ও ব্যক্তিগত তথ্যাবলী (নতুন/পুরাতন/অতিরিক্ত সদস্য)**

১.০। আবেদনকারীর নাম : জাতীয় পরিচয় পত্রের নম্বর

পুরাতন সদস্যের জন্য	১.৫। কতবার ঋণ গ্রহণ করেছিলেন :
১.১। পূর্বের কেন্দ্র নম্বর :	১.৬। ইতঃপূর্বে গৃহীত ঋণের পরিমাণ :
১.২। ঋণী নম্বর :	১.৭। ইতঃপূর্বে গৃহীত ঋণের টাকা দিয়ে স্ট্র সম্পদের মূল্য :
১.৩। গ্রুপ ভ্যাগের তারিখ :	১.৮। গ্রুপ ভ্যাগ করার সময় ফেরত নেয়া সঞ্চয়ের পরিমাণ :
১.৪। গ্রুপ ভ্যাগের কারণ :	

২.০। ঠিকানা :

বর্তমান	পৈত্রিক
স্বামীর নাম :	পিতার নাম :
গ্রাম :	গ্রাম :
ডাকঘর :	ডাকঘর :
থানা :	থানা :
জিলা :	জিলা :

৩.০। বৈবাহিক অবস্থা : অবিবাহিত/বিবাহিত/তলাকপ্রাপ্ত/পরিত্যক্ত/বিধবা/অন্যান্য।

৪.০। পরিবারের সদস্য/সদস্যদের বিবরণ :

ক্রমিক নং	সদস্য / সদস্যার নাম	বয়স	আবেদনকারীর সাথে সম্পর্ক	চিঠি লিখতে ও পত্রিকা পড়তে পারে	নাম ঠিকানা লিখতে জানে	শিক্ষা		অন্যান্য	স্বাক্ষর জানে আছে	পেশা
						৫ম বা তদুর্ধ্ব শ্রেণী পর্যন্ত সোখাপড়া শেষ করেছে	৫ম শ্রেণী পাল করার পূর্বেই সোখাপড়া ছেড়ে দিয়েছে			
০১										
০২										
০৩										
০৪										
০৫										

৫.০। জমির পরিমাণ (শতাংশ) :

ভিটা	কৃষি	বাগান	পুকুর	অনাবাদী	বন্ধক দেয়া	বর্ণা দেয়া	বন্ধক নেয়া	বর্ণা নেয়া	দখলে রাখা বাস জমি

বর্ণার শর্ত : .....

৬.০। বসত বাড়ির বিবরণ :

বেড়া / দেয়াল						চালা					
পাটখড়ি	বাঁশ	ছন	পাতা	মাটি	টিন	অন্যান্য	টিন	ছন	খড়	টিন ও ছন	অন্যান্য

৭.০। পত্র-পাখী ও অন্যান্য সম্পদের সংখ্যা :

পত্র-পাখী	অন্যান্য সম্পদ
গুরু : .....	চৌকি : .....
ভেড়া : .....	বাট : .....
মুদ্রণী : .....	সেয়ার : .....
অন্যান্য : .....	টেলিফোন : .....
অন্যান্য : .....	সাইকেল : .....
অন্যান্য : .....	অপেক্ষার : .....
অন্যান্য : .....	অন্যান্য : .....

৮.০। আমার যে সমস্ত সম্পদ অনেকের কাছে বন্ধকী আছে :

(আবহাবিলগ্ন, অর্ধবিলগ্ন, বিত্তা বাজী, আদালী স্বামী ও অন্যান্য) ডাক্তার ও চিকিৎসক ব্যতীত সকল সম্পদ

বন্ধকীর শর্ত :

৯.০। পরিবারের মোট বার্ষিক আয় : টাকা। ১০.০। বছরের যে মাসে আমার আয় কম

১১.০। কতজন রোগীপার করে : পুরুষ : মহিলা : .....

১২.০। আমার পরিবারের অন্য কেউ অন্য কোন গ্রুপের সদস্য আছে :  / নাই  ।

১৩.০। আমার/আমার পরিবারের কোন সদস্যের নিকট অন্য কোন প্রতিষ্ঠানের ঋণ পাওনা আছে :  / নাই  ।

১৪.০। আমার কাজের বিবরণ : .....

১৫.০। অঙ্গীকারনামা :-

১৫.১। আমি বিশেষভাবে ওয়াদা করছি যে- আমি গ্রুপের কেন্দ্রের ও ব্যাংকের সমস্ত নিয়ম-কানুন যথাযথভাবে পালন করবো এবং সাক্ষাৎকৃত কেন্দ্র মিটিং-এ নিয়মিত উপস্থিত থাকবো। আমি ব্যাংকের বার্ষিক পরিপত্রী কোন কাজ করবো না। আমি ব্যাংক কর্তৃপক্ষের আদেশ-উপদেশ কিংবা সময়ে সময়ে ব্যাংকের পরিবর্তিত নিয়ম-কানুন যখন যা প্রযোজ্য হবে তা মেনে চলতে বাধ্য থাকবো।

১৫.২। গ্রামীণ ব্যাংক থেকে নেয়া ঋণ-গ্রহণক্রমিক (কনসুমারী) নিয়মিতভাবে পরিশোধ করতে বাধ্য থাকবো।

১৫.৩। গ্রামীণ ব্যাংক ব্যতীত অন্য কোন প্রতিষ্ঠান থেকে আমি কোন ঋণ গ্রহণ করিনি এবং আমার পরিবারের কোন সদস্যও ঋণ গ্রহণ করেননি। আমি বা আমার পরিবারের কোন সদস্য অন্য কোন প্রতিষ্ঠান থেকে ঋণ গ্রহণ করেছি বা করেছি বলে যদি প্রমাণিত হয় তবে তাৎক্ষণিকভাবে সদস্য গ্রামীণ ব্যাংক থেকে নেয়া সমুদয় টাকা ফেরত দিতে বাধ্য থাকবো।

১৫.৪। ব্যাংক হতে গ্রহণকৃত ঋণের টাকা যতদিন পর্যন্ত পূর্ণ পরিশোধ না হবে ততদিন পর্যন্ত ঋণের টাকায় পরিচালিত ব্যবসায়ের মূলধন ও সম্পত্তি ব্যাংকের নিকট দায়বদ্ধ থাকবে।

১৬.০। ক্ষমতা প্রদান :-

১৬.১। গ্রামীণ ব্যাংক থেকে ঋণ নিয়ে যদি ঋণচুক্তি মোতাবেক যথানিয়মে ঋণ পরিশোধ না করি তাহলে অত্র শাখায় বসিত আমার ব্যক্তিগত সম্পদ, জিপিএস, ঋণবীমা সঞ্চয় এবং অন্যান্য সঞ্চয়ী আমানত থেকে টাকা স্থানান্তরের মাধ্যমে ব্যাংক কর্তৃপক্ষ ঋণ সমন্বয় করে আমার সদস্যপদ বাতিল করতে পারবেন।

১৬.২। ব্যক্তিগত সঞ্চয়ী হিসাবে আমার জমাকৃত টাকা দ্বারা আমার নামে ব্যাংকের শেয়ার ক্রয় করতে পারবেন।

১৬.৩। আমার গ্রহণকৃত ঋণের কোন-কিছু খেলাপী হলে ব্যাংক কর্তৃপক্ষ সঞ্চয়ী হিসাবসমূহ থেকে টাকা উত্তোলন স্ব-স্বাধীনভাবে করতে পারবেন।

১৬.৪। যদি কোন সময় মেয়াদোত্তীর্ণ হয়ে পড়ি তবে আমি সহজস্বপ্নের মর্যাদা হারাবো এবং ঐ সময়ে আমাকে চুক্তিগত হিসেবে গণ্য করা যাবে। তখন ব্যাংক কর্তৃপক্ষ আমার যাবতীয় আমানত থেকে ঋণ পরিশোধ করে নেয়ার ও আমার ঋণসমূহ চুক্তিগত স্থানান্তর করতে পারবেন।

১৬.৫। ব্যাংকের সদস্য পদে অন্তর্ভুক্ত হওয়ার পর যতবার ঋণ গ্রহণ করবো ততবার আমার ঋণবীমা সঞ্চয়ের জমাযোগ্যের সমগরিমাণ টাকা ঋণবীমা সঞ্চয় বাবদ আমার ব্যক্তিগত সঞ্চয়ী হিসাব হতে স্থানান্তরের মাধ্যমে সঞ্চার করা ক্ষমতা শাখা ব্যবস্থাপককে প্রদান করলাম।

পিতা/স্বামীর (অবর্তমানে পরিবারের যেকোন সদস্য) স্বাক্ষর	আবেদনকারীর স্বাক্ষর
যদি পুরাতন গ্রুপে যোগদান করতে চান :	
(ক) আবেদনকারীর দেয়া উপরোক্ত সকল তথ্য সঠিক আছে।	১০
আমরা আবেদনকারীকে আমাদের গ্রুপ/কেন্দ্রের সদস্য হিসাবে নিতে অগ্রহী।	১০
তিনি গ্রুপ, কেন্দ্র ও ব্যাংকের নিয়ম মেনে চলবেন। এইমর্মে প্রত্যয়ন করছি।	১০
গ্রুপ চেয়ারম্যানের স্বাক্ষর	কেন্দ্র প্রধানের স্বাক্ষর

(খ) শাখার সুপারিশ :

উপরোক্ত সুপারিশের ভিত্তিতে আবেদনকারীকে গ্রুপের সদস্য পদে নেয়া যেতে পারে।	মাসিক	টাকা	বিত্তি
দায়িত্বপ্রাপ্ত কেন্দ্র ব্যবস্থাপকের স্বাক্ষর	তারিখ :	শাখা ব্যবস্থাপকের স্বাক্ষর	তারিখ :

আবেদনকারীকে সদস্য হিসাবে স্বীকৃতি দেয়া হলো।

স্বাক্ষর : .....	তারিখ : .....
পদবী : .....	তারিখ : .....

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সদস্যের নাম	:	
ক্রম নং	:	১ নম্বর থেকে নির্দেশ দেওয়া হবে ১.৪
কেন্দ্রের নাম	:	১ নম্বর থেকে নির্দেশ দেওয়া হবে ১.৪
কেন্দ্র নং	:	১ নম্বর থেকে নির্দেশ দেওয়া হবে ১.৪
চেক দিষ্ট পুরনের তারিখ	:	১ নম্বর থেকে নির্দেশ দেওয়া হবে ১.৪

নতুন সদস্য বাছাইয়ের চেক লিষ্ট ('হ্যাঁ' অথবা 'না' ঘরে অনুসন্ধান দিন) ০.১.৪

১.০ সদস্যের স্বামী সম্পর্কিত

১.১ চতুর্থ শ্রেণী থেকে তদুর্ধ্ব পদ মর্যাদার (সরকারী/বেসরকারী) কর্মচারী কি?  হ্যাঁ  না

১.২ মাসিক বেতন ৪,০০০ টাকার উপরে কি?  হ্যাঁ  না

২.০ সদস্য সম্পর্কিত

২.১ আপনি অন্য কোন প্রতিষ্ঠানের সদস্য হিসেবে আছেন কি?  হ্যাঁ  না

২.২ আপনার নামে অন্য প্রতিষ্ঠানের ঋণ আছে কি?  হ্যাঁ  না

২.৩ একই গ্রুপে আপনার রক্তের সম্পর্ক বা নিকট আত্মীয় কেউ আছে কি?  হ্যাঁ  না

২.৪ আপনার পরিবারের অন্য কোন সদস্য গ্রুপে / কেন্দ্রে আছে কি?  হ্যাঁ  না

২.৫ আপনি কি কোরবানী সেন?  হ্যাঁ  না

২.৬ আপনি বা আপনার পরিবারের কেউ গত এক বছরে কামলা দিয়েছেন বা অন্য কোন রকমভাবে পরের জমিতে বা বাড়ীতে কাজ করেছেন কি?  হ্যাঁ  না

২.৭ আপনি বা আপনার পরিবারের কেউ "বাসোর বিনিময়ে কাজ করসুচিত" কাজ করেছেন কি?  হ্যাঁ  না

২.৮ আপনি বা আপনার পরিবারের কেউ কি ব্যঙ্গ ভাটার জন্য তালিকাভুক্ত হয়েছিলেন?  হ্যাঁ  না

২.৯ আপনি  থাকাত  ফিতরা  কোরবানীর চামড়ার টাকা সেন কি?  হ্যাঁ  না

২.১০ আপনার নামে কি  বর্তমানে ভিজিটি কার্ড আছে?  না থাকলে  আগে ভিজিটি কার্ড ছিল কি?  হ্যাঁ  না

৩.০ বাড়ী ভিটা

৩.১ একটির বেশী টিনের ঘর আছে কি?  হ্যাঁ  না

৩.২ দুইটির বেশী টিনের ঘর আছে কি?  হ্যাঁ  না

৩.৩ ঘরের আনুমানিক মূল্য ৪০,০০০ টাকার উপরে কি?  হ্যাঁ  না

৩.৪ বাড়ী ভিটার পরিমাণ ১০ শতাংশের উপরে কি?  হ্যাঁ  না

৩.৫ বাড়ীর আশেপাশের জমি থেকে গড়ে মাসিক ৪,০০০ টাকা আয় হয় কি?  হ্যাঁ  না

৪.০ নিম্নের প্রব্যাদির কোন একটি বা একাধিক আইটেম থাকলে গ্রুপে নেয়া যাবে না

৪.১ রসিন টেলিভিশন আছে কি?  হ্যাঁ  না

৪.২ ফ্রিজ আছে কি?  হ্যাঁ  না

৪.৩ ওয়াশিং মেশিন আছে কি?  হ্যাঁ  না

৪.৪ এয়ারকন্ডিশনার আছে কি?  হ্যাঁ  না

৪.৫	ক্রিনিং মেশিন আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৪.৬	মাইক্রোপ্রয়েক্টর কেন্দ্র আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৪.৭	সোফা সেট আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৪.৮	বস্ত্র খাট আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৪.৯	ওয়াল্ড্রব আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৪.১০	মটর সাইকেল আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৪.১১	ট্রলার আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৪.১২	পাওয়ার টিলার ও এই জাতীয় সম্পত্তি আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
<b>৫.০ অন্যান্য</b>			
৫.১	কেন্দ্র হতে সদস্যের বাড়ী কাছাকাছি কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৫.২	বয়সের সাথে মিল আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৫.৩	সদস্য নেয়ার বিষয়ে কেন্দ্র ও গ্রুপের সদস্যের সাথে আলাপ হয়েছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৫.৪	গ্রুপের ৫ জন সদস্য পরস্পর পরস্পরকে চিনেন কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৫.৫	কেন্দ্র মিটিং বা অফিসে আসা যাওয়ার ব্যাপারে কোন প্রকার সামাজিক প্রতিবন্ধকতা আছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৫.৬	সদস্য হওয়ার ব্যাপারে পরিবার প্রধানের সাথে আলাপ হয়েছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৫.৭	প্রতিবেশী ছাড়া অন্য কারো থেকে সদস্য প্রার্থী সম্পর্কে তথ্য নেয়া হয়েছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৫.৮	বাড়ী ভিটার অবস্থা নিজে গিয়ে দেখেছেন কি ?	<input type="checkbox"/>	<input type="checkbox"/>
৫.৯	ঘরের বর্ণনা : কাঁচাঘর <input type="checkbox"/> পাকাঘর <input type="checkbox"/> সেমিপাকা <input type="checkbox"/>		
৫.১০	সদস্য হওয়ার আবেদনপত্র (ফর্ম নং-১) সংশ্লিষ্ট সদস্যের বাড়ীতে বসে পূরণ করা হয়েছে কি ?	<input type="checkbox"/>	<input type="checkbox"/>
উপরোক্ত বিষয়গুলো সরেজমিনে যাচাই করে সদস্য বাছাই করেছি।			
যাচাইকারীর স্বাক্ষর			
নাম :			
পদবী :			
তারিখ :			
উপরোক্ত তথ্যগুলো যাচাই করেছি এবং সদস্য বাছাই সঠিক আছে।			
শাখা ব্যবস্থাপকের স্বাক্ষর			
নাম :			
তারিখ :			