

# Grameen Bank and its Sister Organizations-Grameen Chek and Grameen Krishi Agricultural Foundation Not Only Providing Credit They Guide the Landless Families in Bangladesh for their Development

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## Abstract

This paper talks about Grameen Bank (GB) micro financing program features, strategies, policies and its two other sister organizations Grameen Chek (GC), involves in manufacturing handloom garments and Grameen Krishi (Agricultural) Foundation (GKF), engages in agricultural activities and irrigation management in Bangladesh. All are social business organizations in Bangladesh. GKF runs its farms 'no loss basis'. Grameen Bank and Grameen Chek run their programs without receiving external funding; rather these two organizations have operated their programs from their own generated funds. Moreover, Grameen Bank and Grameen Chek are free from external consultants' pressure rather they are developing their programs, policies and implementation strategies by using their in-house staff skills and experience. However, Grameen Krishi Foundation, established in 1990, receives start-up external grants from United Nations Capital Development Fund (UNCDF), United States of America International Aid (USAID) and the Royal Netherlands Government. GKF all programs are designed by the western irrigation management consultants hired by the donors. Donor consultants have prescribed programs for GKF without considering the local socio-economic, geo-agricultural and environmental factors. The donors forced GKF to follow consultants' inception mission instructions report, which are irrelevant and expensive for add in Bangladesh agricultural farming. As a result GKF ends up huge loss in 1998. The objectives of the study are to explore what strategies, policies and tools GB, GC and GKF use in implementing their programs in Bangladesh; and to identify what steps they have taken to address the issue of poverty and make them success. Why they are unsuccessful if any. The research questions are what are strategies, policies and tools GB, GC and GKF use in implementing their programs in Bangladesh. The paper reflects author's own working experience working with Grameen Bank, Grameen Chek a

**Index terms**— external consultants; external funding; grameen bank; grameen chek; grameen krishi foundation; internal funding; empowerment; implementation strategy  
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## 1 Dr. Kazi Abdur Rouf

Abstract-This paper talks about Grameen Bank (GB) micro financing program features, strategies, policies and its two other sister organizations Grameen Chek (GC), involves in manufacturing handloom garments and Grameen Krishi (Agricultural) Foundation (GKF), engages in agricultural activities and irrigation management in Bangladesh. All are social business organizations in Bangladesh. GKF runs its farms 'no loss basis'. Grameen Bank and Grameen Chek run their programs without receiving external funding; rather these two organizations have operated their programs from their own generated funds. Moreover, Grameen Bank and Grameen Chek are free from external consultants' pressure rather they are developing their programs, policies and implementation strategies by using their in-house staff skills and experience. However, Grameen Krishi Foundation, established in 1990, receives start-up external grants from United Nations Capital Development Fund (UNCDF), United States of America International Aid (USAID) and the Royal Netherlands Government. GKF all programs are designed by the western irrigation management consultants hired by the donors. Donor consultants have prescribed programs for GKF without considering the local socio-economic, geo-agricultural and environmental factors. The donors forced GKF to follow consultants' inception mission instructions report, which are

The objectives of the study are to explore what strategies, policies and tools GB, GC and GKF use in implementing their programs in Bangladesh; and to identify what steps they have taken to address the issue of poverty and make them success. Why they are unsuccessful if any. The research questions are what are strategies, policies and tools GB, GC and GKF use in implementing their programs in Bangladesh. The paper reflects author's own working experience working with Grameen Bank, Grameen Chek and Grameen Krishi Foundation (GKF) in Bangladesh. The paper also includes secondary data from GB, GC and GKF. Moreover, the paper has literature review.

The study finds GKF faces serious fund shortage and problems following consultants' plan of actions in Bangladesh; it accounts ends up with huge loss; however, consulting firm does not response to the problem. Currently GKF reduced its Introduction here are several rural development and poverty eradication projects initiated by various government and non-governmental agencies in Bangladesh at different times. For example, the Bangladesh Rural Development Board (BRDB), Integrated Rural Development Program (IRDP), Food for Work Program, CARE Bangladesh, Rangpur and Dinajpur Rural Services (RDRS), Village Aid, and Bangladesh Rural Rehabilitation Program (BRRP). However, few projects focused exclusively on women in development and the feminization of poverty. Many of them are charity, temporary relief and handout projects. In contrast the Grameen Bank (GB) micro financing program and Grameen Chek, a sister organization of Grameen Bank, involves in manufacturing handloom garments, continued for more than three decades. They are successful in sustainably addressing poverty, T creating self-employment and empowering rural women in Bangladesh. Grameen Bank micro lending technology is replicating across the world. Now it is recognized as a model of development work in the world. Grameen Chek fabric business is popular creating local living economics in Bangladesh. Grameen Krishi Foundation (GKF) is providing agriculture irrigation facilities to marginalised farmers in Bangladesh.

This essay focuses on socio-economic condition and morale of the landless before Grameen Bank come in; the implementation steps, features, policies and programs the Grameen Bank engages which has made it a successful national financial institution in Bangladesh and has resulted in its replication across the world. The paper also narrates Grameen two other sister organizations (Grameen Chek (GC) and Grameen Krishi Foundation (GKF) and looks at their financial strategies and operation strategies, and impacts in Bangladesh by following two different approaches (Grameen Bank and Grameen Chek internal fund mobilization process and Grameen Krishi Foundation depends on external funding).

## 2 II.

## 3 Statement of the Problem

The destitute poor men and women used to wait at the door of the affluent and village rich for food on the occasions like wedding ceremony, Eid festival, family reunion, post funeral feast etc. To maintain the family, they would sell their labour in advance for 1 year, 2 year or 5 years. Failing to provide food and clothing to the children, engaged them as domestic aids in the homes of rich people. Women folk also used to be engaged as maids in the house of rich people. Weavers, blacksmiths, potters, barbers, carpenters not finding any professional work in the villages left for urban areas and loitered there leaving behind their parents, wife and children. They were working as rickshaw pullers, living in unhygienic shanty slums, women resorting to health and education. They became victims of malnutrition and deadly diseases which crippled them. They could not have full meal with the meagre income in exchange for a day's hard labour, which was inadequate for purchase of essentials like rice, edible oil etc. They could not find capital to invest in business or farming and thereby earning income; even if capital was available, it was from money lenders at exorbitant rate of interest.

GB objectives involve extending banking facilities to the poor for their self-employment, to free them from exploitation by money lenders, and to empower women through providing them with collateralfree loans for doing businesses.

Grameen Bank and other MFIs in Bangladesh have massively expanded microfinance in Bangladesh. Many other countries are trying to scaling up their

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have not yet developed a strong system capable of serving massive numbers of poor in a sustainable fashion in their countries. Author finds many MFIs are unable to scale up their programs because unsuitable strategies and policies are barriers to popular and to expand in their programs in their countries. Many MFIs use western consultants to assist them implementing their micro-credit programs and get funding from outsources. The GB implementation strategies, policies and monitoring devices narrated in this paper could help MFIs get ideas from this study.

## 4 III.

Objectives of the Study (1) To explore what strategies, policies and tools GB uses in implementing its micro credit operation in Bangladesh; (2) To identify what are steps it has taken that to address the issue of poverty and makes it success; and (3) To know are there GB other sister organizations success in Bangladesh; If yes, what are they; if they are not successful, why they are not successful.

## 5 a) Research Questions

(1) What are strategies, policies and tools GB uses in implementing its micro credit operation in Bangladesh; (2) What are steps it has taken to address the issue of poverty and makes it success ; and (3) Are there GB other sister organizations success in Bangladesh; If yes, how they are successful; if not, why they are not successful.

IV.

## 6 Methodology

The paper reflects author's own working experience working with Grameen Bank, Grameen Chek and Grameen Krishi (Agricultural) Foundation (GKF) in Bangladesh. The paper includes secondary data from Grameen Bank, Grameen Chek and Grameen Krishi Foundation (GKF). Moreover, the paper has literature review.

V.

## 7 Significance of the Study a) Socio-economic condition and morale of the landless before Grameen Bank come in

The word 'Bank' was totally unknown to them. They might have come to know the people associated with banks for working as servants/maids or construction labourer. Rich people and village unethical Despondency overwhelmed them out of deprivation, harassment, and deception. They hated the life which life and joy and happiness of the affluent society. They became dumb by losing everything by natural calamities i.e. flood, drought, cyclone etc. their children would have died crying in front of them without medicate and suffering from malnutrition. Thought of killing their wife and children as they could not stand poverty or tried to commit suicide considering the futility of the life they led. They would not allow the young girls to go out as they had not adequate clothing to cover themselves. It became the family tradition not go educate the children as it was unthinkable. The word borrowing was a matter of utter fear. Nobody cared for the welfare or safety net of the poor and the destitute. They considered it unprecedented that an educate person would step into their homestead. Throughout their life they knew only how to salute others. Now 8.7 million women borrowers do small business by taking loans from Grameen Bank, earn income, fulfill their basic needs, many of them become formal leader in their communalities and empower in the society. GB many studies talk about the socio-economic impact of GB in Bangladesh. However, there is no study how GB is successful in its micro-credit operation and empowering marginalized people in Bangladesh. Therefore, it is important to know what strategies, tools, monitoring devices GB uses that help GB become a national organization in Bangladesh for b) Grameen Bank: A ray of Hope countries, as a weapon against poverty and hunger. Now it is recognized as a development model for income generation, self-employment and empowers disadvantaged women all over the world" (Grameen Dialouge-60, 2005, p. 2).

The dedicated Grameen Bank assistants, Bank Managers went to the villages to find out who are the poor people. They go to their landless and asset less people, enquired about their welfare, caressed their children with love and affection, came to know about the miseries of their life. They get the message why those people are at the bottom of the society. Poverty is not the mockery of fate, sale of labour in advance is not the writing of fate; bank is not for the rich, happiness is not forbidden for the poor. It is not the law of the land that poor children would not be able to go to school and colleges; they would not be standing like a statue at the time of disaster; life does not mean only misery and can educate themselves, has the sense of distinguishing between good and bad, right and wrong, can establish justice. They have also a role to play as a citizen of the country as well as they can offer leadership in the society. They are also able to enjoy themselves with their family in various festivities. Man is the best creation of God, the Almighty which includes the poor. Grameen Bank is the bank of the poor. According to the rules of the Bank, every poor, landless man and woman can improve their economic condition; can establish themselves in the society. These encouraging words created enthusiasm in the minds of the landless of the area. At first they could not response full trust, are somewhat afraid, but the Bank Assistants, Branch Managers make them realize over time through continuous visits to their houses. The landless people gradually picked up courage; they became conscious of their position. As a result, poverty rate of

Bangladesh is decreasing. Poverty rate is 31% in 1999 (Bangladesh Human Development Report ??2000) which was 58% in 1981.

### 8 c) Rich and village unethical people show adverse reaction

When the rich, village unethical people and money lenders found that the poor people has organized themselves under the inspiration of Grameen Bank, they become active to destroy the bank. As the landless women began to take training from Grameen Bank personnel, they try to outcast them on the plea that these women have committed sin, lost their prestige and became anti-religious. But Grameen Bank Assistants and Branch Managers are undaunted and not to be cowed down, because they have vowed and dedicated themselves for uplift of the standard of life of the landless. They are dedicated to reduce the sufferings of these people.

Bank Assistants and Managers on the one hand and village money lenders and village unethical people on the other side try against to achieve their respective goals with regards to the landless people. The Grameen Bank personnel are emboldened by their great effort. By virtue of their dedication, the evil design of the money lenders and village unethical people withered away. Inspired by the ideals, the landless men and women begin to flock around Grameen Bank by ignoring their age old barriers of customs and traditions.

The whole organizational structure and operation of GB makes borrowing and repayment convenient and easy for its clients. There are no rigid structural policies and monitoring devices by outside consultants. Professor Muhammad Yunus, its founder and charismatic leader, coordinates all staff activities, ideas and recommendations and is the apex leader of GB loan operation. The field staffs of the GB are responsible for developing its loan operation policies, VI. ??1996) finds the short comings of application of modernization theory failed in Chile rather this approach promotes American values instead developed this country. However, evolution of these theories especially dependency theory structures of dependence might be overcome while growing interdependence among even industrialized economics ??Leys, 1995, p. 31). All these westernized theories led to vulnerability of third world countries as opposed to strengthening their economics.

## 9 Literature Review

Moreover, post colonialism theories have been effort to develop shift in the cultural, political and economic arrangements that arise from the experience of European colonialism both in former colonised and colonizing countries. It attempts to interpret the colonial seeks to deepen understanding of colonizer/colonized relationships by drawing attention to processes of transcultural mixing. However, post-modernism experiences in the light of development in post modernist and post structuralist thought. However, in practice it has been seen global capitalism is spreading all over the world through globalization in the name of trade liberalization, spreading aids, global capitalism, global democracy, and geo-regional politics, globalized standardized not make partnership between aid recipients and donors rather donors are influencing the aid recipient agencies. Aid recipients become dependent on donors and accept donors' terms of references. This unequal relationship between donors and aid recipients raises the issue of the effectiveness and consequences of external support are in significant part a function of the aid process and the aid relationship (Arrove & Torres, '2007;Bray, 2003Bray, , 1999;;Leys, 1995;Manion, 2012; ??oveli, 2010;Samoff, 2009). It is because of the structure of the aid relationship with aid recipient agencies, not the misunderstandings or insensitiveness or arrogance of a particular agency or individual (Bray, 2003;Leys, 1995;McLaughlin, 1987;Samoff, 2009;Warwick, 1980). They cannot play a generative role in national development rather foreign aid become challenging for the agencies to successfully implement the project (Yunus, 1994). In many cases foreign aid agencies are coercive at implementing agencies, which has happened in GKF case. For example, GKF develops its own action plan to run its 1500 deep tube farms in Bangladesh (Yunus, 1994); however, donors' push GKF to recruit external consultant to guide GKF staff. Donors withheld funds unless GKF recruits local consultants. Donors forces and agrees to hire highly paid Kranti Consulting Inc. and Macdonald Consulting Inc., UK. However, these consulting firms supply people to GKF those who have no practical experience in farming although they are agricultural graduates. Kranti consultants advise agricultural technologies to GKF, which are not fit for local farming. GKF farms infected with insects, crop damages by using hybrid seeds prescribed by consultants and ultimately get huge loss by following their advice. Consultants received 20% consultancy fee from the project budget. After five years, US Aid, Royal Netherland Government and UNCDF discontinued to support GKF farming activities. GKF faces troubles to provide continuous support to the ( ) B statistics, and accounting reports to consultants, which education and cultural globalization. However, it neglects an analysis of the possibilities for economic and political change and rejects some approaches that privilege the local at the expense of the global; moreover it is full of complexities of identification (Frank, 1996;Green, 2002;Putnam, 1993;Tickly, 1999). GB initiative is an example that promotes local living economic theory, internal fund mobilization concept and respect local values, norms and culture.

## 10 is time consuming. GKF faces serious fund shortage

According to Joel Samoff (2009) foreign aid may function more often to extract than to deliver resources and services. However, underdeveloped countries often are receiving foreign aid but fire their development projects. Moreover, the foreign aid does farms. GKF is busy to provide different information, and problems following consultants plan in Bangladesh; problem after the end of the agreement (Grameen Krishi Foundation, 1994).

Partnership for international development cooperation is the currently preferred characterisation of foreign assistance, but partnerships are working side by side to enable the poor to become more self-sufficient (Samoff, 2009; Warwick, 1980). Aid shifts terms to from charity to technical assistance to cooperation to partnership. However, Samoff (2009) finds partnership is used simply to label whatever is the current pattern of interaction between aid provider and the aid recipient. Many support programs-public and private, large and small, government-to government, institution-to institution-are labelled partnerships. Western consultants describe it technical assistance where there is a room for them to take a job from the aid agencies to the aid recipient agencies. However, the aid agencies and aid recipients' relationships perpetuate dependence among aid recipients to donors. Instead equal exchange and share of information, consultants and donors impose their inequalities of power, authority and wealth and perpetuate relations of dependence between them. Until there is an effective partnership, external support cannot be effective in assisting aid recipients to set their own agendas (Arnove, & Torres, 2007; ?itiGroup Foundation, 2000; Samoff, 2009, Yunus, 1994).

Ownership is another term is important for country led and project led local development, but Joel Samoff (2009) raises two issues-does the development agenda reflect national and local needs, interests and preferences; second do national and local authorities and others feel sufficient responsibility for that agenda to commit themselves to achieving it? These questions are very important because conditionality exercises direct influence through its certifying role. In many cases donors' conditions are unpleasant and unreasonable but they are apparent. Through ownership, local programs external support could be declined and programs could achieve sustainability (Brinkerhoff, 1996; Coleman, 1999; Found, 1999; Samoff, 2009). However, country-led development requires a strong and assertive national leadership, project authorities and ensures welcome diverse ideas suited to local conditions that are willing to have mutual negotiation rather than receive external direction (Bray, 2003; Bray, , 1999; Crossley & Watson, 2003; Samoff, 2009). Project ownership would be the ultimate goal of receiving foreign aid. In these relationships, donors, technical assistance agencies and aid recipients should have responsibilities for creating open space for and listening to multiple voices. Unfortunately maximum donors are hegemonic top down role players in this game which has happened in GKF case.

According to Joel Samoff (2009) external supports have three sets of values, assumptions and understandings: (1) Human capital development-skills development-alternative investment patterns and rate of return analysis; (2) Focus on internal efficiency of the organization to increase the productivity of organizations; and (3) improve service delivery system-Paulo Freire termed it 'the banking model of knowledge sharing' of both parties. Human capital theory looks at the technical administrative or managerial concerns. In these three approaches it is essential to recognize the critical voices, critiques and innovative departures that emerge within the institution (McLaughlin, 1987; , 2009). Human capital development means human skills development through institutional capacity development and support, and structural relationships among donor agencies and aid recipient agencies (Stilitz, 2003). However, instead aid agencies equal partners with aid recipients, they (donors) are reinforcing their agendas, conditions and influence aid recipients. No human capital actual development happens to aid their autonomy and the projects failed. Hence, there needs to balance and intersects external and internal pressures between these two parties donor and aid recipient (Manion, 2012; Novelli, 2010; Rogers, 1996; Samoff, 2009).

Foreign aid plays an important role in maintaining the external orientation. Foreign aid is always a relationship. Unfortunately the aid relationship is shaped by dramatic inequalities of power and influence. The disabilities of the aid relationships are deep and enduring ??Samoff, 2009, p. 157). Therefore, the relationship can neither survive nor function without direct and active participation of the aid recipients. Sorry to say funders retain the upper hand. Organizing aid to permit effective transfers and exchanges cannot be achieved by only modifying forms and terminology rather requires structural transformations (Leys, 1995; Putnam, 1993; Samoff, 2009). Author's experiencing obstacle to aids is consultants want donor recipients should intellectual worship and dependence of donors that perpetuates dramatic inequalities of power and influence; therefore, relationships between donors and aid recipients are not direct and no active mutual participation. Every year donor consultants visit GKF for two months and monitor their inception report for GKF. GKF has tried to work with local context, adjust local situation, consultants strict on their own plan. Many meetings have conducted from grass roots to head office level to minimize contradict with between GKF and consultants. Donor consultants are hegemonic attitude to GKF that hampers the GKF farming activities.

Bellow section talks about Grameen Bank (GB) program implementation strategies, policies and tools.

## 11 VII.

## 12 Projection Meeting

Lists of genuine landless persons are collected before selection of members for group formation. Even before that ideals and objectives of Grameen Bank are expected through mini meetings in different localities. Before a branch is opened in an area, the Branch Manager gathers information from the 4 sq. mile around the areas relating to roads, markets, school, college, landless, middle class, upper class population, money lending system, bank, economic institutions, social framework etc. Projection meetings are held with all sections of people. In the projection meeting, the Area Manager and Zonal Manager high-lights the detailed objectives, ideas and programmers of Grameen Bank. On hearing from Grameen Bank, people thought that the Grameen Bank is as

like as other banks. They might face many hassles to get loan from it. But due to honesty and dedication of Grameen Bank personnel, these dishonest people are dropped in the selection process.

### 13 a) At the Start, Branch Manager Works Alone

At the primary stage when a branch is opened, generally the Branch Manager works alone. The objective of Branch Manager working alone at early stage and group formation stage is that by working alone he can familiarize himself with people of that area, environment, socio-economic condition, politics, education, religion, culture and values. His other colleagues are posted in turn after 5-6 months. One center comprises 1 or 2 groups. At least after 4 months of formation of first and second groups, another group is formed; the next one is formed after another three months at in the same center. A fully fledged centre of 6-8 groups is formed after two or more years. There is no hard and fast rule regarding how many groups a centre will comprise. This is done according to circumstances. To be on firm foundation it is preferable not to establish 6-8 groups in a centre within 4-5 months.

### 14 b) Group Training

The objective of Grameen Bank rules and regulations and credit system is to encourage savings. GB group training includes the 16 decisions programmes of Grameen Bank, Grameen Pension Scheme (GPS)-previous Group Fund (GF), Children Welfare Fund, Special Savings Fund and their use; formation of group and centres, teaching how to sign name; orientation on personal and hygiene, public health, nutrition, planned family, grow vegetables, animal husbandry, method of investment, disaster management, cleanliness, care of mother and children health (MCH) education. Moreover training topics cover duties and responsibilities of borrowers as citizen, remove superstition, grow healthy social values, development of anti-dowry, quarrels and disputes feelings. Training on these subjects is imparted continuously for 2-3 weeks or more. Training courses are held in some rooms, courtyard suitable for landless women and take place in an informal atmosphere through face to face discussion. Writing materials like pen and paper are not used in the non formal group training. Moreover, side by side with giving them direct ideas on the above subjects, efforts continue on Group selection, Group formation, formation of Centre, Centre meeting, proposal for loan, disbursement of loan, utilization of loan, repayment of loan instalment etc.

### 15 c) Borrowers are Organized Into Small Homogenous

Groups Such characteristics facilitate solidarity as well as participatory interaction. Here poor need to be organized if they are to acquire the capacity for managing their own development on a sustainable basis. Organizing the borrowers into primary groups of five numbers and federating six to ten groups into centres has been building blocks of GB's operating system. Emphasis from the very outset is to organizationally strengthen the Grameen clients, so that they can acquire the capacity for planning and implementing micro level development decisions. The centres are functionally linked up with the GB's organizational fabric where the Bank Assistants have to attend centre meetings every week. It is in these weekly centre meetings that most of the bank transactions take place.

### 16 d) Group Members Select Each Other

The group members themselves are responsible for selecting their peers. They are to be like minded and have similar economic and social back grounds. Male and female will form separate groups and centres.

### 17 e) Subjects Relating to Evaluation of Loans Proposals

Following recognition of groups, a member becomes eligible for credits. Before a loan is sanctioned, Bank Assistants, Managers mix with the prospective borrowers for 1-2 months and through training and exchange of information form an idea as to how much loan is required, and how much income will be generated from investing the borrowed fund. They find them the way how to earn income by utilizing limited amount of loan money. At the primary stage, they are given proportionately less amount of credit and provide opportunity for them to invest and utilize the loan. By turn, the member takes higher amount of loan and expands his business. Bank Assistants and Managers keep watch how the member invests his funds. They keep on counselling about earning higher income from the invested fund. They explore market possibilities for the produced commodity. They also explore market outside the area and pass on the information to the Assistants always keep track how much members are benefited from the loan, how much income they are getting. In short, the Bank keenly observes the activities and thinking, movement of the members and guides them accordingly. They are advising them according to their needs. They expressed sympathy at their misfortune, provide courage and inspire them, advise them on their children's education. If by chance any members lose his capital and needs additional capital, the Bank has programme to provide appropriate amount of limited capital.

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## **18 f) Loan Sizes Grow Slowly**

The amount of the first loan is usually very small which vary between Tk 2000 (\$30) to Tk. 6000 (\$90). Given the limitations of the entrepreneurial capacity of the poor and the market conditions this amount is sufficient for them to initiate activities leading to self employment and gradually raise their incomes. With the gradual gaining of experience and increase of confidence, they borrow larger amounts in the subsequent years. It has been found that GB members would increase their working capital by 3 times in about 2.5 years.

## **19 g) Borrowers are the Choosers**

The poor GB borrowers decide the area or the activity where to invest the money and how to run the shop. They are the ones who have the real stakes to realize the profits and thus have real freedom to make choices. Thus, the choices of investments are numerous. They clearly and carefully study their local markets, understand the signals and respond timely to reap the benefits. The selection of the activities or the areas where the loan, money will be invested are discussed at length in the centre meetings and is unanimously approved by the group. Self-chosen economic activities increase the sense of participation and strengthen the base of self-help.

## **20 h) Approval of loan proposal and disbursement of loan**

After recognition of group and before loan proposal, Branch Manager and Bank Assistant keep in view the frequency of presence in centre meeting, savings habit and capacity of investment of a member. Center Chief and Group Chairman watch the changes in loan prayer's investment capacity and other related factors. The deficiencies of a member are repeatedly brought to his attention so that he is well aware of them and can rectify him.

All five members are not given loan at a time after their recognition of the group. Generally, priority is given to other three members excluding the Chairman and Secretary. Loan proposal from the centre is made maximum for two at a time. First recommendation to a loan proposal is made by the Chairman and next is

The Branch Manager reviews different aspects of the loan proposal and forwards to area office for approval supported by necessary documents. Area manager approves the loan. It takes maximum two days for processing all these formalities at different stages. These tasks are completed at utmost speed and loan is disbursed to the members.

## **21 i) Utilization of loan in 7 days**

Member is required to invest the loan revived by him within seven days. After seven days, instalment at the rate of 2% on loan has to be repaid at the next consecutive centre meeting. And the member has not to go the bank for payment of the instalment. Bank Assistant goes to the centre for collection of the instalment. The centre meetings are over by 8:30 in the morning.

## **22 j) The Bank goes to the people**

Loan is delivered to the GB members' right at their door-steps. The borrowers need not come to the town; they do not incur any extra expenditure to get the loan. The poor appreciate the bank's concern for their well being and reciprocate with satisfactory performance in their own interests.

## **23 k) Loan facilities without collateral**

All banks in Bangladesh advance loan against collateral. Loan has to be taken after much paper work and hypothecation of property. But the landless labourer has nothing to mortgage. If they can get loan and capital they may undertake business. This was realized by Prof. M. Yunus of Chittagong University and he introduced the system of advancing loan with easy terms and without collateral through Grameen Bank.

## **24 l) Repayments are broken down into small instalments**

To facilitate in repaying a larger loan, the arrangement of weekly instalments at the rate of 2% of the principal loan amount had been made compulsory. This helps in the development of a habit of loan repayment and at the time relieves the borrowers from the strain of repaying a large sum in one lump which is often not possible for a poor person who is in constant allurements instigated by the pressure of his multifarious basic needs to spend the cash he saves.

## **25 m) Organizational Structure of Grameen Bank**

Various activities of the Bank are organized and implemented by four tiers of administrative set-up, branch office, area office, zonal office and head office.

The branch office is the lowest operation unit of GB. It is located in a village. It selects and organizes the target clienteles, supervises credit operations and recommends sanction of loans. An area office supervises about 10 to 15 branch offices. Assisted by programme officers, the area manager sanctions loans and supervises loan utilization and recovery them. An area office is generally situated in a small town. The area manager works

under the supervision of the zonal office which is located in the district headquarters. Zonal manager supervise about 10 to 12 area offices. The head office is situated in Dhaka City. The head office primarily maintains liaison with the government and other agencies provides general guidance and feed back to the lower units of the Bank.

### 26 n) Group Fund and other Funds

Prior to recognition of the group, the members have to save Tk. 5/day during the 7-day continuous training. After recognition of the group, the five members of the group open joint account in the Bank with Tk. 35/-. This fund is called group fund. After this, at the weekly meeting Tk. 5/-has to be deposited with the instalment which is deposited in the group fund. At the time of receipt of the loan, 5% is deducted and deposited in group fund. This is known as Group-Tax-1/-. Loan may be taken from group fund on easy terms. While borrowing from group fund, 5% is to be deposited in

### 27 o) The different sectors of GB loans

The economy of Bangladesh is mainly agrarian. About 48% of its GDP originate from the agricultural sector. As the economy grows, the non-farm activities also gain momentum. Thus, the rural non-farm sector has one of the highest potentials for raising income and generating employment for the large number of unemployed and underemployed rural work force. Rural non-farm activities generally consist of the provision of consumer goods and service for local markets including manufactured goods, processing and transportation of agricultural commodities, manufacture of a wide range of handicrafts or goods produced by the artisans who have inherited their skills from their ancestors. As a rural bank GB naturally is mandated to finance the whole range of activities, schemes or items on which its target clientele are dependent for their livelihood. For the purpose of simplicity, GB's range of financing has been classified into eight major categories.

These are: Processing and manufacturing, agricultural and forestry, livestock and fisheries, services, trading, paddling, shop keeping and collective enterprises. Of the total loan disbursement by Grameen Source: Grameen Bank Annual Report (2012).

It will be seen from the above figures that the Processing and Manufacturing, Livestock and Fisheries and Trading categories comprise about 77.7% of the loans advanced by GB. Under the Processing and Manufacturing category, the rural artisan and the people who basically live on the skills acquired from their ancestors, are financed by the bank. Since Grameen Bank's loans are given for any income generating activity, and the loans are very small, the idea of projects or schemes, while conceiving a loan or a loanee, may mislead a financier. GB always views its loans as means to gain command of resources. With its effective use a poor person converts his latent skills in to generating an income for himself to reverse the age old vicious circle of 'low income, low savings, low investment into an expanding circle of 'low income, credit, investment, more income, savings, more investment, savings, more investment and so on'. On this hypothesis, Professor M. Yunus asserted that "the more credit one can receive, the more resources he can command, the more powerful he is. Credit creates entitlement to resources. In a given society if one can find out who is enjoying how much credit, it would be easy to predict the socioeconomic configuration for tomorrow" (Yunus, 2002). Thus, GB finances activities and not projects or schemes as such. The recipient will oversee the relevant activity 'to be properly and skilfully performed to generate income for him or her. In this approach the people who are targeted by GB have the options to borrow for any legal purpose, be it related to irrigation for food production, raising poultry or purchasing a rickshaw or a pair of milch cows, husking paddy, engaging in pottery or cane works etc. He or she is the person to make the selection based on her skills and capacity to invest and keep control over the different variables in the process of using the bank loans. The innovativeness of these people is enormous. Up to the end of June 2013, the GB borrowers have taken an amount of \$10 billion fo r about 665 different income generating activities (Grameen Bank Monthly Report, June, 2013).

### 28 p) Grameen Bank Years' named and programs

Grameen Bank has passed ten years in 1993 since its establishment as an institution on Oct. ??, 1983. As each year comes with a new name, the workers of the bank in the light of new experience are devoting themselves to implement newer programmes without keeping themselves within the traditional programmes. The programmes and rules and regulation and later with addition, deletions and refinement. The bank has been enriched with new programmes. The programmes undertaken by the bank were aimed at welfare of the members. And these programmes have been adopted to meet the timely demand of the members. There is no scope of rigid programme.

The bank officials sensing the requirements of the members have come forward with timely programmes.

The programmes taken in hand by the bank for benefit of the members are as follows:

General loan; group fund loan; house building loan; basic house building loan; setting up of disaster fund; provision of grant from Central Emergency Fund to members of the family when a member dies; Grameen Pension Scheme (GPS); facility to each member of becoming a share holder of the bank; making of poles and their distribution; construction of slab latrine and their distribution; distribution of vegetables seeds, distribution of saplings, distribution of water purification, material, establishment of centre school and distribution of textbooks free of cost, establishment of children welfare fund.



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The Bank also conducted sessions on sixteen decisions campaigns, women workshops (7 days, 1 day, regional, national and guardian). It organizes exchange visit among borrowers. It provides seasonal loan, family loan, collective loan, and capital restructuring loan, establishment of disaster fund, establishment of full group, distribution of saline, and distribution of Iodized Salt. The bank elects its Board members from the members. Grameen Bank organize training on health programme, training of birth attendants, vaccination programme, vaccination of poultry and animals, maternity and child welfare, anniversary. The bank conducts sessions on community forestation, sericulture, Grameen Chek fabrics, fisheries VIII.

## **29 Discussion of Findings a) 98% female members/borrows of Grameen Bank**

It is observed that in the context of Bangladesh, women are only treated as object of enjoyment for males. They have been engaged in cooking, bringing up children. Their role in the development of family or family members, in the development of children, family decision, leadership of society, earnings have been very little. Everything is done by males. By keeping within the four walls of the house her mental frame, creative faculty and everything have been crippled.

Grameen Bank experience has revealed that the role of women in the family is most important. Women play major role in the development of her children. She is more careful. Experience also showed that women save more. They are more prompt in repayment of loan. And so Dr. Joyonta Kumar Roy (1987) of India has said that the female borrowers of Grameen Bank may attract the attention of any researcher. Grameen bank has created the sense of self respect and leadership. For instance, divorced woman with Grameen bank loan has sense of self respect and leadership. For instance, divorced woman with Grameen bank loan has improved her financial condition so much that her husband out of greed proposed reunion with her. As Dr. Prof. M. Yunus commented there is no such work which the women don't know or don't do. The skills she develops through different activities in the family can very well be utilized for earning of income. He also observed that we have forgotten that women are also part of the labour force. It has to be remembered by all. In order to understand the real social picture of Bangladesh, it has to be seen from the experience of rural women especially poor women. Dr. Muhammad Yunus further has observed: during the days of scarcity the husband also disappears. The father may disappear to avoid facing the starving children, but the mother cannot. The mother tries to the last moment to feed the hungry children. b) Bank Assistants in the centre meeting not only collects loan instalments but they spend more time on discussion for development of the members. The members do not have to go to the Bank to pay loan instalments or deposit their savings. Rather the Assistants of the Bank go to the centre near the house of the members and collect loan instalments between 7:00 -8:30 in the morning on week days. Through instalments are collected in the meetings, the Bank assistants and Managers spend more time on discussing the different ways and means of improving the standard of life of the members. They exchange views on different aspects of the problems of the members. If there is any problem of the Centre, they discuss how to resolve those problems. They also exchange ideas about how to fruitfully implement the programmes taken up by members. They take steps to strengthening a weak member. It has been observed that the staff at branch level fix up 52 subjects of discussion in 52 weeks and discuss them in the centre meeting according to their appropriateness on prepared materials. Besides, the Bank Assistants ascertain the problems in the centre meetings and take measures to resolve them through the members. If the office staff and centre members cannot resolve the problem, the Manager and other staff try to find solution to the problems. They also try to solve the problems of the problem raised center in cooperation with neighbouring centres. Bank Assistants decides the subjects' matter of discussion according to the life span of the centre. That is, subject matter of less than a year old centre is not same as 8-9 year old centre. Experience has shown that older centres are more expert in resolving problems that the younger ones. Centre integration is very strong for older centres. They are able to earn more. They are more courageous in facing disaster.

## **30 c) Members are owner of Grammen Bank**

It was impossible in the context of Bangladesh that poor people especially poor women will earn income through business by taking loan from bank without collateral and invest money. Moreover, it was unimaginable that poor people can become owner of the bank through purchase of shares. But Grameen Bank has given it a reality. Every member of Grameen Bank has become owner of the bank through purchase of share. Out of 13 members of Board of Directors of the Bank, 9 are women members of the Board and all of them participate in decision making in respect of policies and rules and regulations of the Bank. They review the income, expenditure, profit/loss of the bank for each year and approve the programmes and budget for the next year. After recognition of the group, every male/female member buys 100-Taka share and becomes a share holder of the bank. They consider themselves lucky to think that they have become owner of the bank through purchase of share. They have decoded they were one soul with the bank and share the benefits and sorrows of the bank. They are in one soul with the group and centre and all staffs of the bank and share its prosperity and development.

The rich people are envious and express indignation at the opportunities enjoyed by the poor people. They try to divide the members. But social and mental unity of the members have grown so much that it became impossible to make any break. Failing to do so, they are now being invited to the rich society in their meeting,

## 32 E) MEMBERS GETTING MORE OPPORTUNITY TO BE ASSOCIATED WITH AGRICULTURAL PRODUCTION

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arbitrations and give them opportunity to express their views. They cannot ignore the views and decisions of the landless; rather they are compelled to accept them.

If there are problems or disputes among the members, members of the centre resolve them. If necessary, Bank assistants offer them assistance. The members feel that they are joint owner of Grameen Bank. They are in unison on the ideals of Grameen Bank and support it in a body.

### 31 d) Role of members and Bank in facing calamity

The house and property of the members are adversely affected by natural calamities like flood, drought, cyclone, tidal bore and business capital is lost. Extensive damage is caused to crops. The unprecedented floods of 1987 and 1988 had destroyed the houses, crops, cattle and other assets of the people. For want of shelter many people, cattle and poultry died. People became discouraged at the loss of property and belongings but 'Grameen Bank' members did not lose their morale and initiative. During those dreadful days their slogans were:

(1) "We are not afraid of flood and drought

We shall not leave Grameen Bank."

(2) "Whatever may be flood and draught We shall not leave centre."

Offices and staff of all levels of Grameen Bank took many programmes to save them. These are discussed below:

? Transported the affected persons to shelter at flood free higher places by shallow engine boats, makeshift boats made of banana plants

? Distributed at the shelters water purification tablets, dry foods like puffed rice, biscuit, saline packets ? Doctors admitted the seriously ill persons into hospitals else has to do so. The way poverty crushes a women, it does not do so to a man. Grameen Bank experience shows that the way a women grabs the minimum opportunity to remove poverty; a poor man does not do so. And so getting the opportunity of getting loan on easy terms and without collateral 98% women borrowers of the bank have repaid 99% of their debt. Yunus thinks that poverty alleviation effort should proceed through women.

? Bank personnel regularly enquired about the welfare of the members in the shelters and take care of them ? Buried and dead and provide benevolent services to the death person family ? Assisted the members to return to their houses speedily as soon as flood water receded and cleaning of stranded water and rubbish ? Provided special loans quickly to recover capital ? Provided maintenance loan for food ? Distributed wheat, corn, mustard and vegetable seeds ? Provided loan for fertilizer and irrigation ? Provided loan for basic construction materials and purchase of homesteads ? Supplied construction materials quickly ? Prepared statement of loss and took necessary measures accordingly. With assistance from the bank personnel, the members faced the calamity with courage and made up their loss. The Bank announced postponement of realization of instalments for 3-4 weeks after the flood. When there was shortfall of money in branches of local commercial banks, the staff of Grameen Bank Area Offices located in the districts at the risk of their life carried cash hiding in the side covers of motor cycles or under the seats of Baby cabs and delivered the money to various branches. Each day in each branch loan was distributed to 500-6000 members. Bank assistants worked hard round the clock for three months after the flood to rehabilitate the members. As a result, the members were able to rehabilitate themselves. Nonmembers of the area had to meet their requirements by disposing of their land and homesteads. But through the grace of God, Grameen Bank members had not to do so. Through shanty houses were badly affected by flood, they could rebuild new tin shed houses with Grameen Bank assistance. As Grameen Bank personnel were beside them, they kept up their morale and courage in the face of the catastrophic disaster. They did not feel despair; rather they faced the disaster with courage.

Experience of Tangail showed that the pre-flood irregular centres and irregular debtors being impressed by prompt actions of Grameen Bank during the time of disaster admitted their mistake and came back to Grameen Bank for assistance again. The centre became active again. The defaulting members became regular again and made their life normal.

During acute scarcity of flood in the months of March, April, and May of 1989, Grameen Bank postponed repayment of instalments by members introduced maintenance loan and 100% loan from group fund. Grameen Bank arranged to distribute rice, wheat, flour, parched rice, molasses, and biscuit. Grameen Bank stood by their members during the dreadful tidal bore of 1990 and rendered similar assistance to them. The Bank also came forward to rehabilitate the members affected by the floods of 1992-1993 in Sylhet, Chittagong and Rangpur.

### 32 e) Members getting more opportunity to be associated with agricultural production

Groups are formed with those landless men and women who have less than .50 dec. land and Grameen Bank provides them loan for implementation of other programmes. The members by investing their loan money in business earn profit and create some asset each year. They have more interest in two types of assets, first semi-pucca house with strong galvanized iron sheet and second, purchase a piece of land if they find an opportunity. If a survey is conducted, it will be evident that about 50% of 4/5 years loan receivers have purchased some property mainly homestead land and or crop land. In the homestead land, they have planted strong and long life fruit plants, cultivated vegetables. In crop land, they have planted paddy, wheat, different types of pulses. Not only,

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had most members planted crops on leased land or share-cropped land. With the help of the produced crop, they can not only buy consumable but also invest to expand their business. From the business income, besides repayment of loan, they are adding to their savings, supplementing capital and defraying expenses of children's clothing and education.

Following the introduction of seasonal loan, members can take this loan for planting crop according to need. As a result, they can participate in non-rice production and supplement their income. With the help of seasonal loan, they are planting sugarcane, corn, soybean, banana, papaya, vegetables. Members can also take individual or joint loan to purchase traddle pump, power tiller, shallow tube-well, thrasher machine and use these machines for cultivation, irrigation and processing of crops. As a result the rural economy is being revitalized. There are revolutionary changes in firm production.

### **f) Appropriate contextual strategies bring Grameen**

Bank success in Bangladesh i. Implementation strategies At the beginning this pilot project had no formal organizational structure and procedures for delivering continual process of development and change to fulfill borrowers' needs and demands through situational analysis and a bottom up approach. It is obvious that rigidity in policies and guidelines have no place in GB.

### **ii. Monitoring and Information System (MIS)**

GB is more concern with calculating its vision and maintaining its organizational culture. Its' management has some motivational devices to ensure targeted performances. Grameen uses its management information system (MIS) to generate information for decision making and to disseminate information back to lower level staff so that they can systematize their own performance. This MIS system has grown from field experience and that allows managers and field staffs to track accomplishments.

Best Practices Parameters. GB developed some parameters that are keys to the success of its objectives. These parameters are properly included in the operational structure at all levels and can be readjusted to the various needs of the poor in order to eradicate poverty. The GB target group is exclusively rural poor women. Its loan operations follow group lending methodology. It places special attention to and adapts community participation approaches to empower women. Loan appraisals and planning are conducted in the weekly centre meetings through mutual discussions and observance; not by complicated paper work or financial and marketing analysis. Groups are composed of five poor women of similar socio-economic backgrounds, from the same village. Six groups make one center in a neighbourhood/village. Borrowers themselves select their group members, but GB staff screen and verify members' portfolio backgrounds to ensure that they are indeed the poorest of the poor. This group formation system helps to maintain a homogeneous setting, in which clients can interact freely with each other. Nonetheless, strict credit discipline and close supervision is in place to guide each borrower towards proper control of loans.

Unique practices of Grameen Bank and its impact in the society. To maintain equal opportunity and to address issues of participatory management, democracy and empowerment to all members of Grameen, the positions of Centre Chief, Group Chairman, and Group Secretary change every year. By this process all members of the center get a chance to be Center Chief, Group Chairman, and Group Secretary by rotation. This practice helps to enhance leadership qualities and decision making skills in all members. In addition, this practice of rotating leaders adds to a decentralized power structure and holds each member accountable to the other within the center. These tools are essential to the efficient operation of the credit program including avoiding inequalities and maintaining corruption free loan transactions. These unique practices of the Grameen Bank start from making annual action plans at the field level. Branch managers set up some performance indicators like loan disbursements, loan repayment, group savings, and attendance in the centre meetings of borrowers and borrowers' wealth creation by loan utilization etc. These parameters track the viability of the branch performances. The Branch maintains all loans and other such related documents. Its performance is ensured by GB internal audit department. This internal auditing process enhances the leakage free credit delivery system.

The entire GB credit operation operates through a system of close supervision. There is an in-service training program in GB for its staff training. This practical training helps staff to be committed and to work for the poor as a cohesive team. There are no intermediaries between clients and the bank at the grass roots level. GB charges 20% interest on its general loans. There is no subsidy at any stage of the credit operation.

The simple, straight-forward program designed for loan proposals through mutual discussions among center members ensures diversified loan disbursements to its clients. All transactions are conducted within centre meetings and are intensively monitored. It ensures mutual accountability through a peer support mechanism. No information is kept secret, so there is no scope for corruption, misappropriation or irregularities. These strategies further contribute to the successful operations of the Grameen Bank. Micro finance other agencies/industries follow GB simple strategies to implement at their locations and situations.

### **iii. Impact of micro credit**

The microfinance industry is going through a period of rapid scaling up in Bangladesh and in other countries. The Grameen Bank group lending system has been widely replicated in other developing countries. Bank Rakyat in

## 37 H) FACILITATING FACTORS FOR IMPLEMENTATION OF PRACTICE

Indonesia and Banco Sol in Bolivia, CADRO Philippines, Bandhan India has worked to improve the effectiveness of efforts at reducing poverty, that fall under the broad rubric of 'community driven development' (CDD). Access to micro credit indeed empowers poor people, provides them the opportunity to have an account, to save and invest in small business. Microfinance offers potential advantages to all stakeholders viz., the poor, the non-governmental organisations (NGOs) and the banks ??Copestake et Moreover, Shahid Khandker (2005) finds in his study in Bangladesh that the extremely poor benefit more from microfinance than the moderately poor. Moreover, a study conducted in India by Small Industry Development Bank of India (SIDBI) (2008) mentions that 76 percent of the poor were able to increase their income through MFI assistance, and 77 per cent could provide better educational facilities to their children. Likewise the micro credit impact survey on poverty reduction is also reviewed by Morduch and Haley (2002) in India, and Khandker (2005) in Bangladesh. Both studies find the same results. They have found a greater impact on poverty for low-income households. Moreover, Richard Meyer (2001) observes that microfinance can contribute to poverty alleviation and empower bottom people. These tremendous positive economic and social developments have achieved through supplying micro loans, savings and other financial services by MFIs that enhance investment, reduce the cost of self-insurance, and contribute to poor people consumption smoothing.

Participation in micro enterprise services leads to an increase in the level of household income (Chen & Snodgrass, 1999). According to Chen & Snodgrass (1999) study in India, the average income of borrower households of SHGs is higher (by 39%) than the average for non-member households in the SGH project area. Further, they have observed that participation in micro enterprise services leads to an increase in expenditures on food, especially among the very poor. Moreover, they (Khandaker, 2005 and Chen & Snodgrass, 1999) find that microfinance has made incredible progress in Bangladesh and in India over a period of years. Micro credit program has become popular and familiar to the poor these countries as they view benefits reaped/receivable from microfinance services in their life.

It is generally felt that there have been perceptible changes in the living conditions of the rural poor mainly on economic side and relatively on social side owing to the role of Grameen Bank. In addition, it is widely believed that Grameen Bank has a positive impact on the poverty levels and standards of living of the poor and more particularly on the economic empowerment of women in Bangladesh. However, these tremendous achievements have achieved because GB Bangladesh and Self-Help Group (SGH) India organizations are built/developed with strong management capacity. MFIs organizations in different countries have solid foundational relationship with their clients.

### 36 g) Replication of Grameen Bank Model

The Grameen credit program is widely accepted as a tool for poverty reduction. It attracts the attention of all development experts, researchers, universities, executives, policy makers and donors as a micro credit success story in Bangladesh for addressing poverty. Different countries have used Grameen credit experiences to replicate similar practices in their own cultural contexts. The Grameen micro credit model has been replicated worldwide since 1993. Now 98 countries follow GB group lending model but they adjust their l ending programs to their local context, culture, values and norms ??Latifee, 2002: p.51).

The Global Micro Credit Summits of 1997, 2002, 2006 and 2011 have helped to draw the attention of policy makers and practitioners' worldwide. Different international organizations like UNDP, UNHCR, UNICEF, ILO, CIDA, SIDA, USAID and several countries included the micro financing program in their policies to address poverty and to promote micro enterprises among microentrepreneurs. All projects that were modeled on the GB reported loan repayment rates of more than 99%. The micro finance institutions (MFIs) initiators are trying to cover their cost of operation from their interest income. For example, Activist for Social Alternatives (ASA), Tamil Nadu, India, SHARE, Andrapradesh, India, CARD in the Philippines and NIRDHAN in Nepal, have their own banks to serve the poor (Latifee, 2002). The Grameen Bank Replication Program (GBRP) has set up a website that also helps people get information about its programs.

The GB web site address is [www.grameen.com/grameen/gtrust](http://www.grameen.com/grameen/gtrust).

### 37 h) Facilitating factors for implementation of practice

The operational tools of GB which include projection meetings to plan for the program, direct contact with clients mini meetings, rigorous training on group formation, weekly meetings and group screenings ensures that all clients have equal opportunities to participate in decision making. These tools add to the successful implementation of the GB programs throughout Bangladesh.

GB is not a centralized decision-making organization. Management functions and decisionmaking powers are continuously being delegated to the branch offices to improve their managerial skills as well as to get grass roots information to hierarchal upper GB mobilizes its staff to be enthusiastic to do their assigned GB jobs by awarding them star staff and five star branches. Those who achieve star criteria receive appreciation letters from Professor M. Yunus, monetary compensation, promotions, and opportunities to travel and conduct assignments abroad. A Grameen Bank Staff proudly displays his star on formal occasions. These awards encourage competition and help inspire field staff to be more active in their work for the poor.

GB has faced many problems during its operation. These have come in the form of bureaucratic influence from the government, income disruption to borrowers as a result of natural disasters like flood, cyclones and river devastation. Overlapping with other credit institutions, opposition by religious leaders and local money lenders, and political crises are also hampers to loan operations. These problems have impacted upon borrowers' income as well as loan repayment. Delinquent loans portfolios increased. GB field staffs are polite, patient, and respectful to borrowers but strive to maintain credit discipline. GB staff may become disappointed but they are never disheartened about negative results. Both the head and zonal offices monitor field activities and lend constant support to their staff.

GB had served borrowers an approximate 6.8 million rural poor in 35 years in August 2002; however, it has increased its client's services to about 8.8 million in June 2012 (Grameen Bank Monthly Report June 2012). This has been a huge increase within ten years. This rapid expansion poses added challenges to GB to maintain quality service to its borrowers. GB confirms this information as of December 2013 latest information reports that it has 8.8 million borrowers (Grameen Bank at a Glance 2013). Still GB loan functions well. Its repayment rate is still 99%. GB offers loans to poor people for small businesses; however, it does not provide any training/orientation on small business management, marketing, loans management and book keepings that are very essential for businesses.

### **38 i) Compare GB activities with its two other sister organizations Grameen Chek and Grameren Krishi Foundation (GKF)**

GB has created twenty seven sister organizations. Here the author describes two of them:

(1) Grameen Chek-is producing handloom fabrics, manufacturing garments and marketing them nationally and internationally. It runs its own business by mobilizing funds internally. It covers it's costs from its revenue; (2) Grameen Krishi Foundation (GKF) -it involves in agricultural irrigation farming, crops production and crops marketing in Bangladesh. It is working with marginalized farmers in the villages. GKF receives grants from US-Aid, UNCDF and Dutch government.

### **39 i. Grameen Chek**

The Grameen Chek has recently introduced a new programme called handloom manufacturing fabrics-Grameen Chek.

Under this programme, Grameen Chek supplies yarn to the handloom weavers and purchase the produced cloth from them. And have taken the initiative to market the product. The Grameen Chek cloths are superior to Indian Madras Chek fabrics and being cheap, the local garment industries have shown interest to purchase the Grameen Chek fabrics (Grameen Chek Annual Report, 2010).

As a result of introduction of Grameen Chek programme, the dying handloom industry has been reestablished in Bangladesh. As the output of handloom was unprofitable and unproductive with cloth produced in textile mills, many weavers closed their business, took other profession or became unemployed and were living miserable life after selling their belongings. These handloom weavers under the Grameen Chek programme get supplies of yarn and get rid of risk of marketing of the produced cloth, hence they are taking up this profession again. Many handloom weavers in Pubna, Sirajgong, Bogra, Tangail, and Dhaka zones have found a new avenue of income through Grameen Chek programme.

Grameen Chek fabrics are not inferior to Madras Chek. The Grameen Chek fabrics and garments are not only used in local garment industry, but they are exporting abroad for use in the garment factories of Sri Lanka, Middle East, and even in India (Grameen Chek Annual report, 2010). In this context Muhammad Yunus has recently stated that if the inflow of Madras Chek is stopped in Bangladesh, the weavers of Bangladesh will get order for Tk. 2 Billion per year (Grameen Bank Annual Report, 2010).

### **40 j) Grameen Krishi (Agricultural) Foundation (GKF)**

GKF is a sister organization of Grameen Bank in Bangladesh was establish in 1991. The GKF top management is composed with grameen personnel deputed from Grameen Bank to GKF. The author is one of them had worked in this project seconded from Grameen Bank for seven years. ??Kf seven million dollars totaling 21 million dollars for managing this irrigation project from 1992-1995 on the basis that these were operated commercially.

With donor funds, GKF gradually expanded its activities to crop diversification like fish cultivation alongside rice, and raising hybrid livestock, and fish cultivation.

It introduced modern agricultural technologies at the farm level to increase crop production with an integrated farming approach and encouraged the cultivation of integrated farming system. It introduced hybrid maize, soybean, wheat and sugarcane in its project area. It also started implementing the projects of buried pipes for irrigation, seeds production for various crops, biotechnology and many other modern agricultural technologies for increasing agricultural production in Bangladesh.

All these programs were designed by the western irrigation management expert hired by the donor agencies (UNCDF, USAID and the Royal Netherlands Government). They have prescribed programs to GKF without

considering the local socio economic, geo-agricultural and environmental factors. The feasibility study, project formulation report, inception mission, appraisal report and the review mission report all were prepared by donor consultants who came from US, UK, and Netherlands. The GKF personnel followed the project formulation guide lines that prescribed for tube wells' irrigation management, but their guidelines were idealistic and lacked practicality. As a result, these guidelines did not fit in the farm and hence GKF was unable to run its DTWs commercially.

Every year a review mission appointed by the donors visited Bangladesh to review GKF activities. GKF staffs had no agricultural and DTWs irrigation management experience, but they were very hard working. A local consulting firm named Kranti Associates Ltd. was recruited to provide technical assistance to GKF. The local consulting team members were from Bangladesh Agricultural Research Institutes (BARI) and from Bangladesh Agricultural University, who had limited agricultural extension implementation skills and experience. The local consulting team gave suggestions to GKF. GKF was bound to follow consultants' recommendations as the release of donor funds depended on review mission's report. Therefore, GKF staffs were busier to prepare and provide quarterly performance report and account reports. They always referred to the appraisal reports in their review mission. The author noticed that consultants' suggestions and conditions imposed on GKF by the consultants were impossible to implement. For example, consultants bound GKF to test their diverse ideas in GKF farms like increasing DTWs command area, reducing irrigation costs, and introducing new crops in the farms, which was practically impossible although GKF tried hard to achieve. Even though GKF staffs worked hard and worked with honesty, they failed to run DTWs on profit basis. The main reasons are stated below:

1. GKF operates the farms with farmers on partnership basis. GKF provides irrigation water and inputs like fertilizers and seeds along with the technical backup. The farmers share the responsibility of cultivating their lands; invest labor for crop production, and harvesting. GKF receives one third of the crops for its irrigation services and 40% for irrigation and other input costs. A huge overhead structure was made for smooth functioning of these DTWs' farms. The overhead costs of GKF were 25% of its total operational costs. Per farm overhead costs was BDT 27, 000, but GKF was unable to recover its overhead costs and DTWs operational costs from its share cropping. The consulting fee was five million dollars approximately. These fees also increase overhead costs of GKF. Moreover, staffs were over burdened with workloads to maintain records of farm activities, and farm wise data base information, statistical reports and accounts they were required to supply to donors and consultants. Hence management information system (MIS) and accounting costs were huge.
2. Although per acre rice production increased in GKF farms, as new crops like hybrid maize, soybean, sugarcane and HYV rice were introduced in GKF farms, introduced new agricultural technologies, and barren lands were cultivated. Farmers benefited greatly from GKF. Although it had created dynamism in the local economy; however, GKF could not sustain and expand its activities all over Bangladesh as it had to incur loss in every year. For example, GKF made a negative balance of total BDT 117.0 million in 1993-1994. Total expenditure was BDT 234.0 million, net income was BDT 117.0 million (GKF annual report 93-94, p.41). In 1993-94 total operated DTWs were 807. And per farm loss was BDT 92,000. The income per taka expenditure was BDT 0.46. So it ended up in a huge loss Tk 1300, 00,000 (Grameen Krishi Foundation Annual Report 1994).
3. The project inception report mentioned that DTWs crop production command area should be 100 acres, but in practice GKF had a meagre command irrigation area, of 57 acres (GKF annual report, 93-94: p.16). GKF was unable to make enough income from poor coverage area whereas the overhead (BWDB) did not operate these DTWs because these DTWs were located in the less fertile soils area that consume more water in that area. Moreover, there is also the problem of frequent power failure. As a result GKF operated DTWs operating costs were high (Grameen Krishi Foundation 1994).
5. Maize is a new crop for Bangladesh. There is no maize flour processing industries there. GKF was in trouble in marketing them. Hence GKF had to sell maize, soybeans and sugarcanes with lesser prices than its production costs.
6. Many DTWs were diesel operated machines. Pumps break down were frequent. Machine spare parts were not available in the local market. So spare parts were being imported from UK, India, Italy and US, which was time consuming and expensive. As one third of the DTWs were electrically operated, frequent power loss had disturbed pumping water irrigation during dry sessions.
7. Seed production costs did not cover its selling costs.
8. Buried pipe irrigation was very technical and costs were huge. Local farmers were unable to manage it properly.
9. GKF brought tractors, trailers, lorries, cars, power tillers, harvesting machines, electric motors, different crop processing machines, and other modern machines which increased the project implementation costs. Many mechanics had complex operating procedures and were not suitable for Bangladesh as the lands are overly fragmented. Plough through tractors was also not suitable as lands are small and fragmented. Farmers were unwilling to use these unfamiliar machines. Big harvesting machines were not working in small lands. Therefore, many machines brought by GKF as per the prescription of the consultants remained unused, although the fixed costs for these machines were BDT 95.0 million (Grameen Krishi Foundation, 1994).
10. GKF had a crisis of agriculturally skilled manpower at all levels. GKF managing director, regional managers, unit managers, and farm workers were unable to argue with foreign academic experts and were unable to challenge to consultants' DTW operational guidelines as they had no academic background in either agriculture or irrigation.
11. Cost of production of maize, sugarcane, soybeans, and banana occurred very high in many farms. Moreover, farmers were unwilling in cultivating unfamiliar crops other than Boro paddy in light soil.

In the same area, Government subsidized BWDB operated many DTWs around GKF project area and charged lesser fees than GKF water fee. Therefore, it created a huge local conflict among farmers and in some places the

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farmers resort to noncooperation to escape arrear crop share payment. However, donors did not consider it in their project documents.

Although GKF demonstrated higher production in various crops, introduced and tested various agricultural technologies at the farm level through a community participation approach and made positive impact in local economy; however, it was unable to make a profit from its operation (Grameen Krishi Foundation 1994). As mentioned earlier, lastly GKF ends up with huge loss in 2002 and GKF was unable to continue to run all its DTWs. It curtailed and reduced its expansion after the donor funds were stopped. Therefore, GKF needs subsidies in order to run DTWs in Bangladesh; however government close its support to GKF. The experience of GKF in agricultural development in Bangladesh is very significant. Although the organization has created awareness among farmers and agriculturalists about the commercial approach to farming, cost recovery from share cropping income system was not successful in GKF. However, GKF, during its operation, made agricultural farm management more dynamic. In addition, it drew the attention of various institutions from home and abroad thereby pioneering the implementation of innovative programs like hybrid maize cultivation, silage preparation and biogas plant installation in Bangladesh. It served as a 'Centre of Excellence' for technology demonstration and transfer (Grameen Krishi Foundation, 1994). Muhammed Yunus received 'World Food Prize' Award in 1994 for GKF outstanding contribution to food production in Bangladesh. However, its sustainability ultimately depended on it being a viable program, which is a question of cost consciousness and fund management. Although GKF was able to manage this irrigation program for public wellbeing better than BADC and PDWB; however, it was unable to be a self-reliant and self-sustaining cost-recovery project in Bangladesh because it failed to make a profit per the conditions of its donors.

## **41 k) Discussion and findings of the study on Grameen Bank**

Only investment of a poor man is not enough. Side by side they have to be counselled on loan utilization benefits, marketing and other aspects. Otherwise many poor men shall eat up the loan money. Before loan is sanctioned the receiver must have an idea about the objectives, ideals, loan transaction system. asset base of an individual or a society becomes stronger at each economic cycle. This process of creation of assets can be accelerated with the support of credit. A poor person can convert his/her latent skill or in other words his/her survival skill into any economic activity, of course legal, with the aid of credit. When someone has an opportunity to acquire assets or borrow assets to use these for any benefit, he/she no longer stops dreaming. Credit thus creates hopes and also kindles ambition for a change. The experience of Grameen Bank testifies to this (Yunus, 2002). GB borrowers are now formally becomes a part in the development process. Members are small entrepreneurs, always busy reading the market signals, balancing the daily production and sales figures, procuring goods and services, attending the bank meetings, participating in family decision making sittings, etc. The tales of sorrows and deprivations are being slowly and gradually wiped out.

## **42 ? Emergency use of fund**

As mentioned earlier, Bank has created several funds to finance during calamities of members and there are certain rules and regulations in the management of this fund. If these rules are strictly applied it may not always be possible to use the fund in times of emergency. Therefore, in time of necessity and calamity, these rules may be relaxed and action taken accordingly. It has to be remembered that people is first, rules are secondary. If there is no people, rules are meaningless. Therefore, there should be provision for 100% utilization of the fund at the time of calamities.

## **43 ? Center meeting discussion**

At weekly centre meeting, Bank employees simultaneously do jobs with loan collection, discuss about utilization, supervision of loan and problem of the members. Even if these are discussed every week still the bank employees are bound by time. So it takes time to discuss about special problems and issues.

Besides, arrangements are made through mini workshops at intervals to get rid of monotony of weekly centre meetings and avoid traditional discussion. If the high officials of the bank are present in the workshops, they can take part in the discussion, in resolving problems and preparation of programmes which will strengthen members' morale. This will also strengthen and consolidate the foundation of the centre.

## **44 IX.**

## **45 Policy Implications**

Micro credit empirical study analysis has revealed that microfinance particularly in the group based micro credit approach is most suited for sustainable rural economic development through the

## **46 ? Carefulness in group formation**

The group is the main framework of the bank. In this respect, the group members should be likeminded and preferably of same age group to maintain the dynamism of the group. If it is otherwise, there will be difference of

opinion and indiscipline. Group and centre will be organizationally weak and it will not be possible to conduct the banking activities uninterrupted. Moreover, in the disbursement of loan more importance is to be given to group rather than to individual.

## **? Impartiality is an important element of loan sanctioning**

In the absence of impartiality, there will be negative reaction in the group and group discipline will be hampered. Subsequently individual will also be indiscipline. Thus, the organizational structure will be weak. GB should continue its service to its clients in future to keep its reputation.

## **? Taking up of training programme**

Formation of group and age profile of group plays an important role in the banking programme. At the primary stage, group is fresh and less experienced and the members suffer from uncertainty. As the programme makes progress, there is maturity in the thinking of the group with the passage of time and members' self-confidence strengthens. In this situation, the group has to take new programmes and initiative to keep pace with time. Again, if any programme is taken before maturity, there is possibility of its failure. Therefore, programmes are to be taken keeping in mind the age of the group.

## **? Productivity of loan**

Loan provided by the bank may be utilized in two ways. First is short-term investment and second is long term investment. However, Grameen Bank loan repayment system is weekly. So if any member needs long term loan, she or he should get it if she or he has other source of income. Otherwise, it has to be ensured that a portion of the proposed loan is to be used as regular source of income.

## **? Credit and Development**

The road to socio-economic prosperity must be continuous process of creation of assets so that the

## **? Time of loan disbursement and amount**

The amount of loan and the time of its disbursement play an important role. Loan must be available at the proper time needed by the borrowers. If the loan is made available at the time convenient to the institution, it may not be timely to the borrower. And if the loan is not available in time, it may not be any use to the borrowers. Therefore, there must be a consistency between the amount and objectives of the loan. If not, the loan cannot produce the desired result. Therefore, loan disbursement programme must be timely and consistent with the objectives of the loan. In this regard, the loan giving institution must understand the plan of the borrower and act accordingly.

employment opportunities for the poor in non-farm enterprises, empowering women, and improving the accessibility of other financial services at the community level in Bangladesh. Moreover, the study observes that by strengthening women's participation in groups particularly of those belonging to socially deprived classes impacts significantly in providing full and productive employment for women in the society. It does not only empower disadvantaged women and other marginalized people, but also opens up more business opportunities for the private sector, stronger communities for society, and greater sustainable economic growth for countries. Therefore, evidences show MFIs are empowering marginalised people in Bangladesh and other countries. Moreover MFIs generate a smart economics-sustainable quick impact economy if they have proper micro loan implementation strategies, and policies that are suitable to local society and context.

## **X.**

## **Conclusions**

Grameen Bank has not hired foreign consultants for its program design, program development, and program implementation. GB has developed its services directly taken experience from the field. It's staff contributed to its program design and program success in Bangladesh even bring it to world stage as a model for poverty eradication. The GB staff review problems by themselves and they solve problems based on local situations. The proposed solution is first tested in 2-3 branches for about 6 months on a pilot basis. Lessons are learned from them and then extended to other areas served by the bank.

Grameen Bank slogans that this bank is for the people, people are not for the bank. As mentioned earlier, Grameen Bank builds its own internal fund mobilization process (Grameen Bank 2002). Grameen Chek also stands and runs on its own revenues (Grameen Chek, 2010). These two organizations did not use external funds and external consultants. The field staffs bring their ideas to these organizations and these two organizations develop their policies, operational strategies, marketing strategies, accounting procedures and MIS devices. Conversely, as mentioned earlier, Grameen Krishi Foundation (GKF) receives external grants. The donor consultants compel GKF to accept their terms of reference to run GKF farms. Even donors inception reports



forced GKF follow their action plans. Although GKF protested against donors' inception report and consultants advice; however, donors forced GKF to follow armchair external consultants' directions.

The author involves with all these three organizations in their program designs and implementations.

The author praxis researches on social economy and micro economics development using his academia-sociology, ecological economics; program planning and management; community development; small business management; and environmental development and his working experience in different countries. The author has similar experience like many other researchers (Arnové & Torres, '2007;Bray, 2003Bray, , 1999;;Leys, 1995;Manion, 2012;??oveli, 2010;Samoff, 2009Samoff, , 2003) ) who have experienced-foreign donors impose conditionality while providing to grants to developing countries resulted failure of the programs. Many donor funded projects have negative experience on donors' control, apply coercive powers and privileges and their mismatching impositions to grant recipients that resulted failure the projects in different countries ??Bary, 1999; ??oveli, 2010;Samoff, 2009). Donor funded many evaluation studies mention the same failure story ??Crosley & Watson, 2003; ??oyes, 2005). Maximum reports identified failure causes are imposition of donors' ideas and their coercive control. The author also finds same experience donors control and influence GKF activities. The author struggles to follow donor consultants' advice and to follow their plan of action during his job in GKF. The author is unable to balance the GKF local situations and implement consultants' ideas. Therefore, there was a gap between consultant advice, grant allocation and implement the GKF activities for the benefit of marginalized farmers in Bangladesh.

As GKF currently is not financially sustainable; hence it shrinks its operations and services in Bangladesh.

On the other hand, as mentioned earlier, Grameen Bank and Grameen Chek run without external grants, national and international consultants. The GB staff work hard for the well-being of GB clients. Moreover, Grameen Bank does not contribute to the philosophy that they should precede on unfaithfulness. Grameen Bank and Grameen Chek go to the doors of the individuals. This is the basic philosophy of Grameen Bank and is sister organization. One has to keep this always in mind and move forward when working with community people in any society. Not only provision of loan, in case of necessity, its effectiveness utilization has to be taught with practical demonstration that these organization are striving for. These community-based grameen organizations have played an effective role in creating individual initiatives. Thus the GB clients and Grameen Chek handloom weavers find ways to get rid of their miserable life. Their initiative and contributions generate life in the social and economic horizon in Bangladesh.<sup>1</sup>



2014

Figure 1: Year l 2014 Global

<sup>1</sup>Year© 20 14 Global Journals Inc. (US)

1984	Year of foundation lying
1985	Year of gathering strength
1986	Year of achieving qualitative strength
1987	Year of maturity
1988	Year of confidence
1989	Year of new horizon
1990	Year of arduousness
1991	Year of consolidation
1992	Year of reorganization
1993	Year of certainty
	B

Figure 2:

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