

1 Micro Financing Implementation and Expansion Strategies of 2 Grameen Bank in Bangladesh

3 Professor Dr. Kazi Abdur Rouf¹

4 ¹ Nobel International University

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7 **Abstract**

8 Grameen Bank (GB) is a micro lending organization in Bangladesh that was initiated by Professor Muhammed Yunus as a pilot project in Jobra village in 1976. It provides small loans to rural poor women, without collateral, following group lending peer support methodologies. It disburses

16.7 billion to 8.67 million borrowers through 2247 branches across Bangladesh. The loan repayment rate is 97%

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10 **Index terms**— Empowerment, human capital, NGOs, self-employment, social capital, and sustainable development.

11 **1 Introduction**

12 There were 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) etc. 13 However, few projects focused exclusively on poor women in development and the feminization of poverty. Many 14 of them were temporary relief, handout projects. In contrast the Grameen Bank (GB) micro financing program 15 continued for more than three decades and is successful in sustainably addressing poverty and empowering rural 16 women in Bangladesh. Now it is recognized as a model of development work in the world. This essay focuses 17 on the implementation steps, features, policies and programs the Grameen Bank engages which has made it a 18 successful national financial institution in Bangladesh and has resulted in its replication across the world. Its 19 micro lending technology is replicating across the world because of its uniqueness.

20 Bangladesh has 165 million people within a 147,570 square kilometer area. (Bangladesh profile 2014). Half of 21 the population is female. The majority of Bangladesh's people live in rural areas. The density of the population 22 is 763 people per square kilometer. 67% of women live under the poverty line, which is significantly higher than 23 the national average of 51% ??Human Rights Report, 2000). Therefore, a majority of rural poor women are 24 suffering from absolute poverty and miseries. The reasons for these sufferings may be Four decades ago banking 25 facilities were not favorable to the landless poor in Bangladesh. Collateral Year 2015 () C and to empower 26 women. Its lending methodology has been replicating in 98 countries all over the world since 1993.

27 Abstract-Grameen Bank (GB) is a micro lending organization in Bangladesh that was initiated by Professor 28 Muhammed Yunus as a pilot project in Jobra village in 1976. It provides small loans to rural poor women, 29 without collateral, following group lending peer support methodologies. It disburses \$16.7 billion to 8.67 million 30 borrowers through 2247 branches across Bangladesh. The loan repayment rate is 97%. It is a selfsufficient financial 31 institution. GB's unique program implementation steps make it successful in achieving its goals of creating 32 self-employment and creates choice among rural poor women; thereby increasing their income, empowering 33 them, and promoting environmentalism in rural Bangladesh. Obvious loan disbursement policy, simplified record 34 keeping arrangement, monitoring and evaluation system, accounting procedures, auditing, decentralization policy, 35 two way flow of information and communication (bottom up approach) etc are the outstanding process that 36 empowered GB borrowers. Moreover, location specific solution by field staffs strategy, prompt respond to field 37

4 IV. BENEFITS OF ADAPTING THE IN-PERSON CLIENT SERVICES OF GB

40 problems, active community participation, and staff rewards for outstanding jobs all together create competition
41 and inspiration among employees to offer a high quality of services to its borrowers.

42 Guidance to field staffs by the executives, coordination with other stakeholders, bottom up decision makings,
43 and the "learning by doing" approach are the core elements of the program. Regular audits and inspections with
44 monitoring information systems (MIS) are fabulous elements of GB's credit execution. GB runs its costs from its
45 own investment income. Grameen Bank does not hire foreign consultants for its program design, development,
46 and implementation. Keywords: Empowerment, human capital, NGOs, selfemployment, social capital, and
47 sustainable development.

48 The sixteen decisions of the Grameen Bank that clients follow encourage them to develop their resource capital,
49 human capital, social capital and others like economic sustainable development in the borrowers' life. GB has
50 succeeded in achieving its goals/objectives because it works in the community as an insider not as an outsider.
51 Above all, Professor Muhammed Yunus' dynamic leadership mobilizes staff to work hard for the betterment of
52 the lives of clients. Now Grameen micro credit is recognized as a tool to eradicate poverty found in the limited
53 access to, voice and choice of state resources. Hence, policies, programs and projects which focus on income
54 generation and rural poverty are urgently needed to fulfill their basic needs.

55 for loans were a requirement and this proved to be a strong barrier against the rural poor accessing institutional
56 credit. Therefore, a specialized bank was needed where alternative credit facilities without collateral could be
57 delivered. This need was filled by the Grameen Bank which was established in 1976 by Professor Muhamed
58 Yunus. It delivers credit to the rural poor without collateral, giving priority to rural poor women.

59 Professor Muhamed Yunus started credit operation on a pilot basis in a village named Jobra in 1976. This
60 initiative was a flashlight to the poor women of Jobra village with little credit. This pilot credit project was
61 desired by other villages and there was a great GB objectives are to involve extending banking facilities to the
62 poor for their self-employment, to free them from exploitation by money lenders, and to empower women through
63 providing them with collateralfree loans for doing businesses. GB introduced groupmanaged, peer support loan
64 repayment system among borrowers in which they would repay loans in weekly installments at 2% of the principal
65 amount, plus interest, within one year. GB has been introduced flexible loan and easy loan and these loans
66 borrowers should repay within six months since 2000. After repaying the loans, borrowers can again withdraw
67 loan for another six and easy loan are very popular to borrowers of GB in Bangladesh. This credit program also
68 included savings products which would help to develop better saving strategies among its borrowers. The whole
69 mechanism of GB goes to the borrowers' doorsteps. They do not need to come to the bank office to repay their
70 loans. The whole structure and operation of GB makes borrowing and repayment convenient and easy for its
71 clients. There are no rigid structural policies and monitoring devices by outside consultants. The field staff of the
72 GB is responsible for developing its loan operation policies, programs and operation strategies, and accounting
73 and monitoring devices. Professor Yunus, its founder coordinates all staff activities, ideas and recommendations.
74 He is the apex leader of GB loan operation.

75 This GB micro credit system has had a great impact on extreme poverty (Khondaker 2003). It can play
76 a vital role in attaining Millennium Development Goals (MDGs). In the words of Kofi Anan, UN Secretary
77 General, "microfinance has proved its value, in many countries, as a weapon against poverty and hunger. Now
78 it is recognized as a development model for income generation self-employment and empowers disadvantaged
79 women" (Grameen Dialouge-60, 2005).

80 2 II.

81 Implementation Strategies of Grameen Bank

82 3 III. Grameen Bank Client Development and Client Improving 83 Services

84 Micro financing institutions are working for their supporting micro entrepreneurs to promote micro entrepreneurs
85 micro enterprises. Grameen bank deals different attractive products with quality service. GB developed strategies
86 for reaching the clients more efficiently which enabled GB and its clients to make an adequate level of income.
87 GB defines its clients as partner of the GB loan operations. It thinks clients success is the success of GB. GB
88 looks for the origin of the demand of the poor people in the community and identifies related services for them.
89 At the beginning, GB field staffs survey the area and survey the demographic segments of the poor people in
90 the community, discern local physical infrastructures and social infrastructures in the community and analyses
91 people's loans demands would be to GB. The next step is to find where the acute poverty sufferers target clients
92 thrive and develop ways of relationships that could help poor people to be easy and comfortable to do banking
93 with GB. Then field staffs started to provide unique simplified non-formal training in person to familiarize poor
94 people about the GB products and services. Information previously gathered help field staffs in formulating the
95 appropriate products (size of loans, types of loans, modes of repayments and service strategies).

96 4 IV. Benefits of Adapting the In-Person Client Services of gb

97 There are several benefits of adopting the impersonal clients services that are stating below:

98 ? Encourages the GB micro entrepreneurs to think of creative ways to serve its clients demand from many
99 rural women to get loans for starting their businesses (Yunus, 1994).

100 **5 months. Now the six months loan cycle of Flexible loan**

101 At the beginning Grameen Bank started as a pilot project, which had no formal organizational structure and
102 procedures for delivering loans to poor people. The Grameen Bank project developed its implementation
103 strategies, working methodology, and credit delivery mechanisms in the course of time. All credit delivery
104 technologies were developed during its operation. GB has developed "learning by doing" strategy during its
105 establishment. However, GB policies, implementation strategies, credit delivery and recovery mechanisms and
106 other parameters are in a continual process of development and change to fulfill borrowers' needs and demands
107 through situational analysis and a bottom up approach. It is obvious that rigidity in policies and guidelines have
108 no place in GB.

109 with GB borrowers' like GB customers through its V. Grameen Bank (GB) Monitoring and Information System
110 (mis)

111 GB is more concern with calculating its vision and maintaining its organizational culture. Its' management
112 has some motivational devices to ensure targeted performances. GB monitors its loan services to different stages
113 of admin layers. It has developed its loan monitoring system that provides quick feedback to the field staffs by
114 the GB executives. Grameen Bank uses its management information system (MIS) to generate information for
115 decision making and to disseminate information back to lower level staff so that they can systematize their own
116 performance. This MIS system has grown from field experience and that allows managers and field staffs to track
117 its accomplishments.

118 **6 VI. Best Practices Parameters of Grameen Bank**

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

131 **7 VII. Unique Practices of Grameen Bank**

132 The entire GB credit operation operates through a system of close supervision. There is an in-service training
133 program in GB for its staff training. This practical training helps staff to be committed and to work for the
134 poor as a cohesive team. There are no intermediaries between clients and the bank at the grass roots level. GB
135 charges 20% interest on its general loans and 5% interest on its housing loans and student loans. There is no
136 subsidy at any stage of the credit operation.

137 The simple, straight-forward program designed for loan proposals through mutual discussions among center
138 members ensures diversified loan disbursements

139 **8 (clients) those can do business well by receiving loans from 140 GB borrowers intensively. It has an efficient MIS cell at its**

141 To maintain equal opportunity and to address issues of participatory management, democracy and empowerment
142 to all members of Grameen Bank, the positions of Centre Chief, Group Chairman, and Group Secretary change
143 every year. By this process all members of the center get a chance to be Center Chief, Group Chairman, and
144 Group Secretary by rotation. This practice helps to enhance leadership qualities and decision making skills in all
145 members. In addition, this practice of rotating leaders adds to a decentralized power structure and holds each
146 member accountable to the other within the center. These tools are essential to the efficient operation of the
147 credit program including avoiding inequalities and maintaining corruption free loan transactions.

148 These unique practices of the Grameen Bank start from making annual action plans at the field level. Branch
149 managers set up some performance indicators like loan disbursements, loan repayment, group savings, and
150 attendance in the centre meetings of borrowers and borrowers' wealth creation by loan utilization etc. These
151 parameters track the viability of the branch performances. The Branch maintains all loans and other such related
152 documents. Its performance is ensured by GB internal audit department. This internal auditing process enhances
153 the leakage free credit delivery system. to its clients. All transactions are conducted within centre meetings and
154 are intensively monitored. It ensures mutual accountability through a peer support mechanism. No information

12 FACILITATING FACTORS FOR IMPLEMENTATION OF PRACTICE

155 is kept secret, so there is no scope for corruption, misappropriation or irregularities. These strategies further
156 contribute to the successful operations of the Grameen Bank.

157 9 VIII.

158 10 Replication of Grameen Bank Model

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

165 The Global Micro Credit Summits of 1997, 2002, 2006 and 2011 helped to draw the attention of policy
166 makers and practitioners' worldwide. Different international organizations like UNDP, UNHCR, UNICEF, ILO,
167 CIDA, SIDA, USAID and several countries included the micro financing program in their policies to address
168 poverty. All projects that were modeled on the GB reported loan repayment rates of more than 95%. These
169 micro finance institution (MFI) initiators are trying to cover their cost of operation from their interest income.
170 For example, Activist for Social Alternatives (ASA), Tamil Nadu, India, SHARE, Andrapradesh, India, CARD
171 in the Philippines and NIRDHAN in Nepal, have their own banks to serve the poor (GT report 2006). The
172 Grameen Bank Replication Program (GBRP) has set up a website that also helps people get information about
173 its programs.

174 The GB web site address is www.grameen.com/grameen/gtrust.

175 11 IX.

176 12 Facilitating Factors for Implementation of Practice

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

181 GB is not a centralized decision-making organization. Management functions and decisionmaking powers are
182 continuously being delegated to the branch offices to improve their managerial skills as well as to get grass roots
183 information to hierachal upper levels in area, zonal and head offices. This feedback loop involving head offices,
184 zonal offices and branch offices enhances organizational management; decision making processes and improves
185 program activities. Prompt responses to field problems by supervising officers are characteristic of Grameen
186 administration.

187 GB mobilizes its staff to be enthusiastic to do their assigned GB jobs by awarding them star staff and five
188 star branches. Those who achieve star criteria receive appreciation letters from Professor M. Yunus, monetary
189 compensation, promotions, and opportunities to travel and conduct assignments abroad. A Grameen Bank Staff
190 proudly displays his star on formal occasions. These awards encourage competition and help inspire field staff to
191 be more active in their work for the poor.

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

200 GB had served borrowers an approximate 2.54 million rural poor in 25 years in August, 2002; however, it
201 has increased its client's services to about 6.7 million in September 2006 (GB report September 2006). This has
202 been a huge increase within four years. This rapid expansion poses added challenges to GB to maintain quality
203 service to its borrowers. GB offers loans to poor people for small businesses; however, it does not provide any
204 training/orientation on small business management, marketing, loans management and book keepings that are
205 very essential for businesses.

206 Although there have been many success stories of women who have been emancipated through Grameen
207 Bank does not hire foreign consultants for its program design, development, and implementation. GB has taken
208 experience directly from the field and looks at its needs. The GB borrowers' staff review problems and needs
209 themselves. The solutions are based on local situations. The proposed solution is first tested in 2-3 branches
210 for about 6 months on a pilot basis. Lessons are learned and then are extended to other areas served by the
211 bank. However, all solutions do not produce positive results. that many women (16%) are still dominated by
212 their husbands and do not actually enjoy the benefits from their financial gains or loan investments. In many
213 cases, their husbands take the credit, and use the money for personal purposes (p., 43). GB gives loans to poor

214 women for the improvement of their household economics as well as to generate social and human capital among
215 them. However, GB has not put special implementation strategies to free women from patriarchal order. Rather,
216 it believes that if women become earners, they can empower themselves, promoting their own welfare as well as
217 that of their family.

218 Moreover, although GB is successful in addressing poverty, 58% of its borrowers cross the poverty line (Grameen
219 Bank 2006). Many borrowers are still living below the poverty line. Its investment interest rate is 20% to its
220 borrowers, which is similar to other commercial banks in Bangladesh. GB covers its costs from its investment
221 income. However, it is too much for poor people.

222 **13 X.**

223 **14 Conclusions**

224 However, leadership is very important to mobilize people into activity, to achieve project objectives and to
225 implement the program successfully. In addition, the project activities should exclusively focus on disadvantaged
226 people and strategies should be attentive to environmental sustainability. Poor people have less features and
227 access to different public places, information, and resources; therefore, one stop information services to clients
228 can help protect them from bureaucratic hazards. Moreover, guidance, coordination with other stakeholders,
229 bottom up decision making approach, and "learning by doing" approach are the core elements of the program.
230 Regular audits and inspection with monitoring information systems (MIS) altogether are very essential for micro
231 financing institutions.

232 Feminization of poverty is increasing in Canada especially in single mothers. There are some NGOs involved
233 in micro financing in Canada, but they are working in a limited scale. My dream is to initiate a micro financing
project in Toronto using my experiences and ¹ ²



Figure 1:

234

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? The cliental relationships with GB has increased sustainable loan services to poor people in Bangladesh ? GB micro-entrepreneurs and GB relations improved continuously ? GB entrepreneurs' microenterprises put in the best competitive position because of entrepreneur-client relationship. ? Micro entrepreneurs easily obtain a competitive advantage over big enterprises by improving GB client's service and clients networking within the community.

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Figure 2: C

235 Through working for the Grameen Bank since 1980, the author Kazi Rouf has observed that poor women are
236 credit worthy and would have more selfconfidence if they could earn money. Poor women could be more organized
237 if they connect with institutions which support a bottom-up approach that respects poor people and their values.
238 Grameen Bank does not use high level socio-economic implementation technology or development ideas are not
239 imported from outside. GB has succeeded because it works in the community as an insider not as an outsider
240 (Rouf, 2011). Top down policy contradicts with local values. There is a cross relation among program design,
241 program objectives, friendly program implementation strategies, local culture and community participation. use
242 some implementation techniques of Grameen America in the project.

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