

GRAMEEN BANK IN EMPLOYMENT CREATION
AND POVERTY ALLEVIATION

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Preface

Bangladesh is encountered with the acute problem of poverty and unemployment. The magnitude of her poverty and unemployment is, however, colossal. Stark destitution blights the life of more than two thirds of her population. Poverty is juxtaposed with unemployment where poverty is both cause and consequence of unemployment. Employment is unanimously recognised by planners, policy makers and political activists as an effective instrument of poverty alleviation. Alleviation of poverty through employment creation has been given top priority in all the plan documents of Bangladesh. Despite allout efforts, the poverty - focussed programmes of the government could not make significant headway in alleviating poverty.

In the backdrop of the failure of government sponsored poverty-focussed programmes to alleviate poverty, Grameen Bank created a — startling example of alleviating poverty of the landless poor people through its collateral free credit delivery system. This discourse highlights the efforts of Grameen Bank in alleviating poverty through employment creation in rural Bangladesh. Financial assistance provided by Bangladesh Public Administration Training Centre (BPATC) to conduct this study is gratefully acknowledged. Messers Md. Shirajul Islam and M. A. Matin, Deputy Directors, BPATC, contributed significantly to the preparation of this report. Mr. Md. Jashim Uddin took the pains of typing the manuscript. To all of them my very special thanks. However, I am responsible for the remaining errors and omissions.

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I. INTRODUCTION

Bangladesh, with about 55,000 square miles of land and about 112 million people is one of the poorest countries in the world. The magnitude of her poverty and unemployment is however, colossal. Stark destitution blights the life of more than two thirds of her population. The worsening of poverty has been accompanied by increasing inequality in income and accelerating landlessness overtime. The problem of landlessness is compounded by lack of employment opportunities. Majority of the people are at the grip of low level equilibrium trap. Programmes undertaken so far to rescue people from the morass of poverty are too inadequate to make a dent into the deteriorating poverty situation at large. Moreover, poverty-focussed programmes undertaken by the government could not make significant headway in alleviating poverty. In the backdrop of the failure of government sponsored poverty-focussed programmes to alleviate poverty, Grameen Bank has set an imitative example of alleviating poverty of the landless people through creation of gainful employment opportunities.

Unlike other government sponsored programmes, Grameen Bank came forward to alleviate poverty of the landless people through income generating activities financed by collateral free credit. The Grameen Bank system addresses one of the deficiencies in the social infrastructure of rural communities, namely, lack of institutional credit for the rural poor who are unable to provide

security acceptable to institutional money lenders. Credit is an entitlement to resources. Grameen Bank ensured accessibility of landless poor people to resources through providing credit at a tolerable rate of interest. Over the time span of a decade, Grameen Bank came out successful in alleviating poverty of its borrowers and making perfect recovery of credit advanced to them.

For convenience of analysis, this discourse has been split into seven sections excluding introduction and conclusion. Sections II and III describe objectives and methodology of the study. Section IV provides a brief review of Grameen Bank, Section V presents unemployment and poverty situation in Bangladesh, Section VI elucidates management system of Grameen Bank, Section VII assesses credit and employment creation in the context of Grameen Bank and finally Section VIII examines income and alleviation of poverty of the Grameen Bank borrowers.

II. OBJECTIVES

The objectives of the study are as follows :

- i) to examine the management system of Grameen Bank,
- ii) to assess employment opportunities created by Grameen Bank,
and
- iii) to examine the role of Grameen Bank in alleviating poverty of its borrowers.

III. METHODOLOGY

Secondary data have been used for the study. Data have been collected mainly from the Grameen Bank head office. Both -C- published and unpublished data have been used to document the role of Grameen Bank towards creation of employment opportunities for its borrowers and alleviation of their poverty. Help of -O- books, research reports, journals, periodicals, quarterlies, pamphlets, booklets etc. have also been taken to strengthen the analysis of issues addressed by the study. Income profile of the borrowers before and after the genesis of Grameen Bank was examined to assess the impact of bank activities on poverty situation of the borrowers. Employment status of the borrowers during the pre-and post-Grameen Bank era has also been observed to examine whether it could make a significant headway in removing their unemployment. Interview with some key persons in the Grameen Bank head office also constituted an integral part of the study. Parameters like creation of jobs, recovery rate of — loans, ownership of assets, diversification of income generating activities have been used to substantiate the findings related to alleviation of poverty of the Grameen Bank borrowers.

IV. GRAMEEN BANK : A BRIEF OVERVIEW

→ Grameen Bank was started in 1976 as an experimental project under the leadership of Professor M. Yunus, a Veteran Economist who attempted to test the hypothesis that the poor are bankable. The conventional banking system provides loans against collateral or security. The distressed and destitute people had been found to be deprived of having loan from the banks and financial institutions due to their inability to present asset as collateral or security. Access to credit regarded as the fundamental right of the poor has been ensured by Prof. M. Yunus by virtue of his relentless efforts through Grameen Bank over the last one and a half decade. The experiment launched by Prof. M. Yunus nullifying the conventional belief abstrusely established the hypothesis that the poor are bankable through recovering loans from the borrowers at the rate of 97 percent. His experimental project has expanded from a handful of basket weavers in one village to nearly one million poorest-of-the-poor borrowers in about 30,000 villages throughout Bangladesh.¹

Some of the nationalised commercial banks like Janata Bank and Sonali Bank came forward with financial assistance during the infancy of Grameen Bank. By dint of the individual initiative of Professor M. Yunus, the local Janata Bank agreed to extend loans

¹ K. Shams (1990), 'What We can Learn from Grameen Bank', Grameen Dialogue, No. 3, Dhaka.

to the landless people belonging to the Grameen Bank Project (GBP) without conventional collateral or security. In March 1978, the Bangladesh Krishi Bank (BKB) began to participate in the activities of GBP with financial assistance. Being supported by some nationalised commercial banks, the GBP achieved tremendous success in providing gainful employment for its borrowers through procuring loans from those banks. Initially starting the project from 'Jobra' a village nearby Chittagong University, the GBP had been able to expand its programme to the neighbouring two villages within two years of its inception in 1976.

In 1978, Sonali Bank came forward deliberately to participate in the GBP activities. The BKB and all the nationalised commercial banks supported these operations whereas Bangladesh Bank sponsored them. By the end of 1980, seven nationalised banks took active part in running 25 branches of the GBP in two districts, i.e., Tangail and Chittagong. They advanced loans worth taka 15 million to about 10,000 borrowers both men and women in 300 villages. By the end of 1982, the number of bank branches increased to 54, covering 714 villages and an amount of loan to the tune of taka 95 million was distributed to about 30,000 borrowers belonging to GBP. Meanwhile, in September 1983, in accordance with the Grameen Bank Ordinance, 1983, Grameen Bank Project ceased to be a Project and became a fullfledged Bank. The formal inauguration of Grameen Bank (GB) as a distinct entity took place on October 2, 1983. Grameen Bank currently operates

through 998 branches spread over 54 districts covering 29,754 villages and 1.3 million beneficiaries.²

Grameen Bank activities are being implemented through its branches under the close supervision of area offices as coordinated by the head office in the capital city. The head office just coordinates but never interferes with the activities of the supervisory offices. Each branch of Grameen Bank is manned by one Branch Manager, one senior Bank Assistant, six Branch Assistants and one Peon-cum-Guard. The functions of bank personnel are to appraise the beneficiaries of the principles and practices of the bank towards implementation of its programme. The landless people are the beneficiaries of Grameen Bank. Any member of a household owning less than 0.5 acre of cultivable land and if the total asset of that household does not exceed the market value of one acre of medium quality land in the area, is considered eligible for loans from the bank for any income generating activity of his/her choice. Loans are given only to the people who have proved themselves to be acceptable members of the bank.

In order to qualify for procuring loans from Grameen Bank, the borrowers must form a group of five like-minded persons with similar socio-economic status. The group members have to undergo

² Grameen Bank (1992), Annual Report : 1991, Grameen Bank, Dhaka.

a group training programme lasting for a minimum seven days of continuous instruction. Their training is usually imparted by the bank personnel under the guidance and supervision of Branch Manager. The training includes teaching thoroughly the rules and regulations of Grameen Bank which involve for example, understanding the purpose of bank procedures, knowing in detail the responsibilities of the group Chairperson and the centre Chief, explaining the potentials of fund-saving schemes for joint activities or children's welfare, introducing the issues in social development programme and learning to write one's signature.³ Although, the minimum group training period is seven days, there is no upper limit of this period. More often 2 weeks are required but for some it may continue for a few months.

The group members have to undergo a series of formalities to deserve loans from the bank. After successful completion of those formalities, loans are sanctioned to individual group member for one year, without any collateral, to be repaid in weekly instalment of 2 percent of the principal amount. Interest is paid during the last two weeks of the loan year. Formally the borrower is responsible for his/her loan alone. Usually six groups constitute a centre popularly known as the venue of nexus between the borrowers and bank personnel. Members belonging to each group normally reside in the same neighbourhood. For each group there

³ A. Fuglesang and D. Chandler (1985), Participation as Process - What We Can Learn from Grameen Bank, Bangladesh, Norwegian Ministry of Development Cooperation - NORAD, Oslo.

is a Chairman and a Secretary elected by the members of the respective group. The group Chairmen jointly elect a Chief and a Deputy Chief for each centre. Prime responsibility of the centre Chief is to conduct weekly meeting where common problems and interests are discussed in an open forum and forward loan proposals to the bank branch through Bank Assistants.

The remarkable innovation of Grameen Bank is its savings programmes implemented through group fund, group tax and emergency fund. These savings programmes in addition to developing savings habit among group members, also work as safeguard against unforeseen contingencies. Every group member deposits one taka each week as a personal saving which is deposited in an account called group fund account. In order to get financial facilities from the group, every member of the group has to pay group tax at the rate of 5 percent of the loan amount which is deducted at the time of borrowing from the bank. This group tax is also deposited in the group fund account. Emergency fund is basically an insurance coverage in case of default due to death, disability, natural disasters and other accidents. The emergency fund is raised through a levy imposed on each borrower at the rate of 25 percent of the amount charged by the bank as interest on their loan. Grameen Bank through those economic development programmes made the disadvantaged rural people self-reliant based on their own acumen, ability and initiative, and thus established the doctrine that people will

not come to the bank but the bank will go to the people instead.⁴

V. UNEMPLOYMENT AND POVERTY IN BANGLADESH

Unemployment

Bangladesh is encountered with the acute problem of unemployment and underemployment of the labour force. The colossal size of the unemployed labour force not only shrivels human lives but also cripples the stability of the economy. The unemployed population increased overtime from 10.2 million person years in 1984-85 to 11 million in 1989-90, accounting for 35 percent and 32 percent of the labour force respectively.⁵ Empirical evidence from micro level studies reveals that the unemployment rate is much higher than the official estimates. Casual estimates show that over 30 percent of the labour force in Bangladesh is either unemployed or underemployed. If unemployment continues to rise at the prevailing rate, the number of the unemployed would reach 20 million by the close of this century.⁶ The number of the unemployed in Bangladesh today is larger than the total

⁴ M. Yunus (1982), 'Grameen Bank Project in Bangladesh : A Poverty Focussed Rural Development Programme', Grameen Bank Project, September, Dhaka.

⁵ Government of Bangladesh (1985), Ministry of Planning, Planning Commission, The Third Five Year Plan (1985-90), November, Dhaka.

⁶ R. Islam and M. Muklada (1980), Bangladesh : Selected Issues in Employment and Development, International Labour Organisation, Asian Employment Program, New Delhi.

population of Syria, Sweden, Portugal or Austria. It is larger than the combined populations of Norway, New Zealand and Israel.⁷

Phenomenal increase in the number of unemployed population is basically due to overwhelming growth of population and labour force overtime. The growth of population triggered to as high as 2.48 percent per annum over the period 1961-74 but it declined marginally from 2.32 percent during the period 1974-81 to 2.2 percent during 1981-89 (Table 1) Rapid growth of population contributed to the acceleration of labour force althrough. The labour force in Bangladesh increased from 9.6 million in 1901 to 50.7 million in 1989.⁸ The civilian labour force grew at an average rate of 2.2 percent per annum during the 1961-81 period. The labour force grew at an accelerated rate of 3 percent per annum during the period 1985-90. Projecting on the basis of the growth of labour force at 3 percent per annum, the labour force in 1990-91 was estimated at 34.3 million. Of course, changes in the definition of economically active womenfolk and their participation in economic activity account for amazing acceleration of labour force.

⁷ A.A. Khan (1986), 'Decentralisation for Rural Development in Bangladesh' (mimeo), Bangladesh Public Administration Training Centre, Dhaka.

⁸ Barkat-e-Khuda and A. Barkat (1992), 'Growth and Structure of Labour Force in Bangladesh,' Dhaka University Journal of Business Studies, Vol. 13(1).

Table 1

Characteristics of Population and Labour Force in Bangladesh

(in million)

Characteristics	Census 1961	Census 1974	Census 1981	LFS 1983-84	LFS 1984-85	LFS 1985-86	LFS 1989
Population	50.8	71.5	87.1	95.2	97.7	101.1	108.1
Male	26.3	37.1	44.9	48.6	49.8	51.7	55.9
Female	24.5	34.4	42.2	46.6	47.9	50.0	52.2
Civilian Labour Force	17.4	20.5	25.9	28.5	29.5	30.9	50.7
Male	14.8	19.7	24.4	26.0	26.8	27.7	29.9
Female	2.6	0.9	1.5	2.5	2.7	3.2	20.9
Employed Population	17.3	20.0	25.3	28.0	29.0	30.5	50.1
Male	14.7	19.2	23.9	25.5	26.5	27.4	29.1
Female	2.6	0.9	1.4	2.4	2.5	3.1	20.7
Unemployed Population	0.1	0.5	0.6	0.5	0.5	0.4	0.6
Male	0.1	0.5	0.5	0.4	0.4	0.3	0.4
Female	0.0	0.0	0.1	0.1	0.1	0.1	0.2

Source : Bangladesh Bureau of Statistics (1991), Statistical Year Book of Bangladesh, 1991, Dhaka.

Bangladesh Bureau of Statistics (1986), Statistical Pocket Book of Bangladesh, 1986, Dhaka.

Bangladesh Bureau of Statistics, Labour Force Survey (LFS), 1983-84, 1984-85, 1985-86 and 1989, Dhaka.

Bangladesh Bureau of Statistics (1977), Bangladesh Population Census, 1974, National Volume, Dhaka.

Census Commission (1961), Population Census of Pakistan, 1961, Census Bulletin No.5, Karachi.

Among the unemployed population, the most acute is the problem of the educated unemployed. The demand for some categories of degree holders always fell far short of the supply, causing severe mismatch between their availability and requirements. For those with educational qualifications of degree level and above the rate of unemployment was 44 percent and 48 percent in 1973 and 1978 respectively.⁹ The rate of unemployment also varies significantly between graduates of social sciences and those of pure sciences. The unemployment of the educated stems both from the sluggish demand for and excess supply of educated manpower in the country. A liberal educational policy, multiplicity of institutions and high social value attached to education account for massive increase in the unemployment of the educated.

The First Five Year Plan envisaged expanding employment opportunities for fair income distribution. But languished investment led to an increase of employment by 3.0 million person years against the target of 5.4 million person years. Increase in employment fell short of actual growth of labour force, thus the unemployment problem further deteriorated. The Second Plan envisaged expansion of job opportunities by 3.65 million person years, against which an estimated 3.20 million new jobs were created. During the plan period, the number of new entrants to the labour force was estimated at 3.43 million, thus

⁹ R.A. Mahmood (1988), 'A Policy Study of Human Resources in Relation to Development : A Case Study of Bangladesh' (mimeo), Bangladesh Institute of Development Studies, Dhaka.

the backlog of unemployment further increased. The Third Plan set a target of employment creation at 5.09 million person years, but achievement was estimated at 3.93 million person years. The new entrants to the labour force during the Third Plan period were about 4.8 million person years.¹⁰

The Fourth Plan projected creation of 5.05 million jobs but evidence reveals that 25 percent of the target could not be achieved even by the second year of the plan period. Thus, economic growth during the Fourth Plan could generate employment for only about 82 percent of the new entrants which would further increase the number of the unemployed.¹¹ The possibility of creating adequate employment opportunities for the unemployed is bleak because of the sluggish growth of the economy, shambling investment sagging exports and inability of manufacturing industries to hire additional labour force due to increasing cost and decreasing demand for industrial products in the domestic economy.¹²

¹⁰ Government of Bangladesh (1985), Ministry of Planning, Planning Commission, The Third Five Year Plan (1985-90), November, Dhaka.

¹¹ M. Hossain (1992), 'Development Policy, Growth Process and Coping with Natural Disasters' in H. Hossain et al. ed. From Crisis to Development: Coping with Disasters in Bangladesh, The University Press Ltd., Dhaka.

¹² Mustafa A. Rahman (1990), 'Overtime and Employment Creation in Manufacturing Industries : Issues, Constraints and Policies', The Bangladesh Development Studies, Vol. XVIII, No.4, December.

Poverty

Poverty exists when one or more persons fall short of a level of economic welfare deemed to constitute a reasonable minimum, either in some absolute sense or by the standard of a specific society.¹³ Economic welfare in developing countries refers to a person's consumption of goods and services. Other views express that poverty is a situation when an individual is unable to consume required calorie and fails to maintain dignity with adequate clothing, shelter, education and other basic needs. Studies on poverty and related issues reveal widespread poverty in Bangladesh. The magnitude of her poverty is however, colossal. Stark distress blights the life of more than two thirds of her population swamped in the morass of poverty. According to official estimates, 75 percent of her population consume less than average calorie, i.e., 2200 k. cal. per day, requirements.

The poverty situation deteriorated alarmingly in the 1970s but improved marginally in the 1980s tending to aggravate further in the years to come. There is, however, difference of opinion on the trends of poverty in Bangladesh. One study reveals that the percentage of 'absolute poor' in Bangladesh increased from 40.2 percent in 1963-64 to 61.8 percent in 1975.¹⁴ This finding has

¹³ M. Lipton and M. Ravallion (1993), 'Poverty and Policy', Policy Research Working Paper, WPS 1130, Policy Research Department, World Bank.

¹⁴ A.R. Khan. (1977), 'Poverty and Inequality in Rural Bangladesh', Poverty and Landlessness in Rural Asia, ILO, Geneva.

been substantiated by another study which shows that the percentage of 'absolute poor' (who consume less than 2087 k.cal. per day) increased from 52 percent in 1963-64 to 67.9 percent in 1977-78.¹⁵ Other studies rather present a different picture about the trend of poverty in Bangladesh. One of such study indicates that the proportion of poor in rural Bangladesh declined from 92 percent in 1963-64 to 83 percent in 1973-74.¹⁶ Interestingly, the Household Expenditure Survey (1981-82) did not find statistically significant variations in the proportions of households and population below poverty lines between 1973-74 and 1981-82.¹⁷

Household Expenditure Survey is still the most important source of information on poverty. Moreover, there are a few micro level studies which attempted to estimate poverty based on different criteria and methodology. The most recent estimates of poverty in Bangladesh indicate that 44 million and 7 million people representing 51 percent and 56 percent of the rural and urban population respectively were below the poverty line (defined as

¹⁵ Q.K. Ahmed and M. Hossain (1985), 'An Evaluation of Selected Policies and Programmes for the Alleviation of Rural Poverty in Bangladesh,' in R. Islam ed. Strategies for Alleviating Poverty in Rural Asia, Dhaka and Geneva: BIDS and ILO.

¹⁶ S.R. Osmani (1982), Economic Inequality and Group Welfare, Clarendon Press, Oxford.

¹⁷ Bangladesh Bureau of Statistics (1984), Report of the Bangladesh Household Expenditure Survey, 1981-82, Dhaka.

2122 calories/day/person) in 1986.¹⁶ Whether there is question about the accuracy of the estimates and whether poverty has improved over the recent years the general consensus however is that poverty in Bangladesh remains overwhelming. Thus it appears that over the last two decades, there has been a very little improvement in the poverty situation.

Studies on poverty during the past reveal substantial discrepancies among estimates of poverty line and head count ratios. The estimates of poverty line and the head count ratios of poverty are shown in Table 2. For 1988-89, the poverty line is estimated at taka 4,340 equivalent to about US\$ 135. It increased at a rate of 9.3 percent per year over the 1973-1989 period.¹⁹ Estimates of poverty ratios reveal increased poverty during the 1973-78 period, but a steady improvement during the 1978-86 period. Poverty deteriorated again since mid-1980s particularly due to pernicious floods in 1985, 1987 and 1988 which exerted adverse impact on the standard of living of the people as a whole. In 1988-89, 43 percent of the rural households were below the poverty line.

¹⁶ Bangladesh Bureau of Statistics (1991), Report on the Household Expenditure Survey, 1988-89, Dhaka.

¹⁹ M. Hossain and B. Sen (1992), Rural Poverty in Bangladesh : Trends and Determinants, Working Paper, Bangladesh Institute of Development Studies, Dhaka.

Table 2

Trends in Rural Poverty Overtime

Parameter	1973/74 (HES)	1976/77 (HES)	1977/78 (HES)	1978/79 (HES)	1981/82 (HES)	1983/84 (HES)	1985/86 (HES)	1988/89 (HES)
A. Poverty Line Income (tk/per annum)	1150	1633	1894	2064	2227	3150	3701	4340
B. Head Count Ratio (Percent)								
1. Per Capita Expenditure Classification	71.3	n.a.	n.a.	n.a.	65.3	50.0	41.3	43.8
2. Per Capita Income Classification	n.a.	n.a.	n.a.	n.a.	60.0	42.8	38.9	38.7
3. Per Household Expenditure Classification	60.3	78.9	77.4	65.8	55.3	46.3	37.3	43.4
4. Per Household Income Classification	n.a.	73.1	72.8	60.7	51.3	39.8	35.9	40.0

HES = Household Expenditure Survey

n.a. = not available

Source: M. Hossain and B. Sen (1992), Rural Poverty in Bangladesh : Trends and Determinants, Working Paper, Bangladesh Institute of Development Studies, Dhaka.

The worsening of poverty situation has been accentuated by increasing incidence of landlessness and inequality in income. According to 1961 census, about 17 percent of agricultural labourers were landless. Households owning not more than 0.4 acres of land defined as 'functionally landless' constituted 48 percent of rural households in 1977 and 50 percent in 1978. The functionally landless households growing at a rate of 3.1 percent per annum reached about 59 percent of the total households by the

year 1990.²⁰ So far as the inequality of income and assets is concerned, the Gini coefficient of income distribution for Bangladesh has been found to have increased from 0.36 in 1963-64 to 0.39 in 1981-82.²¹ The share of the bottom 40 percent households in total income has decreased from 18.4 percent in 1963-64 to 17.36 percent in 1981-82. Poverty is spread over Bangladesh with its multi-dimensional facets the alleviation of which seems to be an illusive goal.

VI. MANAGEMENT SYSTEM OF GRAMEEN BANK

The management system of Grameen Bank has been discussed in this section in a nutshell with special emphasis on management units, personnel management, fund management and modus operandi of organisational activities.

Management Unit

The most predominant field management unit of Grameen Bank is its branch office spread all over Bangladesh. The Branch Manager as the head of a branch office is supported by one Accountant, six Bank Assistants and one Peon-cum-Guard. As per routine work, each Bank Assistant covers on an average two centres a day or a

²⁰ M. Hossain (1986), 'A Note on the Trends of Landlessness in Bangladesh,' The Bangladesh Development Studies, Vol.XIV, Number 2, June.

²¹ Bangladesh Bureau of Statistics (1986), Statistical Pocket Book of Bangladesh, 1986, Dhaka.

maximum of 10 centres a week. Sometimes trainee workers and officers are deputed to the branch for a particular period of time. Currently, there are more than one thousand branch offices in operation. A branch office supervises about 50-60 centres and covers an area of about 30 square miles. Almost 40 percent of the bank's total staff work at the branch level. The branch office is the basic operating unit of Grameen Bank network.

About 10 to 15 branch offices constitute an area office headed by an Area Manager who is a senior bank officer. The Area Manager is assisted by one or two Programme Officers, their number being determined by the number of branches covered by the area office. A Programme Officer has the capacity to supervise about eight branch offices. Trainee officers are often deputed to area offices to participate in the routine work of the area office. Area Managers are authorised to handle all decisions for their respective areas and in case of advice they are free to contact respective Zonal Manager whenever they wish. An area office covers approximately an area of 400 square miles. The area office is managed by itself and exercises full autonomy regarding its operations. It is linked to zonal office only through its reporting formalities.

The zonal office as the head office for a zone consisting of five area offices is located in the district capital. The Zonal Manager as the head of a zonal office is supported by about

twenty staff of whom five or six are trainee officers. Principal officers in charge of accounts and fund management work closely with Zonal Manager. Most zonal offices have about five Programme Assistants who are responsible for implementing social development programme of the bank. A Zonal Manager works in close contact with the Area Managers who altogether attend management meetings once or twice every month in his office. Now there are 12 zonal offices in operation. The zonal offices are absolutely independent and almost autonomous units.

Rapid expansion of bank activities is discernible from the phenomenal growth of management units at all levels. During 1991, Grameen Bank added 134 branches over 781 in 1990. The total number of branches came to 915 with 11 zones. Number of area offices increased from 90 to 103 in 1991. Total number of members reached 1.07 million having 1,96,888 new members in 1991 accounting for 23 percent increase over the cumulative total in 1990. Number of villages where Grameen Bank was operating by the end of the year (1991) came to 25,248 from 19,536 in 1990. Grameen Bank is now boast of having a total of 11,523 staff as of December 1992. Out of total 11,523 staff, 245, 480, 648 and 10,150 staff belong to head office, zonal offices, area offices and branch offices respectively.²²

²² Grameen Bank, Annual Report, Various Issues.

The head office, the supreme authority of all subordinate offices of Grameen Bank is located in the capital city of Dhaka. The Grameen Bank is linked to the government through a Board as outlined in the Grameen Bank Ordinance, 1983. The Board consists of a Chairman, the Managing Director, six Directors nominated by the government and four Directors selected from among the borrowers. The Board is in charge of the general direction and supervision of the affairs and business of the bank. Besides, the Board can assign any responsibility to any functionary of the bank as it wishes. The borrowers also have adequate opportunity to influence bank policy through the participation of their representatives in the Board.

The responsibility of the Managing Director is to oversee the overall management of Grameen Bank supported by a small personal staff. The activities of Managing Director are reviewed by the Highest Committee consisting of Directors of various head office departments in the Highest Committee meeting held twice a month. Usually, the Managing Director refers issues for decision to this meeting rather than taking decision himself. The meetings undertake decisions on policy or implementation issues until a satisfactory consensus is reached. The ingredients of the Highest Committee are special purpose committees constituted to oversee recruitment, promotion, training, hostel management, construction tenders, construction implementation and procurement. A committee is constituted by staff members from various units considered

relevant to its purpose. The overall decision making process is one of interactive and consensus oriented rather than imposition from above.

Fund Management

Monthly financial statements and overviews including a balance sheet and a profit and loss account become ready for the Managing Director by the seventh of each month. The Branch Manager brings the monthly statements personally to the area office. The Area Manager brings the statements of all his branches to the zonal office at the time of monthly meeting for all the Area Managers. The zonal office collects and consolidates those information and send statements to the head office by special messenger. The head office furnishes the accounting, compiles the information and prepares cumulative financial statements for the month. For general information about the bank's overall position, a consolidated monthly statement is sent to the zones, areas and branches.

The financial situation of a branch is reflected in the weekly statement which reveals discrepancy between instalment due and repayment made. It should be mentioned here that money is transacted physically only at the branch offices by the bank workers. Any supplementary fund required by branch offices is transferred through existing commercial bank channels. Every day Branch Managers personally deposit the cash received from loan

payments in the nearest commercial bank. A branch office earns interest at a rate of 6 percent on these deposits. However, if a branch keeps funds idle instead of transferring them to head office accounts, the General Manager will charge a penalty of 10 percent interest on the untransferred amount. This creates a financial motivation for a Branch Manager to keep funds revolving frequently.

The most recent innovation in fund management is to accept deposits on a large scale from its individual loanees, centres and rich people of the society. The latter is seen as a potential way of transferring access to resources from the local rich to the local poor. Grameen Bank will pay a normal interest on the deposited money. Rural saving is viewed as an important factor contributing to socio-economic development. In rural areas, savings are normally higher than investment and most of the savings are channeled to the urban areas through commercial banks. Depositing savings in Grameen Bank would enable rural people to use these resources for their own purpose. With this end in view it is likely that a post of Manager will be created in addition to the existing one in the branch office.

Personnel Management

Job opportunities in Grameen Bank are open to both men and women subject to required qualifications. Upon receiving request from the head office, the Branch Manager circulates job notifications

in their respective areas. From one branch as many as 50 to 60 applications may be received. Branch Managers forward these applications to the zonal office for review and selection for interview. The suitable candidates are called for interview at a date stipulated by the zonal office. A staff member from the head office travels to the zonal office for selecting candidates to appear for a final interview in Dhaka. Candidates for the post of Branch Manager must have a Master's degree in any subject. Male and female bank workers are required to have twelve years and ten years of schooling respectively.

Personnel management in Grameen Bank has become a challenging task due to tremendous growth of staff from about 3000 in 1985 to over 11,000 in 1992. Grameen Bank maintains an up-to-date information system of its staff covering their education, personal history and performance during probational and on-the-job period. Updating of information is based on regular reports from supervisors. Staff with creative ideas and satisfactory performance are eligible for rapid promotion. The personnel administration unit recommends candidates for promotion, but the final decision is taken by a promotion committee. Inter-personal relationship among various echelons of the hierarchy is cordial which is considered as a marvellous achievement of the management system of Grameen Bank.

VII. CREDIT AND EMPLOYMENT CREATION

The most remarkable achievement of Grameen Bank is the creation of employment opportunities for the vast landless people who sell their labour at subsistence wage for mere survival. Grameen Bank emerged as a vital source of providing gainful employment opportunities for the landless people so that they can earn their livelihood at their own behest. The employment created by Grameen Bank for its borrowers is self-employment by nature. Employment by its essence is usually understood as wage employment a device of the capitalistic mode of production. Wage employment is a recent device as compared to self-employment which existed as far back as antiquity. Generous advancement of loan by the bank unleashed thousands of latent employment opportunities for the disadvantaged landless people scrambling for employment. By creating self-employment, Grameen Bank is helping millions of small hands doing millions of small activities, creating entirely a new economic environment.²³

Credit is an entitlement to resources. The distress among the poor is to a great extent due to their inaccessibility to resources both physical and financial. Credit provided by Grameen Bank in fact gave the landless people a legitimate control over resources which they did not acquire themselves. Grameen Bank in

²³ M. Yunus (1991), Grameen Bank : Experiences and Reflections, Grameen Bank, Dhaka.

this regard worked as a catalyst in handing over this economic power to the borrowers. Breaking the ice of collateral, Grameen Bank sanctioned an amount of taka 1414.82 crore upto October 31, 1992. Grameen Bank provides loans to an individual upto a maximum of taka 5000.00 equivalent to 125 US dollars, for income generating activities. Loans have so far been extended to around 563 activities grouped under six broad sectors, i.e., processing and manufacturing, agriculture and forestry, livestock and fisheries, trading and shopkeeping, peddling, and services.

Number of activities underlying various sectors vary from sector to sector. There are 149 activities under processing and manufacturing followed by trading having 156 activities. Peddling and shopkeeping account for 20 and 19 activities respectively. The number of activities is the lowest in livestock and fisheries, i.e., 16 activities only. There are only 9 activities under collective enterprises. Major portion of the loans is advanced towards non-farm and non-crop agricultural activities. Loans for agricultural pursuits account for only 4 percent of the total loans. Women borrowers constituting about 91 percent of the total borrowers use their loans mostly in processing and manufacturing, livestock and fisheries and marginally in agriculture and services. Relatively large number of women borrowers is involved in collective enterprises compared to male borrowers and vice versa for individual enterprises. Activities undertaken by the borrowers are small business enterprises which

have been found rewarding from the viewpoint of income and employment.

Data reveal that the highest amount of loans (43 percent), has been sanctioned for the livestock and fisheries having lowest number of activities (Table 3). This does not mean misallocation of loans but it indicates that the number of borrowers belonging to this sector (livestock and fisheries) is relatively large compared with that of other sectors. In order of the magnitude of loans, livestock and fisheries sector is followed by processing and manufacturing sector which receives about 28 percent of the total loans. Peddling receives the lowest amount of loans accounting for 1 percent of the total loans only. Most of the bank loans have been utilised for the purpose for which they are sanctioned. Only an insignificant proportion of the loans advanced to the borrowers has been found to be diverted to consumption and other household needs. Diversion of loans to consumption took place primarily at the expense of investment in processing and manufacturing activities.

Among Grameen Bank borrowers, female borrowers are predominant. Female borrowers are found to have received lion's share of the credit from Grameen Bank. More than 90 percent of the credit have been advanced to female borrowers in the sectors such as, processing and manufacturing, agriculture and forestry, and livestock and fisheries. Distribution of loans biased towards

female borrowers indicates their efficiency regarding proper utilisation of loaned money in productive pursuits. The traditional view that rural women only prepare food, take care of children and look after household affairs is far from the truth. Apart from immense and unrecongnised economic value of these activities in the household production system, women are also responsible for a large portion of the mainstream economic activities of rural households. The smaller the farm and poorer the family, the more significant are women's economic contributions.

Table 3

Distribution of Loans by Sector During the Period from 1976 to 1991

Sector	Male Borrowers		Female Borrowers		Total	
	No.of Loans (000)	Amount of Loans (crore tk)	No.of Loans (000)	Amount of Loans (crore tk.)	No.of Loans (000)	Amount of Loans (crore tk.)
Processing & Manufacturing	96 -	26.37 -	1389 -	258.36 -	1485 -	284.73 (27.83)
Agriculture & Forestry	32 -	6.18 -	135 -	33.44 -	167 -	39.63 (3.87)
Livestock & Fisheries	100 -	27.82 -	1878 -	408.99 -	1978 -	436.81 (42.70)
Services	34 -	11.43 -	31 -	9.35 -	65 -	20.79 (2.03)
Trading	207 -	65.18 -	500 -	108.83 -	707 -	174.02 (17.01)
Peddling	10 -	2.97 -	34 -	7.07 -	44 -	10.04 (1.00)
Shopkeeping	35 -	11.99 -	134 -	31.78 -	169 -	43.78 (4.28)
Collective Enterprise	54 -	5.27 -	102 -	7.91 -	156 -	13.19 (1.28)
Total	566 -	157.25 -	4207 -	865.77 -	4773 -	1023.02 (100.00)

Note : Terms in the parentheses indicate percentage.

Source: Grameen Bank (1991), Annual Report, Grameen Bank, Dhaka.

A study on the longer-term impact of Grameen Bank in Tangail district reveals that 84 percent of the borrowers have invested in agricultural land by means of purchase and/or lease, and on

average they now have ownership of about .66 acre of land each.²⁴ The ownership of such land is the major source of their new prosperity. Former daily labourers have been transformed into small farmers by means of long-term borrowing by their wives from the Grameen Bank. The borrowers now have economic and food security through their ownership of agricultural land. A capital recovery or seasonal loan from the Grameen Bank will help them to get back on their feet because they own and control productive assets.

Grameen Bank credit programme rescued poor people like rickshawpullers who rented vehicles at exorbitant rate, women who husked other people's rice all day for a pound of rice and a meal of leftovers, skilled weavers who were unable to buy their own looms or yarn and those who laboured for subsistence wages, from the grip of poverty and provided them with gainful employment which they were in need of their survival. Employment thus generated not only provided a sustainable income but also aroused a sense of self-esteem among the landless people who were unemployed before becoming the borrowers of Grameen Bank. In fine, income generating employment brought about by long-term borrowing from the Grameen Bank is sustainable because it is supported by ownership of productive assets particularly

²⁴ D. Gibbons (1993), 'Grameen Bank Female Loanees, 10 Years Later,' The Daily Star, March 19, Dhaka.

agricultural land.²⁵

In addition to income augmenting loans, Grameen Bank provides housing loans for construction of houses. Grameen Bank's housing loan programme ushered in a new life to its borrowers who had no shelters due to loss of houses by natural disasters and sale of houses to meet financial obligations. An amount of taka 301.90 million was disbursed to 27,560 borrowers in 1991. The cumulative amount of housing loans disbursed and number of borrowers since its inception to 1991 figured at taka 1,100.44 million and 1,18,717 respectively. Besides generating gainful employment opportunities, Grameen Bank credit programme also provided its members with housing facilities to lead a safe and comfortable life.

VIII. INCOME AND POVERTY ALLEVIATION

Majority of the people in Bangladesh being strangulated with the vicious circle of poverty are unable to eke out even a plain living because of their income which is one of the lowest in the world. As indicated earlier, more than 50 percent of the people live below poverty line. They hardly have any earnings, whereby they can meet their basic needs. People without any livelihood are increasing overtime both in rural and urban habitats. In

²⁵ Mustafa A. Rahman and K.Z. Hossain (1982), 'Grameen Bank Prakaalpa,' Robbar, Vol.V, No.13, Dhaka.

their endeavour to find jobs, quite a substantial number of people move from rural to urban areas and start living in slums in subhuman conditions. The same condition prevails, despite the efforts of the government to improve the situation. The poverty situation did not improve rather deteriorated mostly due to the failure of poverty-focussed programmes sponsored by the government during the past.²⁶

Policy makers and planning agencies have put their heads together time and again to make a dent into the poverty line and that without much of a success. Efforts have been made to strengthen the infrastructure which could work as the conveyor belt for more investment, more employment and more earnings for the people. Unfortunately, those efforts had never been successful. As a result, the poor are becoming poorer and the number of people in the vulnerable group is increasing day by day. Poverty alleviation has been given top priority in the Third and the Fourth Five Year Plans of the country. Evidence reveals that the goal of alleviating poverty through generating employment opportunities remained a far cry due to the failure of achieving the target set in the plan documents.

Poverty is directly related to unemployment. Hence, poverty is difficult to alleviate unless unemployment could be removed.

²⁶ G. Edgren and M. Muktada (1987), 'Rural Employment Creation in Asia and the Pacific : An Overview,' Rural Employment Creation in Asia and the Pacific, Asian Development Bank, Manila.

Employment is the most crucial instrument of alleviating poverty from the society. In the backdrop of the failure of government sponsored poverty-focussed programmes, Grammen Bank made significant headway in alleviating poverty through creation of self-employment for its borrowers who are landless. Since its inception in 1976, the Grameen Bank system has received considerable attention as an effective model for poverty alleviation in the third world. One of its principal merits has been its record in genuinely serving the assetless rural people without becoming yet another instrument of the enterprising rural elite. Surveys conducted in 1982 and 1985 found that 95 percent of the Grameen Bank borrowers belong to the expected target group, namely the poorest of the poor in rural Bangladesh. Rural women were found to be the principal beneficiaries of this programme.

Grameen Bank borrowers flourished enterprises which provided not only employment but also generated income considerably. There are also ample evidences that the programme has successfully raised the income levels of the beneficiaries both in terms of monetary income and physical assets. Information available from Grameen Bank reveal that borrowers as a whole could raise their income by an average 17 percent annually. In some special cases, the performance is rather overwhelming. For instance, in 1983, Shankari Rani Karmakar earned about 10 taka a day as a weaver. Then she borrowed 1000 taka from Grameen Bank and bought a loom.

The following year after repaying her first loan, she borrowed again and bought a second one. Today with 5 looms and employing 5 male weavers, Rani earns more than 50,000 taka a year.

Shams in a study finds that productive use of credit through income generating activities has increased income by more than 30 percent and helped paying back their loans on time.²⁷ It is also found that the increase in income of poor borrowers has been channelled into increased savings and further investments, as well as into children's education, better nutrition, better sanitation and improved housing condition. Hossain in his study found that the proportion of population living in moderate to extreme poverty was 84 percent for target group non-participants in project villages, 80 percent for the target group in control villages but 61 percent for GB members. About 75 percent of the people belonging to the control group were found to live in extreme poverty, whereas only 48 percent of GB members were living at that level. This is thus indicative of the fact that Grameen Bank has been able to alleviate poverty of a significant proportion of its borrowers.

The effect on alleviation of poverty has been felt at the village level. When the proportion of moderately poor population in the project villages is compared with that of the control villages, it is found that the proportion was 64 percent in the former and

²⁷ K. Shams (1990), op. cit.

76 percent in the latter. The incidence of absolute poverty was also much lower in the project villages, 74 percent as compared to 55 percent in control villages.²⁸ An analysis of expenditure on food and non-food basic needs for different groups of households reveals that there was an improvement in the standard of living of the GB borrowers. The per capita expenditure by the GB borrowers on food, clothing, children's education and housing improvement was much higher than that of the target group in the control villages. Rahman in his study found the same as that of Hossain which firmly substantiates latter's findings.²⁹

An IFAD study reported that the GB loans considerably improved the lot of the borrowers and their families in terms of diversification of their activities and employment creation thereby reducing the intensity of poverty at the family level.³⁰ Using direct estimate of poverty line, it was found that the proportion of households/population below poverty line was reduced in the case of GB, only 12 percent of the population belonging to GB households are below the hardcore poverty line as

²⁸ M. Hossain (1988), Credit for Alleviation of Rural Poverty : The Grameen Bank in Bangladesh, International Food Policy Research Institute, Washington D.C.

²⁹ A. Rahman (1986), Consciousness Raising Efforts of Grameen Bank, Bangladesh Institute of Development Studies, Dhaka.

³⁰ IFAD (1983), Identification/Preparation Report, International Fund for Agricultural Development, Rome.

against national figure of 26 percent.³¹ Another study on the longer-term impact of Grameen Bank in Tangail district reveals that the families belonging to Grameen Bank are no longer poor and their progress is sustainable.

After 10 years of borrowing from Grameen Bank, 46 percent of female loanee households are no longer poor (i.e., they have a total annual household income per person of more than taka 6226), compared to only 4 percent of the matched control group households. Of the remaining 54 percent of GB female loanee households who are still poor, 34 percent are in the moderate poverty category (with total annual household income per person between 3653 and 6226), and 20 percent are still very poor (with a total annual household income per person of less than taka 3653). In the control group, on the other hand, 96 percent of the households who were poor 10 years ago are still poor, with as much as 74 percent still very poor.

³¹ A. Rahman (1989b), Impact of Grameen Bank on the Nutritional Status of the Rural Poor, Bangladesh Institute of Development Studies, Dhaka.

Table 4

Percentage of Long-Term Female Loanees Compared
with a Control Group in Tangail, 1992/93

Poverty Status	GB Members	Non-Members
Very poor (annual income less than taka 3653 per person)	20	74
Moderately poor (annual income taka 3653-6226 per person)	34	22
No longer poor (annual income more than taka 6226 per person)	46	4
Total	100 (n=41)	100 (n=23)

Source : Tangail, Crucible of the Grameen Bank Approach Research, 1992/93.

Compared to non-borrowers, relative pecuniary position of borrowers improved considerably over a single decade. Now they can be sure of 3 meals a day, of enough food for their hungry children, of adequate medical care for sick members and of keeping their children in school. Grameen Bank borrowers moved upward on the income scale, which enabled their repayment capacity of loans to a great extent. The rate of loan recovery has always been overwhelmingly high. An analysis of the repayment behaviour of GB borrowers indicates that the rate of loan recovery is excellent, better than 98 percent compared with the recovery performance (30-65 percent) of other rural financial institutions in the country.

IX. CONCLUSIONS

Grameen Bank was launched in 1976 as an experimental project under the leadership of Professor M. Yunus a veteran Economist who attempted to test the hypothesis that the poor are bankable. The mission of Grameen Bank was to lift people out of poverty through providing institutional credit to the poor without collateral. Landless rural poor are the beneficiaries of Grameen Bank. According to Grameen Bank principle, the prospective borrowers are required to form a group of five with like minded people. Although credit is given to each individual who is in turn personally responsible for repayment of his loan, a group pressure is brought to bear upon the individual borrower by the stipulation that default by one member of the group will make the entire group uncreditworthy and therefore ineligible for credit. The remarkable innovation of Grameen Bank is its savings programmes which work as a guard against all unforeseen contingencies. Grameen Bank ceased to be a project and became a fullfledged bank in 1983. Grameen Bank currently operates through 998 branches spread over 54 districts covering 29,754 villages and 1.3 million beneficiaries.

Bangladesh is encountered with the acute problem of poverty and unemployment. The magnitude of unemployment is, however, colossal. The unemployed population increased overtime from 10.2 million person years in 1984-85 to 11 million in 1989-90

accounting for 35 percent and 32 percent of the labour force respectively. If unemployment continues to rise at the prevailing rate (3 percent per annum), the number of unemployed people would reach 20 million by the close of this century. So far as educated unemployment is concerned, those with educational qualifications of degree level and above the rate of unemployment was 44 percent and 48 percent in 1973 and 1978 respectively. Achievements in creating employment opportunities in every plan period fell far short of the targets thus aggravating the unemployment situation further. Poverty situation, on the other hand is rather alarming. The proportion of absolute poor in Bangladesh increased from 40.2 percent in 1963-64 to 61.8 percent in 1975. Data reveal that in 1988/89, 43 percent of the rural households were below the poverty line. The poverty situation deteriorated by the increasing incidence of landlessness accounting for 59 percent in 1990 and inequality in income as indicated by Gini coefficient of 0.39 in 1981-82.

The most predominant field management unit of Grameen Bank is its branch offices spread all over Bangladesh. About 10 to 15 branch offices constitute an area office headed by an Area Manager who is a senior bank officer. The zonal office as the head office for a zone consisting of five area offices is located in the district capital. The head office, the supreme authority of all subordinate offices of Grameen Bank is linked to the government through a Board consisting of Chairman, the Managing Director,

six Directors nominated by the government and four Directors selected from among the borrowers. The Managing Director is responsible for the overall management of Grameen Bank. Branch offices as part of their fund management activities, prepare monthly financial statements and a balance sheet of profit and loss and pass those on to higher offices as per schedule. The head office compiles those statements for overview by the Managing Director at a regular interval. The most recent innovation of Grameen Bank is to accept deposits from non-borrowers for ensuring access to resources from the rich to the poor. Personnel in the Grameen Bank are recruited through open competition and promoted on the basis of their performance and recommendations of the controlling officers.

The employment created by Grameen Bank for its borrowers is self-employment by nature. Breaking the ice of collateral, Grameen Bank sanctioned an amount of taka 1414.82 crore upto October 31, 1992. Grameen Bank provides loan to an individual upto a maximum of taka 5000.00 for income generating activities such as; processing and manufacturing, agriculture and forestry, livestock and fisheries, services, trading and shopkeeping, and peddling. Data reveal that highest amount of loan (43 percent) has been sanctioned for livestock and fisheries. Among Grameen Bank borrowers, females are predominant. Studies reveal that 84 percent of the borrowers have invested in agricultural land by means of purchase and/or lease, and on average they now have

ownership of about .66 acre of cultivable land. Grameen Bank also provides housing loans for construction of houses. An amount of taka 301.90 million was disbursed to 27,560 borrowers in 1991. The cumulative amount of housing loans disbursed and the number of borrowers, since its inception to 1991 figured at taka 1,100.44 million and 1,18,717 respectively.

Poverty is directly related to unemployment. So, poverty is difficult to alleviate unless unemployment is removed. In the backdrop of the failure of poverty-focussed programmes of the government, Grameen Bank made significant headway in alleviating poverty through creation of gainful employment for its borrowers. Information available from Grameen Bank reveal that borrowers as a whole could raise their income by an average 17 percent annually. It is found that productive use of credit through income generating activities has increased income by more than 30 percent and helped paying back their loans in time. One study reveals that the proportion of population living in moderate to extreme poverty was 84 percent for target group non-participants in project villages, 80 percent for the target group in control villages but 61 percent for Grameen Bank members. An IFAD study reported that GB loans through income generating activities raised income of the borrowers considerably thereby reducing the intensity of poverty at family levels. Another study reveals that the families belonging to Grameen Bank are no longer poor and their progress is sustainable.

STAFFING STRUCTURE OF GB

