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Evidence on the social and economic impact of Grameen Bank and BRAC on the poor in Bangladesh

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INTRODUCTION

Since the 1990s alleviating poverty has been the top priority in international development. Within this framework various initiatives have already been taken. One particular strategy in tackling poverty has generated tremendous enthusiasm among aid donors and NGO's: the provision of small loans through micro-credit programmes. Bangladesh, one of the poorest countries in the world, is the cradle of this 'micro-credit movement'. Grameen Bank enjoys international fame and its model has been replicated in countries all over the world. Likewise the Bangladesh Rural Advancement Committee (now called: BRAC) is showing success as one of the largest NGO's in the world. Both have generated an international wave of interest and been the main source of inspiration for the Micro-credit Movement which was launched in 1997 as a 'global movement to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services, by the year 2005' (MCS, 1997).

Of the numerous micro-credit programmes in Bangladesh Grameen Bank and BRAC are undoubtedly the best known and the biggest. In Bangladesh 16 million people are clients of a micro-credit institution. More than 2,3 million are involved in the programme of Grameen Bank and more than 2,7 million in the programme of BRAC (CDF, 1999).

Both Grameen Bank and BRAC have received a lot of attention from development agents but also from academia. They have been criticised for their neo-liberal developmentalism (Brigg, 2001), their social control and disciplinary imperatives (Bornstein, 1997; Rahman, 1999) and the subsidised system of lending that they apply (Robinson, 2001). Others look at them from the perspective of a growing space for civil society (Hulme and Edwards, 1997) or the emergence of a social economy or a third sector in a number of Southern countries (Defourny, Develtere and Fonteneau, 2000).

Yet, one wonders if these two organisations truly improve the situation of their members in a sustainable way. This paper gives an overview of the research findings on this issue. More specifically it deals with the impactⁱ of Grameen Bank and BRAC on the economic (chapter 2) and social (chapter 3) situation of the poor.

These two topics have been dealt with in many studies. Most studies focus on the results and impact of micro-credit institutions at the level of the individuals concerned (the members, clients or customers), their immediate environment (the household or the village) or the region or district. However, very few studies compare their findings with those gathered by others. In this paper we will make an attempt to give an overview of the most relevant findings in a comparative fashion. The wider impact of these micro-credit institutions on society at large have been subject to some debate, but so far no comprehensive research has been done on this. Still we will present some of the existing findings that give us an apprehension of what might be the effect of micro-credit institutions on society.

Before examining the main findings of impact analyses, the first chapter will outline the organisational structure of both Grameen Bank and BRAC.

CHAPTER 1

GENESIS, ORGANISATION AND PRACTICE: AN OVERVIEW

The roots of Grameen Bank and BRAC go back to the early seventies when, after the independence of Bangladesh from Pakistan, a huge influx of refugees caused a grinding famine. It is in this context that Grameen Bank and BRAC started their programmes. To give an overview, the table on page 4 sets out briefly the main similarities and differences between the two institutions and their programmes.

Confronted with the suffering of the famine in the early 1970s, Mr. Fazle Hasan Abed founded the Bangladesh Rural Advancement Committee (BRAC) as a support and rehabilitation programme. However, BRAC wanted to be more than a relief organisation and decided to extend its services. Increased attention was given to education and skill training and eventually micro-credit was also added as one of the major pillars of the programme. Today BRAC is still refining this holistic ‘credit-plus’ approach. The broader ambition of BRAC is well worded in the ‘Seventeen Promises’, which is a kind of ‘credo’ for BRAC and its members.¹

Grameen Bank, on the other hand, started from a rather ‘minimalist’ philosophy. Its founder, Professor Mohammad Yunus, believed that the situation of the poor could be improved purely through the provision of micro-credit. Nevertheless, throughout the years Grameen Bank has added some training and education to its programme. The approach however is still not as comprehensive as BRAC’s.

¹ The seventeen promises are the following: 1. We shall not do malpractice and injustice, 2. We will work hard and bring prosperity to our family, 3. We will send our children to school, 4. We will adopt family planning and keep our family size small, 5. We will try to be clean and keep our house tidy, 6. We will always drink pure water, 7. We will not keep our food uncovered and will wash our hands and face before we take our meal, 8. We will construct latrines and will not leave our stool where it doesn’t belong, 9. We will cultivate vegetables and trees in and around our house, 10. We will try to help others under all circumstances, 11. We will fight against polygamy and injustices to our wives and all women, 12. We will be loyal to the organisation and abide by its rules and regulations, 13. We will not sign anything without having a good understanding of what it means (we will look carefully before we act), 14. We will attend weekly meetings regularly and on time, 15. We will always abide by the decisions of the weekly group meeting, 16. We will regularly deposit our weekly savings, 17. If we receive a loan we will repay it on time.

The 'Sixteen Decisions'² of Grameen Bank are comparable to the '17 Promises' of BRAC. They have to be memorised by the Grameen Bank members in order to help them in their daily activities and are referred to every time members have their meetings.

After having received some weeksⁱⁱ of training Grameen Bank and BRAC provide the first loans to their members. It is in offering these loans that both micro-credit institutions differ from a regular private bank. The latter often regards the poor as 'not bancable', because they cannot give any material collateral and thus can not guarantee that they will repay the loan.

As an alternative, Grameen Bank has invented a system based on 'social collateral', in effect, a combination of peer pressure and solidarity. Members, most of them women,ⁱⁱⁱ are part of a group of five. When the first loan is made to one woman, the next member of the group will only receive a loan if the first is able to meet a regular repayment scheme and so on. In this way, the entire group takes responsibility for the repayment.

This group mechanism creates peer pressure and solidarity, which seems to work well in a society where social networks are often of vital importance. Consequently, the repayment rate has never dropped below the 90%, something commercial banks in Bangladesh with their poor repayment rate of 45% have never managed to accomplish. BRAC has also adopted this successful approach.

Although the group mechanism has always been considered as the key factor of Grameen Bank's success, not everybody is in agreement on this front. Jain (1996) sees strong decentralisation, combined with an extensive information and communication system as the source of success for both Grameen Bank and BRAC. The specific organisational structure makes good management and transparency possible. On decentralisation, Grameen Bank goes even further than BRAC by employing members in the head office and giving everybody the opportunity to become shareholder of the Grameen Bank.

² 1. We shall follow and advance the four principles of Grameen Bank – Discipline, Unity, Courage and Hard Work - in all walks of our lives, 2. Prosperity we shall bring to our family, 3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest, 4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus. 5. During the plantation seasons, we shall plant as many seedlings as possible, 6. We shall plan to keep our families small. We shall minimise expenditures. We shall look after our health. 7. We shall educate our children and ensure that we can earn to pay for their education. 8. We shall always keep our children and the environment clean. 9. We shall build and use pit-latrines. We shall drink water from the tube-wells. If it is not available, we shall boil water or use alum. 10. We shall not take any dowry at our sons' wedding, neither shall we give any dowry at our daughters' wedding. We shall keep the centre free from the curse of dowry. We shall not practice child marriage. 11. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so. 12. We shall collectively undertake bigger investments for higher incomes. 13. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her. 14. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline. 15. We shall introduce physical exercise in all our Centres. We shall take part in all social activities collectively.

Table 1.1 Organisational characteristics of Grameen Bank and BRAC

Grameen Bank	BRAC
<ul style="list-style-type: none"> – Evolved from a minimalist credit approach into a social institution with holistic characteristics – Bank (since 1983) – Goal: Combating poverty and emancipating the poor – Social programme supporting credit: Sixteen Decisions; training sessions; health programme (since 1993); receiving first credit after two weeks of training – From the beginning largest part of members are female – Decentralisation to members' level: 90% shares; bottom-up approach; group (five members each), centre, branch, regional office, zone office, head quarters – Solidarity group lending to individuals of the group (progressive loans; social collateral) – Elaborated information- and communication system; flexible and critical; trial and error in the field – Six kinds of loans and four kinds of saving funds – Repayment above 90% for female members – Total membership: 1990: 869 538 1995: 2 065 661 2000: 2 373 841 	<ul style="list-style-type: none"> – Holistic credit-plus approach: Initially, organisation with several branches; later on, micro-credits added as one of the pillars of the programme – Largest NGO Bangladesh (since 1998 bank status can be given to branches) – Goal: Combating poverty and emancipating the poor – Elaborated social programme: Seventeen Promises; training; consciousness-raising and education; paralegal programme; receiving first loan after minimum of four weeks of training – Initially almost as much men as women; 1999: 98% women – Decentralisation, but strong guidance; head quarters, regional office, zone office or branch, village community, group (of five to seven people) – Initially, solidarity group lending to village community; at the moment to individuals (progressive loans; social collateral) – Elaborated information- and communication system; flexible and critical; trial and error in the field – Three kinds of loans and four kinds of saving funds – Repayment above 90% for female members – Total membership: 1990: 460 764 1994: 1 036 300 1999: 2 711 000

CHAPTER 2

ECONOMIC IMPACT OF GRAMEEN BANK AND BRAC

In recent years impact assessment has taken up an important place on the international forum of development; aid donors in particular want to make sure that their money is well spent. However, assessing the impact of micro-credit programmes seems to be a rather controversial issue. It is very difficult and costly to measure impact, and the results are susceptible to various interpretations or distortions, depending on how concepts are defined.^{iv}

Thus, measuring impact remains a delicate issue, which translates itself into the differing and contesting findings of the literature discussed in the following section. Here, research results of optimists at one end of the spectrum are confronted with writers at the other end, who caution against such optimism. Further, micro-credit programmes often have to deal with the criticism that they do not manage to reach the 'bottom poor'. A second section will discuss this particular matter.

1. Economic Impact Assessment: A Controversial Issue

1.1 Impact on Poverty: A Positive Evaluation of Micro-credit Schemes

1.1.1 Impact on Income and Consumption

There are different ways to measure the impact of micro-credit on income and consumption. A first one is the borrowers' recall of the 'before-after'-situation. Using this method in the early 1980s, Hossain (1984) concluded that both per capita income and household income were positively associated with the amount of credit obtained from Grameen Bank.

The impact can also be gauged through member perception. On the basis of a survey of 1986 measuring borrower perception, Hossain (1988) found that 91% of

Grameen Bank members improved their economic conditions after joining Grameen Bank.

More recent research uses income and consumption as dependent variables for the measurement of the impact of micro-credit programmes. Using this technique most authors conclude that micro-credit institutions can have a positive impact on combating poverty. Khandker takes the lead in this positive evaluation. Together with Chowdbury he examines the impact of Grameen Bank and BRAC. They find for both institutions that a greater number of loans means a lower incidence of poverty for all programme participants. In the Grameen Bank villages, for instance, 76% of participants who have taken no loans or only one loan are below the poverty line, compared to only 57% of those who have taken five or more loans. (Khandker and Chowdbury, 1996, p. 15)

In a research of 1998 Khandker (in Zaman, 1999, p. 3) comes to the same conclusions. He estimates that for every 100 taka lent to a female member of BRAC, household consumption increases by 18 taka. For men this figure is 11 taka.^v These results indicate that poverty decreases as the borrowed amount (possibly in different instalments) increases. Further, the study shows that the poverty rate of BRAC-members falls by around 15% for moderate poor and by 25% for ultra-poor, when they have a loan for up to three year.

However, Khandker points out that this rate of poverty reduction appears to decline with duration of membership. For instance, for households who have been members for more than five years moderate poverty fell by 9% and ultra-poverty by 18%. These figures are considerably lower than for households who had been members three years or less. Moreover, since the 'less than three years' category has a lower average cumulative loan size (3 348 taka) compared to the 'five years-plus' category (6 567 taka), these results suggest that the poverty reduction impact of credit declines with cumulative loan size for BRAC. The same outcome is observed for Grameen Bank in the work of Khandker and Chowdbury (1996, p. 15). Thus, the reduction of the level of poverty is variable and declines with the passage of time.

In his research on the microcredit programme of Proshika, another major micro-finance institution (MFI) in Bangladesh, Rahman (2000) confirms these findings. The length of association with the MFI did not have a significant impact on income. The positive impact, it was found, decelerates with increases in the amount of loans, but not with the number of loans or the length of membership.

Khandker (1999, p. 3) goes further in this comparative analysis. His study of 1998 reveals that for both Grameen Bank and BRAC, the per capita spending and net worth (assets + savings - loans outstanding) of the members has increased. However, women seem to score better than their male counterparts when it comes to per capita spending (see also Hossain in Wahid, 2000, p. 165), while in general

men have a higher net worth. Female members of Grameen Bank show better results on this particular criterion than those of BRAC.

Table 2.1 Economic Impact of Micro-credits

Household indicator loan	(percentage change for a 10% increase in loan size)			
	Grameen Bank		BRAC	
	men	women	men	Women
Expenditure per capital net wealth	0.18%	0.43%	0.19%	0.39%
	0.15%	0.14%	0.20%	0.09%

Source: Khandker, 1999: p.3

It should be noted that a lot of households working in the agricultural sector have to deal with seasonality in consumption. At harvest time their income reaches a peak, while in other periods they have almost nothing. The programmes of Grameen Bank and BRAC help to smooth their consumption pattern.

Finally, for a programme to be successful it is not only important to alleviate the poverty of its clients but also to achieve a long-term sustainability of the benefits. Khandker and Chowdbury (1996, p.17-20, p.23) point out that it takes approximately five years for a poor programme member to work his way up above the poverty line and eight years before he is able to function independently from the micro-credit institution. Consequently, Khandker is convinced that providing micro-credit is an effective instrument to reduce poverty and even overcome it.³

1.1.2 Impact on employment and productivity

Besides income and consumption, the employment, generated by micro-credit programmes, can indicate a reduction of the poverty rate. Rahman and Khandker (1994, p. 49-92) show that Grameen Bank and BRAC have been successful in expanding the opportunities of self-employment for their members. Self-employment generates a higher return than wages. (see also Alam in Wahid, 2000b, p. 165). Still, the average returns are higher in non-agriculture activities compared

³ Already in 1990 the Bangladesh Institute for Development Studies found a positive impact of all types of programmes (government and NGOs) on households' economic conditions. Household income, the BIDS study concluded, shows a greater response compared to consumption expenditure or housing situation. Statistical tests of the differences in the means were significant between members and non-members (in Rahman, 2000)

to those in livestock and agriculture. This finding is strongly correlated with 'the fallacy of composition',^{vi} in the sense that the more people specialise in the same activities, the lower the return will be.

Further, the paper of Rahman and Khandker shows that labour force participation rates among women have increased compared to non-members living in control villages. The latter often do not have the necessary credits and other inputs to start up their own enterprise. Finally, Hossain (1993 in Wahid, 2000, p. 165) states that the member's careful choice of the projects, co-operation with the staff and peer pressure also contribute to the successful fight against poverty of the two micro-credit institutions.

1.2 Impact on poverty: a controversy

In the literature concerning economic impact assessment not everybody agrees with the opinion of researchers such as Khandker and Hossain, who believe that micro-credit programmes can increase income and consumption and therefore reduce poverty. The research of Hulme and Mosley (1996b, p. 134-135) shows that the impact of credit on BRAC members' monthly incomes has been limited, particularly when inflation is taken into account. The tables below make Hulme and Mosley conclude that the income increases of the members are negligible.

Table 2.2 Monthly change in income 'before the last loan' and at the moment of the interview: BRAC'

Group of Debtors	Average monthly income 'before' (Tk)	Average monthly income 'at the moment' (Tk)	Percentage increase
Debtors: first time (N=63)	1 575	1 792	13,8
Debtors: third time (N=33)	1 401	1 679	19,8
All debtors (N=96)	1 513	1 752	15,8

Source: Hulme en Mosley, 1996b, p. 134

Table 2.3 Real monthly changes in income (figures adjusted to inflation-index of the rice price in retail trade): BRAC (%)

Group of debtors	Nominal Increase	Adjusted to inflation-index of the rice price in retail trade (12,6%, 1991-2)
Debtors: first time	13,8	1,1
Debtors: third time	19,8	6,4
All debtors	15,8	2,8

Source: Hulme en Mosley, 1996b, p. 134

However, the authors nuance their statement by acknowledging some success among the wealthier poor. Also Zaman (1999, p. 4) recognises that micro-credits can contribute to poverty reduction, but only if the poor have achieved a certain economic level.

Morduch (in Zaman, 1999, p. 3) is yet more radical in his conclusions. He explicitly attacks the impact study of Khandker (1998). He demonstrates that the positive results of Khandker are to a large extent attributable to the fact that the income of members who do not belong to the specific target group of Grameen Bank and BRAC is measured. According to Morduch, 30% of them would be too rich to be part of the target group. Consequently, with the same data but after adjustments he cannot find any proof of an increase in income. The economic impact assessment seems to remain a controversial issue, on which up till now no consensus has been reached.

1.3 Reducing Vulnerability

Opinions are not entirely divided. Although researchers cannot take an unanimous stand on whether or not micro-credits increase incomes and therefore contribute to the fight against poverty, the authors do agree on the fact that micro-credit institutions are helping to reduce the vulnerability of their clients. In other words, micro-credit programmes do assure that the situation of their poor members does not deteriorate any further.

Morduch (1998, p. 19-20) points out that consumption variability from season to season indicates a reduction of 47% for eligible Grameen Bank households and of 54% for eligible BRAC households, compared to the control group. Like Khandker, Morduch concludes that the pattern of consumption is smoothed over the year. There also seems to be a greater stability of labour supply in the programme villages, compared to the control groups. And, non-agricultural activities, practiced by Grameen Bank and BRAC members, reduce vulnerability of the families.

Furthermore, during crisis micro-credit institutions play an important role in reducing members' vulnerability. Zaman (1999, p. 15-18) examined this for the floods in 1998 and came to the conclusion that Grameen Bank as well as BRAC buildings had successfully been converted in relief and rehabilitation centres, which was highly appreciated by their members.

A third way to reduce vulnerability is to increase members' net worth.^{vii} For instance, assets can be sold in case of dire need or can increase the credit worthiness of the client. Khandker and Chowdbury (1996, p. 14) find that despite high indebtedness among programme participants, their net worth (assets plus savings less loans outstanding) is still greater than among non-participants in all programme areas.

Zaman (1999, p. 18-19) also sees the importance of net worth. He concludes from his research that the 'oldest' members of BRAC have on average the highest value of non-land assets. This demonstrates that BRAC members invest particularly in productive capital, like rickshaws, poultry, grocery shops, and in non-agricultural activities. These findings are confirmed by a study of Hulme and Mosley (1996b, p. 135-136).

However, Hulme (2000b, p. 26-28) also warns of the dangers this may involve when investments are unprofitable. He agrees with Zaman (1999, p. 24) that savings can be very important to hedge against such failures. In recent years BRAC as well as Grameen Bank have come to realise the necessity of savings in reducing vulnerability and have made their saving institutions much more accessible to their members.

2. Problems in Reaching the Poorest: Valid criticism?

2.1 Do Grameen Bank and BRAC reach the Bottom Poor?

Although not all researchers agree on the fact that micro-credit helps in combating poverty, most of them are convinced that it reduces the vulnerability of the poor. However, these results need to be considered with some caution. Too easily people talk about *the poor* as one homogeneous group, while in fact there are a lot of gradations of poverty. Therefore, an oft-heard criticism against micro-credit institutions is that they do not reach the bottom poor.

In their targeted approach both BRAC and Grameen Bank have defined their target group as those who have less than half an acre of land. Nevertheless, research of Mustafa et al. (1996), Montgomery et al. (1996) and Khandker (1998) (in Zaman, 1999, p. 2) have indicated that this official criterion is often neglected; 15 to 30% of BRAC members do not belong to the target group. For Grameen Bank similar figures were found. (Morduch, 1998, p. 4)

However, Khandker (1998) and Husain (1998) (in Zaman, 1999, p. 2) do point out that a large part of BRAC and Grameen Bank members consists of bottom poor. In Khandker's research 65% of BRAC members and 55% of Grameen Bank members did not have any land at their disposal at all. Evans, Adams, Mohammed and Norris (1999, p. 421-424) came to the same conclusions. In their study they classify 24 234 families, coming from 32 areas where BRAC's Rural Development Programme (RDP) was executed, in three wealth groups, according to their income.^{viii} Only group two and three meet the eligibility criteria for participation in BRAC's programme.

Table 2.4 gives the percentage of each of the groups in the sample's total population. Of the total population, 24% is not eligible for participation in BRAC's programme.

Table 2.4 Percentage of groups in total population of sample

Wealth group	1 ('richest')	2	3 ('poorest')	Total
Number of households	5 917	6 512	11 805	24 234
Total percentage	24%	27%	49%	100%

Source: Evans et al., 1999, p. 423

Table 2.5 shows how BRAC's members are spread over the three groups.

Table 2.5 BRAC RDP-members per wealth group (n=5535)

Wealth Group	1 ('richest')	2	3 ('poorest')
BRAC-members	11%	28%	61%

Source: Evans et al., 1999, p. 423

The table indicates that only 11% of all BRAC members do not belong to BRAC's target group. From the 89% who do meet the eligibility criteria for participation in BRAC's programme, no less than 61% are part of Wealth Group 3. These results confirm that, contrary to what some may believe, BRAC does succeed in reaching the poorest.

Nevertheless, there is still room for improvements. As we see in the table below, a large group of the bottom poor has not been reached yet; 60% of the poorest people of this sample's population still do not participate in BRACs programme.

Therefore, the following section tends to give an overview of the causes of this deficiency, as well as possible solutions.

Table 2.6 BRAC RDP-members per wealth group

Wealth Group	1 ('richest')	2	3 ('Poorest')
members	10%	24%	29%
Non-members	82%	65%	60%
Former members	8%	11%	11%

Source: Evans et al., 1999, p. 423

2.2 Barriers in Reaching the Poorest and Possible Solutions

Table 2.7 Possible barriers to participation in micro-credit programmes

Programme-related barriers	Client-related barriers
– Insufficient supply of micro-credit programmes	– Insufficient means
– Membership requirements	– Bad health or vulnerable to crises
– Expectations of the peer group	– Female head of household
– Institutional incentives	– Lack of education
	– Individual and household preferences

Source: Evans et al., 1999, p. 420

The table above (Evans et al., 1999, p. 420-428) gives an overview of the programme-related and client-related barriers to participation in micro-credit programmes. Concerning the programme-related difficulties, the exponential growth of Grameen Bank as well as BRAC indicates that they have been doing their utmost in reaching as many clients as possible. However, only time will tell whether this exponential expansion does not also lead to a loss in efficiency.

Furthermore, Evans et al. see the membership requirements as major obstacles for the bottom poor. Paying registration fees, savings, attending group meetings and participating in various training sessions are often impossible and too time-consuming for people who need all their time and assets to survive the day. Likewise, the group mechanism does not make things easier for them. Evans et al., Hashemi (in Wood en Sharif, 1997, p 253) and Hulme and Mosley (1996a, p. 130) refer to the fact that future members of Grameen Bank and BRAC often do not want to take up bottom poor in their group. They regarded them as too risky.

Finally, micro-credit institutions themselves often prefer the richer poor as clients, since they are more likely to assure the sustainability of the organisations.^{ix}

When we focus on the client-related barriers, self-selection or self-exclusion is regarded as one of the major obstacles. Hashemi (in Wood and Sharif, 1997, p. 253), Morduch (1998, p. 6-7), Evans et al. (1999, p. 420) and Hulme and Mosley (1996a, p. 130) agree that bottom poor, who do not have a lot of assets, often consider a loan as too risky. Fearing an even greater burden of debt, they do not want to take part in a micro-credit scheme. But even when they take a loan they can get into trouble when the returns from investment fall short of the cost of borrowing. This gap is then filled by one (or more) of five options, depending on the pre-loan endowment of the borrower (Shariff in Banjaree, 1999)- borrowing from money-lenders, using savings or selling assets, reducing existing consumption levels, negotiating to re-schedule the loans or simply, defaulting. As Banjaree (1999) says, some defaults in turn energise a demonstration spiral and many households practice self-exclusion. The net result is that the poorest fall through the net. This may also be the reason for high numbers of drop-outs from micro-credit programmes which are estimated at 15 per cent per year for Grameen Bank and 10 to 15 per cent per annum for BRAC.

Finally, the research of Evans et al. (1999, p. 426-427) also sees lack of education as an important obstacle in explaining the difficulty in reaching the bottom poor. 'Ill health or vulnerability to a crisis' as well as 'female head of household' are also not significant factors in the research, yet, they definitely contribute to the poverty rate of these people and often reinforce one another.

The foregoing indicates that a higher rate in participation of the poorest for Grameen Bank and BRAC does not alter the fact that the large majority of bottom poor have not been reached yet by the two institutions. Nevertheless, Hashemi (in Wood and Sharif, 1997, p. 253-257) states that what this is indicative of is not so much that Grameen Bank and BRAC are unable to bring all the poor into their fold but that micro-credit is not necessarily the way out for all the poor. Poor people who do not have the needed assets, social relations or self-confidence have to be reached in different ways.

Grameen Bank is trying to meet the specific needs of the bottom poor by increasing the local level of economic activity, in order to increase employment and income. Grameen's initiatives in textiles (the setting up of a textile factory), in agriculture and fisheries (the Krishi and Motso Foundations), in solar and wind energy (Grameen Shakti) and in telecommunications indicate that Grameen Bank wants to make special efforts to improve the situation of the bottom poor. BRAC has also understood this need and with its Income Generation for Vulnerable Group Development-programme,^x it has concerned itself with the destiny of the poorest women in Bangladesh.

CHAPTER 3

SOCIAL IMPACT OF GRAMEEN BANK AND BRAC

The previous chapter set forth the economic impact of Grameen Bank and BRAC. But too often impact assessment has been dealt with in a purely economic sense. In recent years, more researchers are concentrating on the social impact of micro-credit institutions. Since Grameen Bank and BRAC prefer female instead of male members, the first section will assess the social impact on the lives of this particular group of women. In a second section the broader impact of these institutions on the Bengali society will be looked at.

1. Micro-credits: Emancipating Women?

1.1 Micro-credits Targeting Women in Bangladesh: An Explanation

In a patriarchal society like Bangladesh it is not easy for a micro-credit institution to concentrate on women. The observance of *Purdah* or female seclusion, for instance, confines women to the homestead and its immediate surrounding area and makes contact with men outside the family unacceptable (Amin and Pebley, 1994, p. 123). Further, women are not supposed to have any income, independent of their husbands. Education for girls is considered as unnecessary (Hashemi, Schuler and Riley, 1996, p. 636). Finding a good husband to marry with is far more important for the status of the family. Dowries are paid and women have to make sure that their husbands do not leave them (Hulme and Mosley, 1996b, p. 166). It is obvious that under these conditions, females attending meetings with male leaders and being in control of finances, are aspects of micro-credit programmes that violate patriarchal values.

Although female members are difficult to reach, it is important to involve them in development projects. More than a man, a woman is confronted with poverty, because she has to stay at home, feed the children and eat less if there is a lack of food (Gibbons, 1995, p. 47-48). Sen (1999, p. 189-203) uses the term 'women's agency' to indicate that women cannot merely be passive recipients of aid, but have to be actively involved in improving their lives. He is convinced that women

can take part in household decision-making and improve their status considerably if they contribute to the family income. Consequently, the micro-credit programme of Grameen Bank and BRAC can be of great importance in emancipating women.^{xi} Combined with a social programme of skill training, education, and social awareness it does not only improve the situation of the women, but may affect the entire family in a positive way.

In order to measure the impact of micro-credit provision on the situation of poor women, we will therefore concentrate on the contribution to family support as the intermediate variable between credit and empowerment. Hashemi, Schuler and Riley (1996, p. 643-646, p. 649) indicate that these contributions to family income are often rather small. While 72% of the Grameen Bank members and 40% of the BRAC members were classified as 'contributing to family support', only 26% of the former and 12% of the latter declared to be responsible for more than half of the family budget. These low figures are due to the fact that Grameen Bank members often invest in traditional activities, like stock breeding. These can be practised at home, but do not bring in a lot of money. Further, the loans are not merely used for the women's own activities. They also have to cover the husband's undertakings. This problem of control of resources will be discussed below.

Finally, when we compare Grameen Bank and BRAC, Grameen Bank members on average seem to add more to the household's income than their BRAC colleagues. The reason for this is that Grameen Bank provides loans quicker and more often. It takes only two weeks for Grameen Bank members to receive their first loan, while for BRAC members it will at least take four weeks.^{xii} Also the greater discipline among the Grameen Bank members can explain the different outcome. The available evidence supports the hypothesis that through the provision of credit both micro-credit organisations enable their members to contribute to family support. Whether this will lead to emancipation of women will be discussed in the following sections, where positive and negative opinions will be considered.

1.2 Impact of Credit on Emancipation of Women: a Positive Evaluation

1.2.1 Involvement in Family Decisions

A first indicator of women's empowerment is a larger involvement of women in important family decisions. The research of Amin and Pebley (1994, p. 142-145) shows that female BRAC members have a larger role in decision-making within the household than control group members. Pitt and Khandker (1995, p. 41-43) as well as Rahman (1986) (in Kabeer, 2001, p. 65) confirm this for both Grameen Bank and BRAC. As the wife is now seen rather as a source of income than a burden, her status will rise and with it also her decision-making power.

Hashemi et al. (1996, p. 638, p. 641) are convinced of the increased decision-making power for Grameen Bank and BRAC members. However, they nuance

their findings by stating that for more important decisions, such as those related to finances, only Grameen Bank members have significantly better scores compared to the control group. The larger contribution of Grameen Bank members to family support can be an explanation, although also a selection bias may be involved.

1.2.2 Women's Exposure to Violence

Domestic violence against women is a serious problem in Bangladesh. In the patriarchal Bangladeshi society this violence is not strongly condemned and women put up with it, because they lack alternatives. In their study Schuler, Hashemi, Riley and Akhter (1996) explore the possible role of Grameen Bank and BRAC in reducing women's vulnerability to men's violence. A regression analysis shows indeed that Grameen and BRAC members are better treated by their husbands.

Although we would assume that this positive result can be attributed to the strengthening of the women's economic role within the household, the researchers come up with a more significant factor. The entrance of women in public life when joining a micro-credit institution turns out to be the most important factor in explaining the reduction in domestic violence. Because members have contact with people outside their family, new social control mechanisms are playing a role and husbands fear the reaction of the village people on their violent acts. Thus, also here, although indirectly, credit plays a role in improving the situation of women. However, if we really want to stop the violence against women, more specific measures will be needed.

1.2.3 Stronger Awareness in an Expanding World

Increased Mobility

As we have already mentioned, the mobility of Bangladeshi women is highly restricted because of the observance of *Purdah*. We may wonder if micro-credit programmes are able to improve this mobility. Amin and Pebley (1994, p. 133, p. 142-146) have asked the same question and came to the conclusion that female members of BRAC set out for the village centre more often since joining BRAC. Several obligations, like repaying loans and going to meetings, bring them to the village centre. Still, only very few members travel outside the village.

Hashemi et al. (1996, p. 638, p. 641, p. 649), on the other hand, do not agree on this last finding and state that Grameen Bank and BRAC members go even outside the village to participate in various training programmes. However, the results are not significant for Grameen Bank.

Although opinions vary, we cannot deny that the world of Grameen Bank and BRAC members is expanding. Weekly meetings at the centre and daily contact with the five members of their group get them out of their isolated family life. In

this way members are also exposed to different ideas and information. (Hulme and Mosley, 1996a, p. 125) The question of how much women are influenced by this is still to be researched.

Expanding Knowledge and Awareness in a New World

Various studies indicate that contact of the members with other people within the micro-credit organisation has a serious impact on the knowledge and awareness of those members. Based on an ethnographic research, Hashemi et al. (1996, p. 648-649) state that the weekly meetings give the members a chance to build up their own identity outside the family. Further, interaction with other men and authorised people gives the women more confidence and helps them to learn to talk in public. They even get the chance to take up leadership in their group or the centre, where meetings take place. Amin and Pebley (1994, p. 144-146) add that members are not afraid anymore that their husbands would leave them. Micro-credits give these women the chance to stand firm.

Moreover, the positive effects do not only affect the female members of Grameen Bank and BRAC. The research of Khandker (1999, p. 3) shows that micro-credit also has a positive influence on the children of the members and that this effect is larger than when the same loan is given to men. Children's welfare increases as does their food consumption. The school enrolment of girls as well as boys is positively influenced. However for the school enrolment of BRAC's boys this result is not significant. Amin and Pebley (1994, p. 121-146) go even further and see no significant result for both girls and boys, however the difference with the control group increases for BRAC villages with more than five years involvement in the programme. Concerning the aspirations of marriage of their young daughters the traditional view of BRAC members has not altered.

Emancipation of Women and Fertility

Hossain and Kabir (1999, p. 114, 120-126) indicate that members of micro-credit institutions in general are more inclined to use contraceptives. About 65% of Grameen Bank members and about 70% of BRAC members were contraceptive users at the time of survey. This was 15% lower (65% as against 50%) for non-members of the control group. Factors such as a better knowledge about and access to contraceptives, as well as discussions and mutual support may explain the increased contraceptive use among micro-credit members.

Khandker and Latif (1996, p. 6-16) put the fertility concept in a broader perspective and state that the demographic landscape is not only influenced by fertility, but also by infant mortality. As children are a sort of social security for their parents, contraceptive use will only be effective if people do not have to worry anymore that the children they already have, might die. Therefore, in the short term micro-credits may increase contraceptive use and decrease infant mortality.

In the long run, however, awareness raising and education are more efficient methods to deal with the situation.

1.3 Impact of Credit on Emancipation of Women: a Negative Evaluation

Although the previous section puts forward a lot of positive effects of micro-credit programmes on the situation of women, opinions are not shared when it comes to women's control over loan use and domestic violence.

Goetz and Sen Gupta (1996, p. 48-56, p. 60-62) have investigated whether female members of Grameen Bank, BRAC, TMSS and RD-12^{xiii} actually control their credit. The results are given in the table below.

Tabel 3.1 Women's extent of control over loan use (n = 253)

Extent of control	Full	Significant	Partial	Very limited	No control
Women (%)	17.8%	19.4%	24.1%	17%	21.7%

Source: Goetz en Sen Gupta, 1996, p. 49

The table shows that about 63% of the women involved in these programmes only have 'partial', 'very limited' or 'no control'. The authors further indicate that the results are confirmed by the research of Rahman (1986), White (1991), and Ackerly (1995). Also Hulme and Mosley (1996b, p. 166-173) agree on the minor control of women over loan use and even state that credit does not encourage emancipation at all. A better status of female members can only be observed when it is compared with the status of other women but not in comparison with that of men.

An in-depth study of Goetz and Sen Gupta shows that single women have more control over their credit. This is also the case for women who invest in traditional activities. These traditional activities, such as live stock and agriculture, are often considered as female activities and do not generate much extra income. The higher the amount of money, the quicker men take over control. This finding can also explain the diminishing level of female control over credit when membership extends over time.

When we evaluate the findings of Goetz and Sen Gupta for Grameen Bank and BRAC specifically, the results of Grameen Bank are much better than the ones of BRAC. 45% of the BRAC members in the sample are part of the groups with 'very limited' or 'no control'. This is only the case for 10% of the Grameen Bank members. However, we cannot conclude that BRAC's strategy is less effective. The difference may possibly be explained by the fact that Grameen Bank gives smaller loans to its members and encourages them to invest in traditional activities. The authors even wonder if the minimalist approach of Grameen Bank will remain effective in the long run.

Loan repayment remains the major difficulty when it comes to women's control over loan use. When a man makes sure that his wife can pay back her loan, there is not much of a problem. Things become more serious, however, when a husband refuses to pay back the money he has used, as the wife remains responsible for the repayment to the centre. Moreover, the tensions that this situation brings, may escalate into domestic violence. Rahman (1999) supports this statement. He writes that out of 120 Grameen Bank members he interviewed, only 18% said that domestic violence had decreased, while 70% claimed an increase of violence and aggressive behaviour in the household. Consequently, these results seem to clash entirely with the findings discussed in the former section.

1.4 Positive or Negative Impact of Credit on Emancipation of Women: a Critical Comparison

It is very difficult to draw unequivocal conclusions out of these conflicting findings. However, a few researchers have dared to try. Kabeer (2001) and Zaman (1999) came to the conclusion that the diversified opinions are due to a difference in methodology. Also Hashemi, Schuler and Riley (1996) give some interesting remarks.

First, Kabeer (2001, p. 65-68) indicates that while some studies rely largely on statistical data and significance tests for their findings, others are based on more qualitative, sometimes anecdotal, evidence. By consequence, some figures refer to 'average' and others to 'non-average' outcomes. In this way, the general finding of Schuler et al. (1996), that violence against women decreases when they join a micro-credit institution, can be consistent with the statement of Rahman that the violence in some households increases.

Further, Kabeer contends that an accurate definition of the terminology used in the research is indispensable. Goetz en Sen Gupta, for instance, conflate 'control' and 'management' of a loan, while making decisions about loan use and decisions about implementation are two different things. Consequently, they do not indicate to what extent the wife was involved in the decision-making process of allocating the loan. It would even be possible (although practically unlikely) that 78% of the women out of their sample (22% of them did not have a clue of what happened with their loan) actually did participate in the decision-making process.

In addition, we should not draw conclusions too quickly. Schuler and Riley (1996, p. 648) notice that a loss of control over loan use does not have to exclude emancipation of women. Even if a wife entirely lacks control, the membership of the micro-credit institution can offer her a lot by bringing her in contact with other people and ideas. Without the prospect of getting access to credit, most women probably would not be permitted to join the programmes and educational or social benefits. In this way participation actually stimulates women's emancipation.

Finally, according to Zaman (1999, p. 7-8) and Kabeer (2001, p. 67-68), researchers often interpret the same results in a different way. Zaman uses the study of Goetz and Sen Gupta to enforce his argument. The study indicates that 63% of the women have 'partial', 'very limited' or 'no' control over the credits. However, it is likewise possible to add up the figures in a different way and conclude that 61.3 % of the women have 'full', 'significant' or 'partial' control over their loans and therefore a fair degree of control over their credit.

Kabeer draws the conclusion that these contrasting opinions are due to different notions that researchers have of the word 'control'. By and large, the negative evaluations only consider individual control of the wife over loan use as emancipating, while more positive studies value it as highly progressive for a patriarchal society if a wife and husband decide together. Zaman concludes that the positive approach is the most realistic one.

Rahman (2000, p. 85) also concludes that despite the mixed results within and across studies, there is an agreement on some positive impact of micro-credit on women's lives. The main benefits derived by women from participation in micro-credit programmes are:

1. greater involvement in income earning activities;
2. increase in awareness about social, economic and health related issues;
3. increase in the adoption of family planning methods and
4. increase in girl's education and school enrolment rate.

2. Influence of Micro-credits on Society

The previous section made clear how thoroughly Grameen Bank and BRAC intervene in the lives of their female members. However, the latter are not the only ones who are affected by the two micro-credit institutions. The non-member groups in the villages might also be touched by the micro-credit institutions in one way or another. The existing networks of elite and state are also confronted with these constantly expanding organisations. Although it is interesting to discuss the impact of Grameen Bank and BRAC on the society as a whole, there is not much research on this topic. Therefore, the following will be rather hypothetical in character.

2.1 Effects on non-member villagers

Most research on micro-credit programmes and their impact only look at the impact on the target group and their families. But, other families in the villages covered by the micro-credit programme and other surrounding villages might be affected as well. This wider effect of micro-credit programmes has not received much attention by researchers. It has to be noted that studying this is complicated by the fact that micro-credit has become a standard ingredient of the vast majority

of development projects initiated by non-governmental agencies. In a context where it is estimated that around 78% of the nearly 60 000 villages in the country are 'covered' by the NGO-community, the probability that more than one micro-credit programme is operating in a village becomes extremely high.

Still, what do we know about the indirect effects and impact of the micro-credit programmes of Grameen Bank and BRAC?

Rahman (2000) points out that the impact of micro-finance institutions on the non-programme households may be routed through various channels. He believes that the social inputs in the form of knowledge, awareness and better practices of health, sanitation and family planning are spread to the non-members. Such spill-over effect is expected to be positive.

But, a more direct effect of micro-credit will be felt in the credit market since the supply of total credit available will increase, leading to a decline in the rate of interest.

A similar effect can potentially be observed when it comes to rural wages. Khandker, Khalily and Khan (1995b, p. 77-79), for example, suggest that the Grameen Bank has a significant positive effect on the wages of men and children in the programme villages. The average men's wage in Grameen Bank villages (Tk 29.8 per day) was higher than in the villages without a Grameen Bank programme (Tk 24.2), implying that the Grameen Bank's services increased the wage rate by about 4%. This would be due to the fact that the Grameen Bank enables self-employment which reduces labour supply and consequently raises the wage rate. Wages remain at this higher level if the programme increases member's income and induces a large demand for food and other local products. The same survey did however not find the same wage impacts in villages with BRAC programme placements (Khandker and Khalily, 1996, p. 84-85).

The study of Khandker, Khalily and Khan on Grameen Bank shows that the non-participant target group members in the programme villages are employed for a larger number of days compared to the target groups in control villages. They suggest that this is likely to be associated with the spill-over effect of the micro-credit programme.

Finally, Rahman (2000) says that the land tenure market is also contaminated by the micro-credit programmes. Since the programme participants have an access to cash and thus are in a better position to make investment on land, they may be preferred as sharecroppers. Thus, the micro-credit recipients may displace the other poor households from the land tenure market. This hypothesis remains to be tested.

2.2 In Confrontation with Existing Systems?

The rural society of Bangladesh is built on local networks in which family and elite take a prominent place. For many of these traditional systems, like the often-exploited patron-client relationship,^{xiv} BRAC and Grameen Bank offer an alterna-

tive by providing micro-credits and education to poor women. (Hashemi and Schuler, 1992, p. 2-4). However, especially in the beginning their activities were seen as undermining the traditional social and religious values of the country.

Taking up women in micro-credit and other development programmes is often strongly condemned by religious leaders and middlemen, as it violates Purdah and interferes with usury practices. Hashemi and Schuler (1992, p. 9) and The Economist (30.12.2000) report on attacks of *mullahs* on the micro-credit institutions in order to defend the patriarchal values.

Although religious opposition is the most severe, criticism is also heard from the political and economic forum. Wahid and Hsu (2000, p. 166-167), for instance, found that leaders of the 'Union Parishad' and the rural elite blamed Grameen Bank for increasing rural wages, though they will not undertake any action as long as Grameen Bank members stick to small-scale non-substantial activities. Nevertheless, the question remains what to do if the situation changes, as education and urban customs spread in the country and micro-credit institutions implement their programmes successfully.

2.3 Co-operation and Co-existence

In spite of a few quarrels, politicians seem to approve the activities of Grameen Bank and BRAC. The political class pays lip service to the objective of combating poverty. In some instances there are co-operation arrangements between government institutions and the micro-credit institutions. The government and BRAC work together on a programme for destitute women, the Income Generation for Vulnerable Group Development (IGVGD). The government has also used Grameen Bank and BRAC as models for various projects. (Khandker and Khalily, 1996, p. 21, p. 93)

Grameen Bank and BRAC take advantage of co-operating with the government and the elite. The fact that Dr. Yunus was part of the Chittagong University and his family had connections with a bank helped him in starting up the Grameen Bank. With the government as one of the shareholders, the Grameen Bank has been able to grow into the institution it is today (Berger, 1989: 1028-1029; Sanyal in Defourney et al., 1999, p. 189-190). Further, local leaders have often been played off against each other or have helped in solving a conflict between members. (Hashemi and Schuler, 1992, p. 9-11)

As both politicians and micro-credit institutions need each other it is important to maintain good relations. Therefore, Grameen Bank and BRAC prefer a neutral position when it comes to politics. The elections of 1991, for instance showed the dangers of being dependent on only one party^{xv} (Hulme and Mosley, 1996a, p. 150-151, 1996b, p. 164). Sanyal (1994, p. 40-41) even states that members are following the same course of neutrality and that Grameen Bank and BRAC until now have not had any impact on local and national politics. However, it must be said that in the most recent local elections Grameen Bank and BRAC have called

on their members to stand for elections as independent candidates. The future will tell if this will strengthen the poor as a vocal political grouping.

In the mean time, both Grameen Bank and BRAC continue their social mobilisation and advocacy. At the local level the ceremonial and ritual references during group meetings to BRACs 'seventeen promissess' and to Grameen Banks 'sixteen decisions' may create a stream of consciousness that radically opposes the conservative society. To what extent the members and customers believe in this normative rules and put them into practice has, to our knowledge, not been studied.

The same is true for the advocacy work done at the macro-level. BRAC created an advocacy unit and both organisations do present their opinions on national and international development issues on a regular basis. This was the case, for example, when the National Strategy for Economic Growth and Poverty Reduction was presented in April 2002. So far, no research has been done on the impact of this kind of advocacy work on decision making at the national level. For scholars and practioners interested in processes of social change, this broader and more comprehensive perspective looking at the impact of social organisations at all levels (from impact at household level to impact on national decision making), however, is a *conditio-sine-qua-non* if we want to know if the institutional setting which is creating and maintaining poverty and social exclusion is being changed or not.

CHAPTER 4

CONCLUSION

An overview of various studies has made it possible to get a more accurate view on micro-credit systems in general and Grameen Bank and BRAC in particular. As both institutions are highly praised for their positive contribution in combating poverty, we have tried to verify this success through an investigation of their economic and social impact on their members and society.

The economic impact assessment revealed that Grameen Bank as well as BRAC, definitely succeed in reducing their member's vulnerability and by consequence prevent them from falling even further into poverty. However, there was no consensus on whether the two institutions also reduce poverty as per se. Still, the criticism that Grameen Bank and BRAC would not reach the bottom poor was refuted and it is clear that the poorest make up the largest group among their members. Nonetheless, we cannot deny that as yet, most of the poorest people in Bangladesh have not been able to take part in a micro-credit programme.

Assessment of the social impact led us to examine the situation of poor women in the patriarchal society of Bangladesh. Several authors shared the opinion that Grameen Bank and BRAC have a positive influence on their female members. Especially, with regards to women's status, their increased involvement in family decisions, expanding knowledge, awareness and an improved situation for children were the most important realisations in this matter. Critics who claimed that female lack of control over loan use was negative, were contradicted in other studies which maintained that female members of Grameen Bank and BRAC actually had control over their loans.

The wider effect of micro-credit programmes on non-members in the villages and on the surrounding villages has not received much attention by researchers. Some research however suggest a positive spill-over in different spheres of social and economic life. First of all, the social inputs of the programmes in terms of individual empowerment and capabilities (knowledge, awareness, health, etc.) would also affect non-members in the community. Secondly, an increase in the supply of credit would lead to a decline in the rate of interest. Rural wages may also be positively affected by micro-credit programmes. The hypothesis that the

land tenure market may be contaminated by the micro-credit programmes remains to be tested.

Finally, it is not clear what impact Grameen Bank and BRAC - as well as other micro-credit programmes - have on the wider social, economic and political environment. While on the one hand, religious leaders see Grameen Bank and BRAC as endangering traditional values, on the other hand local and national leaders have tried to work together with them. Grameen Bank and BRAC have continued to mobilise their members around very sensitive issues such as the ones retained in the 'sixteen decisions' of Grameen Bank and the 'seventeen promises' of BRAC. But, no research has been done on the impact of this sensitisation and mobilisation on the ideas and practices of members, nor on the way family-members and other villagers react on them. The same applies for the advocacy work done by both institutions. Increasingly Grameen Bank and BRAC voice their opinions on national and international development issues. However, what effect and impact their advocacy strategies have is not known.

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- i Beside the impact of micro-credit programme, the sustainability of the organisation also plays a major role in defining its success. However, this paper will merely focus on the impact.
- ii The more holistic approach of BRAC compared with Grameen Bank is also revealed at this point. As Grameen Bank believes in the capability of the poor, it assumes that not much training is still needed. Consequently, loans are already provided after two weeks of training. BRAC, on the other hand, pays much more attention to education. The first loans will only be provided after a minimum of four weeks of training.
- iii From the beginning Grameen Bank has focused almost exclusively on women. Since they turned out to be better repayers, BRAC's membership now also consists of 98% of women. Chapter 3 will therefore concentrate on this particular group in the patriarchal society of Bangladesh.
- iv Khandker (1999), for instance, resolved these difficulties using a quasi-experimental survey design. Households were chosen at random from both programme and control villages, from both target and non-target groups, and from villages with only men's groups and only women's groups. For research to be valuable the methodology is at least as important as the results. Paying attention to the way in which findings emerged will make it possible to put the results in perspective and critically compare it with the work of others. Hulme (2000a) gives a detailed overview of various methodologies, applied to impact assessment.
- v These figures confirm the assumption that women are more successful borrowers than men.

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- vi The term refers to the problem that when all members are specialising and investing in traditional (agricultural) activities, sooner or later the production of those traditional goods will exceed the market demand. Consequently, the members will not be able to sell their goods anymore and debt will accumulate as the members can't pay off their loans. To avoid such a scenario skills training and good guidance are required. Only an economy with diversified activities will be able to generate continuing profits.
- vii A fourth way to reduce vulnerability concerns a specific group, the women. Micro-finance would improve the position of women in the patriarchal society of Bangladesh. This matter will be discussed in chapter 3.
- viii 'Wealth Group 1 constitutes households that are food secure and relatively well-off as indicated by asset and land ownership (>0.05 ha) and/or involvement in established businesses or professions. Wealth Group 2, represents the moderately poor. They experience periodic food insecurity, sell more than 100 days of labour per year, and possess few assets and little or no land (<0.05 ha). The impoverished are found in Wealth Group 3. These households are chronically food insecure, possess little or no land (<0.05 ha) or assets, and rely on labour sale (>100 days per year) and 'food-for-work' programme for survival.' (Evans et al, 1999, p. 423)
- ix However, Zaman (in Wood and Sharif, 1997, p. 244-245) notices that admitting richer members does not necessarily have to be negative. Beside strengthening the financial sustainability of the institution, they can also enable the programme to be socially acceptable in the villages. Further, the larger loans of these richer members may create employment opportunities for the poorest who are less likely to participate actively in credit programmes. Finally, Remenyi (1997, p. 11) states that admitting richer poor may prevent this group from falling down further in poverty. However, it remains important to concentrate on the target group of the real poor.
- x This programme has been set up in co-operation with the government of Bangladesh in order to improve the economic and social situation of the poorest women in society. A combination of material and educational support has to enable them to rise above the poverty line and take up a loan.
- xi Usually, the emancipation of women is brought up as the main reason why micro-credit institutions want to focus on women. However, also more practical reasons can be put forward. Women tend to be better borrowers, because they often do not have an alternative to earn money and have education. Besides, they are more obedient and less mobile than men, which makes it easier to control them. (Rahman, 1999, p. 69)
- xii BRAC pays much more attention to skill training and education, so that loans are taken up much later.
- xiii TMSS is an NGO for women in Bangladesh, while RD-12 stands for the 'Rural Credit Programme' of the government.
- xiv The patron acts as a provider of food, credit and social services in turn for labour. However, patrons tend to take advantage of their strong position by exploiting their clients.
- xv In this election some politicians promised to let off the repayment of BRAC loans in exchange for votes. It took a while to convince the members that BRAC had nothing to do with those politicians and that everybody had to continue repaying their loans.