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# Microfinance in Bangladesh

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Ahmed, S.M. *et. al.* "Targeted intervention for the ultra poor in rural Bangladesh: Does it make any difference in their health-seeking behaviour?", Social Science & Medicine Volume 63, Issue 11 , pp. 2899-2911, December.

Barua, P. and M. Sulaiman. "Targeting the Poorest in Microfinance: Poverty Outreach of BDP Ultra Poor Programme", BRAC Working Paper No. 13, August.

**Abstract:** Despite the general consensus that microfinance does not reach the poorest; ecent evidence suggests that nearly 15% of microfinance clients in Bangladesh are among the poorest. It is from the realization that even within the existing microfinance membership of BRAC, there is a significant percentage of the poorest; the CFPR-TUP programme has included a special focus on this segment of the poor what it calls the 'BDP ultra poor'. So, BDP ultra poor are those struggling members of existing village organization (VO) or very poor households in a village who with some additional support can more fully participate and benefit from microfinance services. This study attempts to assess the targeting effectiveness of the BDP ultra poor programme by measuring relative poverty of BDP ultra poor. A total of 1,339 households were surveyed from 30 area offices consisting of BDP ultra poor, VO members and non-VO members.
Findings show that 46% of BDP ultra poor households belong to the poorest quartile and most of the remaining BDP ultra poor households belong to moderate poor quartile that suggests the programme is being able to concentrate on the target population. It was also found that the current focus on BDP ultra poor targeting is on the poorer VO members since majority of BDP ultra poor households was selected from existing BRAC microfinance VOs. To improve targeting effectiveness of BDP ultra poor package further, the focus will have to be on the poorest households outside the VOs most of whom have never participated in any microfinance programmes and possessed extremely low poverty score.

Beck, T. and M. H. Rahman. "Creating a more efficient financial system : challenges for Bangladesh", The World Bank Policy Research Working Paper, No. 3938.

**Abstract:** While Bangladesh has embarked on a path to reform its financial system, most prominently by privatizing its government-owned banks, the Nationalized Commercial Banks (NCBs), a sustainable long-term expansion of the financial system requires a more substantial change in the role of government. Using recent research and international comparisons, this paper argues that the government should move from its role as an operator and arbiter in the financial system to a facilitator role. This implies not only divestment from government-owned banks, but also de-politicization of the licensing process and a market-based bank failure resolution framework that focuses on intermediation and not on the rescue of individual institutions. Most important, the government should move away from the implicit guarantee for depositors and owners to applying the existing limited explicit deposit insurance for depositors, while simultaneously relying more on market participants to monitor and discipline banks instead of micro-managing financial institutions. This redefinition of government's role should not be limited to the banking system, but applies to other segments of the financial system, such as capital markets and the micro-finance sector, and should be seen as an essential element in the governance reform agenda and in the movement from a relationship-based economy to a market and arms-length economy.

BRAC. "Targeting the Poorest in Microfinance: Poverty Outreach of BDP Ultra Poor Programme", CFPR/TUP Working Paper.

**Abstract:** Despite the general consensus that microfinance does not reach the poorest; recent evidence suggests that nearly 15% of microfinance clients in Bangladesh are among the poorest. It is from the realization that even within the existing microfinance membership of BRAC, there is a significant percentage of the poorest; the CFPR-TUP programme has included a special focus on this segment of the poor what it calls the 'BDP ultra poor'. So, BDP ultra poor are those struggling

members of existing village organization (VO) or very poor households in a village who with some additional support can more fully participate and benefit from microfinance services. This study attempts to assess the targeting effectiveness of the BDP ultra poor programme by measuring relative poverty of BDP ultra poor.
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BRAC. "Using Change Rankings to Understand Poverty Dynamics: Examining the Impact of CFPR/TUP from Community Perspective", CFPR Working Paper.

Abstract: Studies of poverty dynamics relying solely on household income-expenditure surveys can yield noisy results, overestimating transient poverty and underestimating persistence of poverty, especially for the poorest. In this study, we make use of an approach that relies on community based change ranking to explore various directions and levels of change experienced by almost 6,000 households living in over 100 communities. We find that changes are initial condition dependent and that improvement, even small ones are far less likely to happen over time for the poorest. Traps do seem to exist and matter for the poorest. This suggests that intervention design for the poorest will have to be far more comprehensive including promotional, protective and transformative strategies to make a real dent on extreme poverty. We also argue that most empirical studies of poverty dynamics by focusing on relatively large movements into and out of poverty in different waves, misses out on the smaller movements experienced by households. Understanding the extent of and the forces that drive such smaller movements is important as it is the accumulative dynamics of these that ultimately lead to the larger movements of ascent, descent and trap, especially for those at the very bottom, the poorest. Exploring poverty dynamics of the poorest from such 'small change' perspective also allows us to develop indicators of incremental graduation to monitor and assess interventions targeted to bring about positive change in the livelihoods of the poorest.

CGAP. "Competition and Microcredit Interest Rates" CGAP Focus Note No. 33, February.

Abstract: Does competition result in lower interest rates to microcredit customers? To address this question, this Focus Note analyses the experiences of Uganda, Bangladesh, and Bolivia, home to some of the early regional and even global pioneers of microcredit.

Chowdhury, A M., A. M. Aminul and J. Ahmed. "Development knowledge and experience--from Bangladesh to Afghanistan and beyond", Bull World Health Organ, Vol. 84, Issue 8, pp.677-81, August.

Chowdhury, O. H. and Z. Ali. "Affordability to Finance Poverty Reduction Programmes", PRCPB Working Paper # 12.

Abstract: Trapped in the realm between market failure and social justice, Bangladesh's objective of alleviating poverty is marred by its inability to mobilize enough domestic resources to launch large-scale anti-poverty programs. Moreover, this inability is further strained by the accumulation of large domestic, and more importantly, foreign debt, along with a declining share of concessionary aid. Against the backdrop of such development constraints, this paper therefore addresses the question of affordability to finance poverty reduction programs in a dynamic context. In doing so, it stresses the need for approaching the problem from a human rights perspective, with particular emphasis on progressive realization of these rights. In reviewing the functions and performance of the existing safety net programs in Bangladesh, the paper argues that the resources for carrying out social protection programs for the economically and socially

vulnerable individuals and groups need to be augmented by reducing the leakages and improving the appallingly low tax effort of the country compared to the potential of the economy. It also suggests that as a result of the scarcity of resources, although the per capita public expenditure on health and education sectors is increasing, it is nevertheless limited by South Asian standards (with the exception of Sri Lanka). Additionally, the potentials of local government in this respect are also discussed.

Dalla Pellegrina, L. "Microfinance and Investment: a Comparison Between Group Lending, Bank Lending and Informal Credit" Working Paper Series Bocconi University, December.

Abstract: Using data from a World Bank survey carried out in Bangladesh during the period 1991-1992, we compare the impact of microfinance/group lending and other types of credit on agricultural investment. After controlling for all other determinants of credit contracts, such as interest rates and collateral required, estimates show a stronger influence of microfinance with respect to informal and bank lending on variable input expenditure, supporting the idea that microfinance incentive devices (joint responsibility, peer monitoring, social sanctions, future credit denial in case of default, etc.) are effective in order to promote a productive use of funds.

Dowla, A. “In credit we trust: Building social capital by Grameen Bank in Bangladesh”, Journal of Socio-Economics Volume 35, Issue 1 , pp. 102-122, February.

Fernandes, A. M. “Firm Productivity in Bangladesh Manufacturing Industries”, The World Bank Policy Research Working Paper, No. 3988.

Abstract: The author studies the determinants of total factor productivity (TFP) for manufacturing firms in Bangladesh using data from a recent survey. She obtains TFP measures by making use of firm-specific deflators for output and inputs. Controlling for industry, location, and year fixed effects, she finds that: (1) firm size and TFP are negatively correlated; (2) firm age and TFP exhibit an inverse-U shaped relationship; (3) TFP improves with the quality of the firm's human capital; (4) global integration improves TFP; (5) firms with research and development activities and quality certifications have higher TFP, while more advanced technologies improve TFP only in the presence of significant absorptive capacity; (6) power supply problems cost firms heavily in terms of TFP losses; and (7) the presence of crime dampens TFP.

Geirbo, H. C. and I. Nuzhat. “The Motivations Behind Giving and Taking Dowry”, Monographs, Series No. 28, BRAC, Research and Evaluation Division, Dhaka, Bangladesh.

Abstract: Much of what is written about dowry focuses on the harmful aspects. This monograph argues that in order to target dowry as a social problem, we need to know more about why people continue the practice. It gives an overview of the transactions connected to wedding and divorce before it explores the motivations people have for giving and taking dowry. In the end, it is discussed how this rationality meets the rationality of the government and NGOs in the local interpretation and use of legislation and in the use of microcredit. Security is found to be the main motivation for giving dowry. A paid dowry gives a hope that the daughter will be treated well in her in-law’s house. Because dowry is connected to mohr, it also gives a security in case of divorce. However, a paid dowry does not give women entitlements towards her in-laws, only a hope that they will treat her well. Also, women’s entitlement to mohr depends on payment of dowry as well as her performance as a wife. Men, on the other hand, are perceived as having unquestioned entitlement to dowry. This imbalance is seen as being connected to a perception of women as being vulnerable to physical and social risk as well as representing a threat to their family and community. In conclusion it is recommended that instead of targeting dowry directly, advocacy efforts would gain from targeting the causes behind the motivations for giving and taking dowry. Reducing the risk factors that make married status and dowry crucial for women is a way to combat the practice. One way to do this is by implementing livelihood programmes for adolescent girls. Apart from this, the prevailing gender ideology has to be challenged systematically among

both girls and boys from an early age. The monograph is based on qualitative research in Domar under Nilphamari district in Bangladesh.

Haque, M. E. “Helping the ultra-poor to help themselves”, The Daily Star, Bangladesh, Puhlished on: 5/13/2006.

Islam, N. “Reducing Poverty in Rural Asia. Challenges and Opportunities for Microenterprises and Public Employment Schemes”, The Haworth Press Inc.

**Abstract:** Fight rural poverty through the creation of significant policy mechanisms, microenterprises, and employment programs. The majority of the world’s poor live in Asia, and most of these live in rural areas. These areas are also infamous for the food insecurity and malnutrition associated with poverty. Making even a modest dent in rural Asian poverty has the potential to realize large gains in global human development. Reducing Rural Poverty in Asia provides evidence-based guidelines for policymakers in developing countries, for researchers focusing on development problems, and for the international development assistance community in the continuing search for ways to effectively reduce poverty in the developing world. Detailed examinations are clearly presented on the efforts for poverty alleviation through microenterprise development and rural public employment programs that focus on public works and household/small-scale industries. Asia-based case studies of various microenterprises and rural public employment projects reveal important policy mechanisms and the effectiveness of each poverty reduction measure. Tables, figures, and relevant glossaries make unfamiliar terms and difficult information easy to understand.

Menon, N. “Non-linearities in Returns to Participation in Grameen Bank Programs”, Journal of Development Studies, Vol. 42, Issue. 8, pp. 1379- 1400.

**Abstract:** This paper studies the benefits of participation in micro-finance programs, where benefits are measured in terms of the ability to smooth the effect of seasonal shocks that cause consumption fluctuations. It is shown that although membership in these programs is an effective instrument in combating inter-seasonal consumption differences, there is a threshold level of length of participation beyond which benefits begin to diminish. Returns from membership are modelled using an Euler equation approach. Fixed effects non-linear least squares estimation of parameters using data from 24 villages of the Grameen Bank suggests that returns to participation, as measured by the ability to smooth seasonal shocks, begin to decline after approximately two years of membership. This implies that membership alone no longer has a mitigating marginal effect on seasonal shocks to per capita consumption after four years of participation. Such patterns suggest that the ability to smooth consumption as a function of length of membership, need not accrue indefinitely in a linear fashion.

Munshi, S and I. Matin. “Targeting Effectiveness of CFPR/TUP in Scale Up Environment”, Dhaka and Ottawa: BRAC and Aga Khan Foundation Canada, (CFPR/TUP Working Paper Series No. 8)

Pitt, M. M., S. R. Khandker and J. Cartwright. “Empowering Women with Micro Finance: Evidence from Bangladesh”, Economic Development and Cultural Change, Vol. 54, No. 4, July.

**Abstract:** This article examines the effects of men's and women's participation in micro credit programs on various indicators of women's empowerment using data from a special survey carried out in rural Bangladesh. These credit programs are well suited to studying how gender-specific resources alter intrahousehold allocations because they induce differential participation by gender through the requirement that only one adult member per household can participate in any micro credit program. Empowerment is formalized as an unobserved latent variable reflecting common components of qualitative responses to a large set of questions pertaining to women's autonomy and decision-making power. The empirical methods are attentive to various sources of endogeneity, and the results are consistent with the view that women's participation in micro credit programs helps to increase women's empowerment. The effects of male credit on women's empowerment were generally negative.

Schreiner, M. "A Simple Poverty Scorecard for Bangladesh", Paper, Grameen Foundation, USA

**Abstract:** How poor are participants in development projects in Bangladesh? Based on data from a national survey, this paper presents an easy-to-use, objective poverty scorecard that uses 10 simple indicators to estimate the likelihood that a participant has expenditure of less than $1/person/day. Field workers can compute scores by hand in real time. With 90-percent confidence, estimated poverty rates are correct within +/–1.5 percentage points. The low-tech scorecard can help programs target services, track changes in poverty over time, and report on poverty rates.

Schreiner, M. "Seven Extremely Simple Poverty Scorecards", Paper, CGAP.

**Abstract:** How poor are participants in development programs? And are they making progress toward the Millennium Development Goals? Using data from national household surveys, this paper presents easy-to-use, objective poverty scorecards for seven countries: Bangladesh, Bolivia, Haiti, India, Mexico, Pakistan, and the Philippines. Each scorecard uses five simple indicators to estimate a person's poverty likelihood, that is, the probability that income or expenditure is below the national poverty line or below $1/day. Field workers can compute scores by hand. Estimates of individuals' poverty likelihoods are typically accurate to 5–14 percentage points. Estimates of groups' overall poverty rates are accurate to 1–2 percentage points with 90-percent confidence. The poverty scorecards can help programs target services, report on poverty rates, and track changes in poverty rates over time. Furthermore, the indicators and poverty likelihoods are closely related to the Millennium Development Goals.

Sulaiman, M. *et. al*. "Microfinance Engagementsof the 'Graduated' TUP Members", BRAC Working Paper No. 9, February.

**Abstract:** Despite the slogan of 'credit for the poorest of the poor', the poorest have not fully benefited from the microfinance revolution of late 90s in Bangladesh. To bring these 'left out' group into the mainstream microfinance, BRAC's CFPR/TUP programme assists them to build-up an asset base (physical, human and social) so that they can have meaningful participation in microfinance activities. After the 'grant' phase of the programme which lasts for 18 months, as the first step towards the 'graduation process', the ultra poor women form their own groups and are offered small amounts of credit.

This study takes a look at the beneficiaries who were selected at the first round in 2002 to explain various dimensions of their engagement with microfinance. With a lower borrower-member ratio and relatively smaller sized credit, microfinance for the poorest may take longer to achieve sustainability. Even within the ultra poor household group, the better-off ones are more likely to engage themselves with microfinance. Their engagement in semi-formal microfinance does not reduce involvement in informal financial market. Along with credit, accumulating savings is of utmost importance for the ultra poor households and their informal savings have increased. Given that almost a quarter of the TUP members may not be credit takers, the importance of appropriate savings products cannot be overemphasized. More innovations in this regard is thus critical.

Walker, S. and I. Matin. "Changes in the Lives of the Ultra Poor: An Exploratory Study", Development In Practice, Volume 16, Issue 1, February.

**Abstract:** Within BRAC, the idea of a radically new approach to address the problems of the extreme poor started in 1999 with the development of a concept paper and consultations leading to a proposal to the BRAC Donor Consortium in June 2000.The Special Investment Programme (SIP) is an approach used by the CFPR/TUP to build solid financial, social, and human foundations for the Specially Targeted Ultra Poor (STUP).

The main idea here is to provide the STUP with a period (18 months) of intensive support in a comprehensive range of dimensions, after which it is hoped that they can participate and make

good use of the services provided by mainstream development programmes, such as microfinance.

The study was of an exploratory nature. We combined participatory and comparative casestudy methods to address the research questions. First, we carried out a participatory group exercise in three locations with around 20 TUP members in each. The idea was to discuss change since joining the programme, categorise change into levels, and rank all those who participated in the group exercise.

Yunus, M. "Is Grameen Bank Different From Conventional Banks?", viewed 30 October, 2006, <http://www.grameen-info.org/bank/GBdifferent.htm>.

Yunus M. Nobel Lecture delivered on December 10, 2006 at the Oslo City Hall, Norway.

## 2005

Ahmed, S. M. "Intimate Partner Violence against Women: Experiences from a Woman-focused Development Programme in Matlab, Bangladesh", Journal of Health, Population and Nutrition, Vol. 23, Issue. 1,March .

**Abstract:** This paper explores the association between microcredit-based development programmes and domestic violence against women perpetrated by their husbands. A sub-set of cross-sectional data collected in 1999 from 60 BRAC-ICDDR,B study villages in Matlab, Bangladesh, was used.Data were analyzed to characterize group-level differences among study women regarding the reported occurrence of violence (physical and/or mental) and to identify its predictors. About 17.5% of women had experienced violence from their husbands in the past four months, the proportion being greater among BRAC households (p=0.05). Results of logistic regression identified age, schooling, age of household head, and self-rated poverty status of household as important predictors of violence, but not level of BRAC membership. The study concludes that the greater level of domestic violence reported during the initial stages of BRAC membership subsided with the introduction of skill-development training among participant women over time.

Ahmed, S.S. "Delivery Mechanisms of Cash Transfer Programs to the Poor in Bangladesh: Cutting the Cost of Social Protection", World Bank.

**Abstract:** This paper examines the practical issues and financial costs of delivering cash benefits from source to recipients. An analysis of cost-effective mechanisms for this purpose is also presented. The study analyses three alternative delivery methods used in Bangladesh. Issues concerning targeting and the leakage of funds are also examined. Evidence is drawn from a survey assessing beneficiaries' views on the existing delivery mechanism and on the prospect of using technologically advanced alternative delivery mechanisms in the rural setting. The main findings of the study are:

- Beneficiaries do not encounter problems accessing the public banking facilities used to deliver benefits - safety isn't considered an issue in the rural areas, but questions surrounding the selection procedure, delivery cost and level of leakage are highlighted
- Whilst the cost of bank transactions remains low, schemes requiring transportation do incur costs
- Public sector banks generally operate well, but small branches are not profitable and face closure - viable alternatives ought to be considered, possibly through monetary and fiscal policy changes

Modifications are possible in the organisational structure of the delivery institutions and procedures to reduce transaction costs - including group-based collection of benefits and the use of advanced technology.

Ahsan, Q. "Micro-Credit, Risk Coping and the Incidence of Rural-to-Urban Migration." No 2, Proceedings of the German Development Economics Conference, Kiel 2005 from Verein für Socialpolitik, Research Committee Development Economics.

**Abstract:** The focus of this paper is on the rural poor of south Asia and their struggle to cope with the seasonal risk of unemployment and the ensuing income risks. In the absence of formal credit or insurance markets the rural poor typically resort to, among other options, the following informal strategies to cope with seasonal income risks: (i) seasonal rural-to-urban migration, and (ii) mutual (ex-post) transfers between families of friends and relatives. Access to credit through a microfinance institution could also provide a competing source of insurance. The question raised in this paper is how the access to credit may affect the more traditional/time honoured means of risk coping, such as seasonal migration. Given that credit, i.e., a creditfinanced activity, is potentially a substitute for seasonal migration, it is reasonable to argue that easy access to credit (or high return on credit) will lower the incidence of migration. However, there also exists a potential complementarity between the two activities (if implemented jointly) in terms of gains due to

diversification of income risks. That is, given that income from migration is not typically subject to the same shocks as income generated by a credit-financed activity, a joint adoption of both activities creates opportunities for diversification of risk in the family incomes portfolio. If the diversification gains are large enough then the adoption of both activities jointly will be preferred to adopting either of the activities individually. In that event, introduction of microfinance in rural societies may result in raising the incidence of migration. The joint adoption case for rural households is modelled using a choice theoretic framework, and exact conditions are derived for when joint adoption is preferable to adoption of a single project. The model of joint adoption is estimated by applying a Bivariate Probit regression model on a single cross-section of household survey data from rural Bangladesh. Our preliminary results show that indeed the probability of participation in migration by household members is positively related to the probability of the household being a credit recipient.

BRAC. "BRAC : At a Glance 2005", BRAC Economic Development Program.

CDF. "Microfinance statistics", Credit and Development Forum, Dhaka.

CGAP. "Protecting Microfinance Borrowers", Focus Note No. 27, May.

**Abstract:** Little is known about how consumer protection might apply to financial services for the poor. As commercialization and competition increase, vulnerable borrowers may be more exposed to potentially abusive lenders. Low-income borrowers may be functionally illiterate, first-time consumers, or insufficiently informed about their rights and can be pressured into making poor borrowing decisions. Strategically, enhanced consumer protection measures can be a more constructive alternative to new or lowered interest rate ceilings. This paper discusses two primary approaches to enforcement of such measures - voluntary codes and state regulation - in the context of developing countries.

Chowdhury, A. M. and M. G. Sattar. "Building governance for fighting poverty: Role of NGOs in Bangladesh", in Sudhakar Rao (ed), "Guidelines for good governance".

**Abstract:** This paper provides a brief account of the situation of poverty in Bangladesh indicating some major steps needed for poverty reduction. The focus is on building good governance for fighting poverty. The role of NGOs in building good governance and how this can be done has been illustrated with some cases. In this context the need to strengthen local governance and create coalitions within the civil society for collective efforts have been discussed.

Fruttero, A. and V. Gauri. "The Strategic Choices of NGOs: Location Decisions in Rural Bangladesh", Journal of Development Studies, Vol. 41, Issue. 5, 2005.

**Abstract:** Non-governmental organisations (NGOs) play an increasingly important role in the delivery of public services in developing countries, but little systematic evidence is available about their strategic choices. We develop two stylised accounts of NGO strategies: one in which pragmatic and organisational concerns determine location decisions, and another in which charitable motivations are the principal determinants. We then use data from the 1995 and 2000 rounds of the Bangladesh Household and Income and Expenditure Survey to analyse location decisions of NGO programmes established between those two sample years. Whether disaggregated by sector of work or mother organisation, the data show that the net change in NGO programmes in a community was not related to indicators of community need, that NGOs established new programmes where they themselves had no programmes previously, and that they did not avoid duplicating the efforts of other NGOs. Overall, the analysis is consistent with an account of NGO choices in which a concern for broad coverage significantly affects NGO choices.

Hadi, A. "Women's Productive Role and Marital Violence in Bangladesh", Journal of Family Violence,Vol. 20, Issue. 3, June.

**Abstract:** This study assesses the role of women's participation in productive activities in reducing the risk of marital violence. Data were collected from villages where numerous nongovernment organizations (NGOs) had microcredit-based income generating programs for the poor. Both the survey and indepth interviews were used to collect information from a randomly selected sample of 500 currently married women aged<50 years living in 70 villages in 10 districts of Bangladesh. Findings reveal that the prevalence ofmarital violence such asmental torture and physical assault had negative association with women's participation in economic activities. Situation that invoked violence against women had most often been their failure of performing expected role in the household.Women's productive roles not only improved women's position in their household but also significantly reduced both mental torture and physical assault against them. The paper argues that participation in productive activities has the potential to bring a significant reduction in the risk of marital violence among women in the poor community.

Haseen, F. "Malnutrition among Bangladeshi Women in Ultra Poor Households: Prevalence and Determinants," BRAC Publications, March, Thesis, Master Program in International Health International Maternal and Child Health, Department of Women's and Children's Health, Uppsala University.

**Abstract:** Malnutrition is widespread and has been recognized as a public health problem in Bangladesh. People living in absolute poverty are more susceptible to infection, disease and malnutrition. Nearly one-quarter to one-third population of Bangladesh live under extreme poverty – they are called the ultra poor. These ultra poor are often excluded from government and even from the non-governmental poverty reduction programs like microcredit/microfinance. To reach these ultra poor, BRAC has undertaken a comprehensive program in 2001 as 'Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor' (CFPR/TUP) with the aim of poverty reduction and establish a sustainable livelihood. As poverty and malnutrition are interrelated, information on important dimension of nutrition was required to see the impact of program and modify health intervention. The objective was to describe the prevalence of malnutrition and identify the associated factors among the women of ultra poor households targeted by BRAC in Bangladesh.

Hulme, D. and K. Moore. "Why has Microfinance been a Policy Success? Bangladesh and Beyond", Paper, IDPM - Institute for Development Policy and Management, May.

Kabeer, N. And I. Matin. "The wider social impacts of BRAC's group-based lending in rural Bangladesh: Group dynamics and participation in public life", Monographs, BRAC, Series No. 25, March.

**Abstract:** In a context in which dominant relationships which govern the lives of the poor tend to be vertically organized - explicitly or implicitly – as patron-client relationships, the group-based strategies promoted by microfinance and other non-governmental organizations represent a form of association based on horizontal principles and, moreover, one that they can 'choose' to belong to instead of having membership imposed on, or ascribed to them, by their gender or their poverty. However, not all microfinance groups embody the same internal dynamics and external interactions. How does Brac's microfinance with its focus on groups and processes of empowerment fare with respect to women's participation in public life?

Kabir, K.H. and F. H. Mallick. "Living below the line: sustainability and the houses of the ultra poor: Perceptions of housing amongst the ultra poor in Bangladesh", BRAC.

Abstract: The ultra poor communities in Bangladesh seemingly live in the most basic form of shelter. A closer look however, reveals that the building practices of these people address sustainability, affordability and a host of socio cultural and environmental issues with deeper concern and wisdom than is apparent. This paper focuses on the homestead layouts, space-use pattern, building materials, building priorities and the environmental qualities of a selected number of households in the northern part of Bangladesh. The document also attempts to understand how the people perceive their own houses and housing needs as a part of their existence and development. From observations and interviews with the people it could be understood that their house represents their connection to the earth and therefore existence. The fact that they have a home gives them identity and credibility within their community. The layout of the house and the occupation of rooms are also indicative of family strength and oneness. The document concludes that the challenge lies in understanding local wisdom and seeking ways to transfer the simple technological options to these people so that their lives improve within the sustainable environment that they have created for themselves.

Khandker, S. R. "Microfinance and Poverty: Evidence Using Panel Data from Bangladesh", World Bank Economic Review, Vol. 19, Issue 2, pp. 263-286.

Abstract: Microfinance supports mainly informal activities that often have a low return and low market demand. It may therefore be hypothesized that the aggregate poverty impact of microfinance is modest or even nonexistent. If true, the poverty impact of microfinance observed at the participant level represents either income redistribution or short-run income generation from the microfinance intervention. This article examines the effects of microfinance on poverty reduction at both the participant and the aggregate levels using panel data from Bangladesh. The results suggest that access to microfinance contributes to poverty reduction, especially for female participants, and to overall poverty reduction at the village level. Microfinance thus helps not only poor participants but also the local economy.

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Mahal, M. and H. E. Lindgren. 'Microfinance and Women Empowerment in Rural Bangladesh.' Micro Finance Article Library, Available at http://www.misu.nodak.edu/research/ Microfinance.pdf, accessed 26 May 2005.

Mahmud, P. "Emerging women- entrepreneurs in Bangladesh: the 'Missing Middle' ", Guerin, I. and J. Palier (eds.), "Microfinance Challenges: Employment or Disemployment of the Poor", French Institute of Pondichery pp. 183-192.

Matin, I. and D. Hulme. "Reaching the Poorest: Lessons from BRAC's Ultrapoor Programme", Social Protection for Chronic Poverty Conference.

**Abstract:** BRAC's Ultrapoor Programme is an innovative and experimental approach to combining social protection, livelihood promotion and social empowerment. It seeks to help the poorest in Bangladesh to escape the economic and social conditions that trap them in poverty. This paper reviews the programme's design and its initial empirical performance andn examines their practical and theoretical implications.

Matin, I. "Delivering Inclusive Microfinance with a Poverty Focus: The Experience of the Bangladesh Rural Advancement Committee (BRAC)", Greeley. M. and K. Wright-Revolledo, (eds.), "Money with Mission Vol.2 : Managing the Social Performance of Microfinance", ITDG Publishing.

**Abstract:** This article is a case study on how microfinance institutions can deliver on inclusive microfinance with a focus on poverty alleviation. It is based on how the Bangladesh Rural Advancement Committee (BRAC), a large development NGO in Bangladesh, has managed to serve the poorest, poor and non-poor market segments with microfinance, but always having at the core of its approach a poverty-focused argument, thinking, strategizing and monitoring. There have been challenges and things have not always gone as expected. The important point, however, is that these challenges and unanticipated consequences are identified and very much part of the 'organizational discomfort' that provides the fodder, language and arguments for new innovations. The aim here is to elaborate on how such challenges and fissures are made to count within an organizational culture.

Matin, I. "Addressing vulnerabiilties of the poorest: A micro perspective from BRAC", Paper Presented at the ABCDE 2005 Conference, Amsterdam, July.

**Abstract:** The poorest have been left out not only by mainstream development approaches, but also by mainstream development knowledge. Existing development approaches, exemplified by microfinance are not adequately risk responsive, especially for the poorest who do not have any complementary resource base, including bridging social networks. On the other hand, most approaches targeting the poorest are crisis management oriented, rather than growth oriented with appropriate mechanisms that create opportunity ladders for them. Brac has been experimenting with a linkage model for the poorest since the mid 80s where transfers are used as a strategic entry point. The experiences and success of this linkage model has led to a nation wide programme with the Government and later a new programme since 2002. This paper discusses the experiences gleaned from these programmes for the poorest. It will also raises the challenges ahead.

Matin, I. "The very poor who participate in microfinance institutions and those who never have: a comparative analysis.", Small Enterprise Development Journal, Vol. 16, Issue 3, September.

**Abstract:** There is general consensus that the very poor have not been adequately reached by existing microfinance institutions, but there is very little research evidence to support this. Using a dataset emerging from a new BRAC programme targeted at the very poor, those among the very poor who manage to participate in microfinance institutions are compared with those who never have. The article shows that the ultra poor who participate in MFIs are better off than those who never participated, and that they also borrow more from informal sources. The intensity of microcredit borrowing is lower among the very poor who participate in MFIs compared to MFI participants coming from other poverty groups.
Given that reaching the very poor remains an important challenge for the global microfinance industry, a better understanding of the overall financial market participation of the very poor is important for guiding policy and practice.

NBARD. "Study – Cum – Exposure Visit to Palli Karma Sahayak Foundation (PKSF) , Bangladesh 22- 27 February 2003, A Report", National Bank for Agriculture and Rural Development (NBARD), Mumbai.

Oxfam. "Oxfam GB's experience with cash for work: summaries of evaluations in Bangladesh, Uganda, Kenya, Afghanistan and Haiti".

Abstract: This paper gives an overview of Oxfam's experience with cash for work programmes in five countries as part of their recovery programmes following natural disasters or conflicts. The countries are Bangladesh, Kenya, Uganda, Haiti, and Afghanistan. For each country and programme, the paper assesses the outcome on the following factors:

- *The aim of the cash for work programme*
- *How the cash was used*
- *Did women cope with the workload.*
- *Household dynamics*
- *Security*
- *Was cash appropriate?*

Shams, K. "Collected Essays and Stories from Grameen Dialogue: Emerging Ideas, Concept & Theories", Newsletter Issues # 1-50 (Vol. 1), Grameen Trust, Dhaka, October.

TMSS. "TMSS in Combating Monga". July.

World Bank. "Social Safety Nets in Bangladesh: An Assessment", WB Sector Report: Bangladesh.

Abstract: This paper assesses the current system of social safety nets in Bangladesh. It focuses attention on the poor, recommends revisions to existing programs and institutional arrangements, proposes new strategies to minimize the poverty and vulnerability, and stresses the need to improve the allocation of limited fiscal resources and the efficiency with which these resources are used. This paper focuses on the largest programs in the country, acknowledging that some programs may be left out. The paper is organized as follows. Chapter 2 reviews poverty and vulnerability in Bangladesh, and presents their dimensions and characteristics. It focuses on the operational definitions of poverty and vulnerability. Chapter 3 presents an overview of safety net programs in Bangladesh. Chapter 4, based on the evidence available and our analysis, assesses the impact of these programs. Chapter 5 examines issues such as program coverage, targeting, and the administration of programs. Chapter 6 provides options for further developing safety net strategies in Bangladesh.

Yunus, M. "Grameen Bank's Struggling (Beggar) Members Programme", Grameen Communications, viewed 31 October 2006, <http://www.grameen-info.org/bank/BeggerProgram.html>.

## 2004

Ahmmed, I. “Rate of Interest in the Microcredit Sector: Comparing NGOs with Commercial Banks”, pp.195-203, in Ahmed, S. and M. A. Hakim (eds.) “Attacking Poverty with Microcredit”, The University Press Limited, Dhaka.

**Abstract:** The NGO savings and credit approach is a great financial service innovation for the poor which increases their economic security. In addition, the poor borrowers are now confident enough to face any sort of disasters and emergencies. Effectiveness of NGO credit is obvious. A poor borrower who started with a loan of Taka 3000 eight years ago is now borrowing Taka 30,000. NGO credit is demand driven, repeat borrowing clearly indicates this. NGO credit is demanded because of its low transaction costs and its other advantages (as mentioned in this paper) Over commercial bank credit.

Ahmed, S. “ Microcredit and Poverty: New Realities and Strategic Issues”, pp. 23-39, in Ahmed, S. and M. A. Hakim (eds.). “Attacking Poverty with Microcredit”, The University Press Limited, Dhaka.

**Abstract:** In recent years Microfinance Institutions (MFls) have moved from the margins of the financial system towards the mainstream. It is now more widely accepted that populations traditionally excluded by the formal financial sector can, in fact, be a profitable market niche for innovative banking services. The 1997 Microcredit Summit launched a global movement to reach 100 million of the world's poorest families with credit for self-employment and other financial and business services by the year 2005. Much remains to be done, however, to integrate microfinance fully into the mainstream of domestic financial systems, and for orthodox financial institutions, notably commercial banks, to recognise its full potential.

Ahmed, S. “BRAC’s Microfinance Canvas: Financial Services and Strategic Linkages”, pp.205-215, in Ahmed, S. and M. A. Hakim (eds.) “Attacking Poverty with Microcredit”, The University Press Limited, Dhaka.

**Abstract:** It is not only 'microfinance the tool' that is a powerful poverty-alleviating weapon, but also the institutional framework of microfinance that is created in delivering microfinance. This is especially true in the context of Bangladesh, which is home to so many successful microfinance - providing institutions. The extensive outreach, connection, knowledge and network, that the micro finance institution and the people running it at all levels possess and generate in their every day working engagements, are extremely powerful asset in the fight to overcome poverty. We are only beginning to harness the power embodied in the institutional capital of microfinance institutions. This will be the second generation challenge for all poverty-focused micro finance institutions, and Bangladesh will again lead the way.

Ahmed, S. “Economics and altruism: random thoughts”, University Press Limited, Dhaka.

BRAC. “Towards a profile of the ultra poor in Bangladesh: Findings from CFPR/TUP baseline survey”, Highlights, Research and Evaluation Division, BRAC, October.

**Abstract:** This report is a baseline study of the ultra poor population living in some of the poorest districts of Bangladesh. The study attempts to develop a comprehensive profile of the ultra poor covering a range of dimensions, such as health, nutrition, consumption, employment, financial market

participation, education, and social status. Two main messages emerge:
- In almost all dimensions severe inequities exist between the extreme poor and other categories of the rural poor. These differences depict a structural break rather than a continuum between the extreme poor and other categories of the rural poor, suggesting that programmes for the extreme poor will have to be far more intensive in its effort and also far more diverse in its strategies than programmes that typically work for other poverty groups
Even among the extreme poor as defined by the community members through participatory wealth ranking exercises, important differences exist. The targeting strategy used in BRAC's CFPR/TUP programme uses a combination of participatory wealth raking and survey based instruments which led to effective targeting of the extreme poor. Such combinations of methodologies are thus helpful when targeting the extreme poor, especially through grants based strategies, where inclusion error is more of a concern.

Brett, N. "Review of IFAD Experience with Rural Credit in Bangladesh", pp.71-90, in Ahmed, S. and M. A. Hakim (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

Abstract: This paper describes IFAD's (the International Fund for Agricultural Development) policy and approach to rural credit, its experiences in Bangladesh and the impact of a series of recent projects. The paper outlines the performance of credit operations in these projects. Finally, some of the challenges for future projects are described.

Charitonenko, S., A. Campion and N. A. Fernando. "Commercialization of Microfinance : Perspectives from South and Southeast Asia", ADB, Manila.

Chowdhury, A. M. R. and A. Bhuiya. "The Wider Impacts of BRAC Poverty Alleviation Programme in Bangladesh", Journal of International Development, Vol.16, No.3,p 369-386.

Abstract: Over the decades of the 1980s and 90s many poverty alleviation programmes have been implemented in developing countries. Evaluations of such programmes have traditionally looked at their success in increasing the income levels of participants but less at the wider goals of human well-being. This paper looks at the poverty alleviation programme of BRAC, a large non-governmental organisation in Bangladesh, and, based on carefully designed studies, presents its impact on selected components of human well-being.
This study found better child survival and nutritional status in households served by the programme. Simular impacts were also found in other areas such as expenditure patterns, family planning practices and children's education. The studies also looked at the impact on the rural power structure and found a substantial change in the networking relationship of health providers. The likely influence of selectivity bias on the above results is also discussed.

Chowdhury, M., P. Mosley and A. Simanowitz. "Introduction" Journal of International Development, Vol. 16, No. 3, pp. 291-300.

Abstract: Analysis of the poverty impacts of microfinance is almost exclusively focused on the direct impacts on microfinance clients. The *Imp-Act* programme emphasizes the need to also consider the wider impacts achieved through non-client beneficiaries of microfinance. To fully understand and achieve the social impacts to which microfinance aspires wider impacts need to be assessed and programmes designed to achieve these outcomes. This volume introduces methodologies, in most cases developed by practitioners, which measure these wider or social impacts and use the results as a point of departure for understanding what institutional and policy interventions are required to make them more pro-poor. The principal wider impacts discussed are health, community governance, postwar reconstruction, labour and finance markets and, in relation to Bolivia and Indonesia, the economy as a whole. We represent research into such wider impacts as a public good which is beneficial for all microfinance institutions (MFIs) - in particular for their public relations - and for the poverty impact of the sector as a whole, but which the individual institutions typically do not have the resources to assess. This indicates a clear role for donors.

Datta, D. “Microcredit in Rural Bangladesh: Is It Reaching the Poorest?”, ESR Review, Vol. 6, No.1, Summer.

Abstract: During the last decade microcredit has exploded in Bangladesh, as well as in a large part of the third world. Empirical studies give strong evidence that microcredit has had positive effects on two vital areas of national development; namely, the alleviation of poverty and the empowerment of women. Despite these positive impacts, some critics question the efficacy of microcredit in reaching the extreme poor. Some argue that while microcredit has contributed positively to the well-being of the poor in general, it has failed to reach the poorest of the poor. This paper explores the reasons why microcredit programs rarely reach the poorest of the poor in rural Bangladesh. The reasons have been divided into five categories: (1) supply, (2) demand, (3) NGDOs’ norms and social issues, (4) voluntary and involuntary dropouts, and (5) sustainable financial services. This paper also argues that microcredit alone is not necessarily the best way to help the poorest of the poor.

Greeley, M. “Sustainability and Poverty Outreach: Trade-off Issues”, pp. 217-225, in Ahmed, S. and M. A. Hakim (eds.) “Attacking Poverty with Microcredit”, The University Press Limited, Dhaka.

Godquin, M. “Microfinance Repayment Performance in Bangladesh: How to Improve the Allocation of Loans by MFIs”, World Development Volume 32, Issue 11 , pp.1909-1926, November.

Abstract: The aim of this article is to produce a comprehensive analysis of the performance of microfinance institutions (MFIs) in terms of repayment. We focus the analysis on the impact of group lending, nonfinancial services and dynamic incentives on repayment performance. We test for endogeneity of loan size and use instrumental variables to correct for it. In the second section of the paper, we use a comparative analysis of the determinants of the repayment performance and of loan size in order to make policy recommendations on the allocation of loans by MFIs.

Halder, S. R. and P. Mosley. “Working with the Ultra-poor: Learning from BRAC Experiences” Journal of International Development, Vol. 16, No. 3, p 387-406.

Abstract: This paper describes BRAC experiences of working with the ultra-poor over the last two decades. The ultra-poor is the poorest section among the population with a few or no asset base, highly vulnerable to any shocks and mainly depending on wage labour. The main causes of their poverty, especially in the rural areas, are poverty inheritance, loss of income earner and ill health. Although microfinance is targeted to the poor, the ultra-poor, lacking livelihood resources, are reluctant to borrow with the fear of being overburdened, and indeed have a fear of the cash economy. They need a critical push to uplift their initial endowment base, in as risk-free a manner as possible, to a certain level which is necessary for getting greater access to other resources and their productive utilization. The BRAC Income Generation for Vulnerable Group Development (IGVGD) scheme was devised in 1986, and arose from the coming together of three circumstances: (i) an awareness that leaving everything to the community would not deal with the problem of marginalisation of the ultra-poor within the community; (ii) an offer in that year of food aid from the UN World Food Programme, which offered the potential of over coming the ultra-poor's fear of cash and (iii) a decision by BRAC to use a combination of food aid, savings and training in activities with low capital requirements as a means of enabling the marginalized to climb the ladder out of ultra-poverty. IGVGD is an integrated package of food distribution, savings, micro-credit provision, social awareness-building and skill development training and essential health care interventions. Different study findings conducted within the country and outside indicate that IGVGD is very successful and also cost-effective in reaching the ultra-poor; and that females coming from male-headed households can participate more fully in the IGVGD programme activities; it is the men who use NGO credit, and husbands' incomes are the primary source of installment payments. However, there has been a tendency for some women to take advantage only of the consumption-related benefits of the IGVGD (principally food aid) and not to graduate up all the steps of the ladder into self-sustained businesses.

In response to this, a new programme, *Challenging the frontiers of poverty* (CFPR) was devised in 2002, and is still in its pilot stages. This has more stringent targeting requirements than IGVGD and provides for more intensive mentoring of the ultra-poor, and provides more intensive subsidy in the area of maternal and child health, but adopts the same approach of supervised graduation from minimal-risk to higher-risk activities. IGVGD as a model now been quite widely imitated and adapted, at least within Bangladesh, and at the latest count some 72 organizations had some provision for the ultra-poor. In a final section we review the implications of evaluation of these diverse activities for IA methodology. One interesting finding is that whereas, in the lower-middle reaches of financial markets at which microfinance typically operates, quantitative approaches yield more optimistic findings (for women borrowers' welfare) than qualitative, for the ultra-poor it is the other way around; many IGVGD borrowers, at least, experienced few changes in *income*, but important improvements in autonomy and social status.

Iglebaek, M. and I. Matin. "Eighteen months of operation: Exploring geographical poverty outreach and employment creation of BRAC Bank SME Unit", Reports, BRAC, Research and Evaluation Division, Dhaka, Bangladesh, March.

Abstract: Bangladesh's SME sector has increasingly been viewed upon as occupying a crucial position in the economy of Bangladesh. For instance, donor agencies in collaboration with trade agencies have lately intensified their effort to support the SME sector1. Moreover, the government has started realising the growth potential of SMEs, albeit active policy steps to assist the sector to flourish by overcoming financial, technological, management and market constraints is still lacking. The Small and Medium Enterprise Sector contributes towards the GDP of the country, and employment creation of Bangladesh approximately 140,368,000 inhabitants (source: WHO). Yet, the SME sector continues to be discriminated against by commercial and government owned banks; and Bangladesh's many Microfinance Institutions2 (MFIs) lack the capital to finance SMEs or SME entrepreneurs do not meet MFI's selection criteria. Arguably, lack of access to credit is the most significant problem area for the capital and institutional growth of the Bangladesh SME sector.

Islam, S. A. "Overcoming Poverty in Bangladesh: Search for a New Paradigm", Bangladesh e-Journal of Sociology, Vol. 1, Issue. 2, July.

Khalily, M. A. B. "Quantitative Approach to Impact Analysis of Microfinance Programmes in Bangladesh-What Have We Learned?", Journal of International Development, Vol. 16, No. 3, pp 331-353.

Abstract: The quantitative impact assessment of microfinance programmes, like the programmes themselves, originated in Bangladesh. This essay reflects on the significance and usefulness for present day researchers of the analytical advances made in Bangladesh since the beginning of the 1990s. Particularly in the area of selection bias, fungibility and the assessment of wider impacts, it argues, those advances are crucial, and need to be borne in mind by all practitioners; but financial sustainability remains an unresolved problem.

Kumar, U. "Micro–Finance Messiah", SHARE Microfin, Business Today, February.

Mahmud, S. "Microcredit and Women's Empowerment in Bangladesh", pp.153-188, in Ahmed, S. and M. A. Hakim (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

Mahmud, W. " Introduction", pp. 1-6, in Ahmed, S. and M. A. Hakim (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

Marilou Jane D. Uy. "Microfinance in Bangladesh: Emerging Policy Issues", pp. 41-47, in Ahmed, S. and M. A. Hakim (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

Matin, I. and S. Zohir. "Wider Impacts of Microfinance Institutions: Issues and Concepts", Journal of International Development, Vol. 16, No. 3, p 301-330.

**Abstract:** The paper distinguishes between a wider definition of wider impacts (whichtakes into account feedbacks from impacts to institutional performance) and a narrower definition, which does measured (cultural, economic, social and political) and of the levels at which each of these impacts needs to be assessed (local, regional and national). The purpose is not to set out a blueprint for specific studies but rather to offer a framework which may be useful for guiding the methodology of such studies

Matin, I. and A. Alam. "Doing More with Microfinance: A BRAC Experience", The Daily Star, Volume 4, Issue 263, February.

**Abstract:** The poor are a diverse group with diverse livelihoods, needs and potential, which change over time due to lifecycle, new opportunities and external shocks. This diverse and dynamic reality of poor peoples' lives forms the canvas within which BRAC conceptualises and designs its repertoire of development programs, in which microfinance is a core element. Here, we would like to share a few examples from BRAC's programmatic experiences of using microfinance to serve a diverse group of poor women with diverse needs. The main argument we make is that we can do much more with microfinance. For this, we need to shift focus beyond microfinance (as a financial product) to the institutional capital and capacities embodied in the microfinance institutions.

Matin, I. and R. Yasmin. "Managing Scaling Up Challenges of a Programme for the Poorest: Case Study of Brac's IGVGD Programme", in CGAP/WB (ed), 'Scaling up poverty reduction: Case studies in Microfinance', May.

**Abstract:** BRAC approaches microfinance as a key instrument to build ladders of opportunity for the poorest people, who tend to be left out. BRAC's main point of departure from conventional thinking is that, although the poorest do need subsidy-based programs to supply their immediate food needs, microfinance can play a fundamental role in constructing a long-term, sustainable foundation for improving food security and livelihoods. However, this is unlikely to happen automatically. BRAC's experiences suggest that creating a strategic linkage between grant-based and market-based microfinance programs requires careful planning, and solid and committed management. Scaling up this approach to reach significant numbers of the poorest requires constant learning and innovation, and ongoing negotiation with partners based on practical field experience. In particular, it requires an appetite for tackling the larger challenge of developing markets that can open up new opportunities for the very poor. Most important of all, it requires vision and commitment to include the poorest. BRAC's experiences suggest that carefully designed strategic linkages, which include grants with a central role for microfinance, can work for the poorest. There certainly will be many different models and approaches for including the poorest, which will vary according to country contexts. However, the starting point has to be reversing the trend of apathy—which either excludes the poorest or treats them as "relief cases" to be dealt with by "others." BRAC believes that the poorest are, can, and must be central to the vision and commitment of microfinance institutions. Only then will the search for possibilities and opportunities to include the poorest begin and develop.

Matin, I. "The Very Poor who Participate in Microfinance Institutions and those Who Never Did: A Comparative Analysis", Reports, Research and Evaluation Division, BRAC, Bangladesh August.

**Abstract:** Despite the general consensus that the very poor have not been adequately reached by existing microfinance institutions, very little focussed research exists on the financial market participation of the very poor in general and their microfinance institutions (MFI) participation, in particular. In this paper, we shed some light on these issues by comparing the very poor who manage to participate in microfinance institutions and those who never did, by making use of a unique dataset that emerged out of the baseline study of a new BRAC programme targeted at the very poor. We find that the poorest who participate in MFIs are relatively better off than those who never participated, the causal relationship is not clear. In that sense, the targeting exclusion condition used by BRAC to exclude the poorest who were members of MFIs seems to be appropriate. However, we also find that the poorest who participate in MFIs also borrow more from informal sources suggesting that a complementary, rather than a substitution relationship exists between the two sources of finance. Moreover, the intensity of microcredit taking is lower and tendency to drop out from one and not rejoin other MFIs is higher among the very poor who participate in MFIs compared toMFI participants coming from other poverty groups. Given that reaching the very poor remains to be an important challenge that the global microfinance industry intends to address, a better understanding of the overall financial market participation of the very poor and exploring the differences between the very poor who manage to participate in microfinance programmes and those who do not can be important for guiding policy and practice.

Matin, I. and S. Halder. 'Combining Methodologies for Better Targeting of the Extreme Poor' CFPR/TUP Working Paper Series No.2, Research and Evaluation Division: BRAC.

Matin, I. "Delivering inclusive microfinance with a poverty focus: Experiences from Brac", Reports, Research and Evaluation Division, BRAC,Bangladesh, October.

Matin I. and S. R. Halder. "Combining methodologies for better targeting of the extreme poor: lessons from BRAC's CFPR/TUP programme" BRAC and Aga Khan Foundation Canada, Dhaka and Ottawa,(CFPR/TUP Working Paper Series No. 4)

Matsaert, F. "Donors' Perspectives on Interest Rates", pp.91-96, in Ahmed, S. and M.A. Hakim (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

Abstract: The key point of the article is that international experience and research show that a flexible interest rate, determined by the forces of the market and competition within a prudent regulatory framework, allows micro finance institutions to supply the right financial services for the poor. This is especially pertinent in Bangladesh as it is, perhaps, the most competitive market in the world for micro finance.

Nath, D. K. "Assessment of Microcredit Programme in Bangladesh: Government Sector", pp. 49-70, in Ahmed, S. and M. A. Hakim. (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

Rahman, R. I. "Future Challenges Facing the MFIs of Bangladesh: Choice of Target groups, Loan Sizes and Rate of Interest", pp. 129-146, in Ahmed, S. and M. A. Hakim (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

Abstract: Microcredit (MC) has played an important role as an instrument for achieving the objective of poverty alleviation in Bangladesh. The success of micro credit has been mainly due to its ability to address the credit needs of the poor. Microfinance Institutions (MFIs) in Bangladesh have developed procedures for providing collateral-free loans to the poor and assetless households. After two decades of operation, it is pertinent that we examine whether the MFIs in Bangladesh are making continuous progress in achieving the objectives as well as the emerging challenges. The present paper analyses the following questions about the future of microfinance in Bangladesh:

- The future of MFIs will depend on the scope for profitable investment by the borrowers. This issue will receive attention. Two related questions are, what size of loan and what rate of interest can help in this endeavour;
- Whether the MFIs should target the borderline poor or the 'poorest' and how far this is practicable;

- Whether MFIs should include mostly women as their credit recipients, as is presently being done.

Rao, D. S. K. "Updates of Microcredit Summit Campaign: Relevance to Practitioners in Asia", pp. 109-127, in Ahmed, S. and M. A. Hakim (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

**Abstract:** Over the last five years the number of poorest clients reached has grown by 350 percent, from 7.6 million at the end of 1997 to 26.8 million at the end of 2001. Sustaining the growth required to reach 100 million of the world's poorest families by 2005 will be more challenging. The article focuses on what will those who are committed to the Summit's goal need to do if we are to reach 100 million of the world's poorest families with credit for selfemployment and other financial and business services by 2005.

Sagar, S.M. "Poverty and Microfinance Programmes: ASA's Experience", pp189-194,in Ahmed, S. and M.A. Hakim (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

**Abstract:** The methodology and financial services of ASA are standardised and innovative. ASA has introduced a highly decentralised system of management. A well-written manual on operations, accounts, audit, etc. has also been introduced. Standardised branch structure, operational budget, furniture and equipment, office rent, etc. have made ASA's operation cost-effective. Accounting, record-keeping and MIS have been made simple and easy. Quick service, reduction of paperwork and other fonnalities are ensured.

Squillace, S. "THE PALLI KARMA-SAHAYAK FOUNDATION AS A REGULATOR OF MICROFINANCE INSTITUTIONS IN BANGLADESH", Master of Arts in Law and Diplomacy Thesis, The Fletcher School.

Yunus, M. "Expanding Microcredit Outreach to Reach the Millenium Development Goals: Some Issues for Attention", pp. 7-22, in Ahmed, S. and M.A. Hakim (edS.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

**Abstract:** The Microcredit Summit of 1997 set the goal to reach 100 million of the world's poorest families with microcredit, preferably through the women in those families, by 2005. In the recently held Microcredit Summit +5 in New York, we have reviewed the progress towards achieving this goal during the last five years. Figures compiled by the Microcredit Summit Campaign show that by the end of 2001, more than 54 million families around the world benefited from microcredit. Of this number, 26.8 million are among the poorest, or those who live under US $1 per day.

These figures are based on verified institutional data collected from over two thousand organisations that are working to implement the Summit goal of 2005. It is possible that by the end of 2002 we will have reached at least 35 million poorest families with microcredit. If this turns out to be close to the real figure it would indicate significant progress. This would mean that we have crossed over a quarter of the path by 2001 and over a third of the path by 2002, and most likely we will cross the halfway mark or 50 million families, by 2003. Once we cross the halfway mark, we will be better equipped psychologically and institutionally to cover the remaining half of the long journey. If this works out, it will mean that we have a good chance to make it to 100 million, or reasonably close to it, by 2005.

Zaman, H. "The Scaling-up of Microfinance in BangladeshDeterminants, Impact, and Lessons", World Bank Policy Research Working Paper Series, No 3398.

**Abstract:** The microfinance industry in Bangladesh currently provides access to credit to around 13 million poor households. The author describes the factors that led to the scaling-up of micro-credit in Bangladesh the impact this has had on the poor, future challenges in Bangladesh, and possible lessons for other countries. The consensus in the literature is that micro-credit plays a significant role in reducing household vulnerability to a number of risks and that it contributes to improving

social indicators. The author argues that strategic donor investments in a handful of well-managed institutions that offer a simple, easily replicable financial product could lead to large gains in access to finance for the poor. However, this approach could sacrifice other objectives of financial sector development, such as product and institutional diversity, which could be promoted after the initial expansion has taken place. Governments can also have a crucial role in promoting access to microfinance by ensuring macroeconomic stability, enforcing a simple regulatory structure, and developing communications networks that reduce transaction costs. Another lesson is that while visionary leadership cannot simply be franchised, the internal management systems that led to the scaling-up can be replicated in other settings.

Zohir, S. "Microcredit: An Alternative Perspective on its Dynamics in Bangladesh" pp. 147-152, in Ahmed, S. and M. A. Hakim (eds.) "Attacking Poverty with Microcredit", The University Press Limited, Dhaka.

Abstract: This brief has three parts. The first part lists a number of 'facts' - since some degree of inferences are involved, one may consider some of them as testable propositions. The sycond part draws a number of lessons at the institutional level and deals with future programme areas. The third part abstracts to dig underneath the surface, and presents a simple framework to highlight a number of issues that are normally not raised in the discourse. The exercise is incomplete. Yet, I present it to provoke ventures into new thoughts - no conclusion is therefore offered.

## 2003

Borhan, A. "Looking Towards for Better Future: Reflection of the Extreme Poor's Perception". Proshika.

Chowdhury, O. H. *et. al.* "Credit Programs for the Poor and the Health Status of Children in Rural Bangladesh" . International Economic Review, Vol. 44, No. 1, pp. 87-118, February.

**Abstract:** The impact of participation in group-based credit programs, by gender of participant, on the health status of children by gender in rural Bangladesh is investigated. These credit programs are well suited to studies of how gender-specific resources alter intra-household allocations because they induce differential participation by gender. Women's credit is found to have a large and statistically significant impact on two of three measures of the healthiness of both boy and girl children. Credit provided to men has no statistically significant impact and the null hypothesis of equal credit effects by gender of participant is rejected.

CGAP. "Knowing When to Stop: The Case of UNDP Bangladesh", CGAP Donor Good Practices Case study No. 4.

**Abstract:** In 2002 UNDP Bangladesh closed down the microfinance components of its empowerment projects. This action showed rare courage and good donor practice in an advanced microfinance market.

Dowla, A. and D. Alamgir. "From microcredit to microfinance: evolution of savings products by MFIs in Bangladesh", Journal of International Development, Vol. 15, No. 8, pp. 969-988.

**Abstract:** This paper chronicles how the microfinance industry in Bangladesh has evolved from its initial focus on credit, disbursing standardized loan products and collecting obligatory savings to the development of flexible savings products. We describe the process through which the industry gradually moved away from compulsory savings and introduce flexible savings. We provide detailed descriptions of various savings related products used by MFIs in Bangladesh. We point out the numerous problems that can arise when MFIs collects savings especially from non-members without a proper legal framework. We conclude the paper by suggesting prudent regulation of MFIs to ensure the security of the meager savings of the poor.

Gani, M. S. "Assessment of the Skill Training Programme for Employment of Retrenched Female Garment Workers", Reports, Research and Evaluation Division, BRAC, Bangladesh, March .

**Abstract:** This study assessed the effectiveness of skill training programme of BRAC for re-employment of retrenched female garment workers (RFGW). Data were collected through in-depth interviews with 20 purposively selected RFGWs and the review of project records. Findings revealed that almost all women found the overall skill training programme very good and effective. The skill training would be more useful if preference is given to the RFGWs for choosing the training type, and the curriculum of the training could be similar. The duration of the 12 days training may be expanded by a few days and the small business trading module may need to be redesigned or cut down from the training programme. BRAC could play a significant role in marketing the goods produced by the RFGWs. Microcredit services were useful for the trained workers who were self-employed in any kind of economic activity. This study concludes that the skill training programme can be suitably linked with BRAC development activities in raising the employment opportunities for the RFGWs.

Halder, S. 'Extreme Poor Households and BRAC Interventions: Is there any Impact?', Mimeo, Research and Evaluation Division, BRAC.

Halder, S. "Poverty Outreach and BRAC's Microfinance Interventions: Programme Impact and Sustainability", Reports, Research and Evaluation Division, BRAC, Bangladesh, October.

Abstract: This paper is based on the experience and evolution of a large microfinance provider BRAC –which is working in Bangladesh. The paper stresses that poverty is not homogeneous, but is manifested in different ways and in different contexts. It considers BRAC's response to this broader understanding of poverty in Bangladesh, referring particularly to the ways in which specific programmes were tailored and adapted to embrace new information about client needs and behaviour. The study goes on to discuss impact assessment studies conducted on BRAC's main poverty alleviation programme in rural areas – Rural Development Programme – that provided significant data to substantiate BRAC's positive effect on poverty alleviation, as well providing information that led to subsequent programmatic shifts in emphasis.

Harper, M. "Practical micro-finance: a training guide for South Asia", University Press Ltd., Dhaka.

Hasan, E. "Implications of Financial Innovations for the Poorest of the Poor in the Rural Area: Experience from Northern Bangladesh", ESR Review, vol. 5, no.2, winter.

Abstract: Providing microfinance to the poorest of the poor in rural areas remains a challenge. Grameen demonstrated that the poor are viable clients for loans and reached them on a massive scale. However, they reach only the upper level of the poor and provide narrow and limited financial services with rigid systems and procedures, which in many ways do not address the needs of the poorest. Despite earning signs of success with their SafeSave innovative approach to serving the poorest in the urban area, this rural adaptation and experiment has faced challenges because of the different social and economical structures of the rural economy and the different pattern of poverty dynamics in the rural area. Some of the recent experiments following S a f e S a v e in the rural areas of northern Bangladesh show that understanding rural poverty, financial products, and mechanisms; identifying the poorest and their needs; and most importantly, educating clients and motivating providers and promoters are the keys to success in providing microfinance to the poorest of the rural poor.

Hulme, D: Thinking 'Small' and the Understanding of Poverty: Maymana and Mofizul's Story, PRCPB Working Paper # 4,.

Abstract: Much recent thinking on poverty and poverty reduction is 'big' in terms of its ideas, units of analysis, datasets, plans and ambitions. While recognising some of the benefits of such approaches this paper argues that researchers should counterbalance this through 'thinking small'. It illustrates this through the life history of a poor two person household in Bangladesh. Maymana and Mofizul's story confirms much current thinking about persistent poverty in that country. Major health 'shocks' can impoverish families; social exclusion, based on gender, age and disability, keeps people poor; and, the lack of demand for unskilled labour means that the landless have few opportunities for increasing their low incomes. This story also raises challenges to contemporary orthodoxies, and new insights. In particular, that plans for poverty reduction underestimate the role that the family and informal agents play in welfare provision and exaggerate the role of poverty reduction professionals. A more critical understanding of the role of civil society in well-being and ill-being is needed; government reform is not simply about improving public service delivery but also about more effectively regulating private and civic action. Disability remains a neglected issue within much development research and action; major social protection programmes will be needed if poverty is to be reduced for many of Bangladesh's poor; and, private providers of health services actively create and maintain poverty. In conclusion, it points to the personal agency of Mofizul and Maymana – they may be down but they are not out.

Hulme, D. "Why does poverty endure? Mayamana and Mofizul's story", Chronic Poverty Research Centre Working Paper 22, IDPM, University of Manchester. www.chronicpoverty.org.

Khan, A. H. *et al*. "Introduction to Grameen II" Grameen Bank, Dhaka, January.

Khandker, S. R. "Microfinance and Poverty - evidence using panel data from Bangladesh", World Bank Policy Research Working Paper Series, No 2945.

Abstract: Micro-finance supports mainly informal activities that often have low market demand. It may be thus hypothesized that the aggregate poverty impact of micro-finance in an economy with low economic growth is modest or nonexistent. The observed borrower-level poverty impact is then a result of income redistribution or short-run income generation. The author addresses these questions using household level panel data from Bangladesh. The findings confirm that micro-finance benefits the poorest and has sustained impact in reducing poverty among program participants. It also has positive spillover impact, reducing poverty at the village level. But the effect is more pronounced in reducing extreme rather than moderate poverty.

Littlefield, E., J. Morduch, and S.M. Hashemi. 'Is Microfinance an Effective Strategy to reach the Millennium Development Goals?', CGAP Focus Note, 24, Washington DC, January.

Littlefield, E., J. Morduch and S. M. Hashemi. "Is Microfinance an Effective Strategy to Reach the Millennium Development Goals?", Focus Note. No.24, CGAP : Washington, D.C. January.

Abstract: Microfinance, and the impact it produces, go beyond just business loans. The poor use financial services not only for business investment in their microenterprises but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs that they encounter. The range of services includes loans, savings facilities, insurance, transfer payments, and even micro-pensions. Evidence from the millions of microfinance clients around the world demonstrates that access to financial services enables poor people to increase their household incomes, build assets, and reduce their vulnerability to the crises that are so much a part of their daily lives.

Mahmud, S. "Actually how Empowering is Microcredit?", Development and Change, Vol. 34, Issue 4, Page 577-605, September.

Abstract: This article re-assesses the effect of microcredit programme participation on women's empowerment by applying an analytical framework that recognizes the conceptual shift in emphasis in the definition of empowerment, from notions of greater well-being of women to notions of women's choice and active agency in the attainment of greater well-being. The author finds that microcredit programme participation has only a limited direct effect in increasing women's access to choice-enhancing resources, but has a much stronger effect in increasing women's ability to exercise agency in intra-household processes. Consequently, programme participation is able to increase women's welfare and possibly to reduce male bias in welfare outcomes, particularly in poor households.

Matin, I. and D. Hulme. "Programs for the poorest: learning from the IGVGD Program in Bangladesh". World Development (Oxford), vol. 31, no. 3, pp. 647-665.

Abstract: This article examines a programme that seeks to reach Bangladesh's "hardcore poor" by combining elements of livelihood protection (food aid) with livelihood promotion (skills training and microfinance). Bangladesh Rural Advancement Committee's Income Generation for Vulnerable Group Development Program has deepened the outreach of its poverty reduction activity and achieved impressive results. Detailed local-level fieldwork revealed, however, that programme practice.

Matin, I. "Poverty Impact and Outreach of Microfinance in Bangladesh: Current Knowledge, Practices and Moving Ahead", Reports, Research and Evaluation Division, BRAC, Bangladesh, April.

**Abstract:** The changing microfinance landscape that underpins the second generation challenges for the sector thus needs new types of support services. We can broadly categorize the new types of support services from a research point of view into two: (1) There is a need for much more detailed market research that speaks to the specific needs of the institution, such as product review, exit surveys, client satisfaction, etc. (2) There is also an increasing need for research activities that take the sector as a whole as its unit of analysis. Issues such as monitoring the poverty outreach of the sector, geographical areas where more focus is needed, competition, entry and exit of players and clients to the sector, etc. are some examples where narrow institutional focus is not adequate.

Matin, I., and S. R. Halder. 'Combining Targeting Methodologies for Better Targeting of the Extreme Poor: Preliminary Lessons from BRAC's" CFPR/TUP', *CFPR Working Paper* 1, Research and Evaluation Division, BRAC.

Mayee. "Breaking and Making the Chain: Livelihoods of the Female Headed Extreme Poor Household". Proshika.

McKennie, F. T. and S. M. Rahman. "Report on Financing Graduate and Microenterprises *Bangladesh*", ShoreBank, Advisory Services, Chicago.

Pitt, M. *et. al*. "Credit Programs for the Poor and the Health Status of Children in Rural Bangladesh", International Economic Review, February.

Pitt, M. M., S. R. Khandker and J. Cartwright. "Does Micro-Credit Empower Women? Evidence from Bangladesh." World Bank Policy Research Working Paper No. 2998.

**Abstract:** This paper examines the effects of men's and women's participation in group-based micro-credit programs on a large set of qualitative responses to questions that characterize women's autonomy and gender relations within the household. The data come from a special survey carried out in rural Bangladesh in 1998-99. The results are consistent with the view that women's participation in micro-credit programs helps to increase women's empowerment. Credit program participation leads to women taking a greater role in household decisionmaking, having greater access to financial and economic resources, having greater social networks, having greater bargaining power compared with their husbands, and having greater freedom of mobility. Female credit also tended to increase spousal communication in general about family planning and parenting concerns. The effects of male credit on women's empowerment were, at best, neutral, and at worse, decidedly negative. Male credit had a negative effect on several arenas of women's empowerment, including physical mobility, access to savings and economic resources, and power to manage some household transactions.
This paper - a product of Rural Development, Development Research Group - is part of a larger effort in the group to understand how the micro-credit program helps empower women.

Rahman, R.I. "Future Challenges Facing the MFIs of Bangladesh", Paper Presented at the PKF Organized International Workshop on *Attacking Poverty with Microcredit*.

Rutherford, S. "Money Talks: Conversations with Poor Households in Bangladesh about Managing Money", ESR Review, vol. 5, no.2, winter.

**Abstract:** This paper describes the money management behavior of 42 lowincome Bangladeshi households, half of them rural and half living in urban slums. They were found to be active managers of their financial resources. Thirty-three varieties of financial instrument were found to be in use by the sample households during the research year. As well as using a wide variety of instruments, most households engaged in multiple uses of the instruments: on average each household initiated a new money management arrangement every two weeks. The sums of money involved are large, both absolutely and relative to incomes. The average "turnover" (the total transaction flows of money through financial instruments) per household was $ 8 3 91 in the year—a sum equal to about three-fifths of their annual income. The total value of the microfinance market for poor people in Bangladesh probably exceeds $10 billion. Households appear to be using financial instruments of all kinds to build lump sums of money for immediate expenditure rather than to build up long-term, large financial assets or to hold highvalue, long-term debt. These sums were overwhelmingly formed in the informal sector. The role of the MFIs is thus somewhat contradictory. Their outreach into these households is excellent but their share of the total money management activities of the households is small. The paper concludes that both MFIs and poor households would benefit if MFIs achieved a better understanding of current and potential demand for financial services by the poor and tailored products and delivery systems accordingly.

Saifullah, A.K.M. "Microfinance Industry in Bangladesh & Budget 2003 – 04", The Business Bangladesh Vol.1, Issue 6, August.

Schreiner, M. "A Cost-Effectiveness Analysis of the Grameen Bank of Bangladesh", Development Policy Review, vol. 21, pp. 357-382.

**Abstract:** Reports of the success of the Grameen Bank of Bangladesh have led to rapid growth in funding for microfinance. But has the Grameen Bank been cost-effective? This article compares output with subsidy for the bank in a present-value framework. For the timeframe 1983-97, subsidy per person-year of membership in Grameen was about $20, and subsidy per dollar-year borrowed was about $0.22. Although the article does not measure consumer surplus for Grameen users, the evidence in the literature suggests that surplus probably exceeds subsidy. The Grameen Bank - if not necessarily other microlenders - was probably a worthwhile social investment.

Schreiner, M. "The Performance of Subsidized Microfinance Organizations—BancoSol of Bolivia and the Grameen Bank of Bangladesh", Edwin Mellon Press.

**Abstract:** In the next ten years, society will spend more than $20 billion on microfinance organizations (MFOs). Are MFOs the best way to help the poor? Will donors see MFOs as a good development gamble? Will MFOs reward workers well? Will investors buy MFOs and start new ones from scratch? The author suggests a framework to help answer these questions with numbers. Performance is meeting goals. Sustainability is meeting goals now and in the long term. An MFO has six groups of stakeholders: society, the poor, poor customers, donors, workers, and investors. Each group constrains the rest. Each group has its own goals and thus its own measures of performance. The author uses the framework with two of the best MFOs in the world, BancoSol in Bolivia and Grameen Bank in Bangladesh. The customers at both BancoSol and Grameen repeat, and the workers at the both banks have good jobs. BancoSol attracts market funds, and Grameen does not. This suggests that investors may buy the best MFOs once start-up costs are sunk. But investors do not start the best MFOs, and much less the worse MFOs, from scratch. At least the best MFOs are worthwhile. The rest may still waste public funds meant to help the poor. Cost-effectiveness analysis is a cheap tool to help judge.

Sen, B. "Drivers of escape and descent: Changing household fortunes in rural Bangladesh", World Development, 31(3), 513–533.

**Abstract:** This paper analyzes a panel dataset on 379 rural households in Bangladesh interviewed in 1987–88 and 2000. Using a "livelihoods" framework it contrasts the fortunes of ascending

households (which escape poverty) and descending households (which fall into poverty). These two dynamics are not mirror images of each other. Escapees overcome structural obstacles by pursuing multiple strategies (crop intensification, agricultural diversification, off-farm activity, livelihood migration) that permitted them to relatively rapidly accumulate a mix of assets. Descents into poverty were associated with lifecycle changes and crises such as flooding and ill-health. The findings confirm that Bangladesh made considerable progress in reducing poverty in the 1980s and 1990s.

Wright, G. A. N. "Client Responsive Product Development", Small Enterprise Development, vol. 14, Issue. 3, pp. 12-21(10), September.

Abstract: When clients desert their MFI (microfinance institution) in large numbers, this should signal that the MFI'sproducts are not right. This article discusses the product development process for microfinance. It starts with defining a research issue and carrying out market research to find out what clients want, moves on to developing an initial product concept, refines the concept with input from customer focus group discussions and finally pilot-tests the new product. This process has been used to launch new products that have boosted the profitability of organizations such as Equity Building Society, Kenya, Tanzania Postal Bank and Buro Tangail, Bangladesh

Yunus, M. "Banker to the Poor: Micro – Lending and the Battle Against World Poverty", Public Affairs Fall Books 2003; A Catalog for Readers. New York.

Yunus, M. "Expanding Microcredit Outreach to Reach the Millennium Development Goal- Some Issues for Attention" Paper presented at the International Seminar on Attacking Poverty with Microcredit, organized by PKSF in Dhaka, January 8-9, 2003.

Yunus, M. "Some Suggestions on Legal Framework for Creating Microcredit Banks", Grameen Bank, Dhaka.

Yunus, M. "Halving Poverty By 2015- We Can Actually Make It Happen", Delivered at the Commonwealth Institute, London on March 11. Grameen Bank, Dhaka.

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Abed, H. "Microfinance NGOs in Bangladesh: Growth, Impact and Challenges", Paper, Initiative in Research and Education for Development in Asia – INASIA.

Alam, M. J., D. Ghosh andR. E. Wright. "The Impact of Micro – Credit on Poverty Evidence from Bangladesh", Department of Economics , University of Stirling, May.

Charitonenko, S. and S. M. Rahman. "Commercialization of Microfinance – Bangladesh", Asian Development Bank (ADB) – Report, September.

Abstract: This study is one of a series of publications resulting from a regional technical assistance project on commercialization of microfinance. The series comprises four country reports (on Bangladesh, Indonesia, Philippines, and Sri Lanka) and a regional report on perspectives on commercialization from South and Southeast Asia.

This study adopts a comprehensive view of microfinance commercialization at two levels:

- at the level of microfinance institutions (MFIs)
- at the level of the microfinance industry.

It then provides a framework for understanding dynamic aspects of commercialization, and based on the framework, discusses progress toward and challenges to microfinance commercialization in Bangladesh. It also discusses the implications of commercialization and positive approaches to microfinance commercialization.

The study concludes that although the industry has made some progress, it "is far from reaching the potential benefits of microfinance commercialization. Until there is an adequate legal and regulatory framework and greater access to commercial sources of funds, there will be little incentive for MFIs to commercialize further. MFIs' growth will be limited and client savings will continue to be at risk."

Chaudhury, I. & I. Matin. "Dimensions and Dynamics of Microfinance Membership Overlap - A Micro Study from Bangladesh", Small Enterprise Development, Vol. 13, Issue 2, pp. 20-28.

Abstract: The microfinance market of Bangladesh is getting rapidly crowded. In certain areas there is also quite high incidence of households taking loans from a number of microfinance providers. Why is this happening? How does it affect the providers? What should be done? These are some of the questions that this paper begins to address based on data collected from BRAC's operations in Tangail. We find that a number of crises often gives rise to an urgent need for lump sums of cash, and this is why households often need access to several loan sources. Though repayment irregularity is found to be on the increase, somehow it is being managed from turning into a major default problem, suggesting a level of in-built resilience of the system. This needs further research. In terms of what should be done, we chalk a broad agenda consisting of better information-sharing mechanisms and developing better risk-responsive financial products. In this sense, the phenomenon of multiple microfinance membership is as much an opportunity as it is a challenge.

Grameen Bank. "Revisiting The Wall Street Journal, Financial Times and Grameen Bank", Grameen Bank, Dhaka, October.

Hadi, A. "Promoting Health Knowledge Through Micro-Credit Programmes: Experience of BRAC in Bangladesh", Health Promotion International, Vol.16, Issue. 3, pp. 219-228, Oxford University Press.

Hashemi, S. M. and S. R. Schuler. "Sustainable Banking with the Poor: A Case Study of Grameen Bank", PRPA-Grameen Trust, Dhaka.

Hassan, K. M. "The Microfinance Revolution and the Grameen Bank Experience in Bangladesh" Financial Markets, Institutions and Instruments Vol. 11, Issue 3, pp. 205-265, August.

Haque, M. 'The Changing Balance of Power between the Government and NGOs in Bangladesh.' International Political Science Review Vol:23, pp.411-435.

Abstract: In recent years, while the significance of the state has diminished, the role of non-governmental organizations (NGOs) has increased in most developing countries. Although NGOs are often identified with powerless groups, they themselves have become powerful and influential, especially because of their external sources of financial support, cooperation, and advocacy. More specifically, NGOs have recently gained more prominence in comparison with government institutions. This article studies the case of Bangladesh where the number of NGOs has proliferated and some globally known NGOs have emerged. First, it briefly explains the structure of government, and profiles the major development NGOs, in Bangladesh. It then illustrates the basic dimensions and indicators of change in the power relations between the government and these NGOs. It also examines the major local and global forces enhancing the power and influence of NGOs. Finally, it analyzes the critical outcomes of this changing balance of power between the government and NGOs.

Hossain, M. and M. Shahiduzzaman. "Development of Non Bank Financial Institutions to Strengthen the Financial System of Bangladesh". Quarterly Journal of Bangladesh Institute of Bank Management, Vol. 28, No. 1, March .

Abstract: Non-bank financial institutions (NBFIs) represent one of the most important parts of a financial system. In Bangladesh, NBFIs are new in the financial system as compared to banking financial institutions (BFIs). Starting from the IPDC in 1981, a total of 25 NBFIs are now working in the country. As on June 30, 2001 the total amount of paid up capital and reserve of 24 NBFIs stood Tk.6901.8 million (BB, 2002). The NBFIs sector in Bangladesh consisting primarily of the development financial institutions, leasing enterprises, investment companies, merchant bankers etc. The financing modes of the NBFIs are long term in nature. Traditionally, our banking financial institutions are involved in term lending activities, which are mostly unfamiliar products for them. Inefficiency of BFIs in long-term loan management has already leaded an enormous volume of outstanding loan in our country. At this backdrop, in order to ensure flow of term loans and to meet the credit gap, NBFIs have immense importance in the economy. In addition, non-bank financial sector is important to increase the mobilization of term savings and for the sake of providing support services to the capital market. The focus of this paper is to highlight the necessity and importance of NBFIs to strengthen the financial system for rapid economic development of the country.

Howes, M. and B. Bode. "Institutions in Northwest Bangladesh." CARE Bangladesh Social Development Unit Dhaka.

Abstract: CARE Bangladesh is transforming itself into a rights based organisation, where increasing emphasis will be given to raising poor people's awareness of their basic entitlements and improving their access to services. Focussing on a single "slice" of reality, which starts at national level, and then runs down through a district, an Upazilla, a Union, two residential para, and a handful of households, this paper describes the key political, administrative, legal, economic and social institutions that will need to be taken into account as the new approach takes shape. It is the first in the series and sets a broad context for the other more detailed investigations that follow.

Kabeer, N. "Safety Nets and Opportunity Ladders". Overseas Development Institute, UK.

**Abstract:** This paper aims to review literature on social protection measures in the context of India and Bangladesh. It explores whether some of the lessons learned from responses to vulnerability lend themselves to the notion of 'investment' in broader development goals. Its primary focus is on the subsidized distribution of essential goods; generation of wage employment through public works; and the generation of self-employment through credit and/ or subsidized assets. The main findings emerging from this study are: 1) The issues of trade-offs is a challenge in designing policies for social protection. Poorer households facing 'harder' constraints and hence more limited options. 2) Social protection measures can feed into the harshness of the trade-off issue by stigmatizing the poor. Organizations, and schemes therein that seek to transform the potentially stigmatizing measures into contributions into community assets, or into a guaranteed right to livelihood have an important role to play. 3) Trade-offs at the policy level between protection and promotion emphasizes the need to integrate the design of public works into sectoral planning processes, as opposed to treating them as stand-alone efforts. 4) As far as microfinance interventions are concerned, distinctions need to be made between interventions that are aimed at the extreme poor and those which focus on the moderately poor - which assist them to smooth out income and consumption, flows. 5) Synergies and complementarities within and between trade-offs should draw attention to the need to bring together certain kinds of opportunities, rather than having to choose between them. 6) The importance of improved governance for various aspects of social protection measures through efforts from 'below' which provide pressure to improve mechanisms for transparency and accountability and 7) The need to reflect further on the relative role of states and NGOs in building the scope for a synergistic partnership with each other, which would build on their complementarities and comparative advantages.

Kuhn, L. and S. Cheston. "Empowering Women Through Microfinance", in Daley-Harris, S. (eds.) "Pathways Out of Poverty: Innovations in Microfinance for the Poorest Families", Kumarian Press.

Latifee, H. I. "Grameen Trust Experience 1991 – 2002: Microcredit, Poverty and Poverty Research", Grameen Trust, Dhaka.

Mallick, R. "Implementing and evaluating microcredit in Bangladesh." Development in Practice, vol. 12, no. 2, pp. 153-163.

**Abstract:** Microcredit has been introduced to rural communities in Bangladesh as a means of economic and social development, but there are increasing doubts about its effectiveness and suggestions that it causes domestic abuse. A review of various studies indicates that microcredit can result in social disruption by exacerbating gender conflict. It is suggested that micro-level study is required before credit is introduced to local communities.

Manju, Q. H. "Daridra Bimochone Khudra Reener Bhumika", Mass-line Media Centre, September..

Matin, I. "New thinking and new forms of microfinancial service provision in Bangladesh: A comparative study of ASA, Safesave and Gono Bima", Finance and Development Research Programme Working Paper Series, Issue 37, February.

**Abstract:** It has been argued that the contemporary microfinance industry is complacent about its products and mostly relies on copying and replicating the dominant models. While this is largely true, there is also growing evidence of innovation in product design and organizational arrangements. Not much is known about these initiatives, especially the processes and challenges faced. This paper examines these issues through case studies of three microfinance providers in Bangladesh all of which experimented with different types of microfinance products. We argue that the process of innovation is far more complex than the tool-centric approach suggested in recent market research in microfinance literature. This is especially true when innovations imply

significant departures from dominant organizational culture. We argue that viewing the organization as a contested space of dominant values and culture can yield useful insights into the innovation.

Matin, I., D. Hulme, and S. Rutherford. "Finance for the poor: From microcredit to microfinancial services", Journal of International Development, Vol. 14, Issue 2, March.

Abstract: This paper reviews the achievements of the 'microfinance revolution', through reference to the now extensive literature. It finds that there are many opportunities to improve and innovate. To illustrate this finding, the paper concentrates on examining what we need to know to design and deliver better financial products to the poor, especially the poorest. It argues that financial services for the poor are essentially a matter of helping the poor turn their savings into sums large enough to satisfy a wide range of business, consumption, personal, social and asset-building needs. The range of such 'swaps' should be wide enough to cater for short, medium and long-term needs, and they must be delivered in ways which are convenient, appropriate, safe and affordable. Providing poor people with effective financial services helps them deal with vulnerability and can thereby help reduce poverty. However, the relationship is driven by complex livelihood imperatives and is not simple. Microfinance is not a magic sky-hook that reaches down to pluck the poor out of poverty. It can, however, be a strategically vital platform that the poor can use to raise their own prospects for an escape from poverty.

Matin, I., M. E. Hassan and M. Maniruzzaman. "Microfinance in the Brahmaputra-Jamuna Chars: The Context, the Providers and Way Forward", Reports, Research and Evaluation Division, BRAC, Bangladesh, March.

Abstract: Informal financial sources dominate the financial landscape of the char areas in ways distinct from the mainland areas of rural Bangladesh. Microfinance in the char areas has not even scratched the surface of the first and basic microfinance challenge – outreach. However, the challenges of expanding outreach and developing innovative products and delivery mechanisms go hand is hand in the char areas, in a way that is distinct from the general mainland rural Bangladesh. This is because investments in a core product and methodology experimentation that works, for the most part, in mainland rural Bangladesh was already undertaken by Grameen and other microfinance pioneers, such as BRAC and ASA. This is not the case for the char areas. Good microfinancing in the char areas would involve significant investment in building knowledge and capacity.

Matin, I. "Grameen and Shakti Groups: Unpacking Joint Liability Credit Contract", PRPA-Grameen Trust, Dhaka.

Matin, I. "Targeted Development Programmes for the Extreme Poor: Experiences from BRAC Experiments", PRCPB Working Paper # 2.

Abstract: For the chronic poor, the various livelihood constraints are structured and interlocked in complex knots that fail to carry forward automatic induced impacts through interventions, such as microfinance, that work on untying important strategic knots. BRAC, a poverty focused NGO in Bangladesh has been experimenting with various approaches on this problem of understanding the knots and trying to design programmes for the extreme poor. The first approach was built around food insecurity, as this is one of the most important constraints that trap the extreme poor into chronic forms of poverty. Yet, the impact of mere food transfers tends to be typically very short-lived. BRAC's Income Generation for Vulnerable Group Development (IGVGD) Programme aims to strategically link the food aid with training, savings and credit. In this way, the programme creates a missing rung in the ladder for the extreme poor. The subsequent programme for the extreme poor, which is still in its early phase, takes a far more comprehensive conceptualization of the knots in the poverty web of the extreme poor—ranging from lack of assets to lack of voice.

Matin, I. and SA Begum 'Asset-ing the Extreme Poor: Experiences and Lessons from a BRAC Project' Research and Evaluation Division Papers, BRAC, unpublished.

Matin, I. and A. Alam. "BRAC's Microfinance Canvass: Financial Services and Strategic Linkages", Reports, Research and Evaluation Division, BRAC, Bangladesh, December.

Abstract: The poor are a diverse group with diverse livelihoods, needs and potential, which change over time due to lifecycle, new opportunities and external shocks. This diverse and dynamic reality of poor peoples' lives forms the canvass within which BRAC conceptualises and designs its repertoire of development programs, in which microfinance is a core element. This paper through a few program experiences attempts to reveal the conceptual innovativeness embedded in the way BRAC thinks and acts about microfinance. It is not only 'microfinance the tool' that is a powerful poverty-alleviating weapon, but also the institutional framework of microfinance that is created in delivering microfinance. The extensive outreach, connection, knowledge and network, that the microfinance institution and the people running it at all levels possess and generate in their every day working engagements, is an extremely powerful asset in the fight to overcome poverty. We are only beginning to harness the power embodied in the institutional capital of microfinance institutions. This will be the second generation challenge for all poverty focused microfinance institutions and Bangladesh can again lead the way.

Meyer, R. L. "The demand for flexible microfinance products: lessons from Bangladesh". Journal of International Development, Vol. 14, No. 3, pp. 351-368.

Credit and Development Forum. "Microfinance Newsletter", CDF, Dhaka, Special Issue 14 & 15 ( Jul – December).

Momtaz, S. "Microfinance , Self-reliance and Sustainability : The Case of a Nongovernmental Organization in Bangladesh", Journal of Bangladesh Studies, Vol.4, No. 1, pp.12-24.

Mondal, W. I. " Microcredit and Microentrepreneurship: Collateral Free Loan at Work in Bangladesh", The Academic Press and Publishers Limited (APPL), Dhaka.

Pitt, M. M. and S. R. Khandker. "Credit programmes for the poor and seasonality in rural Bangladesh," The Journal of Development Studies, Vol. 39, Issue. 2, pp. 1-24, January.

Abstract: This article examines the effect of group-based credit used to finance self-employment by landless households in Bangladesh on the seasonal pattern of household consumption and male and female labour supply. This credit can help smooth seasonal consumption by financing new productive activities whose income flows and time demands do not seasonally covary with the income generated by existing agricultural activities. The results, based upon 1991/92 survey data, strongly suggest that an important motivation for credit programme participation is the need to smooth the seasonal pattern of consumption and male labour supply. It is only the extent of lean season consumption poverty that selects household into these programmes. In addition, the largest female and male effects of credit on household consumption are during the lean season.

Rahman A. *et. al.* "Early Impact of Grameen", PRPA-Grameen Trust, Dhaka.

Rahman, L. "Impact of IDF Micro –Credit Program in the Hill Tracts", IDF Newsletter, No.7, Integrated Development Foundation, Dhaka, October.

Rashid, S., M. P. Sharma, and M. Zeller. "Micro-lending for small farmers in Bangladesh", Discussion Paper-International Food Policy Research Institute (IFPRI)- MSSD, No 45.

**Abstract:** It has been long hypothesized that lack of access to credit is the main reason why, despite higher profitability of High Yielding Varieties (HYVs), farmers in developing countries continue to allocate a portion of their land to traditional crop varieties. The empirical testing of this hypothesis has generated a large body of literature with differing conclusions. This paper re-examines the issue in the context of a specially designed group-based lending program for small farmers in Bangladesh, who neither have access to formal sources of credit nor do they qualify to become members of other micro-credit organizations. Two measures of access to credit, credit limit and amount borrowed at a given point in time, are used to analyze the determinants of farm households' land allocation decision. Under a variety of model specifications, formulated within Heckman's two-step method, the results show that credit limits from the lending programs and informal sources are significant determinants of small farmers' decision to cultivate HYV.

Stiles, K. 'International Support for NGOs in Bangladesh: Some Unintended Consequences.' World Development Vol. 30, pp.835-846.

**Abstract:** Based on the experience of donors in Bangladesh over the past 10 years, we can conclude that efforts to strengthen civil society and thereby democratization by providing resources to NGOs in the developing world are likely to have some unintended and negative results. From the pluralist perspective, the "Civil Society Empowerment" initiative is likely to increase antagonism and noncooperation between NGOs and mainline civil society actors, while from a radical point of view, support for NGOs is likely to undermine their willingness to serve as social mobilizers. Suggested remedies are offered to mitigate these dual tendencies.

Toufique K. and C. Turton. (eds.) "Hands Not Land: How Livelihoods are Changing in Rural Bangladesh", Bangladesh Institute of Development Studies and DFID, Dhaka and U. K.

Webb, P., J. Coates and R. Houser. "Does Microcredit Meet the Needs of all Poor Women? Constraints to Participation Among Destitute Women in Bangladesh", Paper, The Gerald J. and Dorothy R. Friedman School of Nutrition Science and Policy USA.

World Bank and Asian Development Bank. "Bangladesh: Progress in Poverty Reduction", Background Paper, Bangladesh Development Forum, Paris.

World Bank. "Poverty Assessment in Bangladesh". World Bank, Dhaka.

Yunus, M. "Grameen Bank II Designed to Open New Possibilities", viewed 31 October, 2006, <http://www.grameen-info.org/bank/bank2.html>.

Yunus, M. "Grameen Bank At A Glance", Grameen Bank, Dhaka.

Zohir, S. And I. Matin. "Wider Impacts of Microfinance Institutions: Towards Defining the Scope and Methodology", Reports, Research and Evaluation Division, BRAC, Bangladesh.

**Abstract:** The theme of wider implications of microfinance institutions' interventions is a relatively uncharted territory, though the term is alluded to quite frequently. The interest in this theme has emerged out of a number of motivations. One important view underlying such motivation is that the total impact of microfinance intervention is being underestimated through the conventional impact studies. It is alleged that the latter do not take into account of the possible positive

externalities on spheres beyond households and the subsequent feedback effects on both participant and non-participant households. This assumption, we argue, is driven by a conceptualization of total impact consisting of two mutually exclusive impacts--- narrow and wide. Yet, we argue that, what is conventionally termed as 'narrow' impacts can be perceived as a reduced form expression, incorporating all secondary effects arising from households' (participants and non-participants) engagements with various market and non-market institutions. Analytically then, it becomes difficult to pursue the wider impact theme and yet recognize that individuals and households are the expected beneficiaries of all program interventions.

Zeller M. and R. L. Meyer (eds). "The Triangle Of Microfinance: Financial Sustainability, Outreach, And Impact", Johns Hopkins University Press .

Morduch, J. "Microfinance without trade-offs", Seminar on 19/12/02 held in BIDS, Dhaka, Bangladesh.

<u>2001</u>

Ahmed, S. M., A. Bhuiya and M. Chowdhury. "Micro-credit and emotional well-being: experience of poor rural women from Matlab, Bangladesh.", <u>World Development (Oxford)</u>, Vol. 29, No. 11, pp. 1957-1966.

Abstract: Development programmes concerned with material improvement for participants, ignore the impact of subjective factors such as discrepancy between expectation and achievement, and anxieties and tensions resulting from newly adopted nontraditional roles by women on their emotional and physical well-being. This study explores experiences of emotional stress by poor rural women, including those involved in credit-based income-generating activities, from Matlab, Bangladesh

Ahmed S M, A M R Chowdhury and A. Bhuiya. "Revisiting Matlab: Repeat Survey 1999", <u>Dhaka: BRAC-ICDDR,B Joint Research Project (Working Paper No. 31),</u> September.

Abstract: Comparing 1992 and 1995 surveys, there is a tangible shift to the right in the population age structure, with a marked decrease in the relative size of the under-five population. This is especially evident among BRAC households. Also, female disadvantage in terms of old age survival appears to be changing as revealed by the difference in proportion of male and female population over the age of 65 years. The percentage of illiterates dropped from 62% in 1992 to 21% for member households and 38% for non-member households in the current survey. During this period, an increase in the average years of schooling occurred. This increase is most dramatic among girls from BRAC households. Attendance at religious schools also increased substantially during this period, with higher rates observed among eligible non-member households. The greater proportion of non-Muslim households in the BRAC member group suggests that BRAC is successfully recruiting this largely disadvantaged minority population. Marital status has remained consistent over time and across membership categories. There has been a substantial decrease in the proportion of the population that is self-employed (in both agricultural and non-agricultural sectors) for both BRAC member and eligible non-member households, and an apparent shift to wage labour. An alarming increase in the proportion of destitute persons (too old or sick to work, beggars, disabled, etc.) during this period, also warrants attention.

Basher, M. A. "Towards Understanding the Mismatch between Micro and Macro Level Effects of Microcredit:Causes and Imperatives", <u>The Bangladesh Development Studies</u>, Volume XXVII, No. 2.

Abstract: This paper explains why national statistics in Bangladesh do not show any significant reduction of poverty despite a pro-poor income distribution in rural areas as a result of microcredit activities. First, the paper spotlights the pro-poor distributional effects of microcredit program by comparing the distributional effects of the Grameen bank and the autonomous growth of the economy. Then by perceiving poverty as flow concept involving movement 'in' and 'out' of the households in the poverty trap, the paper explains why the national statistics on poverty fail to record the pro-poor contribution of microcredit programs. Finally, the paper identifies the missing elements of the on going poverty alleviation paradigm and discusses some policy implications.

Bayes A. "Infrastructure and rural development: insights from a Grameen Bank village phone initiative in Bangladesh", <u>Agricultural Economics</u>, Volume 25, Number 2, September, pp. 261-272(12).

BIDS. "<u>Fighting Human Poverty, Bangladesh Human Development Report – 2000"</u>, Dhaka.

CGAP. "Dimensions and Dynamics of MFI Competition in Bangladesh", Paper, CGAP - Consultative Group to Assist the Poor.

Choudhury, O. "Micro – Credit Programs in Bangladesh – An Overview", Bank Parikrama; A Journal of Banking & Finance. Bangladesh Institute of Bank Management (BIBM), Dhaka, Quarterly, Vol. XXVI, No.2.

Christen, R. P. and R. Rosenberg. "The Rush to Regulate: Legal Frameworks for Microfinance", pp. 293-340 in Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka.

Abstract: At the risk of some redundancy, the authors want to underscore briefly a few of the key themes of this article:

- Microfinance is unlikely to achieve anything like its potential unless it can be done in licensed environments. Therefore, prudential regulation and supervision of microfinance is a topic that will unquestionably need to be addressed.
- Nevertheless, in most developing countries today the absence of special licensing regimes for MFIs is not the binding constraint to the development of micro finance.
- Rather, the bottleneck is usually the scarcity of MFIs who are not dependent on continuing availability of subsidies, and who can operate profitably enough that they are able to pay a commercial cost for a large proportion of their funds without decapitalizing themselves.
- It seems irresponsible to license MFIs to take deposits if they cannot demonstrate their ability to meet the above test.
- The challenges facing a given country's supervisory agency, and the realistic obstacles to meeting those challenges, need to be weighed seriously when examining proposals for regulation of micro finance.
- Regulation and supervision entail significant costs, including non-financial costs like restraint of innovation.
- Non-prudential regulation needs to be distinguished from prudential regulation, under which the supervisory agency has to vouch for the financial soundness of the supervised institutions.
- In some settings, reform of non-prudential regulation is probably essential to the development of micro finance-for instance where the licensed financial institutions have no interest in microfinance, but the legal regime makes it difficult or impossible in practice for non-licensed organizations like NGOs to provide credit.
- Credit-only MFIs, including MFIs whose savings deposits are mainly compulsory compensating balances for loans, should not be subjected to prudential regulation.
- Small community-based intermediaries-for instance small financial cooperatives-should not be prohibited from taking deposits simply because they are too small or remote to be supervised effectively.
- The creation of special regulatory windows for MFls is probably premature in countries where there is not a critical mass of licensable MFls.
- The proposition that opening a licensing regime will motivate unsustainable MFls to become sustainable should be viewed with suspicion.
- Given today's supply and demand of microfinance funding support, in most countries a solidly sustainable MFI could raise the minimum capital necessary to use an existing fonn of financial license. The supply of funds available for this purpose in international and bilateral organizations exceeds the demand from financially viable MFls.
- More attention needs to be paid to reforming regulations that make it difficult to do microfinance under existing forms of bank or finance company licenses.
- In developing countries, self-supervision, (defined as oversight of financial intermediaries by a federation or other body that is controlled the same intermediaries being supervised) has a long history of failure, and is highly unlikely to work for MFIs.

Rating agencies for MFIs face serious practical obstacles.

Del Ninno, C. "Improving The Efficiency Of Targeted Food Programs in Bangladesh: An Investigation Of The VGD And RD Programs". IFPRI.

Abstract: In this article, we report the results of an investigation aimed at analyzing the efficiency of two large targeted food programs in Bangladesh, (the VGD and the RD programs, of the World Food Program) in increasing the income and the consumption of grain of the intended beneficiaries. We found that these programs are not efficient in delivering food transfers, since the difference between the amount of resources allocated (in cash and kind) and the amount of resources (in cash or kind) actually received, referred here as leakage, is positive and sizable. In the VGD program approximately 94 percent of the food is received by poor women, even thought they are not all intended beneficiaries. In the RD program, instead, leakages are more sizable. They are between 16 and 26 percent and they are allocated among officials, administrators and local contractors. Possible measures to reduce leakages and increase the efficiency in these programs are outlined.

Fatmi, M. N. E. and M. Islam. "Towards a Sustainable Poverty Financing Model: The Proshika Approach", pp. 233-262, in Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka.

Abstract: The amount of NGO credit funneled into activities for alleviating poverty is growing fast. There is an almost monolithic concern with a credit only approach which attracts enormous public opinion and interest. The arithmetic of the repayment performance also seems to suggest that everything is working well. There is, however, more than meets the eye, and this chapter dwells at length on some of the emerging issues and constraints. It picks up Proshika's response to the twin challenges of institutional and borrowers' sustainability and argues how innovative approaches built into its credit delivery system and financing mechanism resolve some of the apparent dilemmas.

Goetz, A. M. "Women Development Workers: Implementing Rural Credit Programmes in Bangladesh", University Press, Dhaka.

Habibullah, M. "Monitoring and Control System of Grameen Bank and Its Effect on the Recovery Rate", PRPA Working Paper # 39, PRPA-Grameen Trust, Dhaka.

Hadi, A., S. R. Nath and A M R Chowdhury. "The Effect of Micro-Credit Programmes on the Reproductive Behaviour of Women in Rural Areas of Bangladesh", in Sathar Z. A. and J. F. Phillips (eds), 'Fertility Transition in South Asia' Oxford University Press.

Abstract: This compendium of nineteen chapters, written by South Asia scholars and international authorities in the field of population, provides an overview of a range of issues surrounding fertility change in SOuth Asia over the past decade.
In the first section of the book, the latest levels and trends in fertility in individual countries are covered. The quality of data is compared and discussed with the aim of clarifying fertility trends in the region as a whole. The section provides an authoritative data source for those interested in pursuing demographic analyses for South Asia as it enters the twenty-first century.The second section presents explanations for the contrasting onset, pace, and differentials in fertility declines experienced by countries in the region. Authors examine a range of alternative explanatory factors, emphasizing issues such as the causal role of gender systems, son preference, linguistic and regional boundaries, and development levels. The viewpoints presented here provide a range of competing theories on the South Asia fertility transition, which will be of particular value to sociologists, historians and all those interested in comparative research for the region.The concluding section examines the role of policies in the South Asia fertility transition. Policies designed to reduce fertility were developed and launched in this region long before other regions in the world. In particular, family planning programmes were initiated in South Asia. In these final chapters, authors review the outcome of experiments conducted in settings where demand for

family planning was constrained by pro-natalist social institutions, and where services were supplied to test the capacity of programmes to foster reproductive change. This section will be of particular interest to those managing reproductive health programmes, as well as to those researching the role of politics and policies in poulation trends.

Hashemi, S. 'Linking Microfinance and Safety Net Programmes to Include the Poorest: The Case of BRAC's IGVGD', CGAP Focus Note 21, CGAP, The World Bank.

**Abstract:** While microfinance programs have generally been very successful in targeting the poor, many studies indicate that the poorest are usually left out. This is due to program design that discourages staff from selecting more vulnerable clients as well as very poor clients self-selecting themselves out. However there are examples of programs which have successfully deepened their outreach and coverage to include the poorest. One of these is the Income Generation for Vulnerable Groups Development (IGVGD) Program run by BRAC, the largest NGO in Bangladesh. The IGVGD Program builds on a governmental food security intervention to provide financial services to the most destitute. This linkage between the government program and BRAC has allowed for the delivery of food grain assistance and savings and credit services to nearly a million women, over the last ten years. Two-thirds of these women seem to have "graduated" from absolute poverty to becoming confident microfinance clients who have not slipped back to requiring governmental hand outs.

Hussain, F. *et. al.* "Integrating Financial Markets: A Framework for Viably Increasing Microfinance Outreach in Bangladesh", pp.79-108, Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka.

**Abstract:** The objective of this chapter is to provide an analytical framework within which to explore how existing institutional arrangements for financial services can be used to increase the outreach of micro-finance in Bangladesh. It seeks to identify specific institutional arrangements and practical mechanisms that would expand financial services to poor families who have little or no access to such services. The aim is to develop, over time, an efficient and sustainable system of financial intermediation for the poor. The vision is of a system that integrates the formal, semi-formal and informal sectors where intermediaries exploit each others' comparative advantages in cost-effectively deli-vering financial services. The prime assumptions underpinning the study are that financial services for poor people are profitable and that these groups belong to what can best be described as the new emerging markets for financial services. This chapter is targeted primarily at the organised financial services sector, although given that it focuses on the poor, it should also be of interest to development agencies and organisations involved in micro-financing.

Islam, T. and K. E. Jackson. "Microcredit and Poverty Alleviation: Smooth Talking on a Rough Road", A Journal of Policy Studies. Institute for Development Policy Analysis and Advocacy, Proshika, Dhaka, Summer, Vol. 4 & 5, No.2 & 1.

Kabeer, N. "Conflicts over credit: Re-evaluating the Empowerment Potential of Loans to Women in Rural Bangladesh.", World Development (Oxford), vol. 29, no. 1, pp. 63-84.

**Abstract:** This paper explores the reasons why recent evaluations of the empowerment potential of credit programs for rural women in Bangladesh have arrived at very conflicting conclusions. Although these evaluations use somewhat different methodologies and have been carried out at different points of time, the paper argues that the primary source of the conflict lies in the very different understandings of intrahousehold power relations which these studies draw on. It supports this argument through a comparative analysis with the findings of a participatory evaluation of a rather different credit program in Bangladesh in which the impact of loans was evaluated by women loanees themselves.

Kabeer, N. 'Ideas, Economics and 'the Sociology of Supply': Explanation for Fertility Decline in Bangladesh', Journal of Development Studies, 38(1): 29-70.

**Abstract:** The persistence of high rates of fertility in Bangladesh, despite the poverty of its population, has been given alternative, and apparently competing, explanations, including the absence of effective forms of family planning, the resilience of pro-natalist values and norms and the existence of material constraints which led to the reliance on children as economic assets. The recent and dramatic declines in fertility rates, in the absence of any apparent major economic changes in the decades prior to the onset of fertility decline, appears to contradict materialist explanations for fertility behaviour and to support explanations which stressed ideas about the acceptability of birth control and the availability of the means for doing so. This article argues that such an interpretation is based on an a historical analysis of events in Bangladesh. It offers an alternative explanation which stresses socio-economic change as the primary motor for change in family size preferences, but which recognises the role of modern forms of family planning in facilitating the pace of the resulting fertility decline.

Kader, M. F. "Rating Microfinance Institutions (MFIs) in Relation to Sustainability Issues in Microcredit", pp. 181-209, in Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd, Dhaka.

**Abstract:** There is a need for a rating system (RS) in order to categorize MFls and enable them to measure their overall institutional strength, with special focus on issues pertaining to sustainability in microcredit. This will help in assessing an MFI's ability to attract and use funds from external sources, especially from formal money markets, which is crucial for their long term sustainability. Moreover, this will enable MFls to develop their own institutional development plan, as their areas of weakness/ strength will be clearly identified by such a system.

Khalily, M. A. B. and M. O. Imam. " Behavior of Microfinance Institutions and the Case for Regulation and Supervision", pp. 151-172, in Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka.

**Abstract:** In recent years, the regulation and supervision of Microfinance Institutions (MFIs) has emerged as an issue to professionals, policymakers and bankers. In this paper, the need for regulation is examined using the political economy and expense preference behavior framework. The expense preference of MFIs was tested by demand for labor and total expenditure functions. The empirical results show that MFIs have expense preference behavior. PKSFfunded MFIs have less expense preference than Grameen Bank and other non-GB and non-PKSF-funded MFIs. This suggests that donor funded MFIs have more expense preference. To make the microcredit market efficient and independent of political intervention, and MFIs cost effective, there is a need to regulate MFIs. A separate agency independent of the government should be established to license and supervise the operations of MFIs. However, the flexibility of MFIs should not be constrained. It is argued in the paper that PKSF, with its experience in providing financial services to and monitoring the activities of MFIs, will be in an advantageous position to assume regulatory responsibilities. However, a regulatory wing with a separate board should be created to make a clear demarcation between its lending and regulatory functions, and to avoid any conflict of interest for NGO members involved in PKSF's policy and management decisions.

Khaled, K. I. "Legal Environment of MFI Operations", pp. 173-180, in Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd, Dhaka.

Khan, M.H. "Sources of Funding for MFIs: Micro-Savings and Market Linkage", pp.125-147, in Sharif, I. and G. Wood. (eds.), "Challenges for Second

Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd, Dhaka.

**Abstract:** With the gradual shrinkage of donor grants and other cheap sources of funding, micro-savings are now considered to be one of the most important sources of loan. funding for MFls. Empirical evidence shows that if the flexibility and access to their funds in time of need required by lenders could be accommodated, a phenomenal growth in the mobilization of savings could be achieved with little extra effort by the MFls. With MFI intervention, savings have another dimension. Since saving is considered to be a cost of borrowing by most of the grassroots members of MFls, there is a fear among small savers - sometimes realised - of savings being misused or diverted to other uses. The problem is compounded because there is no standardized or uniform system of collection and maintenance of savings, and because members do not have free access to their savings. So, when we talk of giving impetus to savings mobilization by allowing open access, voluntary and flexible savings facilities to small savers, we have to be extremely cautious about building in systems for careful monitoring, management and record-keeping to guard against careless leakage and unscrupulous misuse of savings. This calls for a 'facilitative' regulation of MFIs' savings-credit interventions. With the exception of some large MFIs with strong internal monitoring and control arrangements, these activities have so far remained unregulated in terms of financial management. From deliberations about the above issues the following recommendations have emerged:

- Access to a member's own savings should be considered a fundamental right;
- It should be mandatory for MFIs to ensure individual records of savings are kept;
- Use of savings for personal gain or for acquiring assets in any individual's name should be considered a punishable offence;
- MFIs should initially restrict their intervention to the collection of fixed rate savings and gradually shift towards open access and voluntary mode once they have developed the capability to keep records of individual savings;
- Discussion on savings should be made a compulsory agenda item in group meetings, where the Field Worker should disclose the total updated savings of individual members as well as of the group as a whole, and the balance of group savings as it appears in the MFI's records should be recorded in the minutes;
- Members should be given profit on savings calculated, as a minimum, at the prevailing rate offered by banks, the profit to be distributed in cash to each of the members at a bigger meeting at the end of the year;
- The central regulatory or lending agency (such as the Bangladesh Bank, PKSF or any other regulatory agency) may consider extending insurance coverage to these savings; this would compel the regulators to oversee the area to protect their own interests.

The formal financial market, in particular the banks, is considered another important source of raising capital by the MFIs. For this reason, establishing a link between the resource-poor NGOs with the wealthier formal financial institutions or banks has been an urgent issue for debate in the microfinance arena for quite some time. The arguments that this much-wanted link cannot be established due to, among other things, high hidden transaction costs, the negative attitude and the strict collateral requirements of the banks, which most of the MFIs cannot meet, are well-rehearsed. These are however misconceptions, and should not be used as an excuse to avoid responsibility. The fact that banks, especially public sector banks, include in their loan portfolio billions of taka advanced without any collateral security, belies the contention that these banks are not inclined, or are forbidden by their mandate, to make advances without collateral security. The high performance, in terms of disbursement, outreach and repayment rate, of some poverty focused projects with a credit component implemented by the public sector banks also corroborates the evidence that these banks are well accustomed to dealing in microfinance. The problem lies in the lack of policy decisions by banks, bankers' scanty knowledge ofNGO activities, the inaction of NGOs as a collective body, and legal deficiencies in NGOs' statute. Recommendations to emerge from the deliberations include: conducting a motivational and awareness raising campaign among banks, addressing the legal deficiencies of the NGOs, and in the meantime promoting the IFAD/GTZ-assisted Marginal and Small Farms System Crop Intensification Project (MSFSCIP) model of linkage - where the banks lend directly to the grassroots members against the social mobilization intermediation of the partner NGOs.

Khandker, S. R. "Does Micro-finance Really Benefit the Poor? Evidence from Bangladesh", Asian Development Bank (ADB)-Paper.

Latif, M. A. "Microcredit and Savings of Rural Households in Bangladesh", The Bangladesh Development Studies, Vol. XXVII, March, No 1.

**Abstract:** Households in Bangladesh This paper attempts to analyse the effect of microcredit on household savings. There are over 850 Government and Non-Government Micro Finance Institutions (MFIs) operating at national or various local levels which provide the rural poor who are landless or functionally landless with group-based small credit with the objective of increasing self-employment and income and thereby alleviating poverty. The paper hypothesizes that this microcredit has positive effects on savings of the participated households. The analysis is done with the data derived from a sample survey of 2599 households relating to the financial year 1998/99. The households include both programme participants and non-participants. The hypothesis is tested statistically by controlling for such variables as income and land-ownership which also influence saving, and found that microcredit has statistically significant independent effect on household savings. The policy implications that follow from the analysis are to continue with the programmes and formalize them beyond the land-poor.

Lovell, C. H. "Breaking the Cycle of Poverty: The BRAC Strategy", 2nd Edition, The University Press Limited, Dhaka.

Matin, I. and R. P. Christen. "ASA's Culture, Competition and Choice: Introducing Savings Services into Microcredit Institutions", MicroSave-Africa, Kampala.

Matin, N. and M. Taher. "The Changing Emphasis of Disasters in Bangladesh NGOs", Disasters, Vol. 25, No. 3, pp. 227-239(13), September.

**Abstract:** Bangladesh is one of the most disaster-prone countries in the world, affected by cyclones and floods, as well as chronic hazards such as arsenic poisoning. NGOs have played a major role in bringing concerns related to risk management on to the national agenda and promoting a shift of focus from mere relief response to disaster mitigation and preparedness. The government has, after earlier scepticism, now accepted NGOs as major partners in these tasks. Innovative approaches, such as the use of microfinance, have been applied; many of which are related to preserving the gains of development efforts as part of rehabilitation. NGOs have pressured for better co-ordination with government. Improved structures are now approved, but it is still too early to judge their impact. Despite progress, neither NGOs nor governmental agencies have clearly defined roles in the effort to link disaster management priorities. This will ensure that longer-term development efforts build on local capacities and reduce vulnerabilities

Mortuza, M. 'Regulatory and Supervisory Framework for Microfinance: the Case of Bangladesh', Asia Pacific Rural Finance, January.

Nabi, A. and J. Ahmed. "Microfinance in a Sustainable and Holistic Approach: Experiences from BRAC's Rural Development Proggramme", in Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka, pp. 213-232.

**Abstract:** Two decades after the first loans involving some small grassroots groups and individuals, microcredit has proved itself to be one of the most effective tools for reaching the poor and alleviating poverty. Banking for the poor through microfinance is now an international concept with varied models and is recognized by all major organizations working in the field of economic and social development. The unprecedented success of some microcredit providers, especially in Bangladesh and in Latin America, has, for the past few years, generated enormous interest among all practitioners and has inspired many to incorporate savings and credit products as part of their approach to development. This trend has enhanced the status of microcredit and is helping it evolve into 'microfinancing', with a greater range of products and diversified services. Part of the

appeal of microfinance is that it increasingly becomes self-financing. With its widespread implementation in different geographic, economic, and social contexts, a number of issues have recently emerged as micro finance practitioners seek the most effective method of delivering credit. Ensuring the sustainability of the credit delivery organization is often identified as one of the most important issues, as it is crucial in ensuring that organizations are able to continue to provide micro finance and other services to their clients.
BRAe gave out its first small loans in the mid-seventies to groups of artisans and other poor villagers, to finance their income generating activities. It initiated its major credit activity in 1979, and has been involved in microfinance ever since. BRAe's long involvement in microfinance has given it a unique exposure to the different issues and concepts, which has led to the realization that microfinance can make a significant contribution to an integrated and sustainable programme. Although limited in scope, this paper attempts to demonstrate BRAe's views and approaches towards achieving and managing a sustainable banking and development programme for the poorest through its Rural Development Programme.

Pearl, D. and M. M. Phillips. 'Grameen Bank which pioneered loans for the poor has hit a repayment snag', Wall Street Journal, November.

Pikholz, L. "Towards a New Scale of Microfinance: Banks into Microfinance; NGOs into Banks", Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka, pp.61-75.

**Abstract:** Microcredit was almost completely the exclusive terrain of NGOs during the 1970s, 80s and early 90s. This is changing on three fronts - all with implications for reaching a great many more low-income households in need of financial services than in the past. First, financial liberalization and the consolidation of the banking industry is squeezing profit margins and forcing commercial banks to consider new niches, micro finance among them. This is most evident in Latin America. Second, competition among NGOs for donor funds and clients is forcing NGOs to become more efficient and sustainable in an effort to attract commercial finance necessary to fuel their growth. Many are becoming regulated financial intermediaries for this reason. Third, massive losses by state banks (e.g. in India and China) are forcing them to consider transforming into viable financial intermediaries. In this paper these trends are framed in the broader context of understanding the challenges that these different entrants into commercial microfinance face in their drive to reach a scale of operations that best addresses the financial services needs of the millions of households worldwide that to date remain unserved. Lessons from three organizations that transformed into financial intermediaries that serve the poor are then discussed.

Pischke, J. D. Von. "Guaranteeing Deposits in Microfinance Non-Banks", Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka, pp. 365-392.

Rahman, R. I. "Mobilization of Savings of Rural Households and Development of Microfinance Institutions", Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka, pp. 109-123.

**Abstract:** The success of microcredit institutions (MCIs) in Bangladesh during the last two decades has been internationally acclaimed. MCIs can play an important role in the mobilization of small savings of rural households. The prospects for savings mobilization by MFIs raises three questions. These are: first, the costs involved in such effort; second, the legal factors and the regulatory framework in the financial market which has to evolve; and third, whether such services will be received with enthusiasm by the rural households, i.e. the demand aspect. This paper is mainly concerned with the last question. An assessment of whether rural households in Bangladesh are willing to make use of voluntary savings services provided by MFIs will be made. The demand-side

issues will have implications for institutional development of MFIs operating in the country and these will be highlighted.
The analysis is based on a household level survey among 370 households in two villages. A stratified random sampling method was used to draw the households from the two villages. One of the villages is more developed and has experience of microcredit activities, organized by Save the Children (USA) and Association for Social Advancement (ASA).
The paper also highlights the importance of provision of liquid savings services by MFIs; the reasons for the failure of commercial banks in reaching small savers in rural areas; and the lessons that may be learnt by MFIs from such failure. This is followed by a discussion of rural households' attitude towards the provision of savings services by MFIs and whether the lack of such services acts as a constraint to higher savings rate of households. Some insights into the need for provision of long term savings services are presented, followed by estimates of the potential savings of rural households which provide insights into MFIs' potential to develop, on the basis of internal resources. The last section highlights the scope for institutional development of MFIs to enable them to mobilize savings of rural households.

Rashid, A K M A. "Financial Services to the Poor in a Sustainable Way: The Case of the Association for Social Advancement (ASA)", Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka, pp. 263-289.

**Abstract:** ASA's steadfast belief in self-reliance stems from a belief that lack of control over resources is lack of control over destiny. This is as true for the organization dedicated to empowering the poor as it is for the poor themselves. This philosophy has propelled ASA to a position as one of the world's largest financially sustainable NGOs in the field of microfinance. ASA is unique because it merges financial sustainability and empowerment of the poor by acquiring the ability to provide a large number of disadvantaged women with quality financial services. ASA is sustainable at local programme level as well as at organizational level, meaning complete termination of foreign assistance would not affect current services provided to the poor.

Salauddin, K. "Income Generation and Savings of Women and Institutional Credit Arrangement in Bangladesh: Early Initiatives", Palok Publishers and Bangladesh Women Writers Association.

Schreiner, M. "A Cost-Effectiveness Analysis of the Grameen Bank of Bangladesh", Development and Comp Systems from EconWPA.

**Abstract:** In the next ten years, advocates of microfinance organizations (MFOs) will seek more than $20 billion to provide small loans to 100 million of the poorest families worldwide. In the United States, the newest federal budget proposes a 159-percent increase in the about $200 million spent per year on domestic microfinance. Most of the excitement for the promise of microfinance in the United States has been sparked by reports of the success of the Grameen Bank of Bangladesh. Was Grameen a good use of scarce funds earmarked to help the poor? For the time frame of 1983- 96, I find that the present worth of benefits of Grameen exceeded the present worth of costs ($16.4 million) as long as the average member got more than $8 worth of surplus per year of membership. This result is robust to assumptions about opportunity costs. Given the documented impacts of Grameen, my guess is that benefits did in fact exceed costs. Grameen seems to have been a good way to help the poor. Still, one good MFO does not a microfinance crusade make, and most MFOs in the United States and worldwide do not perform as well as Grameen. CEA is an inexpensive tool to help to inform the judgement of whether a given MFO is a good way to help the poor.

Sen, B. "Poverty reduction and Graduation: Emerging Trends from PKSF supported Programmes", in Zohir, S. *et. al.* (eds), "Monitoring and Evaluation of Microfinance Institutions", Final report, Bangladesh institute of Development Studies.

Sharif, I. “Microfinance and Growth: Is There a Link?”, pp.47-59, in Sharif, I. and G. Wood. (eds.) “Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization”, The University Press Ltd., Dhaka,.

**Abstract:** This paper argues that microfinance institutions should be able to establish themselves as growth agents in the economy. To illustrate its contention the paper presents a theoretical framework based on informational asymmetries to show how the technology microfinance institutions use enables them to contribute to the growth process via financing poor people's investments. However, for 'state of the art' financial inter-mediation, microfinance institutions may need to overcome certain legal and institutional challenges.

Sharif, I. “Approaching New Horizons in Microfinance”, pp. 393-406 in Sharif, I. and G. Wood. (eds.), “Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization”, The University Press Ltd., Dhaka.

**Abstract:** This is the introduction of the book. Although the microfinance industry has evolved out of a nonprofit, development community, it faces the challenge of becoming commercial in order to maintain a steady growth level in the long term. Microfinance can only fully establish itself as a pioneering industry by successfully combining the practices and behaviors of the business community with the social mission of the development world. To achieve high and sustainable rates of growth, MFIs need to expand their resources in the interest of maximizing their outreach and profitability, and at the same time minimize costs and risks involved with serving a poor population living in under-developed conditions. To mitigate the risks involved with utilizing private capital, MFIs need to establish their reputation as sound financial intermediaries by adopting appropriate financial standards and business practices. Accessing formal financial markets will facilitate market integration, and therefore provide This volume was inspired by the current discourse among practitioners and policy-makers with regard to what services MFIs should or should not engage in, and how policy-makers should or should not regulate their services. The editors ask that readers view this book in the same spirit as the many authors in this volume who have presented their, sometimes controversial, views in the interest of furthering debate. To the editors of this volume, healthy debate is a necessary ingredient in shaping new horizons for the microfinance industry. We look forward to the next set of debates on how to further innovations in microfinance practice so that a more sophisticated 'third generation' of MFIs can evolve in the near future.

Sinha, S. and I. Matin. “Informal Credit Transactions of Microcredit Borrowers in Rural Bangladesh”, IDS Bulletin, Vol. 29, Issue. 4, pp. 66-81.

Webb P. *et. al.* “Expectations of Successes and Constraints to Participation among the IGVGD Women”, Report, WFP, Bangladesh.

Wood, G. “Financing Poverty Eradication: Towards New Frontiers”, Sharif, I and G. Wood (eds.) “Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization”, The University Press Ltd., Dhaka, pp. 17-45.

**Abstract:** In this article, the author argues for a significantly enlarged vision of possibilities in linking financial services to the removal of poverty. While respectful of the record so far, the micro credit sector represents, almost by definition, a limit to ambition both in the sense of addressing al1eviation and welfare, and in the inter-linked sense of envisaging small-scale economic activity (often trading rather than production) in locally overcrowded markets. Both credit and savings are now familiarly linked to liquidity management and consumption smoothing objectives over individual and household cycles of varying length, as well as in relation to more sudden shocks. These might all be regarded as initiatives under the 'widening' heading where the demand is clearly strong and only partial1y met.

Less obvious in the literature are the stronger 'scale' ambitions under the 'deepening' heading. These ambitions include not only lending larger amounts over long gestation periods to larger-scale projects run by the poor either as individuals or in some kind of corporate entity. They also include, more heretically, lending for poverty eradication objectives to the non-poor, willing to accept elements of social conditionality in return for the opportunity to generate new employment opportunities among the poor. This is the agenda of removing the 'micro' from microfinancial services. Obviously larger projects and more skilled employment, with implicit assumptions about higher returns on capital and effort (i.e. higher productivity), require corresponding human resource investment in skills and business planning (including market assessment). This is where grassroots intermediaries such as NGOs with plural agendas have comparative advantage over the traditional banking sector, so long as they themselves can reach institutional sustainability based upon this expanded management of money.

In particular, in Bangladesh, the grassroots intermediaries (i.e. NGOs with Microfinancial Services as well as Microfinance Institutions) have good reason to avoid entering a regulatory framework, managed by government. The track record of government regulation over other parts of the financial sector has been dismal with high defaulting and over-protected NeBs encouraging over-speculative lending. But the NGOs are additionally wary of giving government any further powers to determine their policies, strategies and practice. Although, formally, regulation in the financial sector is distinct from more generic regulation of NGOs, in Bangladesh the boundary between the two will inevitably blur. However the context-specific caution shown by the Bangladesh grassroots intermediaries coincides with the caution of other commentators (i.e. in this volume) who base their arguments more clearly on the analysis of financial behaviour involving moral hazard and incentives. Avoiding the rush to regulate is therefore the overall message of this volume.

However, moving to the other extreme of the continuum, involving the neo-liberal propositions of market self-regulation through an interlaced mechanism of guarantees, capital-to-Iending ratios and insurance, does not seem quite convincing in the imperfect markets of Bangladesh where information is at such a premium. Both rich investors (definitely including international ones) and small-scale micro-savers need more surety than this to enter such inter-linked and extended financial markets.

Thus we return to some principle of contractual intimacy: operating at realistic levels of trust in the society connected to present institutional practices. Hence the preference for self-policing clubs of financial intermediaries (i.e. grassroots and their immediate backers) involving codes, labelling, monitoring, membership hurdles and exclusion for non-compliance. Institutionally, therefore, we are favouring the civil society option over market or state options, because it coincides with where efficacy and probity currently reside most strongly. However, this option should not itself encourage complacency. It has to be market-tested on one dimension, otherwise the option is futile. That is: self-policing clubs must be attractive to investors external to them, including internationally, if poverty eradication ambitions via financial services are to be realised. At the same time, even clubs have to establish rules and elements of enforcement (e.g. under conditions when the excluded operators dispute either denial of membership or their expulsion). Thus there remains a case for a facilitating legal framework - but very hands off.

## Wright, G. A. N. "Principles and Practice: Myths of Regulation and Supervision", pp. 341-364, in Sharif, I. and G. Wood. (eds.), "Challenges for Second Generation Microfinance: Regulation, Supervision and Resource Mobilization", The University Press Ltd., Dhaka.

**Abstract:** Increasing numbers of Microfinance Institutions (MFls) are seeking to offer savings services - both in response to demands from their clients and also as part of their strategy to raise capital for onlending. This phenomenon has led to expressions of concern amongst central bankers, microfinance gurus and donor organisations. The result has been an attempt to regulate and supervise MFls within a traditional central bank-driven frameworkan approach that overlooks several key issues including:

- the inadequate capacity, capability and indeed (as often as not) interest of central bankers to supervise MFls;
- the remarkable diversity of institutional types, capacities and environmental settings of MFls;
- the relative risks faced by poor people having to save in the informal sector; and
- the possibility of alternative, less conventional, approaches towards protecting poor people's savings.

In the first section, this chapter seeks to define some of the terms associated with regulation and supervision before exami-ning the more conventional approaches to trying to regulate and supervise the micro finance industry. The paper then moves on to examine the options for regulation and supervision. The second section outlines the theoretical framework within which regulation and supervision have traditionally been conceptualised. The third section examines the short-comings of conventional approaches to regulation and supervision and looks at what happens when theory collides with practice. The fourth section looks at some of the alternatives that have been proposed by microfinance specialists thinking beyond the conventional approaches, and why these approaches are important for poor people all over the world. The paper concludes with a personal view on how different types ofMFIs might be supervised.

Yunus, M. "Credit for the Poor", No.32, July, Asian Breeze.

Zeller, M. *et. al.* "Group-based financial institutions for the rural poor in Bangladesh: An Institutional- and Household-Level Analysis*,*", International Food Policy Research Institute (IFPRI) - Research Reports, No.120.

Abstract: In the last two decades, nongovernmental organizations in Bangladesh have provided millions of poor rural people with savings and credit services at low cost. These services have reduced poverty and may have improved food security and nutrition and achieved positive social change as well. The relative success of these microfinance institutions merits an in-depth examination of their structure, conduct, and performance and the role they play in reducing poverty. This report analyzes the fit between the rural poor and three key NGOs that represent the variety of microfinance institutions in Bangladesh. The report evaluates the effects of microfinance credit programs on household resource allocation, income generation, food and non-food consumption, and the social attitudes and capacities of members. It suggests that microfinance institutions should be expanded, but with careful attention to cost and financial sustainability.
This report will be of interest to professionals involved in credit, food security, nutrition, food policy, rural development, and social change.

Zohir, S. *et. al.* 'Monitoring and Evaluation of Microfinance Institutions.' BIDS, Dhaka.

Zohir, S. 'Understanding the Nature of MFI participation: Evidence from Bangladesh', in "Monitoring and Evaluation of Microfinance Institutions", Final Report, Bangladesh Institute of Development Studies, Dhaka.

## 2000

Ahmed, S. "Creating Autonomous National and Sub-regional Microcredit Funds" , Paper discussed in open session at The Africa Region Microcredit Summit held in Harare, Zimbabwe in October.

**Abstract:** In order to fulfill the Microcredit Summit goal of reaching 100 million of the world's poorest families by the year 2005, several measures must be taken to ensure that more resources reach the poorest in cost-effective ways. The mechanism of channeling funds, especially government and donor funds, to microcredit institutions through autonomous apex funding organizations can prove to be efficient, quick and cost effective. Therefore there is a need to create such microcredit funds (MCFs) at the national and sub-regional level. MCFs can perform two major functions: financial intermediation and development of sustainable microcredit institutions. The institutional structure of such microcredit funds has to effectively resolve the legal/ownership issue, governance issue, management issue and autonomy of the MCF. The ownership structure should include a judicious mix of the state, civil society and private sector. In order to keep the fund free from political interference and bureaucratic tangles, the autonomy of the fund must be recognized by the government and all other stakeholders. It must be remembered that autonomy does not come as a 'gift from heaven;' it has to be derived from the political commitment of the government. This is a difficult, but not impossible task, as the case study of Palli Karma Sahayak Foundation (PKSF) in Bangladesh shows. A major advantage of autonomous microcredit funds is their ability to screen and monitor a large number of microcredit programs (MCPs) according to same standard criteria, compared to often inconsistent 'ad hoc' evaluations of individual MCPs by donor and government agencies. Funding sources of MCFs may include the government, donor agencies, international financial institutions, the central bank and commercial banks within a country. The 'necessary' condition of funding is that the government of a particular country should commit its own resources, thereby making a firm pledge to help the poor through an autonomous microcredit fund. The microcredit funds should have pragmatic standards and procedures for evaluating the partner organizations in such areas as: accounting and auditing, default management, management information systems, human resource development and sustainability. The case studies of PKSF in Bangladesh, Fondo de Capital Social (FONCAP) in Argentina and Local Initiatives Department (LID) in Bosnia- Herzegovina bring out the salient features of microcredit funds. Both the "process" and "output" aspects are briefly analyzed in the three case studies that are diverse in nature and in geographical setting. However, there are some common features present in the three case studies, namely: a commitment of the government and other stakeholders to microcredit operations, some degree of autonomy of the funds, quick and cost-effective implementation systems, good management and reporting systems and evaluation of partner organizations based on performance. No system is perfect, and the preconditions to set up a system may not be perfect, but one must make a bold decision to introduce an innovative practice like that of a microcredit fund which has already proved to be the best practice in some places on the globe. The attacks on autonomous funds have already been challenged by realities in the field. These apex funds are proving their enormous potential to help the forgotten poorest people on earth.

Ahmed, S. "Rural Development and Poverty Alleviation", Ahmed, M. (ed.), "Bangladesh in New Millennium", Community Development Library (CDL).

ASIAN DEVELOPMENT BANK. "The role of central banks in microfinance in Asia and the Pacific, volume 2: country studies" Manila: ADB.

Asian Development Bank. "Enhancing Institutional Capacity of Female-Headed Micro Finance NGOs, Credit and Development Forum", Paper, Asian Development Bank (ADB).

Abstract: This paper states that the small-scale and locally-based nature of female-headed NGOs, providing microfinance to women not served by the larger microfinance organisations, brings both opportunities and constraints: while enabling them to access very poor women in more isolated districts, their size and experience poses problems for their development as an organisation. It says that Credit and Development Forum (CDF) being aware of such constraints is committed to meeting the training and organisational development needs of its partner NGOs in order that they can qualify for Palli Karma Sahayak Foundation (PKSF) funding, needed for their expansion. Specifically, it presents CDF's (an umbrella NGO representing more than 900 microfinance NGOs [including 81 female-headed NGOs] in Bangladesh) programme targeted at female-headed NGOs to strengthen the leadership ability of CEOs, improve efficiency levels, and provide a model for capacity-building of female-headed NGOs. Explores the objectives of the programme and says CDF designed the project to strengthen the institutional capacity of female-headed microfinance NGOs so that they can expand their outreach, track their program performance, maintain accounts and related records, tap necessary resources, provide quality financial services to women clients and provide dynamic leadership.

BRAC. "BRAC's Poverty Eradication Programmes – Focusing on the Poorest 2001-2005", Dhaka.

Chandra Kar, D. "Credit for Self – Employment: Grameen Bank's Experience", Towards Better Enterprises : Business Development, Marketing and Microfinance Practices, November 6-17 , 2000, International Institute of Rural Reconstruction (IIRR) , Philippines.

Chandra Kar, D. "Empowerment of Women through Credit ; The Grameen Bank's Experience", Towards Better Enterprises : Business Development, Marketing and Microfinance Practices, November 6-17 , 2000, International Institute of Rural Reconstruction (IIRR) ,Philippines.

Chowdhury, A. M. R. and A. Bhuiya. "Do poverty alleviation programmes reduce inequalities in health? The Bangladesh experience", in Leon and Walt (eds.), 'Poverty, inequality and health' Oxford University Press.

Abstract: Poverty, Inequality and Health: An International Perspective raises new and critical issues about health inequalities. It is unique in that it provides the first truly international perspective on this problem, with contributions from the developed and developing world. The outcome of a Public Health Forum organised by the London School of Hygiene and Tropical Medicine, this book brings together material from internationally recognised contributors from a wide range of disciplines and countries. The chapters reflect this diversity, ranging from the micro- to the macro-level, from aetiology to intervention. Topics covered include: the over-arching concepts linking economic and social forces and health status the extent to which ethical concerns lie at the heart of the issue of inequalities in health and attempts to ameliorate them; macro-level features of inequalities in health within and between countries; an overview of the main body of work on inequalities in health in developed countries and those in transition within Europe; specific pathways and mechanisms at the individual level that link poverty and inequality to health status; the interaction of social and biological influences on health status throughout life; specific disease-specific links; and issues of policy and interventions aimed at reducing inequalities in health. The book brings together people from very varied disciplines to discuss an area of clear international interest and global importance. As such it will be of value to the broad public health audience as well as research epidemiologists, international policy analysts and policy makers and those concerned with economic development and health.

Chowdhury N.S. "Listening to the extreme poor: IGVGD participants speak on their success", Research and Evaluation Division, Paper, BRAC.

Cracknell, D. "Microfinance Regulation in Bangladesh: A Long Path to Progress", Small Enterprise Development, Vol. 11, No. 4, pp. 42-51(10), December.

Abstract: Few issues are as emotive in the Bangladesh microfinance industry as regulation. It is important, however, to identify the predominant rationale for action, which the author takes to be depositor protection. Confusion exists concerning the relationship between the issues of depositor protection, legal form, commercialization and professionalization on the one hand, and regulation on the other. This lack of clarity inhibits action. This article opens by presenting a background against which regulation appears increasingly necessary, but suggests that other mechanisms may be more appropriate for many MFIs. It presents various models for protecting depositors, but cautions that any regulatory framework must be assessed for practicality and the cost of supervision and enforcement. The article suggests that commercialization may be appropriate for some MFIs. It concludes that many of the steps taken towards creating a regulatory framework are in the interests of all stakeholders.

Ghate, P. "Linking Formal Finance with Micro and Informal Finance", The Bangladesh Development Studies, vol. XXVI Nos. 2 & 3, Special issue on Microfinance and Development: Emerging Issues, June-Sept.

Abstract: This paper first discusses the rationale for promoting linkages, or the flow of funds, between the formal financial sector on the one hand and Microfinance Institutions (MFIs) and informal lenders on the other. The next section discusses some issues that arise in promoting linkages with credit-NGOs, the most common form of MFI. both by banks, and by the Apex Financial Institutions (AFIs) that have been set up by governments to channel government and donor funds to MFIs. Section III discusses linkages in which the NGO instead of bearing credit risk and acting as a credit intermediary, plays the role of promoter of direct linkages between the banks and borrower groups. The last section 1s a case study of promoting linkages in India with pawnbrokers, one of several sources of informal credit for microenterprises.

Habibullah, M. and A. Hossain. "The Effect of Monitoring and Control System of Grameen Bank on Its Recovery Rate", Journal of Business Administration., Vol. 26, No.3 & 4, Institute of Business Administration , University of Dhaka ,Dhaka, July & October.

Habibullah, M. "Monitoring And Control System Of Grameen Bank Its Effect On The Recovery Rate", Grameen Trust ,PRPA Research Report , Dhaka, No. # 89.

Hasan, E. 'Overview of Existing Microinsurance Products within Bangladesh', Paper Presented in the International Discussion Forum on Microinsurance, Dhaka, February 29, 2000.

Hossain, K. "Growth and Dimension of the Microfinance Sector in Bangladesh", Paper, Initiative in Research and Education for Development in Asia – INASIA.

Hossain, M., B. Sen and H. Z. Rahman. "Growth and distribution of rural income in Bangladesh: analysis based on panel survey data", Economic and Political Weekly, December.

Kabeer, N. "The Power to Choose: Bangladeshi Women and Labour Market Decisions in London and Dhaka", Verso, London and New York.

Khalily, M. A. B., M. O. Imam and S. A. Khan. "Efficiency and Sustainability of Formal and Quasi-formal Microfinance Programmes: An Analysis of Grameen Bank and ASA", The Bangladesh Development Studies, vol. XXVI Nos. 2 & 3, Special issue on Microfinance and Development : Emerging Issues, June-Sept.

Abstract: The Bangladesh microcredit market comprises of formal and quasi-formal microfinance institutions. The present paper examines and evaluates efficiency and sustainability of two microfinance programmes-formal and quasi-formal. Grameen Bank is formal and ASA is quasi-formal in nature, status and programme. The Efficiency and Subsidy Intensity Index (ESII), as developed by the authors, was used to examine the sustainability and efficiency of the two programmes. The analysis shows that both Grameen Bank and ASA have been operating with high degree of cost and financial efficiency. ASA being a quasi-formal organization is more cost-effective and sustainable than Grameen Bank, a formal organization. This is attributed to low salary base and high lending interest rate. GB is relatively costly because of higher salary, based on national pay scale, and relatively low lending interest rate. If ASA had to operate with the average salary of Grameen, given the present level of operation, it would be very worse-off. This was evident from a simulation of increase in wage rate. In contrary, Grameen Bank would be much better-off at a low salary base of ASA. During the period 1993-97, the degree of ESII has declined for both GB and ASA. The positive subsidy intensity of ASA is contrary to the traditional belief that it is a self-sufficient organization with no subsidy dependency. Consequently, social costs are associated with these two programmes. Grameen Bank will be able to reduce social cost and improve sustainability by improving cost efficiency, increasing loan size and lending interest rate, and changing portfolio mix without incurring any operating cost. Grameen Bank is close to achieving sustainability after its fifteen years of experience. Similarly, ASA has attained higher degree of sustainability within seven years of its microcredit operation. This implies that it takes longer time for a formal organization like Grameen Bank to be sustainable than quasi-formal organizations like ASA. However, some proxy measures suggest positive net social gains of both the programmes. The findings have implications for developing microcredit market and designing regulatory framework for MFIs in Bangladesh.

Khandker, S. R. "Savings, Informal Borrowing and Microfinance", The Bangladesh Development Studies, vol. XXVI Nos. 2 & 3, Special issue on Microfinance and Development : Emerging Issues, June-Sept.

Abstract: Microfinance provides an alternative source of finance to the poor and women, who, if without access to formal banks, have access to a variety of informal lenders. As microfinance is relatively cheaper than informal finance, access to microfinance is expected to reduce household borrowing from informal sources. Microfinance is also expected to increase household savings by providing an alternative facility for savings mobilization from the poor. An econometric analysis of household survey data from Bangladesh shows that micro-borrowing has indeed reduced borrowing from informal sources, thereby demonstrating microfinance as an effective alternative source of finance to the poor. Micro-borrowing is also found to increase voluntary savings, thus assuring that an appropriate facility can raise household savings even in a poor country such as Bangladesh. Of course, impacts of microfinance vary by the gender of borrowers. The savings impact of micro-borrowing is more pronounced for women than for men. In contrast, the informal finance impact is more pronounced for men than for women.

Khondkar, M. and D. Hulme. "Micro-credit narratives and women's stories", IDPM Discussion Paper Series, Paper No. 62, pp. 1-20, Institute for Development Policy and Management, University of Manchester, UK.

Mahmud, S. "The Gender Dimensions of Programme Participation: Who Joins a Microcredit Programme and Why?", The Bangladesh Development Studies, vol. XXVI Nos. 2 & 3, Special issue on Microfinance and Development : Emerging Issues, June-Sept

**Abstract:** The overriding policy and research attention on the measurement of the impact of microcredit programme participation has meant that the process of participation has remained relatively unexplored. In fact, the ways in which households arrive at the decision to participate may bear importantly on programme effects since participation is essentially part of a household's livelihood strategy. Programme impact will depend not only on programme inputs, but also more importantly on how closely desired programme outputs are integrated into specific household and individual strategies. This paper examines the household participation decision on the premise that programme impact hinges crucially on who joins a microcredit programme and why. The paper finds that the household decision to join a programme is determined by the interplay of the households demand for microcredit, the opportunity costs of membership activities for individual family members and the nature of the intra-household gender relationship. Such a household strategy carries new and important implications for the interpretation of programme effects on both women's empowerment and poverty reduction.

Matin, I. "Rapid Credit Deepening and a Few Concerns: A Study of a Branch of Grameen Bank", The Bangladesh Development Studies, vol. XXVI Nos. 2 & 3, Special issue on Microfinance and Development: Emerging Issues, June-Sept.

**Abstract:** Effective outreach to the intended target group and good repayment performance are the two important pillars of the current rnicrofinance success. This paper has shown that both of these might be in danger due to rapid credit deepening. The contention is that the success of the simple lending technology (group contract, simple loan size vetting and other standardised practices) used by these Institutions might have now become too simplistic and suffers from a homogenised understanding of financial needs of their clients. This has created failures at two levels: one, the failure in maintaining an attractive enough service for the poorer segment and two, failing to manage the complexities of large volume of disbursement per borrower. 50th of these need to be addressed as the microfinance landscape prepares itself for the second wave.

Matin, I., S. Rutherford and M. Maniruzzaman. 'Exploring Client Preferences in Microfinance: Some Observations from SafeSave,' Focus Note No. 18, CGAP, Washington, D.C.

**Abstract:** *Safe*Save, a small MFI, provides unusually flexible savings and credit services to poor slum dwellers in Dakha, Bangladesh. Given financial services that take their needs into account, the poor will use these services in diverse ways-supporting the growing consensus in microfinance circles that MFI products and delivery systems need to be more responsive to demand.

Meyer, R. L., G. Nagarajan and E. G. Dunn. "Measuring Depth of Outreach: Tools for Microfinance", The Bangladesh Development Studies, vol. XXVI Nos. 2 & 3, Special issue on Microfinance and Development : Emerging Issues, June-Sept.

Meyer, R. and G. Nagarajan. "Rural Financial Markets in Asia: Policies, Paradigms, and Performance", Oxford University Press, New York.

**Abstract:** A vast majority of the population in rural Asia are micro-entrepreneurs: farmers, shopkeepers, food processors, traders, and small-scale manufacturers. Despite significant income growth in the last 30 years, many of them remain poor; about 670 million rural Asians still live in poverty and continue to rely, directly or indirectly, on agriculture for their livelihoods. Like other entrepreneurs, rural Asians, including farmers, require access to dependable and well designed financial services in order to better manage and expand their businesses. Without this access,

many poor entrepreneurs are simply unable to take advantage of new market opportunities that public investments and/or market reforms provide. But conditions conducive to the rapid development of modern financial institutions are generally lacking in rural areas. Farmers are dispersed over wide areas and information on creditworthiness or project-specific risks is costly to collect, making general risk assessment expensive. Poor households lack collateral-suitable assets, transactions are small and expensive to administer, and business risks, especially in agriculture, are highly covariant. Matters are further complicated in transition countries such as those in central Asia where private ownership of capital and market-based production and exchange were introduced only in the 1990s. No wonder, then, that private sector banks have not bothered to set up shop in rural areas, and in cases where they have been arm-twisted by governments to do so, they have done so at considerable financial loss. Given this situation, how should policy makers go about contemplating rural financial policies in the 21st century in Asia? This is the fundamental question that Meyer and Nagarajan attempt to answer. They do so by considering other important questions: How do agricultural markets interact with financial markets? What have recent country experiences been like, and what can we learn from them? How have policy paradigms emerged, played out, and changed? How have institutions responded, and what lessons do they provide for the future? While there has been no dearth of writings on the topic of rural finance in the last 20 years or so, this book is clearly unique in attempting an all-Asia generalisation. The book itself is the third in a five-volume *A Study of Rural Asia* series commissioned by the Asian Development Bank, and draws largely on materials gathered from six country studies conducted specifically for the purpose. Its 12 chapters are divided into two main parts. The five chapters in Part A lay out study objectives, a conceptual framework, and the principal findings from an analytical synthesis of the six country studies, concluding with the chapter Developing Rural Financial Markets Asia: What Should be Done?". Readers interested in obtaining an overall assessment, but who prefer not to get into country-level details, can easily stop reading here: the main arguments have been presented, useful evidence has been summarised, and final conclusions have been drawn. Part B of the book, rather like an annex, presents the country case studies themselves. These studies are rich in detail and will be useful to many readers, especially those seeking information on the selected countries. The countries chosen are: Bangladesh and India in South Asia ("poor, densely populated" countries where "the state has intervened heavily in the their financial sectors"); Kyrgyz Republic and China (Central Asian countries 'in transition'), and Indonesia and Thailand (rapid growth economies recently hit by a financial and economic crisis, but "known worldwide for having developed rural financial institutions that today serve millions of clients with a minimum of subsidies"). Three 'flagship' organizations are singled out as worthy to learn from: Bank for Agriculture and Agricultural Cooperatives (Thailand), Bank Rayat Indonesia (Indonesia), and Grameen Bank (Bangladesh). The book, however, does not address clients' perspectives anywhere. The authors suggest that, historically, policy intervention in the Asian rural financial sector was rooted in agricultural finance, responding to the general assessment in the 1960s and the 1970s that credit frequently subsidised credit was necessary to enable small farmers to adopt risky new crop technologies and also to push them over to commercial (as opposed to subsistence) agriculture. Most now agree that this type of 'directed' and 'subsidised' credit administered through government owned-commercial banks failed miserably, and the authors provide an interesting discussion on whether or not these institutions should now be closed or rehabilitated. However, richer lessons might have been drawn had the authors been able to disentangle the confounding effects of targeting, subsidisation, perverse incentives within government bureaucracies, and the on-the-ground realities of poor small farmers. Rural finance enthusiasts will have no problem embracing, as the authors do, a zero-tolerance position on poor repayment performance, administrative laxity, substandard or opaque accounting practices, and the iniquitous political capture of programs and institutions. But an indiscriminate lumping of these issues with those related to targeting and/or the use of public resources is another matter. Directing financial services to small farmers when market failures are known to abound is not itself an intrinsically bad idea. Throwing this otherwise healthy baby of an idea away with the dirty bath waters of organisational weakness and political corruption has the effect of undermining some of the important conclusions reached in the book. The authors would have done better had they instead investigated and highlighted the main threads linking these problems. The subsidy issue is also somewhat summarily tossed out, leaving the reader with the impression that it naturally and invariably contributes to a lack of discipline on the part of both providers and borrowers. Many will find this assessment not all that helpful in dealing with an industry that would literally vanish if not for public funding. For the authors, though, this is key advice, one that leads to the fundamental conclusion of the book: sustainable rural financial systems have to be market-based, and market reform and strengthening rather than any kind of social engineering is the best way forward.

Hammering and re-hammering this central message is what the book does best. At the core of the authors' recommendation is a three-pronged strategy for building rural financial markets: (1) creation of a conducive policy environment (ensure sound macroeconomic management and un-repress the financial sector), (2) build financial infrastructure (build and implement legal, regulatory and information systems that make financial transactions less risky for both providers and users), and (3) nurture financial institutions that combine good client outreach with financially sustainable services. All this is genuinely sound advice: competitive and market-based financial institutions are highly unlikely to emerge under any other policy regime. But what is the timeline of such development and what are its practical implications? Why have non-profit institutions taken a more immediate and, by all standards, a totally overwhelming role? What makes them do what they do? Is there a case, in the intermediate stage, to balance market-reform and market-strengthening policies with institutional initiatives that skirt around stubborn market failures? If yes, how? If not, why not? What lessons do the generally buoyant informal financial markets in rural Asia offer in all this? Readers, particularly those working with institutions like the Asian Development Bank, would have benefited significantly more had the book delved deeper into such issues. The book is nonetheless an essential read for those interested in the current state of the Asian rural financial sector, doubly so if you happen to be interested in what is going on in Bangladesh, China, India, Indonesia, the Kyrgyz Republic, or Thailand. Abstract by: Manohar Sharma

Morduch, J. "The Microfinance Schism", World Development, Volume 28, Number 4, pp. 617-629(13), April.

Pitt, M. M. "The Effect of Non-agricultural Self-employment Credit on Contractual Relations and Employment in Agriculture: The Case of Microcredit Programmes in Bangladesh", The Bangladesh Development Studies, vol. XXVI Nos. 2 & 3, Special issue on Microfinance and Development : Emerging Issues, June-Sept.

Abstract: This paper examines the effect of group-based credit for the poor in Bangladesh, by gender of participant, on participating household's mix of agricultural contracts (quantities of land sharecropped and rented), and the supply of agricultural labour which takes the form of own-cultivation as opposed to agricultural wage labour. The group-based microcredit programmes examined provide production credit for non-agricultural activities to essentially landless and assetless rural households. Landless cultivators are more likely to have their contractual choices shaped by credit market constraints than others. On a priori grounds it is important to distinguish credit effects by gender of participant. Male programme credit, if properly monitored, should induce men to substitute away from supplying agricultural labour and contracting for agricultural land to supplying the non-agricultural labour required by the non-agricultural self-employment activity financed by the microcredit programme. Programme participation by women, who are otherwise much less involved in income-generating activities, diversifies the sources of household income not merely by the type of activity undertaken but also across individuals within the household. These outcomes that permit households to choose higher return but riskier agricultural contracts.
Econometric analysis of a 1991/92 household survey provides strong evidence that participation in these group-based microcredit programmes substantially alters the mix of agricultural contracts chosen by participating households. In particular, both female and male participation induces a significant increase in own-cultivation through sharecropping, coupled with a complementary increase in male hours in field crop self-employment and a reduction in male hours in the wage agricultural labour market, consistent with its presumed effects in diversifying income and smoothing consumption. Female credit effects are larger than male credit effects in increasing sharecropping and in reducing male wage labour and increasing agricultural self-employment, as predicted.

Rahman A. and A. Razzaque. "On Reaching the Hard Core Poor: Some Evidence on Social Exclusion in NGO Programs", The Bangladesh Development Studies, XXVI (1), pp.1-35.

Abstract: Recently there has been a growing concern that the poorest of the poor are not reached by the NGO interventions. This recognition has led to a number of studies that have discussed the issue of participation in NGO programmes. However, although some NGOs have several social programmes side-by-side their micro-credit interventions, all the studies, so far, have only considered the issue of non-participation of the poorest households in credit programmes. As a result, from the existing literature it is not possible to know the nature of participation in the social programmes, let alone the question of less representation by a particular group within the target population. The present paper, probably for the first time, studies the extent of participation of the extreme poor in the social programmes of the NGOs based on some primary data gathered from field survey. It is found that the social programmes of the NGOs are also less participated by the extreme poor households like its counterpart credit components. An attempt has been made here to present some empirical evidence of the extent of this exclusion and to understand the internal dynamics of participation in such programmes.

Rahman, S. "Microfinance Status in Bangladesh and the Forthcoming Challenges", Case Study, Initiative in Research and Education for Development in Asia – INASIA.

Rai, A. S. and T. Sjostrom. "Is Grameen Lending Efficient?" CID Working Paper no. 40.

Abstract: Many believe that a key innovation by the Grameen Bank is to encourage its borrowers to help each other in hard times. To analyze this we study a novel mechanism design problem where borrowers share information about each other, but their limited side contracting ability prevents them from writing complete insurance contracts. We derive a lending mechanism which efficiently induces mutual insurance. It is necessary for borrowers to submit reports about each other to achieve efficiency. Such cross reporting increases the bargaining power of unsuccessful borrowers, and is robust to collusion against the bank.

Rutherford, S. "The Poor and Their Money", Oxford University Press, New Delhi.

Sharma. M. P. and M. Zeller. "Considerations in the placement and outreach of microfinance organizations", No 4, MP05 briefs from International Food Policy Research Institute (IFPRI).

Wood, G. "Prisoners and escapees: improving the institutional responsibility square in Bangladesh", Public Administration Dev, 20(3):221-37.

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Wright, G. A. N.. "Microfinance Systems: Designing Quality Financial Services for the Poor", University Press Ltd, Dhaka and Zed Books, London and New York.

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Yunus, M. "How Donor Funds Could Better Reach and Support Grassroots, Microcredit Programmes: Working Towards the Microcredit Summit's Goal and

Core Themes", The Bangladesh Development Studies, vol. XXVI Nos. 3 & 2, Special issue on Microfinance and Development : Emerging Issues, June-Sept.

**Abstract:** In order to fulfill the Microcredit Summit's goal of reaching 100 million families with microcredit by the year 2005, we must ensure not only that more resources are dedicated to promoting microcredit, but also that resources are provided to institutions in cost-effective ways.

Donor agencies generally provide funds as grants or low-interest loans to microcredit programmes, often with government involved as a guarantor. The administrative cost of providing these funds is often unacceptably high, and the amount that actually reaches the poor as loans is likely to be quite low. Donors should increase the percentage of microcredit funds that reach the poorest to 70%.

Several limitations exist in current methods of fund distribution by donor agencies. One significant limitation is an over-reliance on consultants, many of whom do not have the skills necessary to successfully advise and assist microcredit donors and practitioners. In order to strengthen their capacity to reach the poorest, donor agencies should declare a target percentage of funds going to the microfinance sector which will be committed as loans to the poorest, and then require each local office to produce annual reports on its contribution to achieving the country goal. A clear policy should be established to CGAP members and to local Microcredit Capital Programmes (MCPs), Microcredit Funds (MCFs) and NGOs. Moreover, agencies should create a country-level CGAP mechanism and hold at least one meeting each year to review progress and discuss upcoming plans.

The Microcredit Summit estimated that US$11.6 billion would be needed as grants and soft loans to reach 100 million families. This additional US$11.6 billion could be mobilized if the percentage of Official Development Assistance (ODA) going to microcredit for the poorest is raised to 5%. Initiatives must be taken to build non-governmental, sustainable, wholesaler MCFs at the local level and channel donor funds to these institutions in order to initiate and support MCPs.

## 1999

Amin, S., G. Topa. and A. Rai. "Does Microcredit Reach the Poor and Vulnerable? Evidence from Northern Bangladesh", CID Working Paper no. 28, Revised December 2001

Abstract: Subsidized loans have a history of being diverted to the rich. Yet recently microcredit programs, such as the Grameen Bank in Bangladesh, have become popular among donors and governments as a way to channel funds to the poor. This paper uses a unique panel dataset from two Bangladeshi villages to test if the modern microcredit movement is different from its predecessors. Poverty is measured by levels of consumption. Vulnerability is measured as fluctuations in consumption associated with inefficient risk sharing. We find that subsidized credit is largely successful at reaching the poor and vulnerable. The probability that a microcredit member is below the poverty line is substantially higher than that of a randomly picked household in both villages. In the village where female headed households were found to be vulnerable, nearly half of the female headed households belonged to microcredit programs yet only a quarter of male headed households were microcredit members. While restricting loans to the landless is not effective in reaching the poor and vulnerable, targeting female headed households is.

Bissell, S. "Concepts and Constructs of Childhood in South Asia: A Perspective from Bangladesh", proceedings from a conference on 'Needs Versus Rights: Social Policy from a Child-Centred perspective', New Delhi.

Cookson, F. "Credit Information in the Bangladesh Financial System Job Opportunities and Business Support (JOBS) program and Institutional Reform and the Informal Sector (IRIS)", University of Maryland at College Park; March.

Healey, K. "ASA Innovations", ASA, Dhaka.

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Hossain, Z. "Micro-Credit For Crisis Coping : The Grameen Bank Experience in The 1998 Floods", Grameen Trust, PRPA Research Report : Dhaka, No. # 154.

IMEC "Proshika's Impact Assessment Study 1998-99". Proshika, Dhaka.

Khan, M. R. "Microfinance, wage employment and housework: a gender analysis", Development in Practice, Volume 9, Number 4, pp. 424-436(13), August.

Abstract: Microfinance programmes are increasingly popular in Bangladesh, and are especially renowned for the excellent repayment performance of women borrowers. This article examines the loan-use pattern of women involved in wage employment and the benefits they gain from such loans. It also explores the effects of wage employment on gender relations. Women wage-earners are found to value paid work more than they value credit. It is thus argued that more employment opportunities should be created for women as these would help to promote economic and social empowerment.

Khan, M. R., *et. al.* "Domestic Violence Against Women: Does Development Intervention Matter?", BRAC-ICDDR,B Joint Research Project, Dhaka.

McGuire, P. B. "Policy and regulation for sustainable microfinance: country experiences in Asia", Journal of International Development, vol. 11, issue 5, pp. 717-729, July/August.

Abstract: This article considers the policy and regulatory environment for microfinance in Asia. It identifies eleven criteria for 'good practice' in policy and regulation, covering the policies of governments and donor agencies to support microfinance; the regulation of non-bank microfinance institutions; and the regulation of banks. It then grades the performance of nine countries in Asia. It concludes that there is scope for improvement in all nine countries. Overall, Philippines and Bangladesh have the policy and regulatory environments that are most conducive to sustainable microfinance, while Pakistan has the one that is least conducive. However, different countries have strengths in different areas, and no country is strong in all areas.

Morduch, J. "The role of subsidies in microfinance: evidence from the Grameen Bank", Journal of Development Economics, vol. 60, issue 1 , pp. 229-248, October.

Abstract: The Grameen Bank of Bangladesh has been in the vanguard of the microfinance movement, showing the potential to alleviate poverty by providing credit to poor households. Part of this success has been built on subsidies. In 1996, for example, total subsidies evaluated at the economic opportunity cost of capital amounted to about US$26–30 million. The evidence helps to explain why institutions like Grameen have not just sprung up on their own as private commercial ventures, and it underscores the value of openly addressing the costs and benefits of subsidization. The paper also describes recent difficulties in maintaining high repayment rates

Morduch, J. 'The Grameen Bank: A Financial Reckoning', manuscript. Princeton University.

Nanda, P. 'Women's Participation in Rural Credit Programmes in Bangladesh and Their Demand for Formal Health Care: Is There a Positive Impact?', Health Economics, 8: 415-28.

Pitt, M.M., S.R. Khandker, S.M. McKernan, and M.A. Latif. 'Credit Programs for the Poor and Reproductive Behavior in Low-Income Countries: Are the Reported Causal Relationships the Result of Heterogeneity Bias?' Demography, 36(1): 1-21.

Pitt, Mark M. "Reply to Jonathan Morduch's 'Does Microfinance Really Help the Poor? New Evidence from Flagship Programs in Bangladesh,'" October 14, 1999, http://www.pstc.brown.edu/~mp/reply.pdf.

Rahman, A., "Women and microcredit in rural Bangladesh: An anthropological study of Grameen Bank lending", Boulder, CO, USA: Westview Press.

Abstract: The Grameen Bank of Bangladesh has been extending small loans to poor borrowers, primarily women to promote self-employment and income generation since 1976. The apparent success of the Grameen Bank (that is, recruitment of clients, investment of loans, recovery rates on invested loans and profit margins) has made microcredit a new model for poverty alleviation and sustainable development. Anthropological research results on Grameen Bank lending to women presented in this book, however, illuminated the link between the success of the Bank and debt-cycling of borrowers. The priority of earning profits to insure institutional economic viability caused Bank employees at the grassroots level to emphasize increasing the number of loans disbursed and loan recovery. By using the joint liability model of lending, the bank workers and borrowing peers impose intense pressure on clients for timely repayment. Many borrowers maintain their regular repayment schedules, but do so through a process of loan recycling (that is, pay off previous loans with new ones) that considerably increases borrower debt liability. The debt

burdens on individual households in turn increase tension and anxiety among household members and produce unintended consequences for many clients.
The book examines women borrowers' involvement with the microcredit program of the Grameen Bank, and the grassroots lending structure of the bank; it illustrates the implications of Grameen lending for the borrowers, their household members and bank workers. The focus of the study is on the processes of village- level microcredit operation; it addresses the realities of the day-to-day lives of women borrowers and bank workers and explains informant strategies for involving themselves in this microcredit scheme. The study is on the power dynamics of everyday lives of informants as they affect women borrowers relationships within the household and the loan centers, and bank worker relationships within the loan center and the bank.

Rahman, A. "Micro-credit Initiatives for Equitable and Sustainable Development: Who Pays?", World Development 27(1): 67-82.

**Abstract:** There is a growing acknowledgement that micro-credit programs have potential for equitable and sustainable development. However, my anthropological research on the micro-credit program of the Grameen Bank shows that bank workers are expected to increase disbursement of loans among their members and press for high recovery rates to earn profit necessary for economic viability of the institution. To ensure timely repayment in the loan centers bank workers and borrowing peers inflict an intense pressure on women clients. In the study community many borrowers maintain their regular payment schedules through a process of loan recycling that considerably increases the debt-liability on the individual households, increases tension and frustration among household members, produces new forms of dominance over women and increases violence in society.

Sharma, M. and M. Zeller. "Placement and Outreach of Group-Based Credit Organizations: The Cases of ASA, BRAC, and PROSHIKA in Bangladesh", IFPRI and World Development, Volume 27, Issue 12, Pages 2123-2136, December.

**Abstract:** The implicit but widespread assumption regarding nongovernmental financial institutions in Bangladesh has been that they are indeed placed in special poverty-stricken areas. Is this assumption valid? If not, what factors affect programs placement across communities? Using *thana*-level data to analyze the geographic placement of three credit programs in Bangladesh, this paper provides evidence that branches tend to be located in poor pockets of relatively well-developed areas than in remoter, less developed regions. Client density of established branches does not exhibit such a feature and actually tends to be better in less advantageous locations.

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Yunus, M. "How Donor Funds Could Better Reach and Support Grassroots Microcredit Programs Working Towards the Microcredit Summit's Goal and Core Themes", Paper prepared for the Microcredit Summit Meeting of Councils in Abidjan, Co^te d'Ivoire, 24-26 June 1999.

Yunus, M. "How Donor Funds Could Better Reach and Support Grassroots Microcredit Institutions Working Towards the Microcredit Summit's Goal and Core Themes", 1999 Meeting of Councils Plenary Papers.

**Abstract:** In order to fulfill the Microcredit Summit's goal of reaching 100 million of the world's poorest families with microcredit by the year 2005, we must ensure not only that more resources are dedicated to promoting microcredit but also that resources are provided to the institutions in cost-effective ways.

Donor agencies generally provide funds as grants or low-interest loans to microcredit programs, often with government involved as a guarantor. The administrative cost of providing these funds is often unacceptably high, and the amount that reaches the poor as loans is probably quite low. Donors should increase the percentage of funds used for microcredit that reaches the poorest to 70%.

Several limitations exist in current methods of fund distribution by donor agencies. One significant limitation is an over-reliance on consultants, many of whom do not have the skills necessary to successfully advise and assist microcredit donors and practitioners. In order to strengthen their capacity to reach the poorest, donor agencies should declare what percentage of funds going to the microfinance sector will be committed to loans to the poorest and require each local office to produce annual reports on its contribution to achieving its country goal. A clear policy should be established to ensure that funds go to the poorest. This information should be circulated to CGAP members and to local microcredit/capital programs (MCPs), microcredit funds (MCFs) and NGOs. Moreover, agencies should create a country-level CGAP mechanism and hold at least one meeting each year to review progress and discuss upcoming plans.

The Microcredit Summit estimated that US$11.6 billion would be needed as grants and soft loans to reach 100 million families. This additional US$11.6 billion could be mobilized by raising the percentage of ODA going to microcredit for the poorest from what is now up to 5%. Initiatives must be taken to build non-governmental, sustainable, wholesaler MCFs at the local level and channel donor funds to these institutions to initiate and support MCPs.

Two examples of effective wholesaler MCFs are PKSF (Palli Karma-Sahayak Foundation), a national-level wholesaler of funds to MCPs in Bangladesh, and Grameen Trust, a funding and technical support provider to MCPs in Asia, Africa, Europe, and the Americas. PKSF and Grameen Trust demonstrate the capacity of in-country wholesaler MCFs to successfully and cost-effectively support microcredit programs.

CGAP has a critical role to play as a catalyst in making the changes that I have outlined in this paper. With its stated commitment to reaching the poorest, and as an agency of which all leading donors are constituted, CGAP is uniquely positioned to assist in making these changes.

## Zaman, H. "Assessing the impact of micro-credit on poverty and vulnerability in Bangladesh", by The World Bank Policy Research Working Paper Series, no. 2145, July.

**Abstract:** The author examines the extent to which micro-credit reduces poverty and vulnerability through a case study of BRAC, one of the largest providers of micro-credit to the poor in Bangladesh. Household consumption data collected from 1,072 households is used to show that the largest effect on poverty arises when a moderate-poor BRAC loanee borrows more than 10,000 taka (U$S 200) in cumulative loans. Different control groups and estimation techniques are used to illustrate this point. The author discusses several ways by which membership in micro-credit programs reduces vulnerability - by smoothing consumption, building assets, providing emergency assistance during natural disasters, and contributing to female empowerment. The reduction in female vulnerability in a patriarchal society is illustrated using 16 female empowerment indicators developed from data on 1,568 women. The results suggest that micro-credit's greatest impact is on the set of indicators relating to female control over assets and knowledge of social issues. The author also argues that micro-credit's impact on poverty and vulnerability can be strengthened if credit is provided jointly with other financial (savings and insurance) and non-financial (legal education, food relief) interventions.

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Amin, R. and S. Becker. *et al*. "NGO-Promoted Microcredit Programs and Women's Empowerment in Rural Bangladesh: Quantitative and Qualitative Evidence." Journal of Development Areas (Winter), pp. 221-236.

Association of Social Advancement. "Demand and growth of voluntary savings: (a case of ASA)", ASA, Dhaka.

Blanchet, T. "Rural Women, Savings and Credit: An Anthropological View", Dhaka, 1986.

Chowdhury, O. H., S. R. Khandker, D. L. Millimet and M. M. Pitt.. "Credit Programs for the Poor and the Nutritional Status of Children in Rural Bangladesh", Brown University, Department of Economics-Working Papers, no. 98-4.

Chen, G. "Three innovative institutions in Bangladesh: BRAC, ASA and Buro-Tangail", CGAP, Newsletter No. 5, January.

Dowla, A. "Micro Leasing: The Grameen Bank Experience", PRPA Working Paper # 21, PRPA-Grameen Trust, Dhaka.

Dowla, A.U. 'Micro Leasing: The Grameen Bank Experience', manuscript. St. Mary's College of Maryland.

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Helms, B. "Cost Allocation For Multi-service Micro-finance Institutions", CGAP Occasional Paper No. 2, April.

Abstract: Using examples from the field and an actual MFI (BRAC), the paper explores alternative answers to a series of questions that MFI managers should ask themselves regarding the allocation of costs and assets among cost centers and the impact of cost allocation on the financial statements of multi-service MFIs.

Hossain, I. 'An Experiment in Sustainable Human Development: The Grameen Bank of Bangladesh.' Journal of Third World Studies, 15(1):39-53.

Husain AMM, (ed.) "Poverty alleviation and empowerment: the second impact assessment study of BRAC's rural development programme", Research and Evaluation Division, Bangladesh Rural Advancement Committee, Dhaka.

Abstract: BRAC has been working since early 1990's to evolve an impact assessment system (IAS) for its rural development programme (RDP). The first impact assessment study was conducted in 1993-94. Assessing the impact of RDP is necessary not only to measure the success of the programme in raising the socio-economic status of the participants but also to identify the shortcomings of the programme and to assess its sustainability. The broad objectives of IAS-II are to measure the material and social well-being of RDP participants with an added focus on the poverty reduction impact of the programme by measuring poverty and its correlates. Other objectives include measurement of seasonal economic vulnerability and coping capacity of participants and analyses of women's empowerment, panel data, membership performance and coverage of the programme. The study design uses three study approaches viz., the household survey, the qualitative and case studies and the village profile. The household survey covered social and economic aspects of well-being while the qualitative studies mainly covered empowerment, member performance and RDP coverage of the rural poor.

HUSAIN, S. *et. al.* Poverty alleviation in Bangladesh: coverage and nature of Government and NGO programmes.

Ito, S. 'The Grameen Bank and Peer Monitoring: A Sociological Perspective', 175-90, in Matin I. and S. Sinha (eds.), Proceedings of a Workshop on Recent Research on Micro-Finance: Implications for Policy, Poverty Research Unit at Sussex (PRUS) Working Papers No. 3, Sussex

Jain, P.S. "Managing Fast Expansion of Micro-credit Program: The Lessons from ASA", Association for Social Advancement (ASA).

Kabeer, N. 'Money Can't Buy Me Love? Re-evaluating Gender, Credit and Empowerment in Rural Bangladesh', IDS Discussion Paper 363.

Abstract: Lending programmes for women have attracted a growing following in international development circles because they appear to hold out the promise of combining poverty reduction objectives with the goal of empowering women. In Bangladesh, however, the country in which many of these programmes were pioneered, there have been a recent spate of highly contradictory evaluations of the impact of credit on women's lives in rural Bangladesh, very often of the same or broadly similar programmes. While some of these evaluations reiterate the finding that loans to women help them to improve their position within their households as well as in the broader community, others claim that women not only have not benefitted, but they may have also been left worse off. This paper tracks down possible reasons for these very differing conclusions. It finds that they relate only partly to conflicting empirical findings. More significant sources of conflict relate to differences in the methodologies used, in the questions asked and, above all, in the models of power which underpin the various evaluations. What appears to be common to all the evaluations, both positive and negative, is that they utilise an externally derived notion of empowerment rather than one which draws on the analysis of of the women loanees themselves and their own evaluations of what access to loans has meant. Consequently, the second half of the paper reports on an evaluation of the Small Enterprise Development Project in rural Bangladesh conducted by the author in early 1997 in which the impact of credit on the lives of loanees was assessed from the standpoint of mainly female, but also some male, loanees themselves. A comparison of the 'outsider' and 'insider' perspectives on the impact of credit thrown up by these different evaluations is used in the concluding section of the paper to make some general points about the conceptualisation,evaluation and promotion of women's empowerment in the context of credit programmes.

Khandker, S.R., H.A. Samad, and Z. Khan. 'Income and Employment Effects of Micro-credit Programmes: Village-Level Evidence from Bangladesh', Journal of Development Studies, 35(2): 96-124.

Khandker, S. R. "Fighting Poverty with Microcredit: Experience in Bangladesh", The University Press Limited, Dhaka.

Abstract: Providing microcredit to the poor has become an important antipoverty scheme in many countries. Microcredit helps the poor become self-employed and thus generates income and reduces poverty. In Bangladesh, these programs reach about 5 million poor households. This books attempts to find out whether these programs cost-effective, drawing on the experiences of the well-known microcredit programs of Bangladesh's Grameen Bank, the Rural Development-12 projects, and the Bangladesh Rural Advancement Committee. It examines the cost-effectiveness of microcredit programs vis-?vis other antipoverty programs, such as Food-for-Work. Moreover, the book uses extensive household survey data to address how the gender of participants affects the impact of microcredit programs.

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Larance, L.Y. 'Building Social Capital From the Center: A Village-Level Investigation of Bangladesh's Grameen Bank', Center for Social Development Working Paper 98-4. Washington University in St. Louis.

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Matin I. "Rapid credit deepening and the joint liability credit contract: a study of Grameen Bank borrowers in Madhupur", (Dissertation)

Matin, I. 'Mis-targeting by the Grameen Bank: A Possible Explanation', IDS Bulletin, 29(4): 51-8.

Mayoux, L. "Women's Empowerment and Micro Finance Programmes: Approaches, Evidence and Ways Forward", Discussion Paper, The Open University, Milton Keynes.

McGuire, Paul B. 1998. "Second-tier microfinance institutions in Asia", Small Enterprise Development, Volume 9, Number 2, pp. 17-28(12), June.

Abstract: In recent years, a number of countries in Asia have established 'second-tier' or 'wholesale' microfinance institutions to channel funds from the government and/or donor agencies to individual 'retail' microfinance institutions (MFIs) at concessional interest rates. The largest of these is the Palli Karma Sahayak Foundation (PKSF) in Bangladesh, but second-tier institutions are also major players in India, Sri Lanka, the Philippines and Thailand. This article reviews the experience of second-tier microfinance institutions in a number of countries in Asia. It finds that such institutions can be a very effective means for governments and donor agencies to channel support to MFIs. It is more efficient for one institution to monitor and evaluate MFIs than for different governments and donor agencies to conduct their own analyses. Perhaps most importantly, second-tier institutions can also contribute significantly to a more efficient microfinance sector by setting and enforcing appropriate performance and reporting standards.

Morduch, J. “Does Microfinance Really Help The Poor? New Evidence from Flagship Programs in Bangladesh”, Unpublished manuscript. Cambridge: Department of Economics and HIID, Harvard University

Abstract: The microfinance movement has built on innovations in financial intermediation that reduce the costs and risks of lending to poor households. Replications of the movement’s flagship, the Grameen Bank of Bangladesh, have now spread around the world. While programs aim to bring social and economic benefits to clients, few attempts have been made to quantify benefits rigorously. This paper draws on a new cross-sectional survey of nearly 1800 households, some of which are served by the Grameen Bank and two similar programs, and some of which have no access to programs. Households that are eligible to borrow and have access to the programs do not have notably higher consumption levels than control households, and, for the most part, their children are no more likely to be in school. Men also tend to work harder, and women less. More favorably, relative to controls, households eligible for programs have substantially (and significantly) lower variation in consumption and labor supply across seasons. The most important potential impacts are thus associated with the reduction of vulnerability, not of poverty *per se.* The consumption-smoothing appears to be driven largely by income-smoothing, not by borrowing and lending.
The evaluation holds lessons for studies of other programs in low-income countries. While it is common to use fixed effects estimators to control for unobservable variables correlated with the placement of programs, using fixed effects estimators can exacerbate biases when, as here, programs target their programs to specific populations within larger communities.

NABI, A. and J. AHMED. “Microfinance in a holistic approach: experiences from BRAC's rural development programme”. International workshop on Poverty and Finance in Bangladesh: Emerging Institutional Issues in Microfinance; July 8,9 and 11, 1998.

Nagarajan, G. and C. Gonzalez-Vega. “Evaluation of Apex Institutions: The Case of PKSF in Bangladesh and FWWB in India”, Columbus: The Ohio State University, Paper presented for CGAP, August.

Pitt, M. M. and S. R. Khandker. “The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?”, Journal of Political Economy, Vol. 106, No. 5, pp. 958-996, October.

Pitt, M. and S. R. Khandker. “Credit Programs for the Poor and Seasonality in Rural Bangladesh,” Brown University and World Bank, draft, January.

Rahman, R.I. “Hardcore Poor and NGO Intervention”, mimeo, Bangladesh Institute of Development Studies, May.

Rutherford, S. "The Savings of the Poor: Improving Financial Services in Bangladesh", Journal of International Development, London.

Sinha, S. and I. Matin. Informal credit transactions of micro-credit borrowers in rural Banglades, IDS Bulletin, 29.

Abstract: Based on detailed study of informal credit transactions in a village in Northern Bangladesh. Empirical research establishes that: a) even with increased outreach, MFI credit is unable to substitute for the informal sector; b) informal lenders are preferred for their local and timely access, speedy disbursement and flexible repayment; c) MFI-member households borrow as much from informal sources as non- members of comparable groups; d) target-group households resort to extensive cross-financing of their loans, using both informal loans and MFI loans for their current consumption needs and debt-servicing; e) initiation of a virtuous cycle depends on the household's human and physical resources, the MFI lending technology, economic opportunities within and around the village and the macro-economic policy environment.

Schuler, S. R., S. M. Hashemi. *et al.* "Men's violence against women in rural Bangladesh: undermined or exacerbated by microcredit programmes." Development in Practice 8(2): 148-157.

Yunus, M. "Development Challenges: Grameen Bank Experience", Synopsis of the Speech delivered at the Annual Meeting of the Asian Development Bank at Geneva on April 27, 1998.

Yunus, M. 'Poverty Alleviation: Is Economics Any Help? Lessons from the Grameen Bank Experience', Journal of International Affairs, 52(1): 47-65.

Zaman H. "Who benefits and to what extent? an evaluation of BRAC's microcredit programme", Unpublished D.Phil. thesis, University of Sussex, UK.

Zaman, H. 'Poverty and BRAC's Microcredit Programme: Exploring Some Linkages', BRAC-ICDDR,B Joint Research Project, Working Paper 18, Dhaka.

Zeller, M. "Determinants of Repayment performance in Credit Groups: The Role of Program Design, Intragroup Risk Pooling, and Social Cohesion", FCND discussion papers with number 13, International Food Policy Research Institute (IFPRI)

Abstract: Group lending has received much attention in recent years because of its perceived potential in providing financial services to poor households that lack traditional collateral. The analysis in this paper focuses on the effects of program design, community and group characteristics on the repayment performance of groups, using a data set on groups from six different lending programs in Madagascar. The results show that socially cohesive groups pool risks by diversifying the members' asset portfolio so that their repayment performance is improved even in communities with high-risk exposure.

Zeller, M. "Determinants of Repayment performance in Credit Groups: The Role of Program Design, Intragroup Risk Pooling, and Social Cohesion", Economic Development and Cultural Change, Voi. 46, No. 3, April.

# 1997

Ackerly, B. "What's in a design? The effects of NGO programme delivery choices on women's empowerment in Bangladesh". pp.140-160 In Goetz, A. M. (ed.) "Getting Institutions Right for Women in Development", London: Zed Books.

Abstract: Bangladeshi oredit programmes work in an environment of social, political and economic values, practices, norms and_laws that are biased such that they are harmful to women. Credit organizations loaning money to women have in some respect sought to change the circumstances of women through their programmes. Where 'empowerment of women' is the primary go}l, credit programmes have devised creative programme design features that work within, while at the same time working-.'to change, those aspects of the Bangladeshi institutional context that are harmful to women.2 However, as I will demonstrate, other goals can compete with empowerment of women for priority consideration in formal programme design and informal programme operations. Competing goals create incentives for workers, borrowers, and borrowers' families to act in ways that potentially undermine women's empowerment. Based on a study of f:?ur credit organizations, I demonstrate ways in which credit programmes affect their borrowers through their programme design.

In recent years, issuing credit to women has developed wide acceptance as a means of economic development targeting the poor. ,Empowerment of women is La frequently articulated goal of these development strategies. Although there is no agreed definition, empowerment is an active concept in both development and academic work because it approximately articulates a change development professionals hope to encourage and researchers look to document. 'Empowered', the borrower wisely invests -money in a successful enterprise, her husband stops beating her, she sends her children to school, she improves the health and nutrition of her family, and she participates in major family decJsions. Although measurement is difficult (perhaps because it is difficult) empowerment, and the frequently articulated example of the empowered borrower, have become the presumed results of credit programmes.

The author uses a two-part definition of women's empowerment. The first depends on changes in a woman's institutional environment: circumventing, changing, or eliminating the society's values, practices, norms and laws in order to lessen the extent to which they constrain her activities and choices. The second depends on an individual woman's own ability to take action or make choices. Accordingly, empowerment is a function of institutional change and individual initiative. Importantly, the two parts are not easily distinguishable from each other because a coercive environment can limit women's ability to take action and make choices. The two part definition identifies credit programmes' role as one of changing the institutional enyironment to enable borrowers_ to broaden their range of activity and choice.

To appreciate the ways in which organizations have worked within their institutional environment to change it, (I studied credit organizations in Bavgladesh,. The four discussed in this chapter are the Bangladesh Rural Advancement Committee{(BRAC)!a Bangladeshi non-government organization (NGO) operating nationally; Grameen Bank, a Bangladeshi development bank operating nationally; Save the Children, USA/Bangladesh Field Office (SCB), an international NGO operating in a few regions in Bangladesh;3 and Shakti Foundation,-.a young local NGO operating in the urban slums of Dhaka, the capital city. Each NGO utilizes a widely respected and tested methodology in its credit practices: group guaranteed savings and lending. The programmes extend loans to women to. support economic activities. The women meet regularly in their villages or neighbourhoods to make savings deposits and to pay installments. Lending costs are lower than typical bank costs because group members approve new loans and guarantee each other's loans. Feer pressure encourages high repayment rates because each individual's eligibility for future loans depends on, all individuals' repayment. The borrowers absorb the otherwise high institutional costs of new issuance and collections.4 Each programme's structure reflects formal decisions about programme design and, where left to their discretion, workers' informal interpretations of programme goals based on the incentives they face.

I argue that organizations have choices - even within an institutional context. There are two parts to this argument. First, organizations make choices about how and whether to work within and to challenge their institutional context. Credit programmes have been inventive in generating ways to work within, while at the same time challenging existing institutional constraints.s Given the pervasiveness of institutions of gender hierarchy, if credit organizations wish to challenge them,

programme designers must consciously design their programmes to do so. Second, where organizations have conflicting goals, pursuing one can undermine pursuit of the other. I argue that ~hout,incengyes for Q..orrower~, t~ir husbands,-and workers designed to promote ·women's empowerment in society and in the family, where the empowerment goal competes with others, women may be the losers.

Ahmed, S. *et. al.* "Changing national policies and the small farmers: situation in six villages of Bangladesh", Bangladesh Academy for Rural Development: Comilla.

Alamgir, D. "Micro Credit for Fishing Community: The Community Development Center (CODEC) in Bangladesh", Case Study No. 9, Credit and Development Forum, Bangladesh.

ALAMGIR, D. A.H. "Reaching the extreme poor with credit service: the income generation for vulnerable group development (IGVGD)program of the Bangladesh Rural Advancement Committee(BRAC)", CDF, Dhaka.

Amin, S. 'The Poverty-Purdah Trap in Rural Bangladesh', Development and Change, 28 (2): 213-233.

Abstract: Trends in poverty, working through changing roles of women in income generation, have been advanced as one explanation of changing fertility in Bangladesh. This paper examines women's work patterns in two rural villages in northern Bangladesh and finds little evidence of increasing workforce participation, despite high contraceptive use rates. Observation of women's work patterns suggests that purdah, the practice of female seclusion, influences and conditions women's decisions regarding roles they assume, and remains a dominant influence in women's lives, showing little evidence of responsiveness to poverty.

Bear, Ma. A. "NGO / Business Partnership for Sustainable Development in Bangladesh: A Review of Options Enterprise Development consultant".

Carpenter, J. "Bangladesh" in "Regulation and Supervision Case Studies", Manuscript.

Chase, J. "The effect of microfinance credit on children's education: evidence from the Grameen Bank", Harvard University Undergraduate Honors Thesis in Economics.

Chowdhury, A M. R. and M. A. Alam. "BRAC's Poverty Alleviation Efforts: A Quarter Century of Experience and Learning", pp. 171-194, in Wood G. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd,, Dhaka.

Abstract: BRAC was founded in 1972 in response to a humanitarian relief oriented need. Over the years it has evolved as a fully-fledged development agency with activities spread all over Bangladesh. The major focus of BRAC is poverty alleviation which is addressed through a holistic approach. The components of BRAC's poverty alleviation programme include social mobilization, organization development, health care, children's education, and micro-credit. The distinguishing features of BRAC programmes include promotion of women in the development process, infusion of technology and scaling up of successful programmes. BRAC's poverty alleviation programme is one of the largest in the country, reaching nearly two million households. The paper presents information on the impact of the poverty alleviation efforts in substantive areas such as health, education, women's lives, material well-being and coping capacity of the participants. A special

programme targeted at the 'ultra poor' is also discussed. The paper concludes with a discussion on lessons learned.

Gallardo, J. "Leasing to support small businesses and microenterprises, Vol. 1", The Wold Bank Policy Research Working Paper, No. 1857.

**Abstract:** In most developing countries, capital markets are relatively undeveloped and banks are often unable or unwilling to undertake term lending. And banks prefer to lend to larger, established business with well-developed balance sheets and credit histories. Operations in microenterprises and small businesses are cash-flow-oriented but rarely have organized historical financial records or the assets needed for collateral for conventional bank financing. The author explores the potential of leasing as an option to expand small businesses' access to medium-term financing for capital equipment and new technology. In a lease-financing contract, the lessor-financier retains ownership of the asset, lease payments can be tailored to fit the cash-flow generation patterns of the lessee-borrower's business, and the security deposit is smaller than the equity stake required in conventional bank financing. Different types of small businesses require different financial services. It would be worthwhile to encourage development of a range of institutions using special methods to service particular market niches. Most small businesses that generate extra income for a household or employ nonfamily members need simple access to financing to augment their working capital needs. Microfinance appropriate to their needs will feature short cycles of repayment and borrowing. Other small businesses require medium-term financing to acquire the tools and equipment needed to support production growth and expansion. For these businesses, leasing is an attractive new financing option. The author examines and compares the Bank's experience: 1) Lease financing was used to promote the development of small businesses in Pakistan, as part of a microenterprise development loan project. 2) For a Bank-supported alternative-energy project in Indonesia, a variant of lease financing -- the hire-purchase contract -- is being used in marketing and distribution by private distributors of photovoltaic solar home systems. 3) Lease financing was used by Grameen Trust in Bangladesh to finance the purchase of small tools and equipment and in other countries to promote the growth of alternative energy systems.

Gitubig, I., J. Remenyi and B. Quinoues. (eds.) "Creating the Vision: Microfinancing the Poor in Asia-Pacific: Issues, Constraints and Capacity Building", The Asian and Pacific Development Centre, Malaysia.

Greely, M. "Poverty and Well-Being: Policies for Poverty Reduction and the Role of Credit", pp. 83-96, in Wood G. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

**Abstract:** This paper suggests three things.

- That the poverty reduction impact of micro credit programmes be measured by movement above a poverty line based on food consumption. There are many other important things to achieve but they should not be confused with absolute poverty.
- That in recognizing the success of micro credit programmes in reducing poverty for millions of poor people, the livelihood and welfare needs of many other very poor people needs careful reassessment. Micro credit, as presently delivered, is not the answer.
- That, despite apparent convergence, the implementation of the macro-economic reform agenda may undermine the present micro credit strategy.

Goetz, A. M. "Local Heroes: Patterns of Fieldworker Discretion in Implementing GAD Policy in Bangladesh", pp. 176-195, In Goetz, A. M. (ed.) "Getting Institutions Right For Women in Development", Zed Books, London & New York, 1997.

**Abstract:** Struggles over an authoritative interpretation of women's needs and interests in development are waged at every level of policy-making and implementation, from the headquarters of development organizations to the intimate confines of the household and the individual consciousness of policy beneficiaries.[1] One of the most critical, yet neglected,

arenas in which these struggles are waged is in the everyday practices of the actual implementors of policy: the lower-level bureaucrats or fieldworkers in development agencies who engineer the 'fit' between national policies and local realities. Their centrality to the actual implementation of political decisions puts them in a critical position to influence the capacity of states to achieve policy objectives. When it comes to implementing policies which may be counter-cultural, or unpopular, as can be the case with gender-equity policies, their role is critical in determining whether dominant power relations will be sustained, or challenged.

This chapter examines gender differences in the practices and perceptions of field-level implementors in two rural development programmes in Bangladesh, one run by the state, the other by an NGo. Close attention to differences in the policy enactment routines of women and men fieldworkers shows that structural differences between NGO and government organizations are less significant than might be expected in fostering receptivity to the needs and interests of poor women. Other factors such as individual positions in class and gender hierarchies matter a great deal in determining receptivity and responsiveness at the grassroots.

Fieldworker discretion, however subtle and molecular, is an inherently political practice; power, stemming from positions within development organizations, institutions of personal connections, and systems of class and gender difference, is deployed in the construction and reproduction of gender or class relations. Fieldworker routines and attitudes are indicative of how they construe and construct their beneficiaries as subjects. The ways gender inequalities are experienced by beneficiaries can be affected by the ways fieldworkers symbolically mediate reality, because they can give weight to their interpretations by assigning or withholding resources and information. Such practices affect the self-interpretations of beneficiaries and their consequent capacities to utilize programme benefits or to make demands of programme staff and public resources. Of course, beneficiaries also inject their own views and develop practices to adjust programme provisions to their own needs. The domain of lieldworker discretion thus becomes a political arena in which dominant social practices can be reproduced, or what Foucault calls 'subjugated knowledges' can stage their localized insurrections (1972: 81).

Hashemi, S. M. "Building up Capacity for Banking with the Poor: The Grameen Bank in Bangladesh", in Schneider, H. (ed.) "Microfinance for the Poor?", Development Centre, OECD and IFAD, Paris, p.109-126

Hashemi, S. M. and L. Morshed. "Grameen Bank: A Case Study", pp. 217-227, in Wood G. and I. Sharif (eds.), "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

**Abstract:** The greatest obstacle that Grameen faces in providing targeted credit for poverty alleviation is poverty itself. Economic stagnation in rural areas limits the potential for productive investments. Lack of other social services for the poor in rural areas leaves Grameen borrowers highly vulnerable to external shocks. Grameen continues to develop new initiatives to address these problems. These are funded separately from the credit program and could threaten the organization's sustainability; but this awareness has not led GB to subordinate the goal of poverty alleviation to that of sustainability.

Hashemi, S. M. "Those Left Behind: A Note on Targeting the Hardcore Poor", pp. 250-257, in Wood, G. D. and I. Sharif, (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

**Abstract:** Micro-credit in Bangladesh, through Grameen Bank, BRAe, Proshika, ASA, and other governmental and non-governmental agencies has succeeded in reaching a quarter of all poor rural households. This has had significant impacts in increasing economic welfare as well as initiating major social changes in rural Bangladesh. However poverty still persists. One major reason for this may be the limits to micro-credit in effectively targeting all of the poor; more specifically in leaving out large sections of the hard core poor, the distressed. One element of the response has been to attempt to increase productivity and employment and through this to increase the credit absorptive capacity of the local economy. The other part of the response,

strategies for better targeting of the destitute, now requires greater emphasis. BRAC's IGYGD program seems to be one such experiment. Grameen's attempts at bringing destitute defaulters back into the credit fold in Rangpur through "share-raising" of goats is another such experiment. However more creative thinking is required for this to be totally addressed. As a first step it is imperative that those who are being left behind in prevailing micro-credit strategies receive top priority in our program agenda, in our conceptual framework and in our analysis.

Hashemi S. M. "Dropout and Leftouts : The Grameen Targeting of the Hard-core Poor", a paper presented at the Credit Development Forum Workshop On Dropout Features, Extending Outreach And How To Reach The Hard-Core Poor, BIDS, Dhaka.

Hedrick-Wong, Y., B. Kramsjo and A. A. Sabri. " Experiences and Challenges in Credit an Quinoues. d poverty Alleviation Programs in Bangladesh: The Case of Proshika", pp. 145-170, in Wood, G. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

Abstract: The standard analysis of the failure of the formal credit system in serving the rural poor stresses two aspects of "market failure". First, there is a perceived situation of imperfect information. This refers to poor knowledge of, on the part of the formal credit system, the business environment in the rural sector, and in particular a profound ignorance of how such credit could be used to develop a viable investment with healthy returns. Thus, the result is a perception of great risk in lending to the rural poor. Secondly, there is a perceived situation of imperfect enforcement. Due to the rural poor's lack of collateral, loans given to them are therefore seen as very difficult to recover should defaults occur. Jointly, these situations of imperfect information and imperfect enforcement have made lending to the rural poor appear extremely difficult if not outright impossible.
Attempts to provide credit services to the rural poor have to overcome these difficulties if the lending institution is to stay financially viable. And it is now a generally accepted analysis that social services are required to accompany credit services if these difficulties are to be overcome. Virtually all organizations and agencies that have attempted to overcome the difficulties described above provide organizational and social development assistance to the poor. They typically offer group-based lending with strong assistance in the organization and training of groups. Strict observance of the norm of group behaviour encourages members to be socially and economically accountable to each other, thus creating pressure among group members to monitor and enforce the contracts.
A recent survey of 13 rural credit programs shows that all share common features in the provision of social services along with financial services.l It is significant to note that there is a wide range of service configuration among the different existing models of providing credit services to the rural poor, representing different assumptions regarding how much social development service is optimal. This points to a question that is of paramount importance in understanding the connections between credit and poverty alleviation in Bangladesh: what is the optimal level of social development services that is required to accompany the provision of credit services? The Proshika experience represents perhaps one generic approach-it believes that social and credit services need to be integrated into a coherent development approach to generate sustainable impacts in poverty alleviation.

Hulme, D. And P. Mosley. " Finance for the Poor or Poorest? Financial Innovation, Poverty and Vulnerability", pp. 97-130, in Wood, G. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

Abstract: The last decade has witnessed an explosion in both the numbers and the scale of organisations providing very small loans (micro-credit) to poor people to help them escape poverty. The Grameen Bank has spearheaded this strategy and by mid-1996 had more than two million borrowers and was advancing loans of more than US$30 million each month. Its model has been copied by many non-governmental organisations (NGOs) so that almost 25 per cent of poor rural households in Bangladesh now have access to institutional credit. Further afield the Grameen

Bank is being 'replicated' in Asia (Malaysia, the Philippines, Indonesia, Nepal, China and Sri Lanka), in Africa (Kenya, Malawi, Nigeria) and North America (Canada and the USA). In Latin America the ACCION network has affiliate financial organisations in most countries operating schemes partly based on Grameen Bank principles. With the UK's Know How Fund currently exploring the possibility of using micro-credit as a selfemployment strategy in Eastern Europe and the former Soviet Union, the 'movement' may soon cover the globe.

While there is growing evidence of the ability of micro-credit to reduce poverty a growing number of researchers (see Rutherford and Wright in this volume; Rogaly 1996; Bundell 1996) and practitioners (ACORD, Action Aid, Aga Khan Foundation, BURO Tangail, Christian Aid, OXFAM, SANASA and WomanKind) are arguing that what the poor need is micro-financial services (micro-scale short and long-term savings, investment loans, consumption loans and, perhaps, insurance). A micro-finance approach can also aid institutional financial viability (Robinson 1992). This chapter examines the contribution that micro-credit and micro-finance can make to the alleviation and removal of poverty. It draws on the materials from a study of 13 financial institutions (see Appendix 1) in 7 countries (Hulme and Mosley 1996). The first part explores the concept of poverty to identify the criteria that could be used to assess poverty impacts. Subsequent sections analyse the impacts of micro-finance initiatives on income poverty, income vulnerability and groups that suffer particularly high levels of economic and social deprivation.

The conclusion argues that micro-credit has proved effective in poverty reduction but has done little to help the poorest. A shift towards a micro-financial services approach is needed to permit financial innovations to more effectively meet the varying needs of the poor and poorest. While micro-finance should be an element of poverty-reduction strategies it is no panacea. The contemporary micro-finance bandwagon (the inaptly named Consultative Group to Assist the Poorest and the Micro-credit Forum of 1997 amongst other initiatives) should not obscure the fact that poverty-reduction requires many other forms of action.

## Kabeer, N. "Women Wages and Intra-Household Power Relation in Urban Bangladesh", Development and Change, Vol. 28, Issue. 2, pp. 261-302.

**Abstract:** This article examines the implications of women's access to income-earning opportunities for their position in intra-household relationships. For those who believe that such relationships are egalitarian, this issue may not appear relevant; for others, however, there is a divergence of views between those who offer an optimistic analysis of the effects of earning power for women's status, and those who provide a more pessimistic prognosis. In exploring this issue, the article makes use of first-hand accounts of women workers in the recently emergent export-oriented garment factories in Bangladesh, both in order to evaluate the `fit' with theoretical insights of intra-household relations from the social science literature, and to assess what the `everyday lived realities' described by the women workers tell us about the workings of power within family-based households in urban Bangladesh.

## Khan, M. H. "Credit for Poverty Alleviation in Bangladesh: Performance of Public Sector Banks", pp. 203-216, <u>in Wood, G. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka</u>.

**Abstract:** Banks have been being condemned time and again in various discussion forums/seminars for their inability to meet the national need to increase efforts directed at poverty alleviation. Such observations are not based on facts as is evident from the above discussion. The banks have a clear and ambitious program for lending in the rural sector. But they also have problems, which need to be looked at. Their efforts should be directed towards improving credit delivery and their monitoring mechanism.

There is a growing tendency among some experts to propose the establishment of new conduits for channelling micro-credit, leaving the 'problematic' existing institutions to one side. This is an expedient solution, since addressing problems within the existing institutions is a more than Herculean task. But Bangladesh, as a resourcepoor nation, should think twice before agreeing to such experiments. There have been a score of Rural Development Projects with a credit component for poverty alleviation implemented since Independence, involving the banks in dispensing micro-credit. But none of the projects addressed the institutional deficiencies of the Participating Credit Institution (PCI). The result has been that projects have folded and the Bangladesh Bank has withdrawn the temporary refinance facility allowed to the PCI against project

lending. Everyone involved in the process has washed their hands of it, but the banks are left having to use depositors' money to carry the burden of huge, overdue project loans. That a little institutional development support to the lending banks can do magic has been proved by the performance of the SIDA/NORAD-assisted Productive Employment Project of the Agrani Bank, and the ADB-assisted Rural Poor Cooperative Project of the Sonali Bank. The former targets beneficiaries through informal pre-cooperative groups and the latter targets beneficiaries through the cooperative structure. The projects' success in maintaining a 100% recovery rate belies the common notion that formal banks as well the cooperative sector are not capable of handling poverty alleviation credit programs efficiently. The problem lies elsewhere, and demands the thorough scrutiny of the experts.

Mahmud, S. 'Women's Work in Urban Bangladesh: Is there any Economic Rationale', Development and Change, 28: 235-260.

Matin, I. 'Repayment Performance of Grameen Bank Borrowers: The "Unzipped" State', Savings and Development, 22(4): 451-72.

Matin, I. " The Renegotiation of Joint Liability: Notes from Madhupur", in Wood , Geoffrey, D. and I. Sharif (eds.), "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka, pp.262-270.

Abstract: In this paper, the author concentrates on exploring the enthusiasm of the imperfect information school around group credit arrangements. In the first section, he discusses the existing theoretical understanding of the mechanics of group credit arrangements and how it is supposed to smooth imperfect information problems. Subsequently, he deals with the problems with the existing theoretical models indicating their biases and finally he tries to show the ruptures of the system.

Mayoux, L. "The Magic Ingredient? - Microfinance and Women's Empowerment", A briefing paper prepared for the Micro Credit Summit. Washinton.

Moore, K. J and M. S. Choudhury. "BRAC's pilot savings project: Monitoring and evaluation", Reports, Research and Evaluation Division, BRAC,Bangladesh, April.

Abstract: During July and August of 1996, the BRAC Rural Development Programme (RDP) initiated a Pilot Savings Project (PSP), whereby three experimental savings systems were implemented in various areas of Bangladesh, with a proposed lifespan of two to three years. The BRAC Research and Evaluation Division (RED) undertook to develop a monitoring and evaluation process for the PSP. This paper documents the first stages of this process, and presents current research and experience on the topic. This paper is in general concerned with BRAC's transition from an NGO involved in microcredit, to one at the forefront of the movement to provide flexible, appropriate, transparent, and clear financial services to the poor.

Pitt, M., S. R. Khandker, S. McKernan and M. A. Latif. "Credit Programs for the Poor and Reproductive Behavior in Low Income Countries: Are the Reported Causal Relationships the Result of Heterogeneity Bias?", Brown University/World Bank/FTC/BIDS, manuscript.

Rahman, M. and J. Da Vanzo "Influence of the Grameen Bank on Contraceptive Use in Bangladesh", ICDDR,B/RAND Working Paper.

Rahman, R. I. "Poverty, Profitability of Micro Enterprises and the Role of NGO Credit", Wood , Geoffrey, D. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka, pp. 271-287.

Abstract: Micro enterprises have existed in this country throughout history. Many of these were caste-based and survived through generations, without much change in technology, skill or scale of operation. Since the objective of such activities was survival and generation of employment for the family labour force, these were not viewed as entrepreneurial activities. The activities were taken up as a routine matter without having to undertake a conscious effort or much risktaking. Therefore the terms 'family activity' or 'self employment' were adequate to describe these enterprises.

The recent enthusiasm about micro enterprises has been the outcome of concern related to the problems of poverty and underemployment/unemployment and the belief that the generation of non-farm self employment can solve the problems of both employment and poverty. In densely populated developing countries like Bangladesh, the large scale manufacturing sector has been unable to absorb the growing labour force. Low and declining land-man ratio displaces rural workers from crop production. Development theories postulated that industrialization would progress through the use of cheap labour attracted from the rural areas (Lewis 1954, Ranis and Fei 1964). This did not happen in reality and large scale industries proved to be inadequate even for absorbing the growing urban labour force, not to speak of drawing the surplus labour from the rural areas. Whatever be the reasons behind such performance of the economy, this scenario implies a crucial role for micro enterprises (ME) in the labour absorption process.

A conscious effort to develop non-farm activity led to the use of the term 'micro enterprise'. Here the core element is entrepreneurial initiatives, which meet with a small initial investment to utilize family labour force. Such enterprises may gradually raise the size of investment and draw in hired labour. The essential element of being a micro enterprise will continue as long as the main objective of the enterprise is to utilize family owned productive resources.

Poor households possess little land or financial capital. Micro enterprises may therefore depend on finance from outside sources. The land frontier has already been reached in this country and the possibility of land redistribution is a sensitive issue. Financial capital is expected to provide an alternative form of productive resource to which the poor may get access through credit. Optimism about the role of credit in breaking the vicious circle of 'low income, low saving, low investment, low income' has been expressed by the NGOs of Bangladesh involved in micro-credit operations.

In this country, NGO activities during the eighties have taken up the dimension of an independent movement of poverty alleviation. Generation of self employment through provision of credit has been the major strategy in this movement. During the initial years NGOs have been lauded for their success in this endeavour.

As the NGOs have entered a phase of expansion, they face new challenges. Their activities and strategies are receiving more critical evaluation during recent years. Allegations on the departure of the NGOs from their own set of rules and the leakage of funds to nontarget group members have been voiced from the early days ofNGO activities (Kamal 1996, Hossain 1988, 1985; Rahman 1991). The other major concern about micro-credit is related to the outcome of the process, that is whether the poorest households have benefited from NGO credit (Rutherford 1995, Rahman 1996). Since poverty alleviation has been the major objective of NGO credit, concerns related to their ability to reach the poor need to be examined.

A large number of studies have assessed the role of NGO credit in poverty alleviation. Most studies demonstrate a positive effect of micro-credit in this respect. Whereas the availability of NGO credit enhances income among the poor and with continuous membership of NGOs, some of them have moved out of poverty, there is still a group of 'extreme poor' households who have not been reached by the NGOs. Even if an NGO branch operates in a village for a few years, not all the extreme poor households in that village get access to NGO membership. Recent concerns over such exclusion of the poorest households is in lirie with the concern about the heterogeneity among poor. Those living below the 'poverty line' are located at various distances from it. It may be easier to lift those who are closer to the line. Thus a three fold categorization of poor is possible: the extreme poor (or the poorest), the moderate poor and the borderline poor (who may be termed as 'vulnerable non-poor'). NGO success is alleged to be rather limited for the group at the bottom.

The objective of the present paper is to review the possible reasons behind the failure of NGOs to reach the poorest households. In Section 2 it will be argued that recent papers which raise this al-

legation have inadequately formulated the reasons behind such failure (Kamal 1996, Rutherford 1995). While the suppliers determine the access to loan for various types of clients, the demand side may play an equally important role. Thl1 scope for profitable use of micro-credit may vary depending on the initial situation of poverty and will determine the demand for credit. The profitability of micro enterprises provides a crucial link between poverty and the extent of access to NGO credit. Section 3 elaborates this hypothesis and presents case studies to support the arguments. Section 4 revisits the supply side factors behind the exclusion of the poorest households from the facilities of NGO credit. Section 5 presents some concluding observations.

As has been mentioned above, this paper is based on case study materials collected from a number of micro enterprises and does not use quantitative analysis. This has been done to get an insight into the operation of demand and supply side factors separately, which in quantitative exercises get merged into the estimation of reduced form equations. Detailed case studies for 20 enterprises have been conducted. The families involved live in a village covered by the activities of two large NGOs. While the case studies can provide richer insights into the operation of ME, and the process of use of NGO credit etc., such case studies cannot ensure statistical validity of the conclusions, which has not been the objective of the present study.

### Rashid, A K A. "The ASA 'Self-Reliant Development Model' ", Wood , Geoffrey, D. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka, pp. 195-202.

Abstract: ASA's steadfast belief in self-reliance stems from the idea that lack of control over resources is lack of control over destiny. This is as true for the organization dedicated to empowering the poor as it is for the poor themselves. This philosophy has propelled ASA to a position as one of the world's largest financially sustainable NGOs in the field of micro-finance with increasing influence in development programs world-wide. ASA is unique because it merges financial sustainability and empowerment of the poor by acquiring the ability to cover a large number of disadvantaged women with quality financial and social development services. ASA is sustainable at the local program level as well as the organizational level, meaning complete termination of foreign assistance would not affect current services provided to the poor.

Post-independence Bangladesh found relief missions and development projects meeting generous flows of foreign funds along with a top-down bureaucratic approach to development. In this context, the development of a grassroots organization like ASA based on a self-reliant model is revolutionary. Having nearly two decades of experience in addressing the needs and desires of the disadvantaged, ASA offers many NGOs an alternative to financial dependency which leads to inefficiency, lack of ingenuity and autonomy, and ultimately the retraction of services when funds dry up.

ASA began in 1978 geared for empowering the oppressed through "peoples' organizations", mobilized for social action against exploitation and through legal aid to fight social injustice. In 1984, ASA saw a shift in focus to the basic social unit-the family, recognizing the critical role women must play in development. In this phase, development education pertaining to the everyday challenges of an impoverished household became a continuous process of empowerment through the tangible benefits of improved health, nutrition and sanitation..

ASA has a unique capacity to adapt and build on previous successes. In the late 80s, ASA began to incorporate management skills for income generating projects and stressed the importance of savings in development education efforts. At this point, credit delivery came as a quite natural extension of its success with its development education to rural poor women. ASA was able to tailor a credit delivery model to the needs and desires of several thousand women anxious to escape the poverty cycle. This approach is very characteristic of ASA and is the key to understanding how ASA has transformed itself into a managerial dynamo whose business is serving the poor while at the same time achieving financial self reliance.

The ASA model is based on decentralized decision making, standardized operations, discipline and efficient use of funds making it competitive even by private sector standards. Simple replication of this model allows ASA to expand outreach to the rural poor with amazing rapidity; presently it involves 550,000 rural poor women, has. plans to reach 800,000 members by the year 2000 nation-wide, and has a world-wide influence on credit delivery programs.

Rao, A. and D. Kelleher. "Engendering Organiztional Change: The BRAC Case", In Goetz, A. M. (ed.) "Getting Institutions Right For Women in Development", Zed Books, London & New York, pp. 123-139.

**Abstract:** This chapter analyses the start-up phase of an ongoing structural intervention which works at the nexus of gender relations, organizational change and quality improvement. Articulating this nexus and its specific relevance to the Bangladesh Rural Advancement Committee (BRAC) and acquiring and deploying knowledge around it within the organization has involved definition and continuous reiteration of basic premises concerning gender, individual learning and systems development; an organizationwide knowledge-building exercise facilitated by a series of structured diagnostic processes; negotiating premises and visions, transferring ownership, and building on related organizational exercises in strategic visioning and planning. This chapter reflects on these processes and discusses some critical dilemmas: expanding parameters versus boundary maintenance; the prerequisites for innovation versus institutional bargaining; and change options versus change realities.

Rutherford, S. "Informal Financial Services in Dhaka's Slums", pp.351-370, in Wood, Geoffrey, D. and I. Sharif (eds.), "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

**Abstract:** The spotlight of public attention has shone so fiercely on Bangladesh's credit-giving NGOs that user-owned and other informal devices have received little attention. This paper describes some of the wealth, variety, complexity, strengths and weaknesses of informal finance 'samities' in some Dhaka slums. Then it examines what these schemes tell us about the demand for financial services among the urban poor, and it goes on to speculate about what NGOs might learn from all this. The conclusion reached is that the urban poor feel a pressing need for financial services that help them manage their cash resources-above all their capacity to save ---on a day-to-day basis. This suggests that NGOs would do well to reconsider whether they have been right to emphasise productive loans so strongly in their programmes.

Rutherford, S. "The Savings of the Poor: Improving Financial Services in Bangladesh", Journal of International Development, Vol:9, Issue:3, May..

Rutherford, S. and I. Hossain. "BURO, Tangail's new products: Preliminary Operational Research", Manuscript, Dhaka.

Schreiner, M. "A Framework for the Analysis of the Performance and Sustainability of Subsidized Microfinance Organizations with Application to BancoSol of Bolivia and to Grameen Bank of Bangladesh", Doctoral dissertation, December 1997, Department of Agricultural, Environmental, and Development Economics, Rural Finance Group, The Ohio State University.

**Abstract:** Performance is meeting goals. Sustainability is meeting goals now and in the long term. An MFO has six groups of stakeholders: society, the poor, poor customers, donors, workers, and investors. Each group constrains the rest. Each group has its own goals and thus its own measures of performance.
The author uses the framework with two of the best MFOs in the world, BancoSol in Bolivia and Grameen Bank in Bangladesh. He judges both to have been worthwhile. They used public funds to help the poor more than the marginal development project. The net present cost of BancoSol for the poor through 1987-1996 as seen in 1987 was about 6 cents per dollar year of debt produced. At Grameen, the net present cost to the poor through 1983-1994 as seen from 1983 was about $8 per year of membership produced.
The customers at both BancoSol and Grameen repeat, and the workers at the both banks have good jobs. BancoSol attracts market funds, and Grameen does not. This suggests that investors may buy the best MFOs once start-up costs are sunk. But investors do not start the best MFOs, and much less the worse MFOs, from scratch.

At least the best MFOs are worthwhile. The rest may still waste public funds meant to help the poor. Cost-effectiveness analysis is a cheap tool to help judge.

## Schuler, S R and S. M. Hashemi and A. P. Riley.'The influence of women's changing roles and status in Bangladesh's fertility transition: evidence from a study of credit programs and contraceptive use', World Development 25(4), 563-576.

**Abstract:** Multivariate analyses of data from a recent study in rural Bangladesh suggest that women's access to credit provided by two organizations, Grameen Bank and BRAC, augments use of contraception. This effect increases with the duration of the women's involvement in the credit programs. Although three of eight measures of women's empowerment have statistically significant effects on contraceptive use (women's economic security and contribution to family support, freedom of mobility, and relative freedom from domination by the family), these variables account for surprisingly little of the effect of credit on contraceptive use. The authors present qualitative data describing how the credit programs empower women, and speculate about other paths through which participation in them may influence contraceptive use.

## Sharif, I. And G. Wood. "Conclusion", in "Wood , G. D. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

**Abstract:** Much of the donor and academic discourse on micro-credit has been focused upon the sustainability of lenders through the reduction of their information and transaction costs, using the model of joint liability. These papers mainly reflect the practitioner concern with the sustainability of the borrower and the need to reduce their transactions and information costs. It is clear from these papers and the workshop discussions that borrowers' sustainability also relies upon a wider range of financial services than micro-credit, which particularly suffers from project bias. While micro credit models target income-generating projects, wider financial services aim at the smooth management of overall household cash flows. In addition to accessible savings, the poor have requirements for: current account overdrafts to level out consumption fluctuations; lumps of capital at various stages of the family life cycle; and insurance against unpredictable demands on income. At the same time, some in the workshop argued that borrower sustainability, supported by social mob ilisation, requires: protection against the erosion of income (e.g. excessive dowry payments); the enhancement of incomes via improved wage bargaining; and access to common property.

These analyses in the workshop support the argument for credit plus and credit with social development as the precondition for securing the value of credit alone strategies. Existing evidence, however, does not give us any clear indication on the exact outcomes of these two models on poverty removal. Nevertheless, it is important to make the distinction between the ingredients of the credit plus and the credit with social development models as they have significant implications on lender's sustainability, which is the theme of a further workshop. It is only by securing the sustainability of lenders that one will be able to secure the sustainability of the borrowers. The debate between the credit plus and the credit with social development models prompts the following questions:

- Which one of the two models promise both the sustainability of the borrower and that of the lender?
- Do the providers of credit plus free-ride on the mobilisation efforts of others?
- Can the two models co-exist and complement each other for the greater interest of the institutions and their borrowers?
- Can there be a fourth model, whereby the diversity of financial services and expenditures on social development are simultaneously maintained by prudential management of funds by NGOs?
- What are the necessary rules and regulations that may facilitate the further strengthening of these models to secure the sustainability of their operations in order to secure the sustainability of their borrowers?

The above concerns lead us to a new set of issues that centre around the NGOs and their future operations given the increasing popularity, quite justifiably so, of the need for financial services, especially savings. For example, can these financial services be provided in a professional manner? The increased diversification of their financial operations may require NGOs to access the

local capital markets in order to effectively multiply the deposits of their borrowers. However, what kind of savings guarantee can these NGOs provide to their clients? Do the existing NGOs have the capacity or the legal status to act as financia1Jy sound brokers? How can the Bangladesh Bank add value by regulating and supervising these NGO activities? And last but not least, can social development funds be raised from the capital market?

Sharif, I. " Poverty and Finance in Bangladesh: A New Policy Agenda", pp. 61-81, in Wood , G. D. and I. Sharif (eds.), "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

Abstract: The policy agenda of the new world of micro finance 'evangelism' encourages MCls to achieve sustainability in their operations, and eventually graduate into the formal financial system in order to tap into additional commercial funds to increase their outreach. This paper discussed the trade-off between financial sustainability and poverty reduction. The paper argued that issues regarding economic graduation of borrowers need equal emphasis as do financial strengthening of MCls. The paper also discussed the structural and policy constraints associated with MCls graduating into the formal financial sector. Most MCls and the formal financial sector environment do not meet the conditions for the successful graduation of MCls into the formal sector, and their provision of flexible financial services to different groups of the poor on a large-scale. The paper suggested an intermediate stage whereby MCls can gain incremental levels of financial sustainability, and eventually graduate into the formal sector. The paper laid out a policy agenda for MCls, formal financial sector banks and the government of Bangladesh to engage in a collaborative effort that would ensure the necessary conditions for MCl graduation into the formal financial sector. The paper recognizes its limitations in that it is only making observations which are not substantiated by primary research. The observations of the paper, therefore, are suggestive and not conclusive. The significance of the paper lies in initiating debate on the feasibility of the policy agenda of the new world of micro finance 'evangelism' and its implications on poverty reduction strategies in Bangladesh.

Sharma, M. and M. Zeller. "Repayment performance in group-based credit programs in Bangladesh: An empirical analysis", World Development, Vol. 25, Issue 10, pp. 1731-1742, October.

Abstract: This paper analyzes the repayment rates of 128 credit groups belonging to three group-based credit programs in Bangladesh: the Association for Social Advancement (ASA), the Bangladesh Rural Advancement Committee (BRAC), and the Rangpur Dinajpur Rural Service (RDRS). Using TOBIT analysis, specific tests are performed on the following hypothesized determinants: group size, size of loans, degree of loan rationing, enterprise mix within groups, demographic characteristics, social ties and status, and occurrence of idiosyncratic shocks. The paper concludes that if basic principles of prudential banking are adhered to, repayment rates can be good even in poor and remote communities. The important thing for financial institutions is to tailor services such that it becomes worthwhile for the poor to establish a profitable long-term association. In addition, more freedom to members in the process of group formation is recommended.

Sobhan, R. "The Political Economy of Micro-Credit", pp. 131-141 in Wood , G. D. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

Wood , G. D. and I. Sharif. "Intoduction", Wood , Geoffrey, D. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd., Dhaka.

Abstract: The policy agenda of the new world of micro finance 'evangelism' encourages MCIs to achieve sustainability in their operations, and eventually graduate into the formal financial system in order to tap into additional commercial funds to increase their outreach. This paper discussed the trade-off between financial sustainability and poverty reduction. The paper argued that issues regarding economic graduation of borrowers need equal emphasis as do financial strengthening of

MCls. The paper also discussed the structural and policy constraints associated with MCls graduating into the formal financial sector. Most MCls and the formal financial sector environment do not meet the conditions for the successful graduation of MCIs into the formal sector, and their provision of flexible financial services to different groups of the poor on a large-scale. The paper suggested an intermediate stage whereby MCIs can gain incremental levels of financial sustainability, and eventually graduate into the formal sector. The paper laid out a policy agenda for MCIs, formal financial sector banks and the government of Bangladesh to engage in a collaborative effort that would ensure the necessary conditions for MCI graduation into the formal financial sector. The paper recognizes its limitations in that it is only making observations which are not substantiated by primary research. The observations of the paper, therefore, are suggestive and not conclusive. The significance of the paper lies in initiating debate on the feasibility of the policy agenda of the new world of micro finance 'evangelism' and its implications on poverty reduction strategies in Bangladesh.

Wood, G. D. "Breaking out of the Ghetto: Employment Generation and Credit for the Poor", Wood, Geoffrey, D. and I. Sharif (eds.) "Who Needs Credit? Poverty Finance in Bangladesh", The University Press Ltd, Dhaka, pp.289-305.

Abstract: Nested within the debates about credit for the poor in Bangladesh is a relatively unexplored issue which relates strongly to purposes and scale of credit, viz. the multiplier effects of credit, especially in relation to employment generation. This is particularly important if there is confirmed evidence that many of the poorest borrowers are dropping out of credit programmes due to the non-viability of their micro-business ventures and consequent non-repayment of loans. Most of the credit models among the NGOs as well as concerned academics seem to assume family based entrepreneurial ism as the panacea for 'business-oriented' development, which coincides with modes of provision, repayment schemes, risk perceptions by lenders, assumptions about capacity of borrowers, assumptions about 'what is appropriate' for borrowers, and so on.

Central to these assumptions is that borrowers can all be entrepreneurs, and that this is the route to poverty alleviation and removal. Little consideration is given to employment generation, which seems to be confined beyond the normal production relations in agriculture to either the private sector or public sector works. This represents an over-narrow conception of credit potential when lending to the poor, and also confines credit to non-structural outcomes in terms of more fundamental transformation in the political economy.

There is much emphasis upon group lending, but much less on group or collective productive activity. There is also much emphasis upon the group approach for repayment and credit policing Uoint liability etc.). However we need to look more creatively at different models of credit use, involving on-lending, transfers, pooling, collective entrepreneurial ism, share-holding which could lead to larger scale, structurally significant lending through which the extreme poor can graduate to less vulnerable positions.

Is it possible to transform the poor of Bangladesh into a nation of small business persons? We accept that a high proportion of educated, literate classes with property and savings work in large organisations and companies as employees. We do not expect or require them to construct livelihoods via their own entrepreneurial initiative. Why, then, do we expect so much of all the poor who are targeted for credit? It seems important to have a more disaggregated understanding of the poor, and to recognise the diversity of their capacities, social position, family circumstances and livelihood options. They are not an homogenous, undifferentiated mass, to be offered an undifferentiated, single, universal package of financial services.

There appears to be a strong case for differentiating the financial product to a far greater extent than at present. This entails moving away from simple versions of the micro-finance formula, which are currently dominating the discourse about credit and the poor. In particular, the range of products should extend from large-scale forms of investment with substantial multiplier effects within local, poverty economies to non-dedicated overdrafts, which enable individual families to manage liquidity and consumption under conditions of high seasonal variation in their income flows. Furthermore, there should be complete transparency about this continuum of options. The latter 'overdraft' option is, in effect, widespread in Bangladesh though not formally acknowledged in the windows through which such credit is accessed. Loans are 'legitimated' by reference to a production plan, but actually this may constitute merely a device for supporting consumption. The Grameen Bank might represent a partial exception to this generalisation, since although it might favour the productive use of credit, it nevertheless retains the notion that 'people know best how to use credit'. However, that proposition is also undermined by the repayment The argument has

to be handled cautiously, because by proposing that the poor be' differentiated more widely for financial services there is of course the danger of introducing divisions between the poor, thereby undermining the advantages of solidarity among them. Implied in this division is that not all the poor are equal; that structurally significant credit is only appropriate for some, and 'ghetto-ed' credit for others. The question must eventually then be posed whether the.potentially negative features of this differentiation proposition can only be overcome by accompanying social mobilisation? However, there are prior questions to resolve.

## Wright, G., M. Hossain And S. Rutherford. “Savings: Flexible Financial Services for the Poor (And Not Just for the Implementing Organization)”, pp. 310-349, in Wood, G. D. and I. Sharif (eds.), “Who Needs Credit? Poverty Finance in Bangladesh”, The University Press Ltd., Dhaka.

Abstract: The paper reviews some of the experiences of providing flexible financial services to the poor both in Bangladesh and abroad. In Bangladesh, the large MFIs are using compulsory savings as a source of capital for loans, but there is increasing pressure from the members' for access to their savings. This apparent dilemma may not be real, since experience suggests that open access and other flexible savings facilities may well increase the net savings deposited. BURO, Tangail has implemented a programme that, in contrast to the large MFls in Bangladesh, emphasizes savings instead of credit and provides its members with open access to their savings. The study carried out by the authors tried to determine and describe what contribution these savings facilities have made to providing important and valued financial services to the members, and to capitalizing the organization's activities.
The authors conclude that the poor want and need flexible savings facilities. Government authorities and the large MFIs should be less concerned with reducing the rate of interest charged on loans, and more with providing secure, open access saving facilities to the poor. BURO, Tangail's programme suggests that voluntary open access savings can raise funds not dissimilar to those levied through the mainstream MFls' compulsory savings schemes. More research is needed to see if indeed such schemes can attract even more savings deposits than the compulsory counterparts.
The paper concludes that this could be the beginning of a new era in Bangladesh when the large MFls provide a wider range of financial services to a broader spectrum of people and thus improve the indigenous capitalization of their systems. And, noting the risks when less well established MFls begin savings mobilization, the paper makes a plea for the development of depositor protection schemes.

## Yasmin, T. "What is different about Women’s Organization?", pp.140-160 In Goetz, A. M. (ed.) “Getting Institutions Right for Women in Development”, London: Zed Books.

Abstract: Do women manage differently from men? Does that make them more, or less, efficient? And how do women deal with hierarchy and decisionmaking? These are just some of the questions I have tried to look at in this chapter in trying to understand how and why a women-managed NGO succeeded in recruiting and retaining women where others have failed. In this chapter, the experience of Saptagram Nari Swanivar Parishad (Seven-Village Women's Self Reliance Movement), an NGO in Bangladesh, will be examined as a possible guide to these questions.
In Bangladesh, most NGOs, big or small, target women as the main beneficiaries. The assumption is that women are disempowered through pauperization and gender disparity, and by providing access to services and programmes women are initiated into a process of decision-making which ultimately leads towards empowerment. The paradox of the situation is that while NGOs stress decision-making at the grassroots level, they fail to ensure decision-making by women at the management level. Therefore, only a few organizations or programmes are managed by women. In a study conducted in 1994, only 11 per cent of ADAB's (the national coordinating agency for NGOs) 450 member organizations are shown to be managed by women (Yasmin and Huda, 1994).
Men's decisions still determine women's agenda in development activities in Bangladesh. Organizations face problems recruiting, retaining and developing women as managers because, they say, women are not as career-minded as men, they tend to take more leave, they do not like to be transferred and are not as efficient as men, since women want to go home on the dot of five. From the women's point of view, a study of women's position in the management of a private

voluntary development organization in Bangladesh conducted by Yasmin and Huda (1994) shows that women face barriers right at the beginning, from the recruiting process. When interviewing candidates the organizations reveal their paternalistic attitude by asking women whether they are married, whether they have any children, or whether they plan to have children. If the job entails field assignments then the NGO inquires if the woman can leave the child behind. If she is not able to, the organization, instead of offering child-care services, will ask her to make alternative arrangements.

Women in the workplace are judged and condemned for the very qualities they are valued for by society. The institutions that talk of women's empowerment propagate the same social norms and patriarchal values that limit women's mobility, that prefer to see women as nurturers, and that believe that men are natural leaders. A woman's role in the household as wife, mother and daughter-in-law is on one hand idealized, while on the other, outside of the household, she is punished for acting according to these roles. Her roles and responsibilities within the home have precedence over other priorities and therefore, inevitably, spill over into the workplace - the mother always stays at home when a child falls sick. And yet at the workplace any absence incurred as a result of carrying out such responsibilities is viewed as inefficiency. A request for maternity leave is seen as problematic and implies a lack of professionalism. In contrast, long-term study leave taken by a man is acceptable; it is seen as a legitimate contribution both to the organization and to his personal development.

Organizations with their distorted notions of equality believe that women have to be as 'good' as men, and act like men, in order to be effective managers and decision-makers. Donor perspectives on women's organizations also play a significant role in this scenario. Most donor agencies are headed by men who can identify with and relate to men in the NGO community. The organizational structures of donor agencies, in their deference to male authority and leadership, and in their hierarchical structures, are paralleled in NGOs headed by men. Women's organizations which are managed differently are considered to be inefficient.

Yunus, M. "Institutional Framework to Reach 100 Million Poorest Families with Micro-Credit by 2005", January.

Yunus, M. Speech at the CGAP Open Forum at Asian Development Bank Manila, Philippines. January 18.

Yunus, M. "Microcredit Summit Opening Plenary Opening Speech", Washington, February.

Zaman, H. "Poverty and BRAC's Microcredit Programme: Exploring Some Linkages", Working Paper No. 18, BRAC, Dhaka, August.

Abstract: This paper looks at BRAC's Rural Development Programmes' (RDP) interventions and consumption based poverty using household expenditure data collected from 3518 households in fourteen villages in Matlab between April and August 1995. Poverty lines and measures are constructed to compare the socio-economic status of BRAC members relative to non-members. These poverty measures are also used to compare BRAC members according to membership length, type of inputs received and loan size. The bivariate analysis suggests that the poorest members of the village are selected towards the beginning of RDP's operations with newer members coming from the moderate poor group. The multivariate analysis focuses on the relative impact of RDP's inputs, particularly credit, and caters for the crucial issue of selectivity bias. The results suggest that whilst borrowing beyond a certain loan threshold (10000 taka) is significantly associated with improvements in welfare for the 'typical' BRAC member this result does not hold for the poorest members.

Zaman, H. “Micro-Credit Programs: Who Participates and to What Extent?”, pp. 232-247, in Wood , G. D. and I. Sharif (eds.) “Who Needs Credit? Poverty Finance in Bangladesh”, The University Press Ltd., Dhaka.

**Abstract:** Land ceilings, occupational criteria and asset valuations are commonly used for targeting purposes by credit agencies aiming to direct resources to the rural poor. However a mixture of demand and supply side factors leads to the inclusion of a small group of 'non target' households in these credit programs. This paper starts by examining the differing characteristics of the 'properly targeted' versus these 'non eligible'! members. The next section uses multivariate analysis to identify the characteristics which lead to participation in a credit program. The second part of the paper looks at the 'depth' of participation of program members using a set of credit based indicators. Differences between 'correctly targeted' and 'non target' households are examined in terms of 'participation depth' and multivariate analysis is again used to shed light on the possible determinants of active participation. The concluding section looks at the implications of the earlier analysis for micro-credit policy. The paper uses data collected by the author as a team member of the BRAC-ICDDR,B joint research project in fourteen villages in Matlab thana2, Bangladesh. BRAC's Rural Development Program (RDP) has been operating in ten of these villages for three years and will be used as the micro-credit program under study.

Zaman, H. “Microcredit programs: who participates and to what extent”, In G. Wood (Ed.), Bangladesh: whose ideas, whose interests?. UPL, Dhaka.

Zaman, H. “Poverty and BRAC's microcredit programme: exploring some linkages”, BRAC-ICDDR,B Socio-economic Development and Human Well-being Working paper no. 18 , BRAC, Dhaka.

## 1996

ASA, "Impact of Income Generation Through Credit Program (IGP) on Family Income and Expenditure. ASA", Dhaka, Bangladesh.

ASA, "ASA in Micro-Finance 1996", Annual Report 1996, ASA Dhaka, Bangladesh.

ASA. "Dropout In Micro-Credit Operation", ASA, Dhaka.

BARUA, B. K. and S. K. DASGUPTA. "Rural credit delivery system for poverty alleviation", BARD, Comilla.

Bornstein, D. "The Price of a Dream: The Story of the Grameen Bank and the Idea That Is Helping the Poor to Changing their Lives", The University Press Limited, Dhaka.

BURO, Tangail, "Sustainable Rural Savings and Credit Programme, Project Document, Phase IV (1997-2001)", BURO, Tangail, Dhaka.

CGAP. "Financial Sustainability, Targeting the Poorest, and Income Impact: Are There Trade-offs for Micro-finance Institutions?", CGAP Focus Note No.5. December.

**Abstract:** Thirteen MFIs in seven countries examine the trade-offs they made between sustainability and poverty outreach. It is a summary of David Hulme and Paul Mosley, Finance against Poverty (London: Routledge, 1996).

Choudhuri, A. H. M., *at. al.*; "Interlinkage Between Banks, NGOs and Informal credit Sectors for Rural Development", Bangladesh Bank Parikrama Volume xxi, Nos.1 & 2, March and June.

Choudhury, T. A. "A Report on Investment Banking Opportunities in Bangladesh", Bangladesh Institute of Bank Management.

Chowdhury, O. H. and S. R. Khandker. "Do Targeted Credit Programs Improve the Nutritional Status of the Poor?", pp.207-237, in Latif, M.A., S. R. Khandker and Z. K. Khan (eds.), "Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-II, The Bangladesh Institute of Development Studies and the World bank, Dhaka.

**Abstract:** Abject poverty results in severe malnutrition, and the incidence of poverty can be adequately measured by the nutritional status of the poor. In Bangladesh, about 30 percent of the population lives in absolute poverty, as measured by their income. This figure becomes much higher when poverty is measured by calorie intake. Descriptive analysis of the nutritional data collected from villages with credit programs targeted to the poor (such as the Grameen Bank, the Bangladesh Rural Advancement Committee (BRAC), and the Bangladesh Rural Development Board's (BRDB) Rural Development (RD)-12 project)suggest that only 77 percent of the individuals meet a minimum calorie requirement, while 59 percent are "hard-core" poor, meeting only 80 percent of the calorie requirement.

Does program placement improve the nutritional status of the poor? Our descriptive data analysis suggests that the incidence of poverty based on calorie intake is lower on average in the Grameen Bank villages than in BRDB and BRAC villages. However, the incidence of poverty (again based on calorie intake) is lower among the program participants than among the non-participants in all the program villages. After controlling for the influence of individual, household, and village characteristics, the estimated results suggest that the nutritional status in terms of calorie intake of children below the age of 10 is better in the Grameen Bank and BRDB villages than in the BRAC villages. However, the nutritional status in terms of outcome-based indicators, such as weight, height, or body-mass index, is lower in the Grameen Bank and BRDB villages than in the BRAC villages.

Because the BRAC uses both credit and health interventions, whereas the Grameen Bank and BRDB RD-12 use only credit interventions, we conclude that improving the outcome-based nutritional status of the poor may require both income-promoting and health interventions.

Chowdhury, O.H. and S. R. Khandker. "The Targeted Credit Programs and Rural Poverty in Bangladesh", World Bank - Discussion Papers, no. 337.

Abstract: The alleviation of poverty has been the prime objective of small-scale targeted credit programs such as the Grameen Bank of Bangladesh. Based on household survey data, this paper concludes that these programs can play an important role in both lesing poverty and sustaining household welfare on a long-term basis.

Chowdhury, O. H. and S. R. Khandker. "Targeted Credit Programs and Rural Poverty in Bangladesh", pp.238-288, in Latif, M.A., S. R. Khandker and Z. K. Khan (eds.), "Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-II, The Bangladesh Institute of Development Studies and the World bank, Dhaka

Goetz, A. M. and R. S. Gupta. " Who takes the credit? Gender, power and control over loan use in rural credit programs in Bangladesh", World Development, 24(1), p. 45-63. January.

Abstract: Special credit institutions in Bangladesh have dramatically increased the credit available to poor rural women since the mid-1980s. Though this is intended to contribute to women's empowerment, few evaluations of loan use investigate whether women actually control this credit. Most often, women's continued high demand for loans and their manifestly high propensity to repay is taken as a proxy indicator for control and empowerment. This paper challenges this assumption by exploring variations in the degree to which women borrowers control their loans directly; reporting on recent research which finds a significant proportion of women's loans to be controlled by male relatives. The paper finds that a preoccupation with "credit performance" — measured primarily in terms of high repayment rates — affects the incentives of fieldworkers dispensing and recovering credit, in ways which may outweigh concerns to ensure that women develop meaningful control over their investment activities.

Hashemi, S M., S R Schuler and A P Riley. 'Rural Credit Programs and Women's Empowerment in Bangladesh', World Development 24(4), 635-654.

Abstract: This paper presents findings from a study of Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC), two programs that provide credit to poor rural women in Bangladesh. The programs were found to have significant effects on eight different dimensions of women's empowerment. The authors use a combination of sample survey and case study data to argue that the success of Grameen Bank, is particular, in empowering women is due both to its strong, central focus on credit, and its skillful use of rules and rituals to make the loan program function.

Hashemi, S. M. “Building up Capacity for Banking with the Poor: the Grameen Bank in Bangladesh”, OECD Expert Meeting on Financial Mechanisms in Support of Participation of the Poor. Paris, OECD.

Hulme, D. and P. Mosley. “Finance Against Poverty, Volumes I and II”, London: Routledge

Hulme, D. and P. Mosley. “Financial Sustainability, Targeting the Poorest, and Income Impact: Are There Trade-offs for Microfinance Institutions?” CGAP, The World Bank.

Jain, P. S. “Managing credit for the rural poor: Lessons from the Grameen Bank”, World Development, Volume 24, Issue 1, Pages 79-89, January.

Abstract: This paper, based on a detailed study of the Grameen Bank in Bangladesh, suggests that the credit policies of the Bank do not constitute a sufficient explanation for the Bank's success, and that its acclaimed policy of replacing individual collateral with group guarantee is in fact not practiced. The paper presents an alternate explanation for the success of the Grameen Bank. In addition, it explains how the Grameen Bank has been able to overcome typical problems of implementing development programs by sustaining good performance from its large work force, and keeping to a minimum the tendency of a few target beneficiaries to corner program benefits and flout organizational norms for their personal benefit.

Khalily, M. A. B. and S. R Khandker. “The Bangladesh Rural Advancement Committee's Credit Programs”, World Bank - Discussion Papers, no. 324.

Abstract: Alternative institutions, most notably non-governmental organizations (NGOs), have evolved in many countries in response to the shortcomings of the state and the market in providing various social developments inputs and credit to the poor. The Bangladesh Rural Advancement Committee (BRAC) was established nearly 25 years ago as a relief organization and is now the largest NGO in that country

Khandker, S.R., M. A. B Khalily and Z. Khan. "Grameen Bank: Performance and Sustainability", Khandker, S.R., M A B Khalily, and Z H Khan (eds.) “Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-I”, The Bangladesh Institute of Development Studies and the World bank, Dhaka, pp. 11-134.

Abstract: The Grameen Bank, in Bangladesh, has attracted worldwide attention by providng small loans to the rural poor and recording high repayment rates. It has over two million members spread over 35,000 villages, 94 percent of whom are women. The paper discusses what the Grameen Bank is, what it does for the rural poor and at what costs,its sustainability as well as its potential for expansion and replicability. The Grameen Bank's success as a bank is only sustainable if it is institutionally, economically and financially viable, and also if it generates sustainable benefits to borrowers that help reduce poverty. Subsidized funds and grants were instrumental for outreach and institutional development of the Grameen Bank. However, over time it has demonstrated its ability to operate with resources from the market, relying less on subsidized funds. The Grameen Bank has recorded loan recovery rates above 90 percent consistently and has had a positive impact on rural wages and poverty reduction, which indicates that the benefits to its borrowers from program participation must be sgnificant and sustainable. The long-run sustainability of the Grameen Bank in Bangladesh ultimately depends on its ability to expand its lending for more growth-oriented activities and achieve cost efficiency on a sustained basis. The Grameen Bank's achievements has led to its many replications in over forty countries and the World Bank has taken the initiative to sponsor Grameen-type schemes. Successful replications would depend not only on subsidized resources initially, but also on committed and dynamic leadership that is able to carve out market niches.

Rahman, R. I. and S. R. Khandker. "Role of Targeted Credit Programmes in Promoting Employment and Productivity of the Poor in Bangladesh", Latif, M.A., S. R. Khandker and Z. K. Khan (eds.) "Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-II, The Bangladesh Institute of Development Studies and the World bank, Dhaka, pp. 12-53.

**Abstract:** The success of credit programs for the landless poor lies in the alleviation of poverty. The process of alleviation of poverty can be more clearly understood through an analysis of the employment that is generated with the credit and the return from activities where such employment is generated. The paper shows that the three credit programs, (BRAC, BRBD and Grameen Bank) have been successful in expanding the opportunities of self-employment. Labor force participation rates among women have increased. Participation rates and employment per worker are higher among program participants than among target group population in the control area. The paper also indicates that, the average return to self-employment is higher than the wage rate. Thus self-employment which pays-off at a rate higher than the wage rate. The average returns are higher in non-agriculture compared with those in livestock and agriculture (crop production activities).

The marginal productivity estimates of different types of labor shows that the marginal return to non-agriculture is the highest followed by agriculture and livestock production. However, the marginal productivity of each category of family labor, male and female, substantially by type of self-employment. In agriculture, the marginal productivity of female (family) labor is positive and significant and that of male (family) labor is zero. In contrast, the marginal productivity of male (family) labor in non-agriculture is positive and significant and that of female (family) labor is zero. Further research is needed to explain why the marginal productivity of labor is zero in some activities.

Khandker, S. R. and M. A. Latif. "Role of Family Planning and Targeted Credit Programs in Demographic Change in Bangladesh", in Latif, M.A., S. R. Khandker and Z. K. Khan (eds.) "Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-II, The Bangladesh Institute of Development Studies and the World bank, Dhaka, pp. 54-84.

**Abstract:** This paper pursues the following questions: (i) whether family planning programs were important in contributing to the recent fertility decline in Bangladesh, and (ii) whether targeted credit programs for the poor aiming to alleviate poverty could improve the use of contraceptives and reduce infant mortality and fertility. These questions have important policy implications in a country where both infant mortality and marital fertilityrates are high, and contraceptive use rate and marriage age are low.

Khandker, S. R., M. Alam and V. Greaney. "Determinants and Impact of Basic Skill Attainment: The Role of School and Targeted Credit Programs in Bangladesh", in Latif, M.A., S. R. Khandker and Z. K. Khan (eds.) "Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-II, The Bangladesh Institute of Development Studies and the World bank, Dhaka, pp. 85-122.

Pitt, M.M. and S. R. Khandker. “Impact of Credit Programs for the Poor on Household Behavior in Bangladesh”, Latif, M.A., S. R. Khandker and Z. K. Khan (eds.) “Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-II, The Bangladesh Institute of Development Studies and the World bank, Dhaka, pp. 123-206.

**Abstract:** Group-based lending programs for the poor have become a focus of attention in the development community over the last several years. To date, there has been no comprehensive investigation of their impact on household behavior that has been sufficiently attentive to issues of endogeneity and self-selection. Perhaps one reason for this is the absence of data from social experiments associated with these credit programs, or the difficulty of finding valid instrumental variables (exclusion restrictions) to deal with the endogeneity bias of non-experimental data.
This paper surmounts these issues by treating the choice of participating in credit programs (in a sample of Bangladeshi households and villages) as a "quasi-experiment" conditional on all observed (in the data) and unobserved village characteristics. It uses this same approach to help identify the separate effects of lending to female and male household members, making use of the fact that credit groups are single-sex and groups for both sexes are not available in all villages. The data were collected in a special survey of 87 rural Bangladeshi villages during 1991-92. A comparison of our econometric method with more naive approaches clearly indicates the importance of our attention to endogenity in evaluating these credit programs.
The paper provides separate estimates of the influence of borrowing by both men and women for each of three credit programs (the Grameen Bank, the Bangladesh Rural Advancement Committee (BRAe), and the Bangladesh Rural Development Board's RD-12 program (BRDB» on a variety of household and individual outcomes. These include school enrollment of boys and girls, labor supply of women and men, the asset holdings of women, consumption, recent fertility and contraceptive use, and the anthropometric status of children. We find that credit is a significant determinant of many of these outcomes. Furthermore, credit provided to women is more likely to influence these behaviors than credit provided to men, and has the greatest impact on variables associated with. women's power and independence. In short, program credit has a significant effect on the well-being of poor households in Bangladesh, even more so when women are the program participants.

Khandker, S. R.and M. A. B. Khalily. “The Bangladesh Rural Advancement Committee's credit programs : performance and sustainability,” World Bank discussion papers , no. WDP 324.

**Abstract:** Alternative institutions, most notably nongovernmental organizations (NGOs), have evolved in many countries in response to the shortcomings of the state and the market in providing various social development inputsand credit to the poor. The Bangladesh Rural Advancement Committee (BRAC) was established nearly 25 years ago as a relief organization and is now the largest NGO in that country. It has attracted worldwide attention with its innovative anti-poverty programs which provide credit, as well as health, non-formal education and skills training to the rural poor. This study examines the performance and sustainability of two BRAC programs: the Rural Development Program (RDP) and the Rural Credit program (RCP). In 1994, the 195 branches of these two programscovered over one million members, of whom 88 percent were women, and disbursed $55.2 million in small loans forrural non-farm activities, with trading, food processing and livestock comprising about 70 percent of all loans in 1994. Although the loan recovery rate has remained high and RCP branches are financially viable, estimates indicate that the two programs together require 18 percent subsidy per unit loan outstanding. Given the current growth trend, however, all RCP branches will become self-sustainable by 2001, while both RCP and RDP will be free of economic subsidy by 2010. Through expansions in membership and loan disbursement, these BRAC programs can reduce their subsidy dependencies and become sustainable programs for the rural poor.

Khandker, S R.and M. A. B. Khalily. "The BRAC's credit Programs : Performance and Sustainability", Khandker, S.R., M. A. B. Khalily, and Z. H. Khan (eds.) "Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-I", The Bangladesh Institute of Development Studies and the World bank, Dhaka, pp. 135-246.

Abstract: The development experience of the past few decades suggests that economic growth policies have not generated adequate income-earning opportunities for the poor. The poor, especially women and other disadvantaged groups, do not have the access to credit, education, health care and other social services that they need. The experience of BRAC suggests that. when poverty is rooted mainly in the basic social and economic structures, producing conditions of economic dependency to local exploitative forces, targeted measures are necessary to reach the poor.

The BRAC began as a relief organization in 1972 and grew to be the largest nongovernmental organization (NGO) in Bangladesh by the 1990s. Over the years it has learned a number of lessons while experimenting with different models of rural development. The BRAC has designed a number of programs for the poor, including social, health, and educational development programs. It also offers credit and other financial services. The BRAC has been extensively evaluated by researchers both inside and outside Bangladesh, although its development model and its sustain ability have not been thoroughly examined. The BRAC is a huge organization with different programs and commercial enterprises; the major programs targeted to the poor are the Rural Development Program (RDP) and the Rural Credit Program (RCP). The purpose of this report is to understand what these two programs are, what they do, how, for whom, and at what cost they function, and whether they are sustainable. This report evaluates only these two programs (RDP and RCP), and not the BRAC as a whole.

Khandker, S.R., M. A. B. Khalily and Z. Khan. "Sustainability of a Government Targeted Credit Program: Evidence from Bangladesh", Khandker, S.R., M. A. B. Khalily and Z. H. Khan (eds.) "Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-I", The Bangladesh Institute of Development Studies and the World bank, Dhaka, pp. 247-332.

Abstract:n Given that poverty has many dimensions, unidimensional measures cannot adequately confront its various ills. In Bangladesh, poverty refers not only to a condition of barely sustaining physical needs, but also to a lack of investment in other aspects of human life such as education, healthcare, and shelter. As a result, interventions that have enhanced income and consumption on a temporary basis, failed to improve the human capital and productive means of the poor on a sustained basis. Similarly, programs that only addressed the social and human capital aspects of poverty, such as literacy, awareness raising, and social discipline, were proved ineffective. As such, an effective poverty alleviation program requires a resourceful design that can confront all dimensions of the poverty problem simultaneously in a specific socioeconomic context.

This report is based on a cooperative-based project administered by the Government of Bangladesh (GOB). Known as the Rural Development (RD-12) project, this program was launched by GOB for the rural poor (both men and women) through its main rural development agency, the Bangladesh Rural Development Board (BRDB), and drew upon the experiences of the Bangladesh Rural Advancement Committee (BRAC) and the Grameen Bank. It introduced a group-based credit delivery model within the cooperative structure. The RD-12 project, mainly funded by the Canadian International Development Agency, has been in operation since April 1988 and was due to end in June 1994 but has been extended to June 1996. It is, by far, the largest GOB program aimed at alleviating rural poverty by targeting the assetiess poor.

With its innovative design, this project has drawn considerable resources from Canada (this being the largest project in the world for the Canadian International Development Agency, CIDA) as well as interest from other donors and policymakers. As such, the project has been periodically evaluated by CIDA and other agencies including the United Nations Development Programme; household-level impact analysis of the program has also been conducted. But there has been little systematic analysis of the RD12 as a vehicle for poverty reduction within the government structure in comparison with other successful NGO programs, such as Grameen Bank and BRAC, which have attracted more attention. In order to examine how this program has performed, this report uses prograrn- and village-level survey data to examine what the RD-12 is, what it does, how it functions, and at what cost, who it serves, and whether it is sustainable given its performance.

Khandker, S.R., M. A. B. Khalily and Z. Khan. "Grameen Bank: Performance and Sustainability", Khandker, S.R., M. A. B. Khalily and Z. H. Khan (eds.) "Credit Programs for the Poor: Household and Intra Household Impacts and Program Sustainability,Vol.-I", The Bangladesh Institute of Development Studies and the World bank, Dhaka, pp. 13-134.

Abstract: The Grameen Bank's success has made it one of the best known group-based lending programs in the world, and it is one of the few programs that is being widely studied. Yet the Grameen Bank's credit and social intermediation model has not been systematically studied to identify the reasons for its success and its potential for expansion and replication. Only a few studies have rigorously analyzed whether the Grameen Bank is a sustainable financial institution. The objective of this report is to understand what the Grameen Bank is, what it does for the poor, how it provides services and at what cost, and whether it is sustainable. This study also examines the potential for expanding the Grameen Bank in Bangladesh and replicating it elsewhere. These findings have significant implications for development policy in general, as well as for World Bank operations. The recent formation of a Consultative Group to Assist the Poorest (CGAP) is indicative of the Bank's interest in sponsoring micro-credit programs to address poverty.

Khandker, S. R. "Role of Targeted Credit in Rural Non-farm Growth", The Bangladesh Development Studies, vol. XXIV, nos. 3 & 4, Special Issue on Rural Non-farm Development In Bangladesh, Sept.-Dec.

Khandker, S R "Fighting Poverty with Microcredit: Experience of the Grameen Bank and Other Programmes in Bangladesh", World Bank, Washington DC.

Khandker, S.R. 'Grameen Bank: Impact, Costs, and Program Sustainability', Asian Development Review, 14(1): 97-130.

Abstract: Grameen Bank of Bangladesh is known worldwide for its innovative credit delivery to the rural poor. By incorporating group-based lending, mandatory savings and insurance, repayment rescheduling in case of disasters, and similar other schemes, it has been able to minimize both behavioral and material risks of lending. By 1994, Grameen's coverage had increased to include 50 percent of villages of Bangladesh with more than 2 million members (94 percent of whom are women), with a loan recovery rate steadily above 90 percent. It also has noticeable positive impacts on participants' economic and social well- being, and on the overall income growth and poverty reduction in the village level. To become cost-effective, Grameen Bank should not only expand its outreach, but also diversify its loan portfolio with more growth-oriented activities. This also requires sound macroeconomic policies from the government. Replication of Grameen's financial model is possible with necessary modifications as long as it is social-conscience-driven and its operations are transparent.

Khandker, S.R. & O. H. Chowdhury. "The Targeted Credit Programs and Rural Poverty in Bangladesh," World Bank - Discussion Papers 337, World Bank.

Abstract: The alleviation of poverty has been the prime objective of small-scale targeted credit programs such as the Grameen Bank of Bangladesh. Based on household survey data, this paper concludes that these programs can play an important role in both lesing poverty and sustaining household welfare on a long-term basis. . The data analysis shows that it takes about five years for poor program participants to rise above the poverty line and eight years for them to achieve economic graduation (stop taking loans from a targeted credit program). The results also show that targeted credit programs have helped program beneficiaries to invest increasingly in non-farm rather tllan farm resources; a structural shift from traditional farm activities toward non-farm activities is clearly underway in rural Bangladesh. However, policy interventions are perhaps necessary to use the superior skills of the graduates of these targeted programs to create more

Kumar P. "Developing the Nonfarm Sector in Bangladesh: Lessons from Other Asian Countries", World Bank Discussion Paper No. 340, October.

**Abstract:** Draws on the experiences of nonfarm development in East Asian countries to look at Bangladesh's prospects for highly accelerated growth in this sector. The authors examine whether the lessons learned can be applied to Bangladesh and how to implement the resulting recommendations.

Montgomery, R., D. Bhattacharya and D. Hulme. 'Credit for the poor in Bangladesh.', In Hulme D. and P. Mosley (eds.) "Finance against poverty" Routledge, London. Berger and Buvinic 1989 , pp. 94-176.

Mustafa, S *et al.* "Beacon of Hope: an Impact Assessment Study of BRAC's Rural Development Programme", BRAC, Dhaka.

**Abstract:** The impact assessment methodology was constructed on the basis of a set of hypotheses, and incorporated a set of key indicators of impact. The IAS hypothised that various non-RDP factors are likely to influence the impact of RDP's inputs. The hypothesis was specified with reference to the following factors : (a) length of RDP membership; (b) strength of RDP support (i.e., amount of credit); (c) life-cycle situation of the households, education, and initial endowment on joining BRAC; and (d) local economic dynamism. The criteria for the key indicators of impact were: (a) material well-being of the member households; (b) vulnerability to seasonality and crisis coping capacity; (c) changes in women's lives; and (d) development of village organisations as institutions.

Pitt, M. and S. R. Khandker. "Household and Intra household Impact of the Grameen Bank and Similar Targeted Credit Programs in Bangladesh",

**Abstract:** Group-based lending programs for the poor have become a focus of attention in the development community over the last several years. To date, there has been no comprehensive investigation of their impact on household behavior that has been sufficiently attentive to issues of endogeneity and self-selection. Perhaps one reason for this is the absence of any data generated from social experiments associated with these credit programs, and from the difficulty in finding valid instrumental variables (exclusion restricted) to deal with the endogeneity bias in non-experimental data. This paper surmounts these issues by treating the choice of participating in credit programs in a sample of Bangladeshi households and villages as corresponding to a "quasi-experiment" conditional on all observed and unobserve characteristics.

Pitt, M.M. and S. R. Khandker. "Household and Intrahousehold Impact of the Grameen Bank and Similar Targeted Credit Programs in Bangladesh", World Bank - Discussion Papers,, no. 320.

**Abstract** Group-based lending programs for the poor have become a focus of attention in the development community over the last several years. To date, there has been no comprehensive investigation of their impact on household behavior that has been sufficiently attentive to issues of endogeneity and self-selection. Perhaps one reason for this is the absence of any data generated from social experiments associated with these credit programs, and from the difficulty in finding valid instrumental variables (exclusion restricted) to deal with the endogeneity bias in non-experimental data. This paper surmounts these issues by treating the choice of participating in credit programs in a sample of Bangladeshi households and villages as corresponding to a "quasi-experiment" conditional on all observed and unobserve characteristics.

PromPT, "Financial Services for the Rural Poor - Users' Perspectives", PromPT, Dhaka

Rahman, A. "Micro Credit for women in rural Bangladesh: Retrenchment of Patriarchal Hegemony as a Consequence." <u>Chicago Anthropology Exchange 23.</u>

Rahman, A. 'Rural Development From Below: Lessons Learned From Grameen Bank Experience in Bangladesh.' <u>Journal of Socio-Economics 25(2):189-223.</u>

Rahman, R. I. "Impact of Credit for Rural Poor : An Evaluation of Palli Karma-Sahayak Foundation's Credit Programme", Research Report No. 143, <u>Bangladesh Institute for development Studies (BIDS),</u> April.

Abstract: This Study was conducted by Ms. Rushidan Islam Rahman, a Senior Research Fellow of BIDS in 1995. In this study it was revealed that PKSF's microcredit program has an outstanding impact on the rural poor people specially the rural women.

Rahman, R. I. "Impact of Grameen Krishi Foundation on the Socioeconomic Condition of Rural Households", <u>BIDS Working paper No. 7, BIDS, Bangladesh Institute of Development Studies, Dhaka.</u>

Rutherford, S. "Regulation of savings and credit NGOs in Bangladesh: what is it and why is it needed?", <u>Dhaka: unpublished note. Two papers given at a 1995 conference on regulation in Washington are summarized and discussed. [Authors: Rodrigo A. Chaves and Claudio Gonzales-Vega; Robert Christen]</u>

Schuler, S. R., S. M. Hashemi, A. P. Riley and A. Akhter. 'Credit Programs, Patriarchy and Men's Violence Against Women in Rural Bangladesh ', <u>Social Science and Medicine,</u> 43(12): 1729-1742.

Sen, B. "Rural Savings and Investment: Trend and Determinants<u>", in 1987-1994 Dynamics of Rural Poverty in Bangladesh. BIDS, Dhaka</u>.

Sharma, M. and Zeller, M, "Repayment performance in group-based credit programs in Bangladesh: An Empirical Analysis", <u>International Food Policy Research Institute (IFPRI)- FCND</u> discussion papers, no.15.

Abstract: This paper analyzes the repayment rates of credit groups belonging to three group-based credit programs in Bangladesh: the Association for Social Advancement (ASA), the Bangladesh Rural Advancement Committee (BRAC), and the Rangpur Dinajpur Rural Service (RDRS). Hypotheses are drawn from economic theory relating group responsibility, and the resulting monitoring by peers, to a more effective enforcement of contractual obligations as well as to improved ability of the group as a whole to repay loans. Specific tests are performed on the following hypothesized determinants: group size, size of loans, degree of loan rationing, enterprise mix within groups, demographic characteristics, social ties and status, and occurrence of idiosyncratic shocks. Analysis is conducted using TOBIT maximum likelihood procedures. Implications for policy and institutional design are discussed.

Todd, H. "Women at the Centre: Grameen Bank Borrowers After One Decade", <u>The University Press Limited, Dhaka</u>.

Todd, H. "Women at the Center: Grameen Bank Borrowers After One Decade", <u>Westview Press, Colorado</u>.

World Bank. "Bangladesh Rural Finance Agriculture and Natural Resources Division", <u>Report No. 15484-BD, The World Bank</u>.

World Bank. "Bangladesh-Rural Finance".

Abstract: The objective of the study was to identify specific actions that would reduce existing and potential financial sector constraints to agricultural and rural development. The aim would be to develop, over time, an efficient and sustainable system of rural financial intermediation. The 'system' is visualized as an integrated whole comprising of formal, semi-formal and informal sectors, which exploits the comparative advantages of different intermediaries in cost-effectively delivering financial services to rural areas. Particular emphasis is paid to identify practical and cost-effective mechanisms of expanding services to sections of the population who currently have little or no access to such services, especially the small and marginal farmers and entrepreneurs including women.

World Development Sources, WDS. "Bangladesh - Poverty Alleviation Microfinance Project, volume1" Staff Appraisal Report, no.15431.

Abstract: The Poverty Alleviation Microfinance Project has two key objectives: 1) reduce poverty through expanding horizontal and vertical outreach of on-going successful microfinance programs; and 2) enhance institutional and financial sustainability of Palli Karma Sahayak Foundation (PKSF) and PKSF's Partner Organizations' (POs) credit programs through: (a) financing expansion of lending; (b) enhancing the role of PKSF; (c) assisting in institutional strengthening of PKSF and its borrowers by providing resources for training and institution building; (d) providing insight and possible solutions to several issues/problems currently facing the microfinance system in Bangladesh; and (e) disseminating best practices for increasing cost effectiveness of these programs. The project components will be the following: 1) a line of credit for loans to the poor through POs that meet predetermined criteria; and 2) technical assistance for capacity and institution building of the POs, PKSF and Bangladesh Bank.

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Zeller, M., M. Sharma and A. Ahmed. "Credit for the rural poor: Country case Bangladesh", Final report submitted to the German Agency for Technical Co-operation (GTZ). International Food Policy Research Institute, Washington, DC.

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Evans, T.G., M. Rafi, A. Adams and A. M. R. Chowdhury. 1995. "Barriers to participation in BRAC RDP", BRAC, Dhaka.

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Jabangir, A. and M. Zeller. 1995.“Overview paper on rural finance programs for the poor in Bangladesh: A review of six major programs”, International Food Policy Research Institute, Washington, DC.

Khan K A, and AMR Chowdhury. 1995. “Why Do VO Members Drop Out ?”, BRAC, Dhaka.

Khandker, S. and M. A. B. Khalily. 1995. “Designing a Sustainable Poverty Alleviation Program: The BRAC Strategy in Bangladesh”, Conference Paper, World Bank and BIDS, Dhaka.

Khandker, S. R., M. A. B. Khalily and Z. Khan. 1995. “Grameen Bank: Performance and Sustainability”, The World Bank, Washington D.C.

Khandker, S.R., M. A. B. Khalily and Z. Khan. 1995. "Grameen Bank: Performance and Sustainability", World Bank - Discussion Papers, no. 306.

Abstract: The Grameen Bank, in Bangladesh, has attracted worldwide attention by providng small loans to the rural poor and recording high repayment rates. It has over two million members spread over 35,000 villages, 94 percent of whom are women. The paper discusses what the Grameen Bank is, what it does for the rural poor and at what costs,its sustainability as well as its potential for expansion and replicability. The Grameen Bank's success as a bank is only sustainable if it is institutionally, economically and financially viable, and also if it generates sustainable benefits to borrowers that help reduce poverty. Subsidized funds and grants were instrumental for outreach and institutional development of the Grameen Bank. However, over time it has demonstrated its ability to operate with resources from the market, relying less on subsidized funds. The Grameen Bank has recorded loan recovery rates above 90 percent consistently and has had a positive impact on rural wages and poverty reduction, which indicates that the benefits to its borrowers from program participation must be sgnificant and sustainable. The long-run sustainability of the Grameen Bank in Bangladesh ultimately depends on its ability to expand its lending for more growth-oriented activities and achieve cost efficiency on a sustained basis. The Grameen Bank's achievements has led to its many replications in over forty countries and the World Bank has taken the initiative to sponsor Grameen-type schemes. Successful replications would depend not only on subsidized resources initially, but also on committed and dynamic leadership that is able to carve out market niches.

Montgomery, R., D. Bhatterchariya; and D. Hulme. 1995. "Credit for the Poor in Bangladesh: The BRAC Rural Development Programme and the Government Thana Resource Development Programme", University of Manchester Working Paper No. 12.

Rahman, H., and M. Hossain (eds.) 1995. "Rethinking Rural Poverty: Bangladesh as a Case Study", UPL, Dhaka.

Riddell, R.C. and M. Robinson, *et al.* 1995. "Non-Governmental Organizations and Rural Poverty Alleviation". ODI/Oxford: Clarendon Press, London.

Abstract: Based on sixteen case-studies of NGO projects from India, Bangladesh, Uganda and Zimbabwe. Chapter 5 reports that: "Many projects failed to reach the poorest, and even in cases where poverty alleviation occurred, improvements in economic status was modest. There was little evidence to suggest that many beneficiaries had managed to escape from poverty on a permanent basis" (60). The 'chronically poor' – defined here as those lacking the means to satisfy their basic food requirements (65) – included the sick, elderly and others not generally active, "together with a small number of people who will be reluctant or unable to participate in projects due to suspicion, lack of motivation, or pressure from dominant social groups. Such people tend to constitute a minority of the rural population; they are usually beyond the reach of most economic interventions and stand to benefit more from improved social services rather than through development projects designed to promote self-reliance" (66). However, NGOs also failed to reach a larger group of the rural poor: the landless labourers, marginal farmers, those with few durable assets and little or no education, and female headed-households. NGOs failed to reach them due to constraints in human and financial resources; the tendency for the poorest to be ("almost by definition") scattered, disorganized and living in resource-poor areas, or heavily dependent on the non-poor for employment and credit. Those programmes that did manage to reach the poorest took this commitment very seriously; included all members of the community in the project area and consulted closely with the poor themselves (66). Successful projects were related to beneficiary participation, effective management, and skilled and committed staff (59), along with external factors such as expansion of the local economy, plentiful resources and support from local elites.

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Zaman, H., S. Rahman, S. Hussain and M. Rana. 1995. "Profitability of BRAC-financed Projects: a study of seven microenterprises in Matlab", Working Paper No. 7, BRAC, Dhaka, June.

Abstract: The basic objective of this study was to look at the profit rates made by VO members once they have made investments in projects financed through BRAC loans. BRAC's twin objectives of employment and income generation as part of its poverty alleviating strategy hinge crucially upon the success of its microcredit program. Although weekly loan repayments may originate from a variety of sources, the intended channel is via the profits made on their individual microenterprises. This study took a sample of seventy households divided equally amongst seven different microenterprises. The projects investigated were paddy cultivation, potato cultivation, goat rearing, bull fattening, grocery shop, net making and poultry. The profit rates were calculated using detailed structured questionnaires, which collected information on revenues and costs of the project. Information on time spent on the microenterprise was also collected in order to measure the opportunity cost of time.

As for the results, we found that potato cultivation, poultry (mainly chick rearers in our sample) and net making were the activities that made the most substantial contribution to household income; over 1000 taka per month each. Grocery shops were the intermediate category, the economic profit being considerably lower than the accounting one due to the considerable amount of time the loanee spends on the activity although in terms of accounting profit this project tops the list. Goat rearing and paddy cultivation were found, in our limited sample, not to be significant contributors to household income making marginal amounts of profit. Bull fattening on the other hand was found to be a loss making activity.

The impact of training was also analysed. The amount of profit made by those with relevant skill training was compared with average profit rates for those not trained; although the former was in most cases found to be higher this difference was not significant. However the small sample size analysed means that one cannot make any comment on the effectiveness of BRAC' s training programmes.

The reasons for the variations in profits were also explored. The main reason behind the difference in the two agricultural crops was in terms of productivity; average potato output per decimal is 1.27 maunds while average paddy output is 0.48 maunds per decimal. Net making is a high value added activity; poultry's average profits are high but so is the risk involved due to potential illness outbreaks. Goat rearing's profitability is constrained by high mortality rates whereas bull fattening return's accrue in the long term especially since BRAC loan ceilings permit the purchase of only young bulls.

Our recommendations are for BRAC to raise loan ceilings for selected activities eg net making, shop trading and bull fattening as it ought to raise borrower's profit rates. BRAC should also strive to ensure the timely delivery of inputs, particularly vaccination and marketing, as they are essential for the success of the project. Seasonal loans, like bull fattening loans three months before Eid, should also be encouraged. Finally we concluded that BRAC ought to pay closer attention to the potential profit rates made on projects instead of concentrating on mass disbursement only to meet set loan targets. After all, ultimately organizational sustainability will depend on borrower viability.

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Abstract: It is a significant research work carried out in 1994 by Mr. Dewan Ali Haider Alamgir, the then Assistant General Manager of PKSF, who is now working in Grameen Shakti as General Manager. In this research work the overall scenario of microcredit operation in Bangladesh covering, both prospects and constraints has been highlighted.

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The papers were presented at a senior policy seminar held in Bali, Indonesia, in February 1993. The Asian countries represented at the seminar were Bangladesh, India, Indonesia, Japan, Malaysia, Pakistan, the Philippines, Thailand and Vietnam; Latin American participants came from Chile, Colombia, Mexico, and Paraguay.

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Abstract: This book describes the first three years of a Malaysian project that was the first to replicate the Grameen Bank outside of Bangladesh and that today serves half of Malaysia’s poor families. An account, by the two founders, of Project Ikhtiar, its adaptations, errors and lessons learned and its institutionalisation into Amanah Ikhtiar Malaysia, now the oldest and largest replication in Asia of the Grameen Bank.

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The marginal productivity estimates of different types of labour shows that the marginal return to non-agriculture Is the highest followed by agriculture and livestock production. However, the marginal productivity of each category of family labour, male and female, varies substantially by type of self-employment. In agriculture, the marginal productivity of female ,(family) labour Is positive and significant, and that of male (family) labour Is zero. In contrast, the marginal productivity of male (family) labour In non-agriculture Is positive and slgnlflcant and that of female (family) labour Is zero. Further research Is needed to explain why the marginal productivity of labour is zero In some activities.

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**Abstract:** The Grameen Bank of £langladesh and the II~DP (Integrated Rural Development Progra,mme) of India have been trying for some time past to make a dent in rural poverty by extending credit for non-farm activities. While the results of IRDP have been generally disappointing, Grameen £lank has been hailed as a huge success. The elTorts of Gramecn Bank are, however. currently at a much lower scale compared to IRDP. So the question arises: will the Gramccn Bank be able to make a substantial dent in rural poverty by extending its activities many limes over? The possible limits to its success were analysed through two routes: first, we tried to see what lessons can be extmcted from the experience of IRDP regarding the limitations of an expanded credit programme; secondly, we tried to discern certain limits which derive from the very logic of Gramecn Bank's approach to credit-giving. We conelude with the view that while there is still further scope for expanding its activities, the hope that Grameen Bank might prove a panacea for rural poverty is totally misplaced.

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