

My Comments on Dr. Shams Rahman's article on Grameen Bank

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Shams Rahman has tried to assess if Grameen microcredit programs have been able to reduce poverty from Bangladesh as it claims. It is a worthwhile effort to find out the facts instead of guess work based on commentary of opinion creators without factual data. As with any credible research, field data is very important. Most of the references he has given are not all related to field data on Grameen Bank but general data on microcredit though some are old Grameen data for example, Chemin, M. claimed that 95% repayment rate in 291 days is misleading to claim high repayment rate based on 1991-2001 data. Grameen's 'Monitoring & Evaluation Department' upgrades its sector-wise data monthly which shows 96.5%- over 98% repayment rates from 1995-2011. Most of these report-writers have assessed on someone else research work on microcredit in general of any sort without realising that Grameen microcredit is altogether a different matter. To have a real assesment on Grameen it needs to consider the following points: a) Basic principle & concept of Grameen. b) Grameen's structural setup which is completely different than others. c) What are the differences with other microcredit. d) Grameen's statistical data. e) Reports on those who undertook basis fieldwork & collected data on various parameters of Grameen's programs. Shams Rahman indicated that he may write another article in the future with broader context which I will appreciate very much which will give real pictures of Grameen with factual data. I am sure readers will be surprised to find out the reality.

I would like to elaborate a few points here. Grameen Bank is a unique organization in a sense that there is no other organization similar to Grameen in the world; it is a bank for the poor only & 96.5% owned by the poor borrowers. Each of its 8.3 million members has a single non-transferable share. Besides members, no one can buy or have a share. Though 75% shares are owned by its members, their equity investment has been increased to 96.5% with Tk53 cores; whereas government has 25% shares with only 3.5% equity. Bangladesh Govt. invested once in 1983 at the time of establishment of the Bank with only 1.8 cores & stands that figure still today. Grameen members wanted to buy back the remaining shares from the government but the government has yet to agree for no valid reasons. For the sake of fairness and transparency the govt. should have reduced its share to 3.5%. Grameen's 9 directors are democratically elected by its members with 100% participation. Regular yearly dividends from profits are paid; 30% in 2009 & 2010 which were the highest

percentages in any company in Bangladesh. If the bank makes bigger profits, only the poor members will be benefitted. Grameen is now self-sufficient bank; doesn't borrow any money from banks inside Bangladesh or foreign organizations overseas; 100% loans financed from deposits of members & local depositors which is over \$1.5 billion of which Grameen members' deposit is 55%. By every definition, it is a private bank that has created at the least 8.3 millions self employed (even not double that number considering husband & wife in a family) without the tax payer's costs. Grameen makes profit every year since 1983 except three years in the late nineties due to severe flood in 1998. ***One should ponder how they could save handsome amount if their economic conditions have not been improved?*** Most of the critics maintained that Grameen's interest rates are highest in spite of repeated denial by the Bank & Prof. Yunus for the last 20 years. Bangladesh Bank's current report as well as the recent 'Review Committee Report – 25 April 2011' have confirmed Grameen's version. The behaviours of those well known intellectuals & writers like Gajiul Haque, Badruddin Omar, Shariar Kabir, Rahat Khan and others who even didn't have the inquisitiveness to find out the facts during the recent controversy which has done immense damage to the reputation of Bangladesh as well as the intellectual reputations of the writers. The bank has three types of interest rates: a) microcredit – 20% reducible similar to Australian Housing Loans. For an example, a loan of Tk 1000/- with weekly repayments of Tk20, ends up with total payment of Tk1100/- in 52 weeks; an additional Tk100/- as interest which is cheaper than even the government's own microcredit flat rate of 11% which is equivalent to 22% declining basis. b) Housing interest rate of 8%; 687,754 houses built with the housing loans. c) Higher Studies Loan – 5%; interest calculated from the date of completion of the degrees and not from the date the loan started & repayment starts after joining the employment. 49,290 students obtained Higher Education Loan. Among them 878 in engineering, 568 in medical colleges, 1206 in other professional institutions & 46,638 in different universities. One recipient already got a PhD degree. The bank also give 1,14479 scholarships to school children of its members. Can anyone show which other organization that provides similar facilities to poor students? d) Beggars interest rate is zero. Over 112,454 beggars have joined the program of which 19,536 have already left begging & are making a living as door-to-door sales persons. Among them 9,677 beggars have joined as Grameen Bank Groups as mainstream borrowers. Have anyone heard about this before (Grameen Bank at a glance, January 2011)? **How these improvements possible without the member's economic betterment.**

The studies those based on Grameen's field data shows between 55-65, averaging over 60% have crossed poverty line though Grameen's internal survey claimed

68 % (Khandker, S.R-1998 & 2005 World Bank Economic Review). **Every member of Grameen has Life Insurance; Deceased borrowers' family immediately receive Tk1500/- to overcome immediate needs. No premium is to pay for this insurance; the payment comes from share dividends. *Optional Loan Insurance for borrowers with 3% premium – all outstanding loans are paid off in case of death of the borrower.* There is also an Optional Pension Fund for borrowers. They are encouraged to save a small amount each month for ten years & *received double the amount of the deposits. By January 2011, the pension Fund has accumulated to US\$528.32 million; US\$ 101.95 million was added during the last 12 months (Feb 2010 to January 2011). How borrowers can save for pensions if their economic conditions have not improved?*** These are some of the salient features; there are other beneficial programs for the poor borrowers.

Besides the above initiatives, there are over 30 companies in the Grameen network for the benefits of the borrowers. These companies are fulfilling the specific social & economic problems the borrowers are facing in their lives like health, education, energy needs etc.

A few comments are considered to be pertinent here. 8.3 million Grameen members are the poorest section of the population; starting from beggars to upper limit of those who have half an acre land including household. Considering an average of 4 member (husband, wife & 2 children) household, if not more, it comes to over 33 million; more than 20% of total population of Bangladesh & almost one & half times the population of Australia. These people are self-employed & not dependent on government handouts or support. 97% percent of them are women; most of them were never been in employment. These vast number of women are in workforce. Do the critics ever thought of it & honestly, sincerely & realistically try to find out the facts? If anyone visits Bangladesh village today after a gap of 15 years, it will be obvious to the visitor that the lives of the poor have changed to a little bit better than before though the population has increased significantly; no starvation, children seems to have better health & clothes. The poverty in Bangladesh has been reduced significantly for the last 15 years; 40% in 2005 & 34% currently (World Bank & UNDP 2010) Look at specific programs for the poor by all the governments of the past & present. There was none in the past except recently the govt. has started small scale microcredit programs imitating Grameen & NGOs. after finding out their successes. This decrease of poverty from 60% to 34% in 25 years is remarkable. Prof. Yunus said many times that the poverty is decreasing at the rate of between 1-2% per year for the last 15-20 years. If he said 5% decrease it might be one particular year or in 5 years he meant.

Who are mainly responsible for this success? The government of all persuasions have little direct contributions though a low level indirect contribution is there. The road communications & village electricity have facilitated rural agricultural economy & as a result the poor male labour force have benefitted from higher incomes. But Grameen's members, mostly women have not directly benefitted. The rural economy has got a big surge from foreign remittances of low-skilled migrant workers who regularly send money mainly from Middle East & Malaysia. Again these migrant workers are not the category of the poor of the members of Grameen or NGOs; they have, at the least land-holding, to sell or rent for the travel costs. Their relatives are the direct beneficiary & others in the villages are indirectly getting a little scrap because mostly the remittances are used for buying lands or building houses and not for investment for businesses. However, recently a small scale business investment has started. So, AL government no way can claim that the continuous decrease of poverty in Bangladesh for the last 25 years is due to its policies & programs. All the data & evidences show that Bangladesh is in the forefront among the world community to eliminate poverty and that is reason why Pro. Yunus is sought after by world leaders. The people of Bangladesh owe a great debt to Grameen Bank & NGOs. for this great achievement.

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