

THE RURAL FINANCIAL MARKET AND THE GRAMEEN BANK PROJECT IN BANGLADESH: AN EXPERIMENT IN INVOLVING RURAL POOR AND WOMEN IN INSTITUTIONAL CREDIT OPERATIONS

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1. The nature of the rural economy and credit market in Bangladesh

In Bangladesh, where agriculture constitutes 53 percent of the G.D.P., employs 80 percent of the national labor force and earns 85-90 percent of total export earnings, the role of the rural/agricultural sector can hardly be overemphasized (S.Y.B. 1980, 1982). Rural life in Bangladesh is characterized by primitive production techniques resulting in extremely low yield of agricultural and related production, even compared to other Least Developed Countries (LDCs). Ninety million people crowded in a country of 144,000 km² have made Bangladesh one of the most densely populated countries. Total arable land in the country (22.36 million acres) is unevenly distributed among roughly 14 million rural households. Among them, 59.37 percent of the rural households possess no land or less than 1 acre, rendering them functionally landless. Another 15.21 percent of the rural households owning between 1-2 acres may be termed small farmers in the Bangladesh standard of subsistence requirements. Together the small farmers and functionally landless people constitute an overwhelming 75 percent of the rural population (Januzzi and Peach, 1980, p. 107). In view of the stagnation of agriculture and the preponderance of functionally landless and small farmers, institutional assistance is vital for increasing production and creating employment for the vast numbers of under- and unemployed, thus ensuring the survival of the large majority of the population. For the Bangladeshi farmer, efforts to increase agricultural production will largely depend upon modern cultivation practices requiring additional doses of fertilizers, pesticides and herbicides proper irrigation facilities, and improved varieties of seeds. Most of these inputs are often not within their reach for a variety of reasons, primarily due to lack of capital. For the landless and small farmers, employment both seasonally and throughout the year is necessary for their subsistence. Being already intensified, agriculture is able to offer proportionately fewer and fewer employment opportunities to the growing labor force.

2. The credit market in Bangladesh

Traditionally credit had been relatively insignificant in the rural economy of Bangladesh. The subsistence nature of the economy primarily explains the low profile of production credit in rural society. During the 1972-77 period, the formal credit portfolio was less than 2 percent of the gross domestic product generated in the agricultural sector (Yunus, 1981, p. 3). However, consumption credit had always existed, organi-

zed around the informal financial market and its various agents; professional money-lenders, wealthy neighbors or friends, landlords, shopkeepers and others. Loans were mostly utilized for maintenance of household subsistence rather than expansion and diversification of productive activities. Therefore, the traditional use of informal credit did not include storage, processing and marketing of agricultural surplus or investment in agriculture related or non-agricultural manufacturing or trading activities.

The informal credit market in Bangladesh is still the major supplier of rural finance. Although the exact number of loan transactions through the informal market is not known, it is assumed that a large portion of the gap between total credit requirements and the supply of institutional credit is met by informal credit. The precapitalist usurious informal credit market exists in the rural areas of Bangladesh, as recent studies on rural financial markets testify (Rahman 1979, Yunus 1981). Credit from informal sources are mainly concentrated in as diverse agents as professional moneylenders, wealthy village households, landlords, friends and relatives. Recent studies on informal credit markets in South Asia (Bhaduri 1977, Rahman 1979) discuss at length the role of usurious capital in agricultural production. Although differing greatly about the magnitude of informal credit relations, these studies note that the informal credit market is highly exploitative. It leads toward general impoverishment of the peasantry. The exorbitant interest rate and other appropriating measures virtually render marginal farmers landless. It is also found to discourage capital accumulation and, ultimately, capitalist development in the rural areas.

The necessity of credit in the rural areas of less developed countries can hardly be overemphasized. Efforts to improve the production methods and capacities of farmers, often for their day to day subsistence and simple productive activities, require credit. For the rural population of Bangladesh of whom 75 percent own 0-2 acres of land, credit requirements for productive activities is crucial. Although accurate data about total rural credit requirements are not available, some estimates may be made. The total cultivated area of Bangladesh is 22.36 million acres. If taka 500 is assumed to be the total credit requirement per acre per annum,¹ then total agricultural credit requirements stand to the tune of $22.36 \text{ million} \times \text{Tk. } 500 = \text{Tk. } 11,180 \text{ million}$. Total institutional credit disbursement during the 1978-79 period was 1707.3 million and the disbursement went up to Tk. 2683.9 million during the 1979-80 period (Bangladesh

1 Taka 500 per acre will only include seeds, fertilizers, pesticides and irrigation water (if necessary). Total labor requirements both human and animal will have to come from the farmer.

Bank, 1981). Therefore, institutional credit could meet only 15 and 24 percent of the total credit requirements in 1978-79 and 1979-80, respectively. It is also important to note that Taka 500 per acre per annum is a very conservative estimate and actual credit requirements would probably be higher if full facilities of a modern HYV package is availed. Furthermore, if long term considerations like land improvements, capital expenditures and consumption loans are included, actual credit requirements would be much higher than estimated. Again, the estimated amount is only the requirement based on agricultural production alone. If other income generating activities of the rural poor and landless are considered, total rural (agricultural and non-agricultural) credit requirements would be at least two to three-fold the estimated amount. Rural credit requirements are expected to grow further in the future. Increased demand will mainly accrue from the agricultural modernization program involving the use of additional labor, fertilizer, pesticides, irrigation water, improved seeds and practices, all of which will require further cash outlay. The second five year plan estimates the credit needs to grow 20-25 percent annually during the plan period 1980-85 (Second Five Year Plan, 1980). In addition to that, substantial amounts of credit will be required to provide income generating activities of the rural poor and landless, many of whom cannot find employment around the year to support their families.

Institutional credit in Bangladesh is offered through rural branches of nationalized commercial banks (NCBs), Krishi (Agricultural) Bank (KKB), Bangladesh Samabaya (co-operative) Bank Ltd. (BSBL) and Integrated Rural Development Programme (IRDP). Disbursement of agricultural loans by various agencies during 1975-76 to 1979-80 is shown below.

Table 1
DISBURSEMENT OF INSTITUTIONAL AGRICULTURAL LOANS DURING
1975-76 TO 1979-80

Year	BKB	BSBL and Coopera- tives	IRDP	NCBs	Others	Total
1975-76	185.2	106.2	45.3	134.5	.5	471.7
1976-77	388.4	113.3	62.0	301.2		865.3
1978-79	731.7	201.0		774.6*		1707.3
1979-80	1409.6	270.4		1003.9*		2683.9

Source: Bangladesh Bank, Annual Report 1976-77, 1979-80, 1980-81, Dhaka, Bangladesh.

* IRDP figures included in NCBs total.

3. Loan disbursement and performance of institutional sources

As mentioned earlier, the institutional credit in rural areas is channeled through various nationalized, specialized banks and other institutions related to rural development. As noted earlier, the quantum of institutional credit as against total credit requirements of rural people is highly limited. Perhaps, the limited disbursement is related to the poor recovery of loans by these institutions. The next table reveals the recovery rate of these institutions.

Table 2

AMOUNT OF LOAN AND RECOVERY RATE OF INSTITUTIONAL
AGRICULTURAL CREDIT AGENCIES SINCE INCEPTION
(UP TO JUNE 30, 1979)

Agency	No. of Years Since Incep- tion	Dis- burse- ment	% of Total	Amount Recov- able	Amount Recov- ered	% of Recov- ery
BKB*	21	2102.7	34	1171.1	747.0	64
NCBs	3	1871.1	31	1564.0	932.9	60
BSBL	21	1607.6	26	1420.8	981.8	69
IRDP	15	515.8	9	439.4	303.9	69
Total		6099.2	100	4595.3	2966.7	65

* Excluding loans to tea gardens.

Source: Muhammed Yunus, 1981.

In February 1977 the government introduced the Special Agricultural Credit Programme (SACP) for financing short terms crop loans to farmers through BKB and NCBs. The Ministry of Agriculture and the agricultural credit department of Bangladesh Bank jointly supervise the SACP loans. It was expected that short term crop loans would benefit farmers immediately and therefore recovery would be much better. But the recovery rate of SACP is below the average recovery rate of loans under normal programs. The recovery rate of NCBs under SACP during 1977-1978-79 period is only 53 percent (Yunus, 1981, p. 9). Since the growth of SACP is expected to be rapid, loan defaults will create added problems and perhaps over time recovery rate will be lower than the already low level.

The loan recovery of institutional agencies is definitely far below a healthy loan program, and the short term and long term problems associated with loan defaults and poor recovery are manifold. First, default impose serious resource constraints on all the agencies disbursing rural credit. As volumes of disbursement grow to keep pace with the credit requirements, more and more capital will be locked up in overdue loans. If the recovery rate does not improve, the government will find it hard to finance the credit program under the costant resource scarcity of poor developing countries, where various sectors of the economy compete with one another for capital funds.

Second, poor recovery will shrink the clientele of each loan offering institution. The current policy prohibits fresh loans to defaulters, resulting in a decline in the number of persons eligible to deal with banks. This will seriously affect the business operation of banks, whose important function is to provide loans for productive activities.

Third, poor recovery will force banks to resort to costly and time-consuming litigation practices. Legal actions and court proceedings for realizing rural loans (which are usually small in size) are not cost effective and certainly wear down the banks.

Finally, poor recovery by lending agencies has a demoralizing impact both upon agency officials and their clientele. Eventually this paves the way for corruption in loan sanctioning procedure and defiance on behalf of the creditors to pay back the loans.

4. Institutional credit, the rural poor and women

In Bangladesh, rural is often erroneously perceived as synonymous with agriculture. This view is most clearly reflected in the thinking and programs of the government. Therefore, agricultural credit monopolizes institutional financial markets in the rural areas. Ironically, more than half of the rural population does not live on agriculture alone. For the landless and marginal farmer who constitute over 75 percent of the rural population, agriculture cannot provide full employment. Since agricultural credit due to its specific character requires a client to possess some land to be eligible for the loan program, more than half of the rural population are, therefore, by category, eliminated from credit facilities. In addition to this, a loan applicant must provide sufficient collateral and fill out detailed forms to obtain a loan. A superior manipulating and convincing ability in the credit agencies is also an asset for the borrower. All these factors systematically eliminate the rural poor and women from government credit facilities. Poor men and women have neither any collateral to produce nor do they have the ability

and skill to manipulate credit agency officials to obtain a loan easily. The distorted vision of the government in conjuring up the rural agricultural equation has resulted in the concentration of rural credit in the hands of wealthier sections of the society. The 1974 IBRD Bangladesh Agricultural Credit Review revealed the inequities of institutional credit in rural areas. It was found that 70 percent of BKB loans went to farmers with three acres or more, while the remaining 30 percent went to households with 12.5+ acres (as quoted in Islam, 1978, p. 27). If this figure is compared to the structure of land ownership in rural Bangladesh, where 75 percent of the rural households own 0-2 acres of land, the preference for wealthy households by BKB, the prime lending bank, needs no further explanation. In a recent survey on SACP which was introduced for short term credit in 1977 the lack of equity considerations is clearly revealed as outlined in the following table.

Table 3

DISTRIBUTION OF SACP LOANS ACCORDING TO LANDOWNERSHIP

Land Owning Category	% of Rural Households*	% of Borrowers	% of Total Credit Received
Landless and up to 1 acre	59.37	0	0
1.01 - 2.0 acres	15.21	21	15
2.01 - 5.0 acres	16.93	41	31
5.01+ acres	8.44	38	54
			100

Source: Bangladesh Bank, 1979.

* Januzzi and Peach, 1980.

It is evident from these statistics that rural credit in Bangladesh can be characterized as a narrow agricultural commodity producing program that is structurally outside the reach of the disadvantaged groups like poor men and women of rural areas.

The Grameen (Rural) Bank Project (GBP) was launched in 1979 to help the disadvantaged groups who cannot afford exorbitant interest rates of informal credit markets and are mostly excluded from institutional credit facilities. Credit for them at a reasonable cost is, however, important for increasing production and generating self-employment. In the next section we will discuss GBP's activities since its inception.

5. Institutional credit and rural development

Institutional credit serves as real capital for needy rural people, who in turn can utilize it for procuring necessary inputs to raise productivity. Thus, availability of sufficient (institutional) credit can play an important role of channelling necessary funds for rural and agricultural developmental activities. For the rural poor, the importance of institutional credit is vital in view of a) their limited capacity for savings and b) the exploitative nature of the informal and financial market. For the rural poor the necessity of institutional credit can hardly be overemphasized. They remain in a perpetually vicious cycle of low income - low savings - low capital - low productivity and finally, once again, low income. Credit, if made available in proper time and with reasonable premiums can help to break this cycle. Credit provides procurement of productive assets, inputs vital for production and also creates an impetus for generating self-employment.

Financial resources are considered a critical if not the most important factor in economic development. For rural areas, for agricultural and related productive activities access to external financial resources is all the more important as local financial resources mobilization is restricted by low productivity and widespread poverty of rural people. Therefore, the development of formal financial markets in rural areas is a necessary prerequisite for channelling funds to needy households and mobilizing savings.

An effective rural credit system that helps to procure productive assets and create employment opportunities, plays a substantial role in raising productivity, income and employment opportunities. The need for institutional credit is particularly important for the small farmer who needs external financial resources to purchase fertilizers, seeds, pesticides, and irrigation water to obtain higher productivity which will make his farm a viable unit. For further improvement of the lives of marginal and small farmers credit is required for purchasing additional land, if available, or leasing land or draft animals from others. These assets, if procured, would provide not only higher income but also by-products and other services.

However, credit requirements for landless households are perhaps most important. Despite modest progress in agricultural production during the last decade, a vast number of rural people are without any means of production of their own. Inequality in income and resource possession is high in rural Bangladesh. Landowning data over time indicate that landlessness is a continuing process progressing at an alarmingly high rate (Januzzi and Peach, 1980). Almost all the economically active population of 59 percent of the rural households owning 0.1 acre of land are potential employment

seekers. But the employment picture of the country remains dismal. Due to high birth rate and consequent youthfulness of the population, the percentage increase in the labor force is 4-4.5 percent each year - much higher than the national population growth (Stepanek, 1979, p. 41). Considering the fact that agricultural growth rate in the period 1973-1980 had been 3.5 percent (S.Y.B., 1980, 1982, p. 577) and that agriculture is already highly labor-intensive, further employment creation in the agricultural sector will be less than required. Therefore, the creation of employment for the growing number of landless people and others in the labor force needs to be the foremost concern of development planners in Bangladesh. Future employment generation in the rural sector can ensure subsistence for the majority of the rural population and push up the real wage rates which have consistently fallen due to the large pool of the unemployed, and which is already at the level of near subsistence for the laborers and their families (Stepanek, 1979). Further intensification of agriculture and diversification of the rural economy is essential for creating sufficient jobs for the unemployed (and would-be unemployed).

Effective institutional credit, although not an end in itself, may contribute substantially in the employment generation program. It can help to expand self-employment and cooperative manufacturing- or agriculture-related employment for those who cannot be absorbed in the agricultural labor force.

6. Capital formation and investment in rural areas

The conventional notion of a dualistic structure of LDCs characterizes the traditional sector as agricultural with low productivity, whereas the relatively smaller modern sector comprises industrial and other highly productive activities related to exports. The dualistic concept has largely resulted in the assumption that rural people are basically too poor to save or receive credit. Consequently, efforts to mobilize domestic savings and provision of credit facilities are by far mostly concentrated in the modern sector of developing countries (United Nations, 1981, p. 12).

In the absence of formal financial markets in the rural areas, an informal, disorganized market dominates. The major problems associated with the informal market are various and include a) exorbitant rates of interest based on usurious practices, b) limited supply of credit compared to demand, c) loans granted on a personal basis, d) requests for repayment in the form of produce or service, which discourages monetiza-

tion of assets. All these factors limit usefulness of credit and savings facilities and thus depress productivity and hinder capital accumulation.

Institutional credit and savings facilities, on the other hand, can mobilize domestic savings and expand accumulation funds for overall development efforts. A U.N. committee concluded that it is necessary to go beyond the simplistic dual structure concept of developing economies, and that effective institutional structure for mobilizing savings and investment funds for rural areas requires immediate attention.

In the economic growth literature, capital accumulation is often thought to be a common denominator and a major prerequisite. To achieve rapid capital accumulation and attract resources from outside, local savings mobilization and investment in productive activities is crucial. The United Nations Symposium on « Savings and Development » held in Jamaica, 1980 observed that growth performance of developing countries as a whole remained unsatisfactory largely due to inadequate capital accumulation, and that progress can only be made by increasing aggregate savings and optimal investments (U.N., 1981, p. 14). For Bangladesh, considering the sheer importance and size of the rural sector, much of the increased savings and investment must occur right there.

In Bangladesh, both private and public investment has been negligible in rural areas. Since private capital accumulation for productive purposes is insignificant in Bangladesh, the public sector's role in investments is overwhelming. However, the share of the agriculture sector in relation to major economic indicators is rather paradoxical, as Table 4 will reveal.

Table 4

SHARE OF AGRICULTURE IN BANGLADESH ECONOMY

Share of:	% of Total (Averages 1973-77)
Export earnings*	90-95
Employment	75-80
G.D.P.	55-60
Public development expenditures**	10-15
Private investment	7-9
Current public expenditure	1-2

* Including processed goods originating from the agricultural sector.

** Not including water and flood control.

Source: De Vylder, 1982, p. 29.

Even when rural works, flood control and rural institutions are included, which benefit agriculture indirectly, the share remains between 20-30 percent (De Vylder, 1982, p. 29). Lack of investment in rural areas is perhaps best illustrated by private investment and commercial bank loan statistics. Very little of the institutional savings generated by rural people are invested in those areas. Table 5 reveals the discrepancy between rural and urban bank deposits and advances.

Table 5

PERCENTAGE DISTRIBUTION OF ADVANCES AND DEPOSITS BY AREA

As of December 31	Area	Deposits	Advances	Difference
1975	Urban	90.51	96.68	+6.17
	Rural	9.49	3.32	-6.17
1976	Urban	90.21	96.53	+6.32
	Rural	9.79	3.47	-6.32
1977	Urban	89.67	95.50	+5.83
	Rural	10.33	4.50	-5.83
1978	Urban	86.22	93.30	+7.28
	Rural	13.78	6.50	-7.28

Source: Muhammad Yunus, 1981, p. 12.

It is clear from this table that rural areas are getting less than their share of bank advances. It is also noticeable that their share of bank deposits are increasing consistently as more and more bank branches are opened in the rural areas to provide banking facilities to the rural people. However, it is also observed here together with data provided earlier about class nature of loan sanctions, banking in Bangladesh is firstly, urban biased and secondly, class biased. It is structured to cater to the interests of the better off sectors of society in the urban and rural areas. But the paradox of such a policy lies in the fact that more than 90 percent of the population of Bangladesh lives in the rural areas and 75 percent of the rural households are poor, but bank loan disbursement is proportionally less as against deposits in the rural areas. Furthermore, as mentioned earlier, much of rural finance goes to wealthier sections rather than the poor, who constitute a whopping majority of the rural population and are in desperate need of loans.

In addition to the lack of public and private investment in rural areas, investible surplus is extracted through various other formal and informal mechanisms. Therefore, the

necessity of a sound policy of investment in rural areas through savings mobilization and credit advances is mounting. Without significant capital accumulation in rural areas, no further development of the existing primitive production method is possible. Furthermore, generating numerous employment opportunities for the under- and unemployed through small enterprises and self-employment may only be achieved through an institutional credit policy.

7. Grameen bank project (GBP): an experimental banking for rural poor

The impacts of the « Green Revolution » has, among other things, pointed out that production oriented strategy of rural development cannot alone alleviate the widespread poverty of the Third World. In the absence of dramatic economic development of the Third World, quality of life for a vast number of rural people has consistently worsened. A rural development strategy based on reducing poverty, inequality and generating employment for the rural poor is increasingly suggested. For the least developed countries a poverty focussed rural development strategy is perhaps as important as meeting the most basic needs of the majority of the population. In Bangladesh, the economic survival of the landless, who now constitute roughly the bottom half of the total rural households is the important element of poverty focussed rural development strategy.

The Grameen Bank Project, headed by Dr. Muhammad Yunus, Professor of Economics, Chittagong University, Bangladesh, was established to organize rural landless males and females of villages and extend institutional credit for their self-employment. Therefore, GBP credit is much more diversified than the institutional rural credit which is mostly utilized for agricultural production.

The project is sponsored and funded by Bangladesh Bank, the Central Bank. Bangladesh Bank channels the fund through the branches of the NCBs in areas where GBP operates. Within the general framework of operation which was formulated by the Project Director and approved by the Bangladesh Bank, the staff for each branch of GBP are provided with office space either within an existing NCB branch or rent separate space. The host NCB provides stationary and accessories and sanctions loans to the borrowers selected by the GBP team according to GBP procedures (Yunus, 1981, p. 12). The eight staffs of GBP who are paid by the concerned NCB branch include one

field manager, three male and two female bankworkers, one assistant bankworker and one orderly Peon Cum guard.

GBP functions under entirely different management concepts than the prevailing practices of other banks or rural institutions. Bank workers of each GBP branch, all of which are situated in the villages, go around the village and explain the GBP objectives and procedures to the villagers. According to GBP operational procedures, any person whose family assets do not exceed the value of one acre of medium quality land is eligible to form a group with four others of similar economic status. A group elects its chairman and secretary and must hold weekly meetings. After a group is formed, it is observed by the bank people to take note of its members' earnestness, enterprise and discipline. After that period, if they are found suitable, two persons of the group are selected to receive loans from the bank. The next two persons will receive loans after a month or two of proper repayment performance of the first two. The fifth person will receive only after all four keep their repayment record clean. Therefore, the borrowers are under constant peer pressure to maintain discipline and proper repayment of their dues. The amount and utilization of the loan are discussed and studied in the weekly meetings and if that is found feasible, the loan is granted.

Borrowers repay their loans on a weekly basis at the rate of two percent of the loaned amount with an interest of 13 percent. To encourage savings among group members, each group member is required to deposit one taka each week as personal savings. Additionally, at the time of loan sanctioning, five percent of the loan amount is deducted to be kept as savings, known as a *group tax*. Both the personal savings and *group tax* is deposited in a *group fund account*. The *group fund account* is entrusted with the concerned NCB or BKB branch and earns interest. The *group tax* belongs to the group and any member can borrow from there for any purpose with the consent of other group members. The *group fund account* serves as a little bank for members in need of cash. In addition to the *group fund account* there is an emergency fund created out of an additional 50 percent of the interest charged for the loan which the borrower contributes to the fund. This fund serves as an insurance against default, failure of borrower's activities and other unforeseen happenings.

GBP started field operations in November 1979 in the district of Tangail. By the 30th of June, 1983, it spread to Dhaka, Chittagone, Rangpur and Patuakhali districts. With the loan money, individuals, by themselves or in a group engage in various profitable activities like petty trading, animal rearing and fattening, transport, manufacturing of indigenous products, fish, vegetable cultivation and many other activities. The GBP

loans provide them with a headstart, activities they could not engage in without some amount of money. Considering the dismal prospect of adequate employment for the vast and fast growing labor force, GBP strategy emphasizes self-employment. The following table shows some of its impressive performances.

Table 6
YEARLY PERFORMANCE OF GBP (MILLION TAKA)

Activities	1981	1982	1983 (up to 30 June)
1. Branches	25	54	75
2. Number of villages covered	433	745	1,025
3. Number of groups	4,818	6,242	8,844
Landless Male	2,928		
Landless Female	1,890		
4. Number of borrowers	21,704	24,177	34,922
Landless Male			20,663
Landless Female			14,259
5. Number of members	24,128	30,416	42,798
Landless Male	13,451	18,631	24,927
Landless Female	9,356	11,785	17,871
6. Total disbursement	53,672	95,575	131,873
Landless Male	39,001	67,444	90,842
Landless Female	14,670	28,131	41,031
7. Total amount repaid	32,701	64,183	86,789
Landless Male	24,200	45,809	60,934
Landless Female	8,500	18,373	25,855
8. Total savings in group fund	4,443	8,142	11,288
Landless Male	3,090	5,533	7,471
Landless Female	1,342	2,608	3,817

Source: GBP, 1983a, 1983b.

8. Assessment of GBP

The GBP is designed to provide an organizational structure around which the rural poor could organize economic activities. The rural poor in Bangladesh is an extremely vulnerable segment whose ranks are continuously swelling, undermining the economic

potentials of their only asset, labor power. The GBP has provided an alternative to conventional rural financing and developmental efforts that has always wished to include the rural poor within its fold but somehow managed to bypass them.

So far GBP has been appraised only by one member, the IFAD Evaluation Mission in October 1981 (IFAD provides funds to GBP through Bangladesh Bank at a concessional rate). The IFAD mission commended the performance of GBP, especially its excellent recovery and nil default rate (Alamgir, 1982).

The GBP in addition to its objective of providing funds to generate self-employment for the employment-starved rural poor and its excellent record of loan recovery compared to other banks and institutions, has instituted an alternative strategy of poverty focused rural development.

Among some of GBP's outstanding achievements it has effectively linked credit with savings. By maintaining the discipline of individual and groups, the GBP management has rendered an invaluable organizational service. Its success in making the landless group, poorest of the poor, save regularly is no small achievement.

Secondly, GBP has made loans truly available to the landless by offering collateral free loans. The repayment guarantee is instead placed on peer pressure, discipline and efficient bank-client interaction. For the clients, this is a blessing, since most of them do not possess enough assets for collateral, a factor that does not make them credit-worthy to other rural financial institutions.

Thirdly, by changing the bureaucratic practice of overwhelming paperwork and delay in loan sanction and recovery, GBP has halted the vicious loan default problem encountered by other banks, as shown before. They are lending to the poorest, but again their recovery rate is 97.5 percent (Alamgir 1981) and by the end of 1982 it reached 99 percent (GBP, 1983a), way above the 65 percent recovery rate of other national rural lending agencies who lend mostly to wealthier rural people.

Finally, the GBP has successfully organized the landless male and the most disadvantaged group of the society - the landless female. For poor women, economic disadvantage is associated with social and political exploitation and prejudice and they are left with very few options to survive in a male-dominated, impoverished society. For these disadvantaged groups, GBP has brought hope of an organization that is truly for them and can help them to improve their wretched living condition. It has also organized them, provided dignity and self-esteem in life and brought discipline into their life, which is essential for creating a favorable niche for them amidst a very difficult world.

The success of the GBP undoubtedly deserves appreciation, but the long-term viability of the project is important before it can become a strategy by itself. The tremendous supervision and personal dedication of GBP director and staffs have certainly contributed to its success. Observers may therefore question how much of the success is due to the system and to the GBP staff. The project therefore needs to consider how the program can gradually be made less and less dependent on bank personnel. To avoid the *cul de sac* of many successful development programs around the world the GBP must develop a self-perpetuating participatory system that is less dependent on institutional support and possesses a creative force that thrives on innovative ideas without foregoing the objectives of the poverty focussed rural development policy of GBP.

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LE MARCHÉ FINANCIER DANS LES ZONES RURALES ET LE PROJET DE BANQUE GRAMEEN AU BANGLADESH: UNE EXPERIENCE VISANT A INTEGRER HOMMES ET FEMMES A FAIBLE REVENU DANS LES OPERATIONS INSTITUTIONNELLES DE CREDIT

RESUME

L'organisation et le fonctionnement des marchés financiers dans les zones rurales revêtent une importance cruciale en ce qui concerne la nature et le degré de développement socio-économique des pays les plus démunis. La création d'un système institutionnel de crédit est un des facteurs les plus importants dans le cadre des marchés financiers des zones rurales. Le Bangladesh, une économie pauvre basée très largement sur le secteur agricole, a des institutions de crédit faiblement développées. Malgré une remarquable expansion du crédit formel ces dernières années, il ne réussit pas, toutefois, encore, à couvrir un quart des besoins de crédit dans les zones rurales. En outre, on doit relever que le système financier existant concentre ses activités vers les groupes à revenu plus élevé à cause de ses faiblesses structurelles. Ce résultat est décevant si l'on tient compte du fait que les trois quarts des ménages dans les zones rurales, vivent en dessous du niveau de subsistance.

Le crédit institutionnel n'est pas un remède universel mais peut aider pendant un certain temps les catégories plus défavorisées à s'engager dans des activités économiques. La création d'emplois autonomes est un jalon important pour permettre la survie des pauvres dans les zones rurales. Pour atteindre le but de mettre à la disposition de la population rurale plus défavorisée des institutions de crédit formels, on a lancé le projet d'une banque rurale (Grameen Bank Project) supervisée par la Banque centrale et avec son accord: cette banque rurale est une organisation non conventionnelle mais intéressante et efficace qui a su attirer la population rurale plus défavorisée vers ses activités de crédit et d'épargne. Les prêts accordés dans le cadre du projet déjà mentionné (Grameen Bank Project) ont été remboursés à 99% et ont ainsi démontré non seulement l'efficacité de la banque rurale mais aussi sa vitalité comme institution financière.