

Grameen Bank's Contribution To The Income Generation Of Its Household Borrowers

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Abstract— This topic aims at the nature and extent of the income generation of the borrowers of the Grameen Bank (GB). Here an attempt has been made to measure the socio-economic changes of household borrowers and to disentangle the contribution of the GB credit from the contribution of other factors of income generation available to the household borrowers. This study is based primary survey data and both qualitative and quantitative tools have been used to measure and express the findings. Although the proponents of GB has shown tremendous success in their early studies; the contribution of GB loan in the total income generated by the household borrowers are found totally insignificant.

Index Terms— Grameen Bank, Microcredit, Borrowers, Household, Socio-economic, Development, Entrepreneur.

1 INTRODUCTION

MICROCREDIT is mostly uttered as one of the major tools for poverty alleviation. Bangladesh is one where majority portion of the total population are under the cover of extreme poverty. Some big organizations are working very actively for alleviating poverty of the country. Grameen Bank is one of those organizations which is mainly working for individuals income generation.

2 GRAMEEN BANK

"Grameen" means "rural" in Bengali language. "Grameen Bank" therefore, means 'rural or village bank'. In 1976, Grameen Bank started as an action research project of Chittagong University. It was started by Professor Muhammad Yunus, who was a teacher of Economics Department of the university.

The main objectives of the project were:

- Extending banking facilities to very poor men and women without any collateral.
- Eliminating the exploitation of the moneylenders.
- Creating new opportunities for self-employment for the vast un-utilized and underutilized manpower resources of Bangladesh.
- Organizing the disadvantaged people into small groups, federated into centers, each having 6-8 members, for mutual support and self-sustained socio-economic development.

Reversing the age-old vicious circle of "low income, no savings, disinvestment, lower income", into expanding system of

"low income, injection of credit, investment, higher income, small savings and still more credit leading to even higher income". The action research project became a pilot project in 1979, covering an entire district. This was undertaken with the financial support of the central bank of Bangladesh.

In October 1983, GB came to scene as group-based micro-credit institution with a very high promise to eliminate rural poverty. Today it is a private specialized bank, with 93% of the stocks owned by the poor borrowers themselves. It lends to the very poor people living in the rural areas, mostly the landless.

Essential features of Grameen Bank's Credit Delivery System

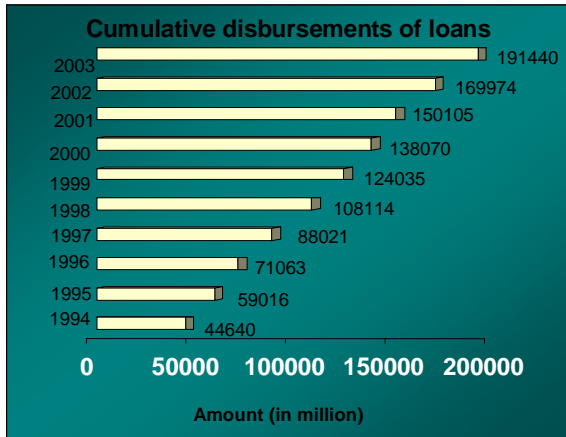
- Exclusive focus on bottom poor
- Borrowers organized into small homogeneous groups
- Loan conditionality specially suitable for the poor
- Social development program
- Capable organization & management system
- Loan portfolio to meet diverse development needs

For the purpose of poverty alleviation, GB disbursed huge amount of money as micro-credits. The cumulative disbursements of loans are shown in the following graph.

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Figure- Cumulative loan disbursement by Grameen Bank



(Source- Annual report of Grameen Bank 2003)

The proponent and appointed consultants of GB have shown excellent positive impacts of the loan on household borrowers in the realm of income generation and thereby self-employment. On the other hand, some of the renowned development experts have expressed their apprehension about the long run effect of GB credit in the rural economy because of insignificant size and utilization period of loan, high rate of interest and slower progress of non-farm sector of rural area. The proponents of GB show that more than 500 activities; mainly non-farm activities for the rural borrowers to be accomplished by GB loan through which the widespread poverty can be reduced. In the present study the change and extension of the economic activities of the GB borrowers after their joining the GB and the actual contribution of GB loan in the total income generated has been explained.

3 SOCIO-ECONOMIC PROFILE OF HOUSEHOLD BORROWERS

The socioeconomic conditions prevailing in the selected borrowers' households before and after joining the GB are examined here to make a judgment whether the micro-credit of GB actually and effectively reached the households of poor borrowers in the terms of self-employment and income generation.

3.1 CULTIVABLE LAND OWNERSHIP PATTERN RESPONDENT BORROWERS

GB claims that it considers the land-less and asset-less i.e. the extreme poorest section of the rural area as their borrowers. Table 1 shows the cultivable land ownership pattern of the selected borrowers.

Table I: Cultivable land ownership pattern of respondent borrowers

Amount of cultivable land (in decimal)	At present		Before enrolled	
	No. of respondents	Percentage	No. of respondents	Percentage
00-00	28	14.89	19	10.11
01-25	15	07.98	18	09.57
26-50	38	20.21	33	17.55
51-75	42	22.34	43	22.87
76-100	24	12.77	32	17.02
Above 100	41	21.81	43	22.87

Source: Field -Survey

Table 1 show that at present 14.89% borrowers have no cultivable land but before their enrollment in the GB 10.11% of the selected borrowers had no cultivable land. It is also seen from the table before joining GB 9.57%, 17.55%, 22.87%, 17.02% and 22.87% households of the selected borrowers had 01-25, 26-50, 51-75, 76-100 and more than 100 decimals of cultivable land respectively. At present 7.98%, 20.21%, 22.34%, 12.77% and 21.81% borrowers have 01-25, 26-50, 51-75, 76-100 and more than 100 decimals of cultivable land respectively. Therefore the above that reveals that 62.77% of the borrowers were not landless at the time of joining the GB. On the other hand 5.86% of the borrowers became landless and most of them lost some of their cultivable land during the usage of GB loan.

3.2 TOTAL NUMBER OF LABORERS IN THE RESPONDENT BORROWERS

The number of laborers in the respondent borrowers before after joining the GB is shown in the following table.

TABLE II: TOTAL NUMBER OF LABORERS IN THE RESPONDENT BORROWERS

Total number of laborers	At present		Before enrolled in the GB	
	Number	Percentage	Number	Percentage
02	22	11.70	62	32.98
03	64	34.04	103	54.79
04	55	29.26	16	08.51
05 and above	47	25.00	07	03.72
Total	188	100.00	188	100.00

Source: Field -Survey

Table II shows that the number of laborers has significantly increased among the borrowers in the period of GB borrowing. It is seen that at present 25%, 29.26%, 34.04% and 11.70% borrower households have more than 05, 04, 03 and 02 labor-

ers respectively. Before their enrollment in the GB these percentages were 3.72%, 08.51%, 54.79% and 32.98% respectively. As the poor families of the rural area depend mainly on daily labor, the children of those families, instead of attending educational institutions, are engaged in some sort of earning not related to household micro-credit, gross income of the household borrowers increases and supplements borrowers' ability to repay the loan installments.

3.3 MAIN OCCUPATIONS

Main occupations of the respondent borrowers, before and after joining the GB, are shown in the following table.

Table III: Main Occupation of the respondent borrowers

Main occupation	At present		Before enrolled	
	Number	Percentage	Number	Percentage
Agriculture	81	43.09	95	50.53
Petty business	25	13.30	21	11.17
Daily laborer	34	16.49	42	22.34
Rickshaw pulling	16	08.51	12	06.38
Field worker	07	04.79	04	02.13
Fishing	06	03.19	06	03.19
Small poultry	02	1.06	01	00.53
Small manufacturing	03	01.60	02	01.06
Husking	02	01.06	03	01.60
Money lending	01	0.53	00	00.00
Informal business	11	05.85	02	01.07
Total	188	100.00	188	100.00

Source: Field -Survey

Table III shows that at present the principal occupation of 43.09% of the borrowers is agriculture, 13.30%, 16.49%, 08.51%, 04.79%, 03.19%, 01.06%, 01.60%, 1.06%, 1.06% and 05.85% of the borrowers are engaged in petty business, daily labor, rickshaw pulling, service, fishing, small poultry, small manufacturing, husking, money lending and informal business respectively.

Before enrollment in the GB, the respective percentages for these occupations were 50.53%, 11.17%, 22.34%, 06.38%, 02.13%, 03.19%, 00.53%, 01.06%, 1.60% and 01.06%. From the table it is clearly seen that the programs of GB could not create self-employment for the household borrowers remarkably.

3.4 SUBSIDIARY OCCUPATIONS OF THE RESPONDENT BORROWERS

Majority households in the rural areas have subsidiary occupations alongside main occupations. The subsidiary occupations of the household borrowers before and after joining in the GB are shown in the following table.

Table IV: Subsidiary Occupations of the respondent borrowers

Subsidiary occupations	At present N= 146		Before enrolled N= 112	
	Number	Percentage	Number	Percentage
Agriculture	22	15.07	20	17.86
Petty business	25	17.12	27	24.11
Daily laborer	47	32.19	46	41.07
Rickshaw pulling	09	06.16	04	03.57
Field worker	01	00.68	00	00.00
Fishing	02	01.37	01	00.89
Small manufacturing	01	00.68	02	01.79
Husking	00	00.00	03	02.068
Money lending	06	04.11	00	00.00
Informal business	33	22.60	09	08.04
Total	146	100.00	112	100.00

Source: Field -Survey

Table IV shows that present 77.66% of the selected borrowers have some subsidiary occupations in addition to the main one. Before enrollment in the GB this percentage was 59.57%. Percentage for subsidiary occupations at present is for agriculture 15.07%, for petty business 17.12%, for daily laboring 32.19%, for rickshaw pulling 06.16%, for service 00.8%, for fishing 01.37%, for small manufacturing 00.68%, for money lending 04.11%, and for informal business (illegal border business) 22.60%. Before enrollment the respective percentages were 17.86%, 24.11%, 41.07%, 03.75%, 00.89%, 01.79%, 02.68%, and 08.04%. It is seen from the table that informal business (illegal border business) has increased notably after the borrowers' enrollment in the GB, which is not authorized by the government. On the other hand some of the borrowers have started informal money lending with the loan of GB. So the loan of GB has created a new class of users in the rural areas.

3.5 CAPITAL GOODS OWNED BY THE RESPONDENT BORROWERS

It is seen during the survey that except one shallow tube well and two sewing machines, main capital goods of the respondent borrowers consist of country carriers like rickshaw, van, cart etc. The amount of the capital goods is shown in the following table.

Table V: Capital Goods Owned by the respondent borrowers

No. of capital goods	At present		Before enrolled	
	Number	Percentage	Number	Percentage
00	161	85.64	172	91.49
01	20	10.64	14	07.45
02	07	03.72	02	01.06
Total		100.00	188	100.00

Source: Field -Survey

Table 5 shows at present 10.64% and 3.72% borrowers have one and two capital goods respectively. Before joining the GB 7.45% and 01.6% household borrowers had one and two capital goods respectively. It is also seen that only 5.85% borrowers have become the new owners and 2.66% have increased their capital goods during the use of GB loan.

3.6 AMOUNT OF ANNUAL INVESTMENT OF THE BORROWERS IN FARMING

The amount of annual investment of the respondent borrowers is shown in the following table.

Table VI: Amount of Annual Investment of the borrowers in Farming.

Amount (Tk)	At present		Before enrolled	
	Number	Percentage	Number	Percentage
No investment	28	14.89	14	07.45
Upto 4000	60	31.91	74	39.36
4001- 6000	22	11.70	26	13.83
6001- 8000	16	08.51	15	07.98
8002- 10000	24	12.77	23	12.23
Above 10000	38	20.21	36	19.15
Total	188	100.00	188	100.00

Source: Field -Survey

Table 6 shows that at present 14.89% of the respondent households have no investment in the farm business but before joining GB 7.45% of the borrowers had no investment in the farm activities. It is also seen that at present 31.91%, 11.70%, 8.51%, 12.77% and 20.21% of the borrowers invest up to Tk 4000, Tk 4001-6000, Tk 6001-8000, 8001-10000 and more than 10000 respectively. Before joining the GB the respective percentages were 39.36%, 13.38%, 7.98%, 12.23% and 19.15%. From this statistics it is seen that the amount of investment of the sample borrowers in the farm activities has not significantly increased. Moreover, some of the households have stopped investment farming after joining the GB.

3.7 TOTAL INVESTMENT OF THE RESPONDENT HOUSEHOLDS IN NON-FARM ACTIVITIES.

The success of the borrowers of GB obviously depends on creation and extension of non-farm activities for self-employment as well as on increasing income earned from borrowings. Table 7 shows total investment on non-farm activities or petty business of the borrower households before and after joining the GB.

Table VII: Total Investment of the respondent households in non-farm activities

Amount	At present		Before enrolled	
	Number	Percentage	Number	Percentage
No investment	117	62.23	129	68.62
Up to 5000	26	13.83	22	11.70
5001-6000	13	06.91	07	03.72
6001-7000	06	03.19	08	04.26
7001-8000	08	04.26	08	04.26
8001-9000	02	01.06	04	02.13
9001-10000	06	03.19	04	02.13
Above 10000	10	05.32	06	03.19
Total	188	100.00	188	100.00

Source: Field -Survey

Table 7 shows that at present 62.33% of the selected borrowers have no investment, 32.45% have a total investment of less than Tk. 10000 and rest 05.32% have more than Tk 10000 investment in non-farm activities. Before enrollment in the GB the respective percentages for these levels of investment were 68.62%, 28.19% and 03.19%. It is clear from the table that the number of investors as well as volume of investment among the selected households in non-farm activities has not increased significantly after their joining in the GB. So, GB's claim of the creation of self-employment in non-farm activities is not substantiated in the study area.

3.8 TYPE OF NON-FARM ACTIVITIES OF THE RESPONDENT BORROWERS.

The nature of non-farm activities i.e. petty business activities in which the borrower households done is shown in table 8.

Table VIII: Type of non-farm activities of the respondent borrowers.

Types	At present		Before enrolled	
	Number	Percentage	Number	Percentage
Grocery shop	06	08.45	05	08.48
Tea betel-leaf etc selling	04	05.63	04	06.78
Hawkery	05	07.04	07	11.86
Paddy/ wheat husking and selling	03	04.23	05	08.48
Vegetables and fruits selling	17	23.94	11	18.64
Tailoring and clothing	03	04.23	02	03.39
Milk selling	01	01.41	02	03.39
Fish selling	05	07.04	05	08.48
Poultry	02	02.82	01	01.69
Pottery	02	02.82	02	03.39
Illegal border business	20	28.17	13	22.03
Motor workshop	01	01.41	01	01.69
Transport business	02	02.82	01	01.69
Total	71	100.00	59	100.00

Source: Field -Survey

Table 8 shows that the natures of the non-farm activities in which the borrower households are engaged remain almost same except illegal border business and vegetable sale before and after joining the GB. The illegal border trade has increased from 0615% to 10.64% and the business of vegetable sale has increased from 05.85% to 09.04%. We see that only 06.38% of the total respondents started petty business after their enrollment in the GB. It is seen that the progress of the petty business and entrepreneurial activities among the borrowers by GB credit is insignificant, although GB claims that almost 500 activities are done by its credit.

3.9 LENGTH OF BORROWING OF THE RESPONDENT IN GB

The length of membership of the respondents in GB credit program is shown in the following table.

Table IX: Length of Borrowing of GB respondent.

Length of membership	Number	Percentage
10 years and above	05	02.66
09years	19	10.11
08 years	42	22.34
07 years	41	21.81
06 years	44	23.40
05 years	28	14.89
04 years	09	04.79
Total	188	100.00
Average use	6.87 years	

Source: Field -Survey

Table 9 shows that 2.66%, 10.11%, 22.34%, 21.81%, 23.40%, 14.89% and 4.79% of the total respondents used GB loan for the period of ten years or more , 9 years, 8 years, 7 years, 6 years, 5 years and 4 years respectively. It is also seen that 67% of the selected borrowers have used GB loan for a period between 6 and 8 years. The average length of membership is 6.87 years.

3.10 TOTAL AMOUNT OF LOAN TAKEN BY THE RESPONDENTS

Total amount of GB credit taken by the respondent households is shown in the following table.

Table X: Total amount of loan taken by the respondents.

Amount	Number	Percentage
Up to 30000	02	01.06
30001-40000	12	06.38
40001-50000	13	06.91
50001-60000	23	12.23
60001-70000	28	14.89
70001-80000	32	17.02
80001-90000	34	18.09
90000-100000	16	08.51
Above 100000	28	14.89
Total	188	100.00

Source: Field -Survey

It is seen from the table that majority of the respondent borrowers had already received more than sixty thousand Taka before the survey.

3.11 PURPOSE OF TAKING LOAN

The purposes of taking GB loan cited by the selected borrowers at the very first year and in the present year are shown in the following table.

Table XI: Purpose of taking GB loan.

Purposes of taking loan	At present		In the first year	
	Number	Percentage	Number	Percentage
Husking and trading	10		08	04.26
Cultivation	20		27	14.36
Milch-cow rearing	05	05.32	22	11.70
Cattle fattening	22	10.64	18	09.57
Fishing and trading	11	02.66	09	04.79
Processing & manufacturing activities	03	11.70	05	02.66
Trading & shop-keeping	66	05.85	61	32.45
Rickshaw/ Van purchasing	22	01.60	14	07.45
Tailoring & cloth trading	03	35.11	02	01.06
Poultry raising	16	11.70	03	01.60
House building	02	01.06	11	05.85
Sinking tube-well	03	01.60	01	00.53
Constructing sanitary latrine	02	01.06	00	00.00
Purchase of homestead	00	00.00	02	01.06
Lease-in of cultivable land	00	00.00	02	01.06
Seasonal business	02	01.06	03	01.60
Transport business	01	00.53	02	01.06
Total	188	100.00	188	100.00

Source: Field -Survey

Table 11 shows that most of the respondents have cited non-farm activities as purposes of taking GB loan.

3.12 UTILIZATION OF GB CREDIT BY RESPONDENT BORROWERS

Utilization of GB credit taken by the household borrowers is shown in the following table.

Table XII: Utilization of GB Credit

Utilization pattern	In the present year		First year	
	Number	Percentage	Number	Percentage
Full amount invested in the mentioned field	14	07.45	18	09.57
Partly invested in the mentioned field	61	32.45	85	45.21
Not used in the mentioned field	113	60.11	85	45.21
Total	188	100.00	188	100.00

Source: Field -Survey

Table 12 shows that in the present year 60.11% of the total respondents do not use their loan for the purposes mentioned at the time of taking loan. A total of 7.45% of the borrowers used full amount and 32.45% used a part of loan on productive purposes, which were mentioned at the time of taking loan. In the first year of taking loan these percentages were 45.21%, 9.57% and 45.21% respectively. So, it is seen that a major part of the GB loan was not used in the productive purposes by household borrowers.

3.13 ANNUAL GROSS INCOME OF RESPONDENT BORROWERS

Utilization of GB credit taken by the household borrowers is shown in the following table.

Table XIII: Annual Gross Income of Borrowers

Amount	At present		Before enrolled	
	Number	Percentage	Number	Percentage
Up to 1500	06	03.19	16	08.51
15001-25000	56	29.79	74	39.36
25001-35000	72	38.30	52	27.66
35001-50000	34	18.09	36	19.15
50001-65000	16	08.51	08	04.26
Above 65000	04	02.13	02	01.06
Total	188	100.00	188	100.00

Source: Field -Survey

Table 13 shows that at present 03.19% household borrowers belong to the income range up to Tk 15000 and 29.79%, 38.30%, 8.09%, 08.51% and 02.13% belong to the income range of Tk 15001-25000, Tk 25001-35000, Tk 35001-50000, TK 50001-65000 and above Tk 65000 respectively. Before enrollment in the the percentages for these income ranges were 08.51%, 69.36%, 27.66%, 19.15%, 04.26% and 1.06 respectively.

4 CONCLUSION

This study discusses various individual and household information of the GB borrowers, their assets and liabilities, expectations and achievements. Comparing their socio-economic conditions before and after joining the GB it is seen that after the use of GB loan for a period of 7 years on average the socio-economic condition did not significantly improve. No substantial entrepreneurial activities or spirit has been found to be carried by the borrower households. From the quantitative analysis regarding the contribution of GB credit in the total income generation of the sample household it is seen that the contribution of GB credit is very insignificant.

The income generation of the households was found to be dependent mainly on labor, which is independent of credit affairs. So, GB's assertions of creating self-employment and income generating activities for the borrower households is mostly hypothetical and by no means GB credit can be considered as a magic key to poverty alleviation.

APPENDIX

ACKNOWLEDGMENT

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