

Grameen Bank Internship Report

Grameen Methodology & Field Work Case Study



Submitted by : Sung Hyun, Kim (Joseph Kim)
Yonsei University, Seoul, Republic of Korea
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Sincerely,

Sung Hyun, Kim
(Joseph Kim)

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Introduction

1. About Grameen Bank

Grameen Bank Project was born in the village of Jobra, Bangladesh, in 1976. In October 1983, it was transformed into an independent formal bank by a government ordinance. Grameen Bank is well known as bank for the poor and owned by the poor.

It is owned by borrowers of the bank who are mostly women (97% of borrowers are women). Borrowers of Grameen Bank own 95% of the total equity of the bank, and 5% is owned by the government. The bank finances 100% of its outstanding loan from its deposit (Since 1995, the bank has not received donor fund.)

2. Difference between Grameen Bank and Commercial Bank.

1) No Collateral

GB does not require any collateral against its micro-loans. Commercial banking is based on collateral, the principle that the more you have, the more you get. Grameen methodology is not based on assessing the material possession of a person. While commercial banks look at what has already been acquired by a person, Grameen looks at the potential that is waiting to be unleashed in a person.

2) No Legal Instrument

Since the Grameen does not wish to take any borrower to the court of law in case of non-repayment, it does not require the borrowers to sign any legal instrument. There is **no stipulation that a client will be taken to the court of law to recover the loan**, unlike in the conventional system. Commercial banks go into punishment mode when a borrower is taking more time in repaying the loan than it was agreed upon. Grameen Bank allows such borrowers to reschedule their loans without making them feel that they have done anything wrong.

3) Branches in the Rural Area

'Grameen' means "rural" or "village" in Bangla. Grameen Bank branches are located in the rural area, unlike the other commercial bank which tries to locate themselves as close as possible to the business districts and urban centers.

First principle of Grameen is that **the clients should not go to the bank, it is the bank which should go to the people** instead. Grameen Bank has 2,539 branches, works in 83,566 villages with 24,240 staff.

4) Low Interest Rates

Government of Bangladesh has fixed interest rate for government-run microcredit programmes at 11% at flat rate. It amounts to about 22% at declining basis. Grameen's interest rate is lower than government rate. There are four interest rates for loans from GB : 20% for income generating loans(so-called "Basic Loan"), 8% for housing loans, 5% for student loans, and interest-free loans for beggars. All interests are simple interest, calculated on declining balance method. If a borrower takes a basic loan, and pays back the entire amount within a year in weekly installments, borrower will pay a total amount of principle, and equivalent to 10% interest for the year.

Grameen Bank Methodology

1. Group

Basic unit of the Grameen system is the group, and the group is organized based on following criteria.

- 1) Must be poor. You must own less than 50 decibel of land, and must own less than 1500TK value of asset. In general, GB define it as "**Landless & Assetless**"
- 2) You must gather **at least 5 members** to form Group (Minimum 5~Maximum 10).
- 3) Members **must not be blood-related**.
- 4) Group members **must have permanent residence of locality** and **neighboring each other**, and they must be in similar mentality and economic situation.

If the group is organized, they elect 1 person as a chairman, and 1 person as a secretary. Term of service is 1 year, so **every member can be the chairman**.

Chairman represents her/his group. She/He consists of counting and collecting money from group members, and raises any issues that her/his group has encountered: in terms of repayment, illness etc. When the group first joined in GB, they **must complete seven consecutive days training course**(without holiday). During this course, GB's center manager teach them discipline(sixteen decisions, meeting schedule time etc.), how to sign their name, how to save the money etc. And they also introduce the products of GB. **Every day, group member must take at least 10TK to learn how to save the money.**

2. Center

Center consist of 8~10 groups. And they have meeting once a week(before noon) for loan installment, savings, and communication. It is called "**Center Meeting**". Center meeting is the place where the borrowers and the center manager get together. There are center leader in the center, who represents the center.

Center Leader's Duty

- 1) Discipline and motivate center members
- 2) Supervise check loan utilization.
- 3) Propose for loan on behalf of the members.
- 4) Sign on a loan proposal form which will be given to center manager.
- 5) Take care of total center in all regards.

It is almost similar to Group chairman's task, but there are two differences between chairman and leader. **First**, center leader have authority to propose for loan on behalf of the center member. **Second**, she/he signs on a loan proposal form.

<Function of Center as a whole>

1. To ensure the financial possibility that has been created through GB among the borrowers, the center must work to make sure the discipline and to make them hardworking, interacting. First duty of the center will be to create a balance and healthy atmosphere in center that can help the borrowers in all regards.
2. The center must be attempt to create awareness of the borrowers so that they can be self-motivated, interactive among the groups, and the groups can utilize their loan properly and repair very well.
3. The center will help the borrowers to make themselves productive, and to find new sources of income, and in this case, the borrowers will help other borrowers in case of transportation, marketing, and getting a standard of market price.
4. If there is a problem in the center, they will try to solve themselves.
5. The group leader and the center leader will be communicating with bank all the time, and they will help the bank in all respect.
6. If there is any beggar in locality, the center will find them out, and manage to get loan for him/her and try to make his/her life productive.

3. Branch

Branch is the place where the **actual loan task is occurred**. People who want to get a loan, propose to center manager at the center meeting. Center manager fills up form and submit to the branch manager. Then, branch manager visits the house of the member to review his qualification. If he is eligible to get a loan, the loan proposal form goes to area. After approval of area manager, the work is finally done. After these processes, branch manager finally fills up **<Loan Disbursement Ledger>**.

Loan installment and saving deposit working take place in center, but the branch is the essential core of micro-financing.

<Viability of Branch>

1. Well-Motivated & Disciplined staff.
2. Well-Motivated & Disciplined borrowers.
3. Planning and Monitoring to maintain right number of members
 - Need to replace leaving member
 - Loan utilization checking
 - Supervise all the time

4. Process of Loan - 3 steps to loan proposal making

Step 1. First, people who want to get a loan discuss with the group member.

If all group member agree, group chairman propose it to center leader.

Then, center leader propose to center manager in behalf of center member at the next center meeting.

Step 2. Center manager fills up form and submit to the branch manager.

Step 3. Form goes to the area. Program officer verify the form and check eligibility, then Area manager approve the loan.

All the process from step 1 to step 3 take a week.

5. Struggling Members Programme

Struggling Member Loan is one of the loan product from Grameen. However it is not only finance loaning, but also social work. It started from July 2002, as countermeasure for begging. Begging is the last resort for survival for a poor person, unless they return into crime or other forms of illegal activities. Among the beggars, there are disabled, blind, and retarded people, as well as old people with ill health.

Objective of this program is to provide financial services to the beggars to help them find a dignified livelihood, send their children to school and graduate into becoming regular Grameen Bank members. About 108,741 beggars have already joined the program. Total amount disbursed stands at 124.81millionTK. Of that amount of 91.60millionTK has already been paid off.

Basic features of the program are :

- Existing rules of GB do not apply to beggar members; they make up their own rules.
 - All loans will be interest-free. Loans can be for very long term, to make repayment installments very small. For example, for a loan to buy a quilt or a mosquito-net, many borrowers are paying TK 2.00 (3.4 cents US) per week.
 - Loan limit: 500~5000TK
 - No interest rate, No time limit, No condition
 - Beggar members are covered under life insurance and loan insurance program without paying any cost.
 - Will get 500TK equivalent dressess when joined in this program.
 - Groups and Centers are being encouraged to become patrons of struggling member.
 - Each struggling member receives an identity badge with Grameen Bank logo.
- She can display this as she goes about her daily life, to let everybody know that she is a Grameen Bank member and this national institution stands behind her.
- Members are not required to give up begging, but are encouraged to take up an additional income-generating activity like selling popular consumer items door to door, or at the place of begging.

Field Work

1. Visiting Branch Office(Amdala)

75km from Dhaka - Amdala, Shibalaya, Manikgonj Zone

84 Centers/ 619 Groups/ Total Member: 4936 (Total Loanee: 4886)

<Interview with Center manager>

Name : Md. Monjurul Islam

Age : 23

Career : Started as center manager for 13 months

Center Manager's task :

- Visit 5 borrowers house every day and Visit 12 centers a week to supervise and check loan utilization, collect installment and saving.
- There are 7 center managers in Amdala Branch.
- Center Manager works for one branch at least 2 years, then locate to another branch.

2. Visiting Center Meeting

(1) Day-1: Dorikoya (since 1987)

Center Number: No. 50/ Total Group: 13/ Total Member: 75

Loan: 528000TK/ Deposit: 600000TK

<Interview with members>

Case 1. - The Newest borrowers in Center

Name: Ms. Nurjahum

Age: 22

Joined in: 19th September, 2008

Loan Type: Basic Loan

- She makes decision to join GB because of its low interest, she started tea business

so she get a loan to buy a tea stool (benches for 10 people)

- Get 200TK profit a day
- After joining Grameen, group members give many advice and help.

Case 2. - The Oldest borrowers in Center

Name: Ms. Shahira

Age : 42

Joined in : 1987 (Since center established)

Loan Type : Micro Enterprise Loan

- In 1987, borrows 30TK to buy a cow. Now, she loans 2000TK to do clothing business.
- She saves 28000TK, has 3 accounts (1 Personal Saving, 1 Red GPS, 1 Green GPS)

(2) Day-2 : Rupsha (since 1987)

Center Number: No. 17/ Total Group: 10/ Total Member: 62

Loan: 500000TK/ Deposit: 1400000TK

<Interview with member>

Case 3. - Micro Enterprose Loanee

Name : Ms. Nagori Halder

Age : 50

Joined in : 1987 (Since center established)

Loan Type : Basic Loan 30000TK, Micro Enterprise Loan 50000TK

- Recently loan 2500TK for fish business (Fishing is traditional business of her family)

Case 4. - Center Leader

Name : Ms. Shjeda

Age : 42

Joined in : 1994

Loan Type : Micro Enterprise Loan

- Responsible for discipline and center's installment.

- Was a center leader 5 years before (Second time to be a center leader)
- Have pride and dignity to be a center leader, enjoying position.

Case 5. - Son of Educational Loanee & Also Micro Enterprise Loanee

Name : Nirmor Kumar Deshmukh

Age : 24

Loan Type : Educational Loan(His father), Micro Enterprise Loan(for himself)

- Major in Accounting, graduated in 2008.
- There are many student in his school, who uses educational loan from Grameen Bank.
- His father take a educational loan 3 years ago.
- He take a micro enterprise loan for his business (poultry farm)

(3) Day-3 : Koira (since 1989)

Center Number : No. 41/ Total Group : 8/ Total Member : 45

Loan: 113100TK/ Deposit: 584589TK

<Interview with member>

Case 6. - Basic Loanee

Name : Dahlima

Age : 28

Joined in : November 2008

Loan Type : Basic Loan

- Loan 3000TK for cultivation (to grow rice and mustard seed)

Case 7. - Struggling Member

Name : Gadi

Age : 60

- Joined as Struggling Member in 2006 (Not regular member yet)
- Get 500TK equivalent dressess (blanket)
- Get 500TK loan and bought 5 chickens.

- In 2nd time, get 2000TK loan to buy some land and bought more chickens.
- It was possible to join this program because Grameen Bank has very easy access.
She said, "Now I have a dignity. But, more important thing I've got from this program is not only dignity but also confidence." She was satisfied with her life in these days.
Village people, especially member of GB are so kind, and give many support to her.

(4) Day-4 : Dashchira (since 1987)

Center Number : No. 1 (The oldest center in Amdalah Branch)

Total Group : 8/ Total Member : 55

Loan: 6154000TK/ Deposit: 210000TK

<Interview with member>

Case 8. - The oldest member in Amdala Branch

Name : Asiakhaturun

Age : 50

Joined in : 1987

Loan Type : Basic Loan 15000TK, Micro Enterprise Loan 40000TK

- Her husband manage his own restaurant (Average Profit : 10000TK/month)
- Most difference between 1987 and 2009 : People's perception

There were many prejudice and misunderstanding about Grameen at 1987.

However, people gradually know the truth about Grameen, and lot of people encourage and help Grameen member.

3. Visiting Area Office(Shibalaya)

<Interview with Manager>

Case 9. - Area Manager

Name : Ali Hossain

Age : 46

Career : Lions Club Vice President until 1984

Worked for Grameen Bank for 23 years (since 1985).

Started as branch manager(senior officer) in Chander Hat.

Promoted to area manager in 2006

(Worked as Shibalaya Area Manager since then)

Area Manager's task :

- Approval of Loan (Main function) : He is responsible for loan proposal.
- Visit Branches, Center meeting to supervise and encourage members.
- Write confidential report in every 6 month.

Conclusion

Grameen Bank is working with passion and activity, allowing the poor people to get a microcredit. As Dr. Yunus said, "Credit is a human right." During this internship, I realize that poverty is actually caused by the social structure rather than any lack of capability on the part of the people. I am one of the witness who saw how microcredit helps people, how the poor people get a loan, how they overcome the poverty.

After this internship I have realized the effectiveness of microcredit and how it has revolutionized the life of the poor. Of course, financial aid is not the one and only solution to the poor. However, if this kind of institution can give hope and courage to the poor, we could surely put poverty into museum.

Appendix

1. Sixteen Disions

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

2. Status of Amdala Branch

<Amdala Branch - Branch code: 0259-0986>

84 Centers/ 619 Groups/ Total Member: 4936 (Total Loanee: 4886)

Total Outstanding : 33726419TK

[Loan Situation]

Basic Loan : 23140096TK

Flexible Loan : 466006TK

Micro Enterprise Loan : 8563954TK

Education Loan : 1240000TK

House Loan : 54164TK

Struggling Member Loan : 14726TK

[Savings Situation]

Total savings balance : 81291740TK

Personal savings (Members) : 5899346TK

Personal savings (Outsider) : 14787589TK

Fixed Deposit : 2801475TK

Member Insurance : 3303418 TK

Red GPS : 8105724 TK

3. Status of Shibalaya Area

<Shibalaya Area - Area code: 408>

11 Branches/ 768 Centers/ 5481 Groups/ Total Member: 44807

Total Outstanding : 33726419TK

<Loan Situation>

Basic Loan : 23140096TK

Flexible Loan : 466006TK

Micro Enterprise Loan : 8563954TK

Education Loan : 1240000TK

House Loan : 54164TK

Struggling Member Loan : 14726TK

<Savings Situation>

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