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EMPLOYMENT CREDIT SCHEMES AND INFORMAL FINANCIAL MARKET IN BANGLADESH

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PREFACE

As in many developing countries, the informal financial markets in Bangladesh are alleged to provide the bulk of the credit needs of the economy, particulary to the small scale sector which has little access to the formal (institutional) sources of credit. Despite various attempts to control and regulate informal financial transactions, their scale and pervasiveness of operations have expanded unabated. In the long debate on the usefulness and the performance of the informal financial market operations, and associated issues like the determinants of interest rates, interlinkages among transactions, etc., some have labelled the markets as usurious, as 'fetters on growth' while others have considered them as desirable adjuncts to the process of brisk growth in trade and commercial operations. Corresponding to these two views, two diametrically opposite policy frameworks are envisaged; the first aims at controlling and ultimately eliminating informal financial transactions while the second aims at expanding the fund flows and increasing the competetiveness in the informal sector. Both lines of arguments however agree that there are imperfections in informal financial markets and that the interest rates usually obtaining in these markets are on the higher side.

Despite the considerable operational significance of the issues involved, and the implications these have for developing an optimal policy environment, information on these markets in Bangladesh remain highly inadequate. The study on the informal financial markets in Bangladesh, conducted by the Bangladesh Institute of Development Studies (BIDS) and sponsored by the Asian Development Bank and the US-Agency for International Development (US-AID), attempts to fill-up this gap in information and analyse some select issues such as the growth and the structure of the markets, formation of interest rates, mobilisation and use-efficiency of resources. A series of case

studies have been conducted under the project; all of them are now being reproduced as working papers. A survey to collect some primary level information on the markets and the characteristics of lenders and to know more about the organizational aspects of informal finance gathering and distribution has also been conducted. The survey findings along with those of the case studies are being used to prepare an overview paper on the informal financial markets in Bangladesh.

This study by Mr Nazmul Ehsan Fatmi examines informal employee credit scheme (IECS) in a number of organizations in metropolitan Dhaka to understand how these schemes operate, to document various froms that these schemes may take and analyse their roles in deposit mobilisation. A total of 50 such schemes were covered in this study. Although the study did not find much diversity in deposit and lending practices, the spread of such groups has been somewhat of a surprise. Not an insignificant amount of money in the urban informal sector is transacted through such groups. This underlines the importance of studying the behaviour of such informal groups, which are bound to grow in number and become more diverse in nature. Mr Fatmi's study which has been quite successful in capturing some of the features of informal groups, would be useful in taking up further in-depth studies in these lines.

Atiq Rahman
Project Director

INFORMAL EMPLOYEE CREDIT SCHEMES IN BANGLADESH: A FIRST LOOK

I. INTRODUCTION:

I.1. The Setting:

The impulse to organize in cohesive groups on the part of employees working in urban organized societies has long been recognized as outward manifestations of certain beliefs, fears and anxieties, hopes and aspirations that employees in general entertain. Whether such impulse comes from employees who, seeking to better their lot, demand a larger piece of the cake from the employers, or whether it emerges from the employees' perception of mutual self help based on trust and fraternity - the underlying theme is singularly pervasive: the welfare of the employees. Whatever the raison d'etre, these groupings have cropped up in just about every workplaces, be it the governmental set-up, autonomous bodies or business organisation. They go by various names (the welfare or the benovolent fund, credit/savings societies, etc.) and they markedly in sizes depending on the nature and purpose of such groupings, and the organisation within which these are formed.

The present study, however, focusses primarily on the working of such groupings or schemes organised at the informal level, but within the context of individual organisational set-up. Specifically schemes like the informal employees credit schemes (IECS) have been singled out for the exploratory probe and the study seeks to answer such basic questions as why, despite the existence and operation of formal welfare oriented schemes, employees turn towards the informal ones? How are these informal schemes organized? What sustains them over the years? How do they tackle conflicts? Are these schemes more efficient than the formal ones? Do they complement one another? While the study has been able to highlight some of the issues and the possible answer scenarios, some have remained elusive and others go beyond the scope of the present work. And of course, like the usual hazards that go with any first exploratory

probe, this study and its findings must remain illustrative and incomplete.

I.2. The Objectives of the Study:

The present study accordingly, has kept the following broad objectives in mind:

(i) to ascertain the nature and operational context of IECS in Bangladesh,

(ii) to analyse the structure and modus operandi of such schemes,

(iii) to determine the sources and end-use of IECS funds,

(iv) to dwell on the perceived benefits and costs of such schemes from the members' and the management's perspectives,

(v) and finally, to analyse the role and problems of these IECS in mobilising and channeling investible funds.

I.3. Methodology:

The binding constraints of time and resources have precluded any large scale representative sample survey. Instead, and in line with the broad terms of reference, a participatory research method has been adopted. This has involved a series of structured discussion with a broad cross section of the principal actors involved - the organisers and the members and the potential and actual beneficiaries of such groupings. Fro this purpose, a broad spectrum of organisational set-up was initially singled out and targeted for he probe. For obvious reasons, this had to be urban based and located in metropolitan Dhaka areas. The targeted organisational set-up included governmental organisation, autonomous bodies, financial insitutions, sector corporations, multinationals, private corporate bodies and industrieal units. Again, for understandable reasons, only the bigger of these organisations have been explored.

Within this broad context, a logical starting point has been the attempt to locate the existence of such schemes among all employeecategories of those targeted organisation. Again, this has often meant exploring from the top down and at other times, bottom up process and finally, some random cross inquiries among different department, sectons and employees of a particular organisation. Once the existence of a particular society or association has been confirmed, efforts were directed towads tracing the initiators and organisers of such society. Discussions have been, by and large, open and frank, although in many cases, the research team has had to come accorss some measure of concealed hostility on the part of both the organisers and the establishement.

Given our time frame for investigation, we have been able to probe into a fair number of such schemes (50). Again, considerations of time and resources have forced us to seek out four of these for more detailed studies. For this purpose, different criteria were followed, namely, the size, nature, age, special and unique features, cohesiveness and vigors, and the like.

These selected case studies have allowed us to probe deeper into file information on the various aspects of loan and credit operations. Wherever possible, a complete enumeration was attempted. Considering the variegated forms in which data have been compiled and in the rferences in the life of such societies, time series data was ruled out. Instead, we had to go for recorded activities for the calender year 1986. All these efforts, however, have been supplemented with some select interviews with the principal initiators and the organisers of these informal schemes.

I.4. Data Base:

While there are some advantageous that go with informal arrangements, - trust, reciprocity, fraternity, etc. - there are problems as well. One of the areas where these are felt most relates to the rigors with which detailed information are duly recorded and

documented. One is therefore at a loss when he goes for the specifics: the end use of borrowed funds, for example. Whatever rudimentary information our research team could gather sums up to who got how much money and when. The idea of course, is that they must have been justified reasons for borrowing in the first place, and is therefore, immaterial to ask just how were those money actualy spent. We had to improvise our efforts at data collection by falling back on the ingenuity of some key organisers who surpirsed us by providing some of our mising links. This practice is however, good when members and everybody knows each other. When it comes to a big organisation, these problems remain unresolved.

What are the ways in which the activities of such informal schemes are documented? The normal practice is to maintain a ledger where only major developments are documented and the task is usually undertaken by the treasurer of such scheme. The usual information set consists of the names of the subscribers, the outstanding amount that each members has in his account and some sketchy information on the number of times a member draws on his fund. More often than not, the leger entries are not meticulously done and a great deal of information is subsequently lost. A lot therefore, depends on the skill and integrity of the persons charged with such onerous duty.

Another set of information comes from files maintained for incoming requests for loans by individual members. These take the form of hand written applications for loans (although in some cases typed proformas are available) mentioning the amount and the ostensible purpose of the loans. The amount for loan requested is not necessarily the amount granted (and this has to go through some quick processes), so that tracing these discrepancies down then becomes a very dificult exercise, since, dated entries differ for each application.

All these considerations have got us very little to start with, and our empirical base should therefore be treated with some caution. As mentioned before, these efforts have been supplemented with some

select interviews and structured discussions (informal ones, though) with key initiators of the various informal schemes. The rest took the form of some impressionistic patchwork done by the author on the basis of his exposure to the inner workings of such schemes.

I.5. Scope and Coverrge:

For purpose of analyses, the rest of the study is organised as follows:

Section II delineates the nature and operational context of the IECS

Section III presents briefs on the IECS explored

Section IV describes the structure and modus operandi, of such schemes, its inner strength and dynamics

Section V records and analyses the soruces and uses of IECS funds

Section VI deals with selected case studies for additional insights into the working of the credit/saving mechanism

Section VII attempts to bring out the perceived benefits and costs as viewed from both the members' and organisers' perspecties

Section VIII discusses, in the light of structured discussion and informal interviews with the men of the IECS, the role and problems of these schemes in mobilising investible funds and in giving some measure of economic security to its members, and finally,

Section IX wraps up our exploratory probe by reflecting on particular issues and constraints that these schemes face.

II. NATURE AND OPERATIONAL CONTEXT OF IECS:

II.1. The Coverage:

A focal point of the study is the determination of the nature and operational features of the IECS. For our purpose, IECS refer to those informal arrangements through which contributing members seek, through a regular monthly contribution, to create a mutual consolidated fund for the continued benefits of its exclusive members. Such credit and saving schemes then form the basis on which contributing members can draw on the funds for a variety of purpose on terms and conditions stipulated in the constitution (or in other agreed written forms).

With the IECS thus defined, and given the time and resources we had, our research team were able to explore and identify some 35 workplaces and institutions covering government, semi-govt. and autonomous bodies, sector corporations, financial houses and insurance companies, industrial units and private organizations localised in metropolitan Dhaka areas. All these cover some 50 informal schemes and a detailed list of the is provided in the Appendix. Of the 35 insittutions sampled, there were 4 purely govt. ministries (11.4%), 13 autonomous bodies and commissions (37.1%), 3 sector corporations (8.6%), 10 financial houses and insurance companies (28.6%) 1 industrial unit (2.9%) and 4 private organisations (11.4%).

To obtain some semblance of useful information, the research team had a series of structured discussion with the leaders of these informal schemes. In keeping with the spirit of informal discussion, sometimes over tea, other times in between normal office workloads, a substantial flow of information was generated. These initial successes were of course, later followed up with more detailed inquiries providing much of the basis of our subsequent analyses.

II.2. Historical Origin/Life of the Schemes:

While many of the IECS have been in operation for over a decade now, some have started functioning only recently. A majority of such informal schemes appear to be in operation for 5-10 years now, and this accounts for 26% of our sampled units. Within this block the main institutions that can readily be identified are autonomous institutions like Dhaka University and financial institutions like the nationalised commercial banks and development financial institutions and public insurance companies. However, there are many others that are over a decade old (24%). So together then, half of the sampled units are over 5 years old.

In contrast, within the block that constitutes the other half of the sampled units, 2-5 years make up 24% of the cases, while 9 schemes (18%) fall within the 1-2 years period. 4 of the remaining schemes were hardly a couple of months old when the research team located them. No particular institutional pattern are discernible from this half of the sample, since, just about all have been represented here.

Table II.i below summarises and records these. On the whole, it appears that the IECS which are relatively younger in age (less than 5 years old) are more operationally active than those which are much older (10 years plus). More on this later.

II.3. Classification by Membership Size:

Membership size of 11-25 members seems to be the modal size of these schemes. This category accounts for 30% of the sampled units followed by 26-50 members group (22%), although some societies are pretty large, having over 1000 members (8%). These are evident from Table II-ii below. Small groupings of 11-25 persons should come as no surprise. Informal arrangements spring from some long felt needs commanding spontaneous trust and respect. Since heirarchical structure of administration exists in almost all organisation, employees set up their own personal equations in relation to the

Table II-i

Classification of IECS by Historical Origin (Age)

Age of the scheme	Coded entries of institutions in which schemes are located	No.	% share
1 year	3 20 21 34	4	8
1-2 years	10 12 25 18 19 26 32 33 33	9	18
2-5 years	2 4 6 6 8 8 9 10 17 17 33	12	24
5-10 years	1 5 8 12 14 14 20 24 27 28 35 16	13	26
10 years +	7 11 12 12 13 15 19 22 29 30 31 34	12	24

Note: (i) a detailed code list of the institutions surveyed is provided in Appendix : A

(ii) the first entry in the less than 1 yr. group, i.e. 3 means that the particular scheme is located in the Planning Commission whose serial entry is 3 in the list. Coded entries appearing more than once imply that there are as many schemes in that particualr institutions.

Table II-ii

Classification of IECS by Membership Size

Size of members	Coded entries of institutions in which these schemes are located	No.	% share
< 10	17	1	2
11 - 25	1 2 3 4 6 8 12 17 17 21 25 28 33 33 35	15	30
26 - 50	5 7 8 9 10 11 12 16 32 33	11	22
51 - 100	10 12 13 27	4	8
101 - 500	6 12 19 19 20 22 24 26	8	16
501 -1000	18 20 23 29 29 31 34	7	14
1000 +	14 14 15 30	4	8

people (subordinate and superiors) they are continually exposed to. In course of time some sort of clan loyalty gets developed as employees working in particular sections or departments assert their group loyalty with respect to outside or other counterparts.

Even within the same working unit there may be sub-gorupings as leaders and followers map their own interpersonal relationship in response to some perceived or actual threats, promises and expectations arising from different states of nature. Judged from this socio-anthropological aspect, it is easy to see why any informal arrangements once contracted tend to consist of smaller number of persons.

Of course, there may be other technical reasons why membership size does not grow over time. One of the arguments put forward by the management of such schemes was that new entrants could only be entertained if he agreed to put matching contributions in line with the cumulative savings of older members. This then forms a very effective deterrent for any potential entrant who find this and related condition not only unacceptable but which goes against the very spirit of such informal arrangements. Another obvious reason stems from management considerations that prevent group size from getting cumbersomely large.

What then explains the formation of large groupings of over 500 members? A look at Table II-ii reveals that most of these are concentrated in big government departments, ministries, different boards and authorities and financial insitutions. File informations also reveal that these societies are organized on regional lines across Bangladesh, although in Dhaka area their sizes correspond most nearly to the modal size.

II.4. Classification by Employees Identification:

Although technically, all categories of employees have involved themselves into forming informal credit/saving schemes, the emerging scenario speaks of a predominantly 'employees' association in con-

trast involving both these categories. Such a dominant featue is perhaps understandable in view of the compelling needs of the relatively disadvantaged categories of employees to have such schemes to fall back upon in times of personal and family crisis. This does not of course imply that officers are motivated by other remote reasons, but that, the perception of the compelling circumstances facing these two categories of employees are perhaps different. Our point of reference here is Table II-iii below, which classifies IECS by categories of employees forming them and their breakdown by institutions:

Table:II-iii

IECS by Employees Groups

Status	Coded entries of IECS									No.	% share
Pure employees	1 22 45	4 23 46	5 24 47	6 25 48	8 30 50	9 32	11 35	13 36	21 37	23	46
Officers only	7 39	17 40	18 42	28 41	29 43	31 44	34 49	33	38	16	32
Mixed	10 27	11 49	12	14	15	16	19	20	26	11	11

As can be seen from the Table, employees representing the lower echelon of administration, predominate, with some 46% of the sampled units falling under this category, followed by the officers associations (32%) while the remaining cases involve mixed groupings. With regard to the institutional pattern, a larger concentration of officers scheme seem to be located in financial insitutions.

One notable featue that distinguishes between the purely employees' scheme and that of the officers, concerns the size of the monetary contributions. Most officers' scheme have larger monetary contributions resulting in a larger pooled funds than those of the employees' scheme. Now whether such larger funds give them greater operational efficiency is an open question. Details of file informations are somewhat sketchy, but based on their publicised future plans and portfolio management, officers' scheme look more prespective.

III. BRIEFS ON IECS SURVEYED:

This section is designed to capture the essence of each particular IECS, its size, nature and programmed activities. As will be seen, all these present a considerable array of unique features worthy of note and which otherwise are lost in normal data analysis. These briefs are presented in standard format for quick and ready review.

1. **Non-Gazetted Govt. Employees Kalyan Samity: (Ministry of Industries)**

   Estd. 1981 No. of Members: 14 Subscription: Tk. 2/- p.m.
   Position of fund: Tk. 35,00/-

   Involved in loan activities but charges no interest. Small loans of 200-500 Tk. available for 2-3 months. Special loans of Tk. 1000/- for house repairing purpose. Takes up promotion and transfer cases and also engages in welfare activities.

2. **Shomota: (Ministry of Agriculture: Khamar Bari)**

   Estd. Apr. 1986 No. of Member: 21 Subscription: Tk. 50/- p.m.
   Position of fund: Tk. 11,500/-

   Intends to start loan operation soon. Loan eligibility after one full year of membership and the maximum amount of loan permissible is 75% of a member's total contribution. A 5% interest rate per month is stipulated. Also plans to invest in short run profitable ventures.

3. **Shomomona: (Ministry of Agr. Khamar Bari)**

   Estd. Feb. 1983 No. of members: 17 Subscription: Tk. 50/- p.m.
   Position of fund: n.a.

   Credit activity consists of giving out small loans of Tk. 300/- and less, repayable in 3 months at no interest charges and for special considerations like family illness, children's tuitions etc. Plans for investing in transport business.

4. **Govt. Employees Welfare Society of Block-3: (Planning Commission)**

Estd. Aug. 1986 No. of members: 17 Subscription: Tk. 30/- p.m. Position of fund: Tk. 6,000/-

Loans out a max. of Tk. 1000/- for 3 months at 8% monthly interest rate. Presently, 13 members are on loan account. Satisfactory recovery performance. Future programs include land purchase.

5. **Bangladesh Drawing Section Kalyan Tahbil: (Office of the Surveyor General)**

Estd. 1982 No. of members: 35 Subscription: Tk. 10/- p.m. Position of fund : n.a.

Loans are given out for a maximum of Tk. 500/- at 5% monthly interest and repayable in only one month. There are 3 known cases of default so far and the total defaulted amount comes to Tk. 300/- only. Idle funds are kept in savings account and interest income distributed among members annually.

6. **Karmachari Kalyan Tahbil: (Planning Division Titas Gas)**

Estd. Jan. 1981 No. of members: 47 Subscription: Tk. 50/- Position of fund: Tk. 1,24,700/-
Half of this fund placed under F/D acc. and the rest available for loans at 3% monthly charges repayable in 1 yr. time. Ceiling of 85% of one's contributons. One time grants also available to membes in distress. Prize Bond holdings of Tk. 50/- against each members. Plans to invest in small business.

7. **B.I.W.T.C. Officers Association**

Estd. 1982 No. of members: 235 Subscription: Tk. 5/- p.m. Position of fund: Tk. 837/-

Engages mainly in job promotional activities of its members. Funds are exhausted in annual general meetings, lobbying and welfare related activities. Tries to find gainful employment opportunities for the wards of the retired members.

8. **Shonirbhor Karmachari Kalyan Samith: (B.I.W.T.C.)**

Estd. Jan. 1985 No. of Members: 20 Subscription: Tk. 30/- p.m. Position of fund: Tk. 9,700/-

General loans of upto Tk. 1000/- available to members at 3% monthly charges and repayable in 10 months. Higher amount available for special purpose like house repairing and subsidizing educational expenses. Future plans include investing in public transport.

9. **Ekho Samithy: (House Building Advance Section, Sadharan Bima)**

Estd. 1975 No. of members: 30 Subscription: Tk. 20/- p.m. Position of fund: Tk. 25,000/-

Loans are disbursed at the beginning of the year and repayed at year end at 3% monthly interest. Max. entitlement is 90% of a member's contribution. No default cases so far.

10. **Akota Kalyan Tahbil: (Sadharan Bima Corporation)**

Est. May 1984 No. of members: 17 Subscr.: Tk. 10/- p.m. Position of fund: Tk. 11,442/-

General loan disbursed for a max. of 6 months at 4% monthly charges. Tk. 5,000/- deposited in F/D acc. for 3 years. Members are entitled to purchase upto 5 units of membership at a monthly contribution of Tk. 10/- p.m.

11. **Karmachari Welfae Society:**
(Non-fire and Marine Deptt. Sadharan Bima Corporation)

Estd. 1980 No. of members: 35 Subscr. Tk. 10/- p.m. Position of fund : N.a.

A max. loan of Tk. 1000/- are extended to any member for 6 month period at 1% monthly charges. A special sub-committee

decides loan cases. Occassional donations raised to meet emergencies.

12. Establishment Division Employees Welfare Fund (Sadharan Bima)

Estd. 1983 No. of Members: 30 Subscr.: Tk. 50/- p.m.
Position of fund: Tk. 79,609/-

Tk. 42,000/- is kept in F/D acc. and the rest are available or loan disbutrsement at 5% monthly charges with a ceiling of Tk. 1800/- per member. Presently 80% of its members are on loan.

13. Jagoroni Samabay Samity: (Bangladesh Chemical Industries Corporation)

Estd. 1983 No. of members: 26 Subscription Tk. 40/- p.m.
Position of fund: Tk. 42,000/-

A max. of Tk. 1000/- can be loaned out per member at 2% monthly interest and repayable in 5 months. No problem with recovery.

14. Sotota Multiple Cooperative Society: (BJMC, H.O.)

Estd. 1985 No. of members: 26 Subscription Tk. 50/- p.m.
Position of fund: Tk. 34,082/-

Actively engages in credit and investment activity and pays out dividend as part of profit earned on its investment. A profit rate of 5% is charged on all loans for general purpose while a higher % is charged for business and trade loans.

15. People's Welfare Society: (Local Society)

Estd. Dec. 1976 No. of members: 5000 Subscription Tk. 5/- p.m.
Position of fund: n.a.

Loans are available for general purpose at 3% monthly interest. Members comprise all sections of society and a governing body oversees operation. Funds come from subscription, interest income from loans, donations, advertisement and occassional grants from government. Reported income from subscription and interest receipts in 1986: Tk. 30,000/-. Also engages in general welfare activities.

16. Bangladesh Shipping Corporation Employees Welfare Fund:

Estd. 1972 No. of members: 1000+ Subscritpion Tk. 2 to 25/- p.m.
Position of fund: n.a.

Loans available with a ceiling of Tk. 2000/- at no interest, and payable at very easy installments (20-25 inst) and is mainly used for family emergencies. Some small grants are also made available in exceptional circumstances.

17. Officers Kalyan Tahbil: (Janata Bank, H.O.)

Estd. 1976 No. of members: 35 Subscription Tk. 100/- p.m.
Position of fund· Tk. 2,20,500/-

Loan entitlement amounts to a max. of a member's contribution plus one month's basic salary, repaid in easy instalment at 2% interest charges per month. A member's death in 1986 meant an outstanding loan of Tk. 3,900/- against his account, and this was equally shared out by the rest of the members. Recorded a Tk. 850/- profit per person in 1986.

18. Twenty Brothers: (Janata Bank)

Estd. Jan. 1986 No. of members: 20 Subscription: Tk. 100/- p.m.
Position of fund: n.a.

A member's contribution plus basic salary constitute a ceiling amount of loan for any member who pay 2% monthly interest charges. Idle money kept in F/D account. No default cases to report. No other works undertaken besides loan operation.

19. Emergency Kalyan Fund: (Janata Bank, H.O)

Estd. 1975 No. of members 80 Subscritpion: Tk. 50/- p.m.
Position of fund: n.a.

Loan ceiling is defined by a member's contribution plus Tk.500/- extra an 2% monthly interest charges, repayable on easy installments whose minimum value is Tk. 200/-. Exclusively for fmaily emergencies. Beyond keeping a proportion of the fund in F/D account no other investment programme at hand. Registered a profit of .07 paisa per taka invested by the member.

20. International Deptt. Kalyan Tahbil: (Janata Bank, H.O.)

Estd. 1980 No. of members 175 Subscription: Tk. 25/- (1980)
Position of fund: Tk. 6,00,000/-

Loan for meeting family emergencies available at 2% monthly interest charges for its members. No default cases to report. Registerd a profit of 8-10 paisa per taka contributed by the member. Idle money kept in F/D account.

21. Grindlays Bank Employees Union: (Dhaka)

Estd. 1963 No. of members 100
Subscription: Differentiated Clarical Staff: Tk. 4/-
Subordinates: Tk. 2/- p.m.
Position of fund: Tk. 70,000/-

No regular provision for loan disbursement. Occassional interest free loan in special circumstances and repayable in 2-3 months time. Grant provision of Tk. 5,000/- in case of death of member, and is given out as burial and other necessary expenditures.

22. Kohinoor Group of Industries Employee Welfare Fund:

Estd. Feb. 1979 No. of member: 1400
Subscription: Differentiated:
Salary of less than Tk. 1000/- to Tk. 3/- p.m.
Tk. 1000-1500 to Tk. 5/- p.m.
Tk. 1500+ to Tk. 10/- p.m.

Position of fund: n.a.

A board of trustees oversees loan operation. Ceiling amount determined by years of service. 5 years and older employees get 100% of his basic salary, while for those with less service record - 50%, repayable in 6 months time at 8% monthly interest. Loans taken out mainly for meeting family emergencies and house repairing. Occassional grants to promote scholarship of meritorious wards of member. A grant provision of Tk. 5000/- kept for members and his family or death.

23. Koshigo Kalyan Trust: (Kohinoor Group of Industries)

Estd. Jan. 1981 No. of members 2386
Subscription: 2% of basic salary deductable at source.
Position: n.a.

There is a pension scheme in force, and no loan provision. Death of a member entitles his nominee to receive as pension, equal to the last pay drawn for 10 years. 38 such pension schemes are now in operation.

24. Modhumita Cinema Hall Employees Society

Estd. Aug. 1979 No. of members 45 Subscription: Tk. 100/-
Position of fund: n.a.

Interest free loans are available to the members who pays it back in 6 months. Ceiling amount of Tk. 1000/-. Only one default case defected, and there is no decision yet on that The Hall authority makes a yearly grant of Tk. 10,000/-.

25. Section 3 Kalyan Samity: (Controller's Office, Dhaka University)

Estd. Jan. 1982 No. of members 15 Subscription: Tk. 30/- p.m.
Position of fund: n.a.

Small loans are available for members whose pays then back in 3 months plus 1 month grace period. Default is checked by threat to hold up salary. Loans for family consumption only at 3% monthly interest rate.

26. Room 307 Kalyan Samity: (Controller's Office, Dhaka University)

Estd. 1983 No. of members: 9 Subscription: Tk. 30/- p.m.
Position of fund: Tk. 23,000/-

Most of the many kept in F/D account for use as pension scheme for the members. Some small loans of 3 months duration are advanced at 5% month interest charges for fmaily emergencies. Also some trading loans are given. Default has not occured.

27. Group 3 Kalyan Samity: (Dhaka University Controller's Office)

Estd. 1984 No. of members: 25 Subscription: Tk. 30/- p.m.
Position of fund: Tk. 50,000/-

No regular loan operation in force. Has provisions for giving loans as much as Tk. 4,000-5,000 among its exclusive members. No fixed repayable time period, but easy installments assured, at 5% monthly chatges. Most money is kept as pension scheme. 2 cases of default detected.

28. BOGMC Officers Welfare Association: (PETRO BANGLA)

Estd. 1985 No. of members 668, Subscription: Tk. 5/- deductable at source monthly.
Position of fund: n.a.

Although there are provisions for interest free loan amount of upto Tk. 2500/- per member, repayable in 6 months time, few have applied in recent past. Engages in welfare related activities and collects occassional donation to meet specific emergencies.

29. Bangladesh Biman Officer's Association:

Estd. 1975 No. of members: 369, Subscritpion: Tk. 5/- p.m.
Position of fund: Tk. 5,000/-

No regular credit activity in force. Mainly used as forum to press redress of grivances. Relatively inactive in past years Plans for a more meaningful participation by members.

30. 4th Class Employees Kalyan Samity: (Bangladesh Biman)

Estd. April, 1985 No. of members: 200, Subscription: Tk. 20/-p.m.
Position of fund: Tk. 12,000/-

Eligibility to apply for loans comes after 2 years of membership Intends to extend credit facilitis for non-consumption loans like land purchase and house construction. Plans to back a member on retirement, his entire accumulated saving plus interest income. The rate of interest has not been fixed yet.

31. Power Development Board Officer's Scoeity:

Estd. 1980 (Reactivated) No. of members: 700
Subscription: Tk. 20/- p.m. with Tk. 5/- entry fee.
position of fund: n.a.

Since all raised funds are exhausted in meetings and get together, there is no monetary base for extending loan operation. Plans to reorganise and start credit operations soon. Engages in occassional welfac activities and serves as a forum for tackling official problems.

32. Power Development Board Typists Society:

Estd. Dec. 1986 No. of members: 400
Subscription: Tk. 5/- p.m. (Proposed)

A young scheme in the making. Plans to have an efvective credit/savings scheme among its members. Proposals for 6 month loans at no interest chages and ceiling of Tk. 800/- per member are actively considered. Actively looks after its members interest.

33. Brother Graddafi Kindergarden School Teachers Association:

Estd. June, 1986, No. of members: 25, Subscription: Tk. 1%of basic salary deducted at source.
Position of fund: n.a.

Purely a savings scheme, with members (exclusive ladies) interested more in their accumulated savings than in taking occassional loans. The management will, however, comply with loan request (not forthcoming till date) but has not fixed up the terms and conditions.

34. BDADC Officer's Association:

Estd. 1972 No. of members: 300
Subscription: Tk. 10/- (until March '85) p.m.
Tk. 50/- generally collected in 2 installment.
Position of fund: Tk. 4,000/-

Vary irregular contributions by members explain low position of funds and the absence of an effective credit operation.

35. Labour Deptt. Non-Gazetted Karmachari Samity: (Deptt. of Labour and Manpower)

Estd. 1978 No. of members: 55 (H.O.) 500 (regional)
Sbuscriptions: Tk. 2/- p.m.
Position of fund: nil

Irregular collection explain funds position and lack of any provisions for loans. Made occassional grants in the past to members in disperse by collective donation.

36. BCCI Employees Union (Regional):

Estd. May, 1981, No. of members: 170
Subscription: Tk. 10/- p.m. for clerks
Tk. 5/- p.m. for other subordinates.
Position of fund: Tk. 4,000/-

No provision for any credit operation, but otherwise active in looking after members interests. Actively participated in relief works for Urir Char devastation by donating Tk. 5000/- in cashand Tk. 2000/- in kind (second hand clothing). Makes occassional grants for members in distress like helping out 5 colleagues with their lob (Tk. 3,000/-) in connection with their job confirmation.

37. Islam Group Motor Chalak Kalyan Tahbil:

Estd. 1985 No. of member: 15
Subscription: Tk. 50/- p.m.
Position of fund: Tk. 12,000/-

Loans are extended to any member for a max. of 75% of their accumulated contribution at 5% monthly interest charges. A recent problem with loan recovery has temporarily put a shop to any further loans.

38. Bangladesh Krishi Bank Officers Kalyan Samity: (Regional)

Estd. Nov. 1985 No. of members: 358
Subscription: Tk. 5/- p.m.
Position of fund: Tk. 21,000/-

Basically a savings scheme, but also looks after members interest and makes occassional grants in the form of gifts and prizes for wards of members who do well in public examinations.

39. Sonali Bank Officers Kalyan Samity:

Estd. First in 1970 - dormant until when a 53 person convening comitted was set up to manage and run a welfare fund. Modes of operation have not been defined yet. Returns from sovenir brought Tk. 80,000/- to their fund last year.

40. BSRS Officers Welfare Association

Estd. 1978 No. of members 135
Subscription: Tk. 15/- years
Position of fund: nil

No activity to report on credit or savings operations. Mainly engages in recreational and welfare related activities.

41. Bangladesh Bank Officers Welfae Association:

Estd. 1984 No. of members : 600
Subscription: Tk. 2/- p.m.
Position of fund: Tk. 10,000/-

No credit system in operation. Most funds are used in annual general meeting, lobbying, postering etc. Active in the protection of membes interests.

42. Bangladesh Bank Officers Welfare Council:

Estd. 1968 No. of members: 500
Subscription: Tk. 2/- p.m.
Position of fund: nil

Undertakes no credit activity but is otherwise active in looking after officer's interests. Whatever funds accumulate are exhausted in promotional activities of its members.

43. Agrani Bank Officers Samity:

Estd. 1972 No. of members: 1500
Subscription: Tk. 2/- p.m.
Position of fund: nil

Organized on regional lines, and concentrates mainly on job promotional activities of its members. Meets occassionally to discuss officers problems, and collects donations to meet specific emergencies.

44. B.I.W.T.A. Officers Association:

Estd. 1976 No. of members: 500
Subscription: Tk. 2/- p.m.
Position of fund: n.a.

Mainly engage in welfare related activities and protects members' interest by lobbying pospering and making representation to the authority.

45. Employees' Co-operative Society: (Department of Relief and Rehabilitation)

Estd. 1986 No. of members: 36
Subscription: Tk. 100/- p.m.
Position of fund: Tk. 50,000/-

Very active in loan operations where some 20 members now have loan accounts. A ceiling of Tk. 500/- exists for loans repayble in 3 months at 5% monthly interet. Also gives loans to outsiders (on membes security) at 10% monthly charges. Future plans for extending small trade credits to members.

46. Karmachari Savings Fund: (National Board of Revenue)

Estd. July 1985 No. of members: 43
Subscription: Tk. 20/- p.m.
Position of fund: Tk. 1,000/-

Loans for general and specific purpose extended to members for a maximum amount of Tk. 1,000/- at 6% interest rate per month with suitable repayments schedule.

47. Savings Fund: (N.B.R.)

Estd. July 1985 No. of members: 15
Subscription Tk. 15/- p.m.
Position of fund: Tk. 10,000/-

Operates basically as a savings scheme, but gives out occassional loans at 5% monthly charges for 6 months.

48. Savings Tahbil: (N.B.R.)

Estd. 1984 No. of members: 11
Subscription: Tk. 20/- p.m.
Position of fund: Tk. 1500/-

Operates as a savings scheme for its members. After some savings get accumulated for a while (a couple of years) they are divided up and distributed equally among members, and a fresh start is then made for a second round of such saving effort.

49. Executive Staff Association: (Customs and Excise)

Estd. 1975 No. of members: 1300
Sbuscriptions: Tk. 10/- p.m.
Position of fund: Tk. 6,000/-

Engages mainly in promotional actiities of its members. Operates as a savings scheme also. Makes occassional grants to members in distresss.

50. Employees Welfare Association: (Tariff Commission)

Estd. 1980 No. of members: 17
Subscription: Tk. 20/- p.m.
Position of fund: Approx. Tk. 17,000/-

Active as a credit/savings scheme. Extends loans generally of Tk. 2000/- for 6 months at 2% monthly charges. Also gives short term (1 month) interest free loans to members. There are provisions for grants which are created by keeping aside 2% of the total profit of the society for the purpose.

IV STRUCTURE AND MODUS OPERANDI OF THE IECS:

IV-1 The Emerging Scenario:

Our exposure to the operational context of these IECS now enable us to move one step forward towards a better understanding of how such informal schemes set themselves to work. As mentioned before, these schemes come into existence in response to some long felt needs. But perhaps the most dificult task is to keep them alive and translate their ideals into practical reality. This is where those counted few - the trusted, the very active and the inspired, come in and work late and countless hours. These are the people who make up the difference between an active and dynamic society and a dormant one. Their job is indeed thankless, for, not only do they oversee all members' prompt monetary contributions, they also handle normal chores like deliberating on loan requests, monitoring its recovery, fund management activities and periodic meetings to apprise members of the state of things.

While most of these informal schemes purport to be savings/credit schemes, not all have activities on record. By credit activity is meant the process of drawing on a member's cumulative savings (in certain prescribed limits set by agreed rules) for a variety of purpose, with a promise to repay them, again on an agreed basis. Judged from this perspective, our sample observations reveal that about three-fifths of the IECS are actively involved in credit and savings operations. Most of these schemes involve requests for small loans to tie up occassional financial hardships, often at rates ranging from zero to 96% per annum.

Although there are no restrictions on the number of times a contributing member can secure loans (except in default cases where all arears have to be cleared before any further requests can be entertained), there invariably exists a loan ceiling at a predetermined rate. This ceiling is fixed in some schemes at a flat absolute rate, or in others, in certain proportion of a contributing member's total contributions. Each loan application is considered,

in most cases, by a specially constituted sub-committee who deliberates on the merit of the case and recommends accordingly. Of course, not all requests for loans are entertained, and even with respect to specific amount applied for, the same is not granted. There is inevitably some prior screening done on the basis of the amount of money available and the priorities set by the sub-committee.

From our earlier discussion of individual IECS surveyed (Section III), we note that while some schemes allow members to obtain loan equivalent to their contributions or less, others (such as the one described in brief 1) do not appear to have such restrictions. Table IV-i below throws additional lights on the distribution of such schemes by ceiling restrictions.

As can be seen from the table, a majority of the schemes do indeed have ceiling restrictions. They constitute 36% of all the IECS, but within the credit active ones, account for 58%. So, while a substantial number of schemes allow members to overdraw, these possibilities are constrained by the availability of loanable funds, the number of such loan applications and the priorities that are set by the organizing body as to who gets the loan and how much.

How do these schemes handle default? For one thing, defaults have been very few and far between. The case with which defaulters are identified is often a very effective deterrent. In some cases, however, default goes unchecked for a good lenght of time despite efforts at persuasion. If the defaulted amount is less than a member's cumulative savings, two measures are at hand to resolve this. The first concerns adjustments by way of rescheduling the loan either in terms of extending the repayment period, or a revision in the interest rate charged (which may at one extreme mean a complete waiver) or some combination of both. The other method involves adjustment in the form of deducting the defaulted amount from the particular member's cumulative savings and then giving such member the option of terminating his membership or staying in with his reduced personal accumulated savings. Real problems arise when the defaulting member gets away somehow, with an amount that is dispro-

Table IV-i

IECS Classified by Activity

Schemes that have	Coded entries of IECS	No.	As % of total	As % of cred. active
Ceiling restrictions	2 3 5 6 9 12 13 17 18 19 20 22 24 25 26 30 37 45	18	36	58.1
No ceiling restrictions	1 4 8 10 11 14 15 16 27 28 32 46 50	13	26	41.9
Credit inactive	7 21 23 29 31 33 34 35 36 38 39 40 41 42 43 44 47 48 49	19	-	-

Table IV-ii

IECS Classified by Activity

Nature of activty	Coded entries of institutions in which these schemes are located	No.	% share
Credit active	1 2 3 3 4 5 6 7 8 8 9 10 11 12 12 12 14 14 15 16 17 17 17 18 25 32 33 35	30	60
Has credit provisions but dromant	2 10 19 20 20 21	6	12
Frozen idle funds	6 13 19 22 29	5	10
No funds	23 24 29	3	6
Others	26 27 28 30 31 34	6	12

portionately larger than his accumulated savings. Our study has detected only two cases where such hand occured.

On the whole, it appears that the organizers of these schemes are not overtly worried about defaults in general. Indeed, they put forward arguments suggesting that default is basically unintentional and one that can easily be handled, given time. As mentioned earlier on in this section, not all informal arrangements are actively involved in loan/credit operations. Table IV-1 sums this up for us:

While some societies have funds which remain inactive for a variety of reasons, others are without any, since these are exhausted in activities unrelated to credit. In the former cases, such idle funds are explained in two ways: first, and as our data show, there are constitutional provisions for loan operations but for some unexplained reasons. It has not gotten off the ground (12%). Secondly there have also been instance where funds are simply kept frozen and no one bothers much about activating them (10%). Strongly enough included in this category are schemes located in financial institutions and big government corporations.

At the other extreme, we find societies that otherwise big and powerful who simply use funds in such activities as lobbying or forming pressure groups to politicalize promotions, transfers, suspensions and layoffs (18%). At other times, some schemes with no regular programme, meet occassionally, raise funds through impromptu contributions and exhaust them on some specific welfare oriented activitis or makes to specific members afflicted with family and personal hardships.

II-2 Size Distribution of Consolidated Funds:

In this section we look at the size distribution of IECS funds differentiated by membership size and the status of employees comprising such schemes. Unfortuantely, we could only gather information for half of the sampled units. IECS funds are classified according to the following slabs:

1. less than Tk. 10,000
2. 10-25,000
3. 25-50,000
4. 50-1,00,000
5. 1,00,000+

while membership sizes ar distributed as:

1. less than 25 members
2. 26-50
3. 51-100
4. 101-500
5. 501-1000
6. 1000+

With regard to the status of employees we have 3 different groups: purely employees categories, only officers groups and a mixed one comprising all categories of employees. These dimensions are recorded in Table: IV-iii below.

Table VI-iii

Size of Consolidated Funds : By Membership Strength by Status of Employees

	<25 mem.			26-50			51-100			101-500			501-1000			1000+			
	E	O	M	E	O	M	E	O	M	E	O	M	E	O	M	E	O	M	
<Tk.10000	3			1						1	3			1			1		10 35.7%
10-25000	3			2						1	1								7 25.0%
25-50000	1			2		1													4 14.3%
50-100000				1		1	1	1											4 14.3%
100000 +				1	1							1							3 10.7%
	7			7	1	2	1	1		2	4	1		1			1		

E = employees 0 = officers M = Mixed

The largest concentration of cases appear to be in those schemes that have less than Tk. 10,000 fund size (35.7%) followed by Tk. 10-25,000 bracket (25.0%). There are however, fund size of over one lakh taka and they account for 10.7% of the cases. Within the less than Tk. 10,000 bracket, employees' group dominate (50%) with no definitie pattern as to the size of the group for which this is true.

With respect to the fund size bracket of Tk. 10-25,000, employees group also dominate (85.7%) and a clear pattern exists with regard to the size of the group : the less than 25 members group accountign for 43% of the cases followed by group size of 26-50 members (28.5%).

While these dimensions reflect the actual distribution of IECS consolidated funds, a more interesting fact emerges, however, when one looks at the yearly fund raising capacity (FRC) of these schemes. These FRCs can be worked out simply as the product of yearly per capita subscription and the number of members forming such schemes. Again, depending on the life of these schemes, a potential fund size (PFS) for each IECS may then be determined. This PFS when matched against actual existing fund size, would give us a rough idea of how funds have been managed or exhausted. On these calculations, then, a schematic table is worked out in Table: IV-iv below, which records these aspects for each of the IECS surveyed.

Columns 5 and 10 describe in a crude way, the extent of fund exhaustion by the IECSs, given by spending index (SI) and approximated ($\frac{PFS-FS}{}$x100) where FS refers to actual and existing fund size. These SIs are relevant for only half of thse IECS sampled either because existing fund positions are not available (for 34% of the the cases) or because existing funds exceed the potential fund size of many of these schemes (16%). The latter possibility can perhaps be explained by a large one time or occassional grants received or raised by these IECSs.

Compared with Table: IV-ii , Table V breaks down FRC of Tk. 25,000 and less into several smaller denominations, since many active IECS have smaller membeship size and a correspondingly monthly monthly subscription. Here, the largest concentration of schemes appear to lie in the Tk. 12,000-25,000 FRC bracket (25.5%), followed by Tk. 6,000-12,000 bracket (21.3%). Officers group with a membership size of 101-500 predominate (50%) in the former taka bracket while the employees group (70%) does that for the latter bracket with a membership size of less than 25 commanding a majority. Looking at the whole range of FRC of our sampled IECS, the median value turns out to be Tk. 12,500, while in terms of total magnitude (releant for 47 IECS), the figure is calculated at Tk. 1,37,00,400.

Table : VI-vi which followed, provide additional insights. It rearranges the index of fund exhaustion or spending (SI) in descending order of magnitude and are further broken down by membership strength, by status of employees and the nature of the activity undertaken by these IECS (where C + credit activity, S + savings activity and X + activities unrelated to credit or savings).

Thus we find that schemes that have a rather high fund spending index (SI) are the ones that are involved in activities unrelated to either credit or savings. Most are officers' schemes (50%) followed by the purely employees' schemes (35.7%). Again, with respect to membership size, an overwhelming majority are schemes that have large number of members (200-1500). On the other hand, most schemes that ae credit active are those that have a fairly spread out spending index, are purely employees' schemes (82%) and have less than 50 members constitutiing them (91%).

IV.3 INTEREST RATE STRUCTURE

The interest rate structure provides another interesting dimension to the activity of these informal credit societies. Here again, we have less than adequate data to start with. Table VI-iii summarises these along with the institutions in which these schemes are located. For our purpose, the following interest rate categories

Table IV-iv

(in '000 Taka)

1	2	3	4	5	6	7	8	9	10
IECS codes	FS	FRC	PFS	SI	IECS codes	FS	FRC	PFS	SI
1	3.5	.34	1.7	*	26	23.0	3.2	12.8	*
2	3.0	12.6	12.6	76.2	27	50.0	9.0	27.0	*
3	n.a	10.2	30.6	-	28	n.a	40.1	80.2	-
4	6.0	6.1	6.1	1.6	29	5.0	22.1	243.5	97.9
5	n.a	3.0	12.0	-	30	12.0	48.0	96.0	87.5
6	124.7	28.2	141.0	11.6	31	n.a	168.0	1176.0	-
7	0.84	14.1	56.4	98.5	32	n.a	24.0	24.0	-
8	9.7	7.2	14.4	32.6	33	n.a	-	-	-
9	25.0	7.2	79.2	68.4	34	4.0	15.0	225.0	98.2
10	11.4	2.0	5.1	*	35	nil	1.3	11.8	100
11	n.a	4.2	25.2	-	36	4.0	10.2	16.1	75.2
12	79.6	18.2	54.0	*	37	12.0	9.0	18.0	33.3
13	42.0	12.5	37.4	*	38	21.0	21.5	21.5	2.3
14	34.1	21.6	43.2	21.1	39	-	-	-	-
15	n.a	300.0	3000.0	-	40	nil	2.1	18.2	100
16	n.a	24.0	336.0	-	41	10.0	14.4	43.2	76.9
17	220.5	42.0	420.0	47.5	42	nil	12.0	228.0	100
18	n.a	24.0	24.0	-	43	nil	36.0	540.0	100
19	n.a	48.0	528.0	-	44	n.a	12.0	132.0	-
20	600.0	52.5	315.0	*	45	50.0	43.2	43.2	*
21	70.0	3.6	82.8	15.5	46	1.0	10.3	15.5	93.5
22	n.a	50.4	352.8	-	47	10.0	2.7	4.9	*
23	n.a	-	-	-	48	1.5	2.6	7.9	81.0
24	n.a	4.5	31.5	-	49	6.0	156.0	1872	99.7
25	n.a	5.4	27.0	-	50	17.0	4.1	28.6	40.6

Table IV-v

FRC Classified by Membership Size by Status of Employees

	<25 mem.			26-50			51-100			101-500			501-1000			1000+			
	E	O	M	E	O	M	E	O	M	E	O	M	E	O	M	E	O	M	
Tk. 3000	1	1	3				1				1								7 14.9%
3-6000	1		2	2			1												6 12.8%
6-12,000	4		1	2						1	2								10 21.3%
12-25,000	1	1		1		2					6							1	12 25.5%
25-50,000				2	1				1	1				1			1		7 14.9%
50-100,000												1				1			2 4.2%
100,000+														1				2	3 6.4%
	7	2	6	7	1	2	2	0	1	2	9	1	0	2	0	1	1	3	

Table IV-vi

Spending Index (SI) of IECS Funds : By Membership Strength by Status of Employees by Nature of Activity

SI	IECS codes	Nature of IECS stat.	size	activ.	SI	IECS codes	Nature of IECS stat.	size	activ.
100	35	E	55	X	76.2	2	E	21	C
100	40	0	135	X	75.2	36	E	170	X
100	42	0	500	X	68.4	9	E	30	C
100	43	0	1500	X	47.5	17	0	35	C
99.7	49	M	1300	S,X	40.6	50	E	17	C
98.5	7	0	235	X	33.3	37	E	15	C
98.2	34	0	300	X	32.6	8	E	20	C
97.9	29	0	369	X	21.1	14	M	36	C
93.5	46	E	43	C	15.5	21	E	100	S
87.5	30	E	200	C	11.6	6	E	47	C,S
81.0	48	M	11	S	2.3	38	0	358	S
76.9	41	0	600	X	1.6	4	E	17	C

are identified:

1. Interest free loans
2. Interest rate of less than 2%
3. Interest rate of 3%
4. Interest rate of 4%
5. Interest rate of 5%
6. Interest rate of 5% +

As we can see, the range is fairly large. We have instances where 8% interest is charged per month and loans have been taken out on them and repayed eventually. This also perhaps expalins why these loans are necessarily consumption loans that met family emergencies. There have been only 2 schemes giving out non-consumption loans at 5%.

The rest of the schemes then, are overwhelmingly geared to giving out family consumption loans. As explained in the beginning of the study, it is difficult to go behind these to explore other specific details of the end-use of the funds. Nor have we been able to explain fully the interest rate differentials pertaining to different schemes that exist in our sampled institutions. In any given schemes, where a positive rate of interest is charged, this reflects the valuation that members place on the use of scarce funds under varying states of risk and uncertainties. It also reflects members' perception of the raison d'etre of such borrowing and lending and the spirit with which such transactions are undertaken.

Coming back to Table IV-iii, then we observe the maximum concentration of schemes giving out small loans given out at two different interest rates: 2% and less (23.3%) and 5% (23.3%) p.m. A significant proportion of such loans are extended on purely interst free basis (16.7%) and also at rates of over 5% per month (16.7%). No significant pattern emerges with rspect to interest rate differentials among different institutions sampled.

In summing this section up, we recall that most loans are taken out to meet paticular family emergencies even at high rates and that too by the most disadvantaged members. On this score, the system

Table IV-vii

Interest Rate Structure : By Institutions

I.R p.m.	Coded entries of insts.							No.	%	Coded entries of institutions		No.	%
	Consumption loans									Investment loans			
int. free	1	11	13	16	18			5	16.7				
< 2%	8	9	12	12	12	12	35	7	23.3				
3%	5	6	7	8	10			5	16.7				
4%	8							1	3.3				
5%	4	8	10	17	17	32	33	7	23.3	10	10	2	100
5% +	3	14	17	32	33			5	16.7				

perhaps appear inequitable. Of course, when interst rates are high and default kept to a minimal, these provide improtant source of earnings for these schemes. But these are, to many, incidential benefits that accrue to such societies.

V. SOURCES AND USES OF IECS FUNDS:

V.1 The Sources:

It may be recalled here and records show that informal credit societies for employees have been in existence for many years now and some of these are still growing stronger. Part of the reasons for newer schemes coming into existence is perhaps attributable to the dynamism and the spirit of self help that these older societies foster. There is inevitably, a learning process involved as societies learn from the experiences of others. This belief of ours was confirmed in unmistakable terms as we talked to the men behind these informal schemes. These are the men who, more often than not, are involved not only in the particular society under investigation, but who are also associated with a host of other comparable societies. Indeed, one organizer has claimed to be concurrently associated with a dozen of such schemes. 'How do you manage to do all these despite your normal office workloads', we asked. Prompt came the reply : "passion!"

Passions apart, informal credit/savings schemes subsist basically on members' contributions whose amount varies with the status and categories of employees and the perceived benefits that accrue to members in general. Table V-1 below, the distribution of monthly subscriptions by employees categories: purely employees (E), officers only (O) and mixed (M) for our 50 sampled units.

Data reveal that Tk. 5 and less slab apepars as the dominant mode of subscription followed by the proportionately equal slabs of Tk. 6-25 and Tk. 26-50. Behind thse apparent figures lies on interesting contrast. Officers' schemes dominate over employees' in the Tk. 5 and less category, while the opposite holds true for the ranges Tk. 6-25 and Tk. 26-50. This perhaps serves to underscore the point that employees in general strive harder to squeeze out a larger proportion of monthly contributions in the hope of an eventual and bigger future gains. On top of this, their monthly contributions regarded as forced savings whose alternatives would have been

wasting them on otherwise trivial expenditures.

Of course, not all officers' schemes have such low contributions. There are schemes where an average of Tk. 100 p.m. is paid by the officers. Whatever the size of the individual contributions, the general impression one gets is that all are willing to contribute if called upon to do so. The fact that these are collected immediately after salary cheques are handed out (and in great many cases, these contributions are automatically deducted from members' salary) makes everybody's tasks a great deal easier. Colelction efforts have rarely gone into problems.

Table V-1

Subscription	Status	No.	%
<Tk. 5/-	E	6	12
	O	10	20
	M	1	2
Tk. 6-25/-	E	9	18
	O	4	8
	M	2	8
Tk. 26-50/-	E	10	20
	O	0	0
	M	5	10
Tk. 50-100/-	E	1	2
	O	2	4
	M	0	0

V. 2 Uses of Consolidated Funds:

This section describes the diffrent ways that IECS seek to manage their funds. These are analysed under the following broad identifiable categories:

1. Fixed deposit acct.
2. Savings/current acct.
3. Investment in financial papers like prize bonds etc.
4. Loans to members
5. other investments
6. Grants to members and their families, and
7. Other miscellaneous heads of expenditures

These uses are also compared with membership size and status of employees forming these schemes to ascertain the signfiicance of these two in the uses of funds. All these aspects are depicted in Table V-ii below.

It appears that most of the funds are kept in savings or current account (34%). In only 9% of the cases are these funds kept in F/D acctt., and thse are operated dominantly by the employees' groups (55.5%) having membership size of 50 persons or less (44.4%). Such pattern is not noticeable with respect to the funds kept in the savings or current account, since, all group sizes and all categories of employees are fairly well represented. In other words, the use of savings/curent acct. is the dominant form in which funds are kept.

A significant proportion of IECS funds (27%) are loaned out to the exclusive members. Again, a majority of these credit activities are concentrated in the schemes for the lower paid employees (55.5%) followed by the mixed form (30%). With respect to group size, these credit/loan activities are mostly concentrated in the schemes that have less than 50 members (52%).

Grants make up roughly 15% of the use of IECS funds and these seem to be fairly well spread with respect to different group sizes, with a majority of such schemes receiving these funds lying in the purely employees category. This grant component together with the unclassified miscellaneous category make up a quarter of IECS fund utilization. Finally, we note that loans and deposits maintained either in fixed or in current/savings account are just about the only recognised mode of fund utilisation practised widely by these IECS. On this basis then, a credit to deposit ratio works out to be 63:37, implying that for every hundred taka made avaialble to IECS loans make up roughly three-fifths of that amount.

Table V-vii

Uses of Consolidated Funds : By Membership Size by Categories of Employees

	< 25			26-50			51-100			101-500			501-1000			1000+			%
	E	O	M	E	O	M	E	O	M	E	O	M	E	O	M	E	O	M	
Fixed dep. account	2	1	2	2			1					1							9
Saving/ current a account	8	1	1	9			1	1	1	2	3			2	1	1	2	1	34
Other fin. invest.				1		1													2
Loans	8	1	2	6	1	2	1		2			1		1		1		1	27
Other invest.				1		1													2
Grants	1			2	1		1		1	1			1	1	1	1	2	2	15
Misc.			1				1	1		1	3			3			1		11

VI SELECTED CASE STUDIES:

In order to articulate more fully some operational aspects of credit activities undertaken by these informal schemes, four case studies have been singled out for more detailed analyses. Some of the basic considerations which have influenced our choice of these 4 IECS have been the following:

i. the degree of rapport established by the research team and the ease with which access to file information have been allowed within the alloted time frame,

ii. the dominant form of organisation of these IECS with respect to the status of employees forming them,

iii. the relative age of these schemes,

iv. the size of membership of these schemes,

v. the institutional and the organizational set-up within which such schemes are formed, and

vi. the degree of credit activity that thse schemes have on record.

To get some sense out of these consisderable diversity, we have attempted to make this choice as representative as possible. Thus, we have opted for schemes which are basically employees' organisation, are relatively younger in age, have a modest number of members (15-40), and have choosen 1986 as the basic reference for all of these. Our next logical course, has been to probe into file information, specifically looking at all applications and requests for loans for the calender year 1986. This exercise, has generated for us the following broad data set:

i. period of the loan

a. 1 months

b. 1-3 months

c. 3-6 months
d. 6 m - 1 year
e. 1-3 years
f. 3-5 years
g. 5 + years
ii. size of loan brackets:

a. Tk. 100
b. Tk. 101-500
c. Tk. 501-1000
d. Tk. 1001-3000
e. Tk. 3001-5000
f. Tk. 5000 +

iii. by status of employees:
a. low income category (Class III and IV)
b. officers income category (Class I and II)

iv. by purpose (end use) of loans:
a. family -
1. medical
2. education
3. marriage, death and other social ceremonies
4. house repairing
5. consumer durables
a. business and trade
c. others

The four selected case studies comprise autonomous institutions (Dhaka University), specially constituted bodies (Tariff Commission) financial institutions/insurance cos. (Sadharan Bima Corporation) and a governmental organisation (Relief and Rehabilitation Directorate).

VI.1 Karmachari Kalyan Samity (1982): Dhaka University: IECS Code **25.**

Loan applications have exclusively come from class 3 and 4 employees asking for a maximum of 3 months loans. Class 4 employees predominate with respect to all loan size brackets except Tk. 501-1000. In all, 34 applications have been located, and half of them falling in the Tk. 101-500 loan size. 8 of them (23.5%) have asked for a loan size of Tk. 1001-3000. Table VI-i below catalogs these features:

Table VI-i

	< Tk. 100		101-500		501-1000		1001-3000		
	III	IV	III	IV	III	IV	III	IV	
1-3 months		2 5.9%	5 14.7%	12 35.3%	5 14.7%	2 5.9%	3 8.8%	5 14.7%	=34

With respect to the purpose for which loans have been taken an overwhelming majority fall in family emergencies (whose details are very hazy) - 91.2%, while only 3 cases of applications for short term business and trade loans have been identified (8.8%) in the Tk. 1001-3000 loan size bracket. All these loans have been given out on a flat 3% monthly charges irrespective of the loan amount and loan period.

Case Study 2: Karmachari Kalyan Tahbil (1980): Tariff Commission IECS Code: 50.

This scheme presents a slightly different scenario. 30 loan applications have been located, and all belong to the 3-6 months loan period at 2% and less monthly interest charges. These involve

a little higher loan size bracket. The preponderance of lower income employees in loan size brackets, Tk. 101-500 and Tk. 1001-3000, is once again established, with class 3 employees dominating in loans involving larger amount (Tk. 3000+). The highest no. of loan applications fall in Tk. 1001-3000 bracket (56.7%), while within this group, applications from class 4 employees have the largest share (23.3%). These are recorded in Table: VI-ii below:

Table VI-ii

	Tk. 101-500			501-1000			1001-3000			3001-5000			5000+			
	1/2	3	4	1/2	3	4	1/2	3	4	1/2	3	4	1/2	3	4	
3-6 mon.		1	1	1	4	1	5	5	7	1	2	1		1		=30
		3.3%	3.3%	3.3%	13.3%	3.3%	16.7%	16.7%	23.3%	3.3%	6.6%	3.3%		3.3%		

With regard to the end use of such loans, we encounter the familiar preponderance of consumption loans subsumed under family emergencies (89.7%). The maximum concentration of applications within this category fall in the Tk. 1001-3000 loan size bracket (62.9%). There were only 3 applications for non-consumption loans, 1 for business and trade (Tk. 1001-3000 range), 1 for investment in land (Tk. 5000+) and the other for unspecified purpose.

VI.3 Case Study 3: Akotaa Kalyan Tahbil (1984): (Sadharan Bima Corporation IECS Code: 10)

Twenty loan applications are on record in 1986, of which half for short term loans for 3 months and less, while the rest are distribution as follows: less than 1 months - 5% and 3-6 months loan - 45%. Almost all (excepting 2) cases of loan requests belong to loan size brackets Tk. 501-1000 (35%) and Tk. 1001-3000 (50%).

With respect to the distribution by status of employees, class 3 dominate over class 4 for loan periods 1-3 months and 3-6 months. This is in slight contrast to the previous two cases considered. As regards the end use of loans, 75% are attributable to unspecified family consumption and 15% for house repairing. Our points of reference are the two Tables: VI-3-i and VI-3-ii reproduced below:

Table VO-3-i

Number of Applications by Period and Size of Loans by Status of Employees : SBC 1986

	Tk. 101-500			501-1000			1001-3000			3001-5000			
	1/2	3	4	1/2	3	4	1/2	3	4	1/2	3	4	
<1 months								1					1
1-3 months					2 20%	2 20%	1 10%	5 50%					10
3-6 months		1 11.1			1 11.1	2 22.2	1 11.1	2 22.2	1 11.1		1 11.1		9

Table VI-3-ii

Number of Applications by end Use of Loans : by Period of Loans by status of Employees : SBC 1986

(Percentage)

	Tk. 101-500			501-1000			1001-3000			3001-5000			
	1/2	3	4	1/2	3	4	1/2	3	4	1/2	3	4	
Unspecified family purpose		1 6.7			3 20.0	1 6.7	1 6.7	7 46.7	2 13.3				15
House repairs						2 66.7					1 33.3		3
Others						1	1						2

VI. 4 Case Study 4: Employees Cooperative Society (1986): (Department of Relief & Rehabilitation IECS Code 45)

In this scheme we observe a larger number of appliations (52) for loan requests received for the calender 1986. All applications ask for loans of 6 months and less varying in amounts that range from less than Tk. 100 to Tk. 5000. The highest no. of applications are recorded within the 1-3 months time period (67.3%) followed by less than 1 months period (28.8%) and 3-6 months period (3.8%). For very short period of 1 month and less, class 4 employees have the largest no. of applications handed in for most of the loan size brackets. But for 1-3 month loan period, class 4 employees dominate in lower loan sizes while the reverse is true for class 3 employees for higher loan size. These are evident from a glance at Table VI-4-i below:

When we come to the purposes for which loans are requested, a somewhat more distilled picture emerges. Unspecified family consumption loans still dominate (67.3%) but others appear more distinctively. Business and trade loans, for example, now account for 15.4% of loan applications. These are small loans though, mostly in land purchases, etc., also figure prominantely (13.5%) and here, for obvious reason, class 4 employees are conspicuously absent. In line with the findigns of other case studies, small loans (Tk. 101-500) constitute the largest loan requests, and they come basically from the lowest income employees. Refer to Table: VI.4-ii below:

A SUMMING UP:

In all the case studies examined, the basic theme runs through very clearly. These informal schemes have been organized to serve dual purpose: providing small savings outlets and serving as a base for small time loans for tying up loose ends when, for example, low income employees make use of such funds on a more or less continuing basis. The frequent use of these funds is conditioned, of course, by the ease with which members have ready access to funds, and the relatively prompt recovery made. Not all applications for specific loan amounts, however, do get concurrence, but most do. Members are usually well informed about each member's limitations with regard to the amount of loan requested. Only in extenuating circumstances do some loan requests get sympathetic considerations.

There have also been loans extended on a non-consumption basis, and the fact that these presented no problems for the financial stability of such schemes, imply that there are ample scope for more profitable use of these funds. Finally, it is reassuring to know that repayments have even been made at seemingly high rates of interest charged per month.

Table VI-4-i

Number of Applications by Period and Size of Loans by Status of Employees 1986

(Percentage)

	Tk. 101-500						501-1000						1001-3000						3001-5000						
	1/2		3		4		1/2		3		4		1/2		3		4		1/2		3		4		
<1 month	1	6.7	2	13.4	2	13.4	4	26.8	1	6.7	2	13.4	1	6.7					1	6.7	1	6.7			15 28.8
1-3 months			4	11.4	4	11.4	8	22.8	3	8.6	1	2.9	7	20.0	3	8.6	1	2.9	4	11.4					36 67.3
3-6 months							1	50.0									1	50.0							2 3.8

Table VI-4-ii

End Use of Loans : By Size of Loan by Period of Loan by Employees Category

(Percentage)

	Tk. 101-500						501-1000						1001-3000						3001-5000						
	1/2		3		4		1/2		3		4		1/2		3		4		1/2		3		4		
Unspecified family loans			3	8.6	6	17.2	4	11.4	12	34.3	3	8.6	3	8.6	3	8.6			1	2.9					35 67.3
Education							1																		1 1.9
Business & trade											1		1		3		3								8 15.4
Land purchase															2				1		4				7 13.5
Others																							1		1 1.9

VII PERCEIVED BENEFITS AND COSTS OF IECS:

VII.1 The Benefits:

There seems to prevail complete unanimity with regard to the members' perception of the benefits that stem from such informal groupings. From our numerous discussions and informal chats with the broad cross section of persons connected with such schemes, we could encounter no note of dissent among members beyond their wishing that the schemes should have come up earlier than they did. The mamagement side has the same story to tell; theirs is the story of hard and thankless work sustained only by the passion to do some common good. They not only endeavour to bind their small community with the spirit of goodwill, brotherhood and the impulse to mutual self help - they must also remain beyond the reaches of even the faintest of suspicion in their handling of day-to-day activities of such schemes. This is because many such societies in the past has had to disintegrate in the face of mistrust and suspicion and the members parted with whatever savings they had accumulated in the process.

True, there were members who, in the past, had opted out of such arrangements, but they did it for reasons unconnected with the presumed benefits or the lack of these. Some had done it as a logical outcome, as when he was transferred elsewhere; others, as part of the adjustment process that got clear of the default cases that they found themselves drawn into.

In what follows, we dwell at length on some of the aspects of the schemes that keep them going: specifically those benefits that members perceive and strongly feel about. These are schematically described in the following manner:

a. quicker access to funds for members
b. the absence of collateral requirements
c. basic source of contingency funds
d. the inconveniences of borrowing from formal sources

e. forced savings

f. longer run benefits

a. Quicker Access to Fudns:

There is a great sense of relief among participating members in knowing that they have a very quick and timely access to funds to meet personal and family emergencies. All it takes for him is to let the management know about such a possibility, and the rest is taken care of promptly. These are even cases where the request for loan were made, given out and spent before formal applications were handed in and processed. A more normal feature invovles a hand-written application (in many cases, separate printed proformas are available to speed up processing) for loans, mentioning the amount requested and specifying the repayment period. Repaymetns for modest loans are usually made the next salary day; for others it takes a couple of months.

b. Collateral Requirements:

The best collateral is perhaps the trust and the goodwill that each member holds for one another. This is the realm of the intangibles. There are of course, other more concrete aspects as well: the permanency of the members' job. One great deterrent to default is the threat (not normally applied) to withhold salary cheques until arrears are cleared. On a more positive note, the absence of collaterals** does away with the inequitious system that forms part of the formal and organized credit markets based on the production of acceptable collaterals. Clearly, in informal schemes, a member's request for loan is entertained solely on the basis of its merit and the priority ranking of members' needs.

**See note 1 at the end of section VII, page 53.

c. Contingency Funds:

There is also a great sense of security in knowing that IECS funds are available for use by participating members in times of such family contingencies as illness, children's educational expenses or even subsidizing the marriage expenses of sons and daughters. On a broader context, IECS are a big family unit, so that when personal and family crisis are too big for a particular member to handle, others dig in with their lot. Anyway, the fact that for such contingencies, individual member can and does fall back upon these funds, is a good enough indication for him to zealously contribute unhesitatingly and to repay promptly whatever loans taken out.

d. The Inconveniences of Formal Borrowings:

Apart from these IECS, the main sources of borrowing for a member are the formal welfare or the benovolent funds officially managed by the organization to which he belongs, borrowings from his official contributory provident fund and pensions, borrowings from the organized credit markets and finally, borrowing from friends and relatives. With respect to the official mode of borrowings, there are invariably the time and resource cost as one pays his way through to get the amount desired. And of course, nobody can guarantee that the amount requested reaches him on time. There is usually a maze of bureaucratic and cumbersome official procedures. Moreover, there are the usual restrictions on the amount and the number of times a person can secure loan for his immediate and family needs. Apart from these the repayments procedures are invariably more stringent than those of the IECS.

Again, when it comes to borrowings from organized credit markets two immeidate problems make such a possibility remote. First, there is always the problems with suitable collaterals. Worse still, (and secondly), the cost of such borrowing may be prohibitively high since the proverbial time and resources costs of paying one's way out, holds true more acutely here. Moreover, no borrowing is possible for family consumption needs.

This leaves us with the possibility of securing funds from friends and relatives. While for some, this may, with luck, be a possibility; for others it is a distant dream. When it comes to repaying the loans, the sensitivity of the whole issue is enough to jeopardise the best of intimate and informal relationship. This, for some, can be a good enough reason for not proceeding on in this line.

e. Forced Savings:

Forced savings not only conserve funds otherwise sepnt on irrelevant purchaes, they also bring greater future benefits. The timing of the salary cheques and the expenditure pattern of most people down the income scale, make it almost impossible for them to live through the entire month and still come up with a modest savings. So when the organizers of these informal schemes squeeze off some contributions from the participating members, they are doing them immense servic

f. Longer Run Benefits:

Some of these IECS have future programme that look overtly ambitious from today's perspectives. There are programme for parallel pension schemes for the contributing members, side by side the official ones. Another scheme talks of pension plan that entitles a member on death, to a monthly payment to his nominees, for 10 years an amount equal to the last pay drawn. Still others have long term plans investing in housing facilities of their own. We also hear investment in public transportation. Not all these, though, are off the ground, but it looks like serious programme in the offing. Eventually of course, all these and the existing ones would mean a larger flow of future benefits that help keep the IECS funds growing over time.

VII.2 The Costs Involved:

These informal schemes do have their share of problems as well. We describe them in terms of the following:

a. time and resource cost of monitoring recovery
b. costs of default
c. management capabilities and leadership
d. political militancy

a. Monitoring Recovery:

Behind the abilities of members to pay off the debts promptly are countless efforts at reminding, persuading and imploring them to do so. Not everybody act on this prodding, but for some it does apply. In situations of understanding and fraternal relationship the costs that go with such efforts are minimized. It is only when default gets firmly established that these costs go up tremendously.

b. Costs of Default:

The general problem of tackling and handling default has already been alluded to earlier. Specifically, there are 4 different ways that defaults are taken care of:

i. organizers accepting joint responsibility
ii. rescheduling debts
iii. sharing losses, and
iv. litigation options.

The first two are almost always the preferred modes. The IECS working as an integrated family units take great pains to prevail upon any member's temptation to default wilfully and have his debts rescheduled conveniently. They swing into action at first signs of arrears piling up. On the other hand, they are always accomodating once they are convinced that unintentional default has taken place. After all, since everybody knows each other's predicament so well,

the defaulters, more often than not, exert to have their arrears cleared up as quickly as possible. Not only are their efforts get immediate appreciation, the management, on their part, cast up the process of recovery by overlooking minor aspects of default and go for easy rescheduling. This perhaps explains why chronic default cases are blissfully absent.

Sharing losses, represents the worst that could possibly happen to these informal societies, since the option for litigation never gets serious attention anyway. As mentioned earlier, default is not a serious problem with these informal schemes.

c. Management Capabilities and Leadership:

Even the most capable of the managers and organizers need propulsive force to sustain them over the years. Age and the sheer monotony of the work wear them down, vitality is sapped and such grouping gradually and perceptibly disintegrate. The men at the helm of affairs are thus the natural leaders who are forced to carry on, much to their discontent. So, when these people cannot remain there for some reasons (transfers, death, refusal to carry on for personal and other reasons, and the like) that inevitably spells doom for the society as well. These societies are thus, much too personalized despite the existence of provisions for institutionalizing these schemes.

d. Political Militancy:

Records of IECS activity show that many of these schemes set up ostensibly for the purpose of helping members into forming mutually beneficial schemes of savings/credit, eventually turn themselves into political fronts. They focuss their thrust on such activities as politicalizing transfers, promotions, retrenchment and even recruitment. The thin dividing line between them and the officially recognised unions fade away.

These developments then hav far reaching consequences. Not only is the atmosphere vitiated forcing the establishement to take a firm and inflexible stand, the prospects of success for the other existing but effective informal societies diminish greatly. Newer ones are nipped in the bud. This perhaps explains in part why, in organisations where political fronts are active, informal credit/savings societies have not flourished. This also explains why the formations of political fronts prompts the establishement to refuse permission to set up informal savings/credit schemes involving its employees.

Note 1

One can argue from this that the absence of collateral requirements comes up as an advantage only in so far as members can borrow more than their contribution to the scheme, and therefore, to the extent that ceilings are enforced and members can only draw upto their contributions, the scheme becomes a normal savings account from which members can draw their own fund. While the first argument can readily be accepted, the second appears flawed since, the compulsions to draw from a normal savings account and from an IECS funds are quite different. Borrowers drawing upon their savings account have no compulsions to replenish their fund, while those that do from IECS fund have strong obligation to repay whatever amount that is withdrawn.

VIII ROLE AND PROBLEMS OF IECS:

VIII.1 The Societal Context:

The continued existence of these informal credit/savings schemes involving section of employees despite constraining circumstances is perhaps symptomatic of the fighting spirit with which they sustain themselves. As we have seen they are prevalent in one form or another in just about any work place where at least some employees are individually or collectively attached to these in a broader societal context, such schemes foster altruistic propensities among fellow men, bind them together in trust and fraternity, bring out the best in cooperative undertaking and condition attitude towards social consensus. The time honoured dictum of the strength and benefits that follow from concerted efforts are far too real to be ignored.

VIIII.2 The Dual Role:

One of the basic ingredients of their success is attributable to the dual role it plays in any socio-economic set-up. It provides a measure of economic security to its contributing members the like of which can only be experienced from within. At the same time, it acts as a convenient siphoning device - mopping up small and tiny fragmented savings and open up prospects of profitable investments.

How far do these schemes play this daul role is contingent upon many complex and interrelated factors: the organizational set up within which they work, the degree of support and encouragement (or the lack of it) they are exposed to, management efficiency, the availability of sound and expert investment counselling, the degree of complementarity with respect to the formal schemes, the stability and the inner dynamics of such arrangmenets and the like.

Our study has found considerable evidences of profound belief, on the part of all participating members of these schemes, in the ability of such scheme to provide a measure of immense economic security. And they do manifest their beliefs in many ways. They

are prompt in paing their monthly contributions. they repay their loans fairly and relaticly quickly and there are no chronic defaultes to reckon with. The study has also been able to locate in great many cases, pockets of sizeable saings channeled through these schemes into the formal and organized credit market. While technical considerations of time and resources have prevented us from embarking on attempts at quantifications of these small and fragmented savings, future investigations on these lines should be able to corroporate the sizeable magnitude of this aspect of th informal credit schemes.

VIII.3 IECS and Workplace Efficiency:

It should not be difficult to visualize how a healthy growth of such informal schemes bring about greater workplace efficiency. Discipline and orderly conduct constitute the hallmarks of success of any cooperative ventures. They also give rise to conscientious dealings with one another. Finally, the spirit of public accountability is a prime condition of success and dynamism in such schemes. All these should normally have enough spill-overs on the working environment and the other men who work there. These are also precisely the goods in scarce supply in formal workplaces.

VIII.4 Organizer-Establishment Relationship:

While organizers and initiators of these schemes can act as catalyst to effect changes in work habits and understanding among fellow employees, these are contingent on the degree of rapport struck up with the establishment. Much depends then, on the working partnership defined and worked out. In quite a few organizational set-up, our research team has come across a somewhat concealed distrust on the part of administration towards the function and operation of these informal schemes. Their reasons were not illfounded either. Our smaple observations also reveal instances where these schemes inolve themselves in dubious activities unrelated to their pressumed role. Under these circumstances, then, the dividing line between

unionism and informal schemes becomes hazy to the casual observer. The first casualty is invariably the good and the genuine schemes that cannot flourish.

There are silver linings too. By and large, the study has found that a considerable rapport exist between these two working partners. Indeed, some organizers of these schemes are generous in their appreciation of the measure of support and understanding that have been shown towards them by the establishment. We can recall one instance, here, where a government directorate has sought the help of these schemes for a much needed hard cash for a certain government transaction. The particular scheme promptly supplied the establishment with the money at a most opportunate time - an act that received acclamation from the administrative heirarchy. One can imagine the kind of profound impact that instances like these can generate.

VIII. 5 Heirarchical Structure and Management Efficiency:

In any informal scheme that involves all categories of employees from the higher officers down to the office peons, some problems of adjustments must be inevitable. The bureaucracy has its own inner dynamism to reckon with. Their particular approach to identifying and solving problems, the heirarchical delegation of authority and decision making, their work habits, their dealings in inter-personal relationship, all have bearings on the kind of issues they confront. Viewed from this perspective, employees lower down the heirarchy, have recurrent fears of undue interferences and influences in the course of decision making of such schemes. Through their power to command obedience, the bureaucrats prevail over the opinion (otherwise judged sound) of their subordinates.

It was for this specific reason that many of the managers of these schemes are reluctant to expand the base of operation by opting for members involving higher placed officers. It then becomes a formal arrangement, they argue, and many of the presumed benefits of informality disappear.

VIII. 6 Uses and Misuses of Grants

While grants to informal schemes are explicit manifestation of support and encouragement, they also broaden the size of the consolidated funds and give to the organizers of such schemes greater power to manover and make use of the fund for the greater benefits of their members. These grants also open up the possibility of other welfare related activities not otherwise possible under normal circumstances.

Grants also make things difficult for these informal schemes, for, they rarely are handed out unconditionally. They are, sometimes very potent weapons for effecting changes in the direction desired by the granting authority. This is perhaps why, managers of these schemes are weary of such moves, and have refused accepting them. Instead, these schemes have their own provisions of grants squeezed out of the funds of the schemes or by raising impromptu contributions from participating members and use them for special purpose. Of course, if there were ever, unconditional grants, given out in recognition of some outstanding services provided by these informal schemes, these are entirely different matters, and such grants could, in principle, be accepted.

VIII. 7 Rivalrous Relationship:

Good, hard and sincere workers are difficult to come by. They are easily spotted out. Such are also the qualities of men behind the successes of effective informal schemes. They are appreciated, applauded and their services are sought by all - the members, the non-members and even the establishment. When it comes to organizing any programme of general welfare they are the first to be called in. While this sounds logical to many, others find in such move, a subtle discrimination, for, it overrides the preferences of many others. Rivalry invites further rivalry, and in no time, parallel schemes are set up, new leaders emerge and loyalty is stretched far too thin. Developments, such as this one, had often been the principal reason behind the disintegration of otherwise good schemes.

There is another aspect of this development that does not augur well for the successes of the informal schemes. This is when these societies that potray so much rivalry are identified as trouble spots by the establishment. Often the easiest way to break up such schemes is to simply have the key persons transferred elsewhere. Of course, not all rivalry is bad. Societies that compete with one another in doing good to its participating members are not difficult to come by. Indded, our research team have often been impressed by the keen sense of competition that prevail among different schemes in a particular organizational set-up.

VIII. 8 Management Efficiency and the Burden of Leadership:

As have been emphasized previously, there is a danger that age and the sheer monotony of work corrode the best of able leadership. Long run sustainability is one real danger, and all these schemes are exposed to it. Another problem relates to the chain of future leadership that need grooming up. Most of these schemes explored however, are too personalized to survive without the principal actors.

IX. CONCLUSION:

IX. 1 Limitations of the Study:

The present study was initiated with great expectations. Related studies elsewhere gave out strong inidications of comparable scenarios that could obtain in Bangladesh. This study therefore, had to be designed as an exploratory probe into relatively undefined areas in the Bangladesh context. The study accordingly, had to go in for some improvisations. These related to the coverage of the study in terms of particular institutions or organisational set-up to be probed so as to give some measure of representation. Since large scale sample study was ruled out by our binding constraints of time and resources, only the bigger organizations located in the capital city had to be singled out. These automatically left out perhaps a significant chunk of relatively smaller organisations, and those bigger ones located outside the metropolis of Dhaka.

In the same vein, large scale probe into big private sector organisation, the non-governmental organisation and the multinationals have not been undertaken. There are two basic reasons why: first, our preliminary incursions into these areas have produced negative result, and secondly, (and in line with the argument of the management of these enterprises) employees working here have less compulsion to form schemes like the ones we were looking for, since, these employees were better paid and work in more favourable office environment. There is perhaps another reason why most such enterprises may not have such informal schemes. This concerns the relative discomfort with which the management of these enterprises view the operational aspect of such schemes - the organized militancy that these schemes give rise to.

It may be mentioned here that the IECS as we have defined for our purpose, technically forms a very small part of the overall urban informal financial set-up. There are other significant group formations that do not come under our purview. Thus, there are informal

credit/savings schemes operated by non-employees - those persons who are not formally affiliated with any organization, but who nevertheless are just as efficient as the organizers of the schemes. Again, there are short time lenders who could either be employees in any organization or be one of the many professional lenders who operate credit schemes of their own. Finally, there are informal credit/savings schemes organized at the local/regional/national level encompassing people from all sections of society - the large welfare and cooperative society. Although all these were beyond the scope of the present work, future probe could profitably throw additional lights.

As explained in the introductory section, there exists archaic method of filling information, and not all information categories are filled in. Also the variegated forms in which these information are documented preclude any meaningful comparative evaluation. There are problems with respect to different dated entries too. All these make efforts at quantifications extremely hazardous.

Our exploratory probe has also confirmed our suspicion that not all institutions or organizations have official savings schemes in operation, and some have only been recently introduced. These official schemes are apart from the usual, regular and conventional modes of economic security provided by the official pension scheme and contributory provident funds. Both of these too were beyond the scope of our present work. Also, there do not appear to be any study undertaken along these lines. Therefore, a comparative analysis of these schemes have not been possible.

IX. 2 The Search for a Special Feature:

When we embarked on this particular research venture we had one implicit feature in mind that we wanted to ascertain and seek out. This is the 'rotational' feature of such scheme. This is a system in which small groups (of, say, 15-20 persons) get benefitted by the pooled contributions of all the members being handed over

to one of the participating members selected either randomly, or through some predetermined criteria. Such pooled contributions are thus made available to each member by rotation (usually after a month) and its utilization is left upto the individual member whose turn comes up. This system goes by various names, and in India, it is known as the 'chit' fund. One such study analysing this type of scheme has been done in India by C.P.S. Nayar*.

Unfortunately, we could detect no cases that even remotely resemble the type of scheme just mentioned. When we suggested to the organizers of the IECS, why such a system could not be introduced here: there were varied answers - some did not reckon this possibility before, others found this impractical ('how can one participating member wait that long for his turn to come up, and still can survive without such petty borrowings?') and still others thought this was difficult to enforce, suggesting that the system was only good for small groups.

IX. 3 Scattered Savings and Fund Management:

Our study has also been able to locate pockets of considerable but scattered savings locked up in fixed or savings deposit and some proportion of it being made available for loan operation. They should add up to quite a sizeable amount taken as a whole. Individually, however, most of these are kept idle in the absence of a sound and well advised investment programme. When asked whether they would go for one if some body volunteered to do it for them: their answers suggested that they were not particularly enthusiastic about that possibility since, they argued, it was not a particular member's money that someone might risk investing it despite the possibility of higher returns for all contributing members.

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*Nayar, C.P.S., 'Can a traditional financial technology co-exist with modern financial technologies? The Indian experience' Savings and Development, No. 1, 1986-X.

IX. 4 IECS and Unionism:

It is in the interest of both the organizers and the establishment to recognize that the continued successes of these informal schemes are contingent on these schemes functioning on strictly non-partisan lines. There are other recognized outlets for redressing grivances and these schemes are but ones for that. There are enough evidences of huge funds that were painfully raised - wasted on dubious meetings that probably got them nowhere and worse still, put them on a collision course with the establishment.

IX. 5 Size and IECS Efficiency:

It has always been apparent throughout our study that smaller group size (15-40) has exhibited strong cohesiveness and greater operational efficiency than larger ones in performing the dual function role. But then again, a large part of its success is perhaps due to the dynamism and the spirited performances of those select few in charge of these schemes. The end result is a measure of almost total dependence on these men, with the schemes becoming more of a show piece for personality cult. There are of course, longer run problems that go with it as it becomes gradually difficult to apportion out responsibilities to newer hands. Most others have been so accustomed to having some man leading and organizing them that they naturally shy away from responsibilities assigned to them even with a promise of some monetary incentives.

The study has also been able to spot out many schemes with large membership size but with insignificant monthly contributions, operating very irregularly and at low levels of activity. These are perhaps, examples of big institutional forms that somehow lack motivational spirit to keep them going. There remains vast opportunities for activating them and updating their contributions in line with other schemes. These members can pay ten times as much and in return, would enjoy much greater flow of benefits in future.

IX. 6 Rewarding Successes

Finally, there remains the need to single out and identify the many success stories on the part of administration/establishment and hold them up for others to emulate. Monetary rewards are not necessarily the best of such incentives. Often words of encouragement and applauding their achievements are good enough for these informal schemes. Other schemes, particularly those which are relatively inactive have so much to learn from these success stories. The organisers of good and efficient schemes, on their part, can then feel good knowing that their efforts have not gone in vain.

POSTSCRIPT : Quantifying the Size of IECS Savings

Since this particular study was restricted to metropolitan Dhaka areas whose specific coverage, in turn, was dictated by considerations of time and resources, any attempt to approximate the amount of savings generated per year by such schemes must indeed be very crude and suggestive. A logical starting point is the determination of the number of IECS in the country. Again, a complete count is ruled out even in metropolitan Dhaka at this stage of the study (refer to Section IX-1. What we can determine however, is the proportion of institutions in Dhaka city that have such schemes. Based on this, our sample proportion works out to be 65% (i.e., out of some 54 institutions and work places surveyed, there were 35 institutions that had some form of IECS operating).

Now, when it comes to estimating the total number of institutions or work places where such IECS are located, the exercise proves extremely hazardous. For not only are records of registered work places methodically kept and updated, they are much too scattered for a meaningful assimilation. Nonetheless, based on educated guess, we can hazard the following tentative estimate the size of potential savings generated by these IECSs.

	Estimates		
	Low	Medium	High
No. of institutions/ work places in metropolitan Dhaka	500	1000	2000
No. of institutions/work places in metropolitan Dhaka where IECS are most likely to exist (using our sample proportion)	325	650	1300
No. of IECS most likely in operation in these places (based our estimate of the number of IECS per institution surveyed, 1.4)	455	910	1820
Potential size of annual savings generated by these schemes (based on our estimate of the sample mean FRC of Tk. 29,200/- from Table: IV-iv, page 27-iii)	Tk.13286000	26572000	53144000

APPENDIX : A

LIST OF INSTITUTIONS SURVEYED

1. Ministry of Industry (Shilpa Bhaban)
2. Ministry of Agriculture (Khamar Bari)
3. Planning Commission
4. Bangladesh Land Survey Office.
5. Titas Gas.
6. Bangladesh Inland Water Transport Corporation.
7. Jiban Bima Corporation (JBC)
8. Sadharan Bima Corporation (sBC)
9. Bangladesh Chemical Industries Corporation (BCIC)
10. Bangladesh Jute Mills Corporation (BJMC)
11. Bangladesh Shipping Corporation (BSC)
12. Janata Bank (JB)
13. Grindlays Bank (GB)
14. Kohinoor Group of Industries
15. Peoples Welfare Fund (BJMC)
16. Modhumita Cinema Hall
17. Dhaka University
18. Pathe Bangla
19. Bangladesh Biman
20. Power Development Board (PDB)
21. Brother Caddafi Kindergarden Teachers Association
22. Bangladesh Agricultural Development Corproation (BADC)
23. Manpower and Planning Department

24. Bank of Credit and Commerce International (BCCI)
25. Islam Group of Industries
26. Bangladesh Krishi Bank (BKB)
27. Sonali Bank
28. Bangladesh Shilpa Rin Sangstha
29. Bangladesh Bank
30. Agrani Bank
31. Bangladesh Inland Water Transport Authority (BIWTA)
32. Ministry of Relief and Rehabilitation
33. National Board of Revenue (NBR)
34. Customs and Excise
35. Tariff Commission

APPENDIX : B

LIST OF CREDIT/SAVINGS SCHEMES (WITH PARENT ORGANIZATION)

1. Non-Gazetted Govt. Employees Kalyan Samity (Ministry of Industries)
2. Shamota (Ministry of Agriculture: Khamar Bari)
3. Shamomona (Ministry of Agriculture: Khamar Bari)
4. Govt. Employees Welfare Society of Block No-3 (Planning Commission)
5. Bangladesh Drawing Section Kalyan Tahbil (Land Survey Office)
6. Kharmachari Kalyan Tahbil (Titas Gas)
7. Officers Association (BIWTC)
8. Shoairvar Kharmachari Kalyan Samity (BIWTC)
9. Ekho Association (Jiban Bima Corporation)
10. Akhota Kalyan Tahbil (Sadharan Bima Corporation)
11. Kharmachari Welfare Society (SBC)
12. Employees Welfare Fund (SBC, Establishment Division)
13. Gagoron - Co-operative Association (BCIC)
14. Sotota Multipl. Co-operative Society (BJMC)
15. People's Welfare Fund - Local Society
16. Bangladesh Shipping Corporation Employees Welfare Fund (Shipping Corporation)
17. Officers Kalyan Tahbil (Janata Bank)
18. Twenty Prowthers (Janata Bank)
19. Emergency Kalyan Fund (Janata Bank)
20. Kalyan Tahbil (Janata Bank, International Department)
21. Grindlays Bank Employees Union (Grindlays Bank)
22. Employees Welfare Fund (Kohinoor Group of Industries

23. Koshigo Kalyan Trust (Kohinoor Group of Industries)
24. Modhumita Cinema Hall Employees Society
25. Karmachari Kalyan Samity (Dhaka University)
26. Kalyan Samity (Dhaka University)
27. Kalyan Samity (Dhaka University)
28. BOGMC Officers Welfare Association (Petro Bangla)
29. Biman Officers Association (Bangladesh Biman)
30. Fourth Class Employees Kalyan Samity (Bangladesh Biman)
31. Power Development Board Officers Society (PDB)
32. Power Development Board Typist Society (PDB)
33. Brother Gaddafi Kindergarden School Teachers Association
34. Officers Association (BADC)
35. Labour Department Non-Gazetted Karmachari Samity (Man Power Office)
36. Employees Union (BCCI)
37. Islam Group Motor Chalak Kalyan Tahbil (Islam Group of Industries)
38. Officer Kalyan Samity (BKB)
39. Officer Kalyan Samity (Sonali Bank)
40. Officers Welfare Association (BSRS)
41. Officers Class-2 Welfare Association (Bangladesh Bank)
42. Officer (Class-1 & above) Welfare Council (Bangladesh Bank)
43. Officers Samity (Agrani Bank)
44. Officers Association (BIWTA)
45. Employees Co-operative Society Ltd. (Relief and Rehabilitation)
46. Karmachari Savings Fund (NBR)
47. Savings Fund (NBR)

48. Savings Fund (NBR)

49. Executive Officers Association (Bangladesh Customs & Excise)

50. Employees Welfare Association (Tariff Commission).

ANNEX

Study on Urban Financial Market

INDICATIVE TERMS OF REFERENCE

EMPLOYMENT CREDIT SCHEMES AND INFORMAL FINANCIAL MARKET IN BANGLADESH

The employee credit schemes, in the formal sense of the term, have long been an institutionalized mode of promoting and securing the economic well being of employees serving in urban industrialized societies. Such schemes may have been initiated either from the leverage exerted by strong pressure groups like employees' union, or they may have emerged with the increasing recognition among employeers that their fortunes are inexplicably linked to those employed under them. Whatever the reasons for their emergence, these schemes have cropped up in just about every work place, be it the goernment set-up, autonomous bodies or business organization. They go by various names -- the welfare or benevolent fund, staff loan schemes, cooperative credit societies and the like, and they differ markedly in sizes depending on the nature and size of the organization.

The ideal behind these schemes, however, is not new, and it dates back to antiquity. Many societies from time immemorial have organized themselves to further their lot by forming small and cohesive groups sustained barely by customary bonds of fraternity and trust. Indeed, there are evidences from contemporary societies that suggest the continued existence of, in some form or another, these types of informal arrangements side by side with those of the formal sector*.

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*Interesting examples have been cited in Nayar, C.P.S. "Can a traditional financial technology co-exist with modern financial technologies? The Indian experience." Saving & Development, No. 1-1986-X.

Why then, despite the existence and operation of formal credit schemes, people turn towards the informal ones? For one thing, the latter perhaps ensures in a way, greater and quicker access to the use of contingency funds by the exclusive members. Beyond the immediate and personalized needs, informal credit schemes also provide avenues for small time business and trading needs of some members. Some others find in such schemes a convenient source of house building funds. Whatever the possible end uses of funds, there is a measure of participatory benefits and reciprocity (usually inspired by able and charismatic leadership) noticeably absent in larger and formal organization.

Our proposed study is focussed primarily on the working of the employees credit schemes at the informal level and is in the nature of exploratory probe. Like all the usual hazards that go with first effort, this exsercise will undoubtedly raise more questions that can be satisfactorily answered. That is some measure of success this study will have achieved at this point in time, until more vigorous and penetrating work are forthcoming into this area of research.

The present study therefore, seeks to achieve the following broad objectives:

(i) to ascertain the nature and operational context of the informal employee credit schemes (IECS) in Bangladesh,

(ii) to determine the size, magnitude and the trend of IECS with respect to their concentration in particular enterprises, activity lines and regions,

(iii) to analyse the structure and modus operandi of such schemes,

(iv) to identify the principal actors involved: lenders, recipients, and organizational intermediaries,

(v) to ascertain how the perceived benefits and costs of IECSs fare with respect to those associated with formal employee credit schemes, and finally,

(vi) to analyse the role of the IECSs (vis-a-vis the formal CSs) in mobilizing and channelizing investible funds.

The study will also address itself to some of the key issues raised by the exploratory probe. Specifically, questions relating to the operation of the two schemes on efficiency and equity grounds will come under close scrutiny. In addition, the study will examine whether there exists a prima facie case for the government to single out, recognise and encourage any significant contributions made by these IECSs and specifying broad areas of governmental support should such a case exists.

METHODOLOGY

Since the present study seeks to probe into relatively undefined areas, it visualises a series of structured discussion with a broad cross section of the principal actors involved. Preliminary incursions into the activities of some IECSs reveal considerable diversities in the operational structure of these IECSs. Some of these exist in very small groups in various sections of a typical department or division of public sector corporations/autonomous bodies. Others, however, encompass a broad spectrum of society and op rate on a national scale. Furthermore, there are schemes that operate on hierarchical lines within the same department or division, with each class of employees forming small groupings of their own. IECSs are also organized on activity lines, like schemes that exclusively finance personal/family contingencies, small trading needs, and the like.

The study, accordingly, will examine the activities of such IECSs involving people working in only the bigger organizations like the government, the autonomous bodies, sector corporation, financial institutions, multinational corporations, cooperative credit societies, and others. Also included will be the activities of those schemes that operate on national level and those organized on particular activity lines. These efforts, however, will be supplemented with some select interviews with the initiators and organizers of the schemes.

STUDY OUTLINE

For purpose of analysis, this study is organized as follows: (Suggested chapter outline)

1. The setting: nature and operational context of employee credit schemes - the formal and the informal arrangements.

2. Time profiles of their relative growth.

3. Size and magnitude of informal credit schemes with respect to their concentration in types of enterprises with respect to their concentration in types of enterprises and organizations, particular activity lines and regions.

4. Structure and modus operandi of the informal schemes, with emphasis on the level and determinations of interest rates.

5. Lenders and recipients' profiles.

6. Sources and uses of IECS funds.

7. Perceived benefits and costs of the IECSs and their comparisons with the formal IECSs.

8. Role and problems of the IECSs in mobilizing and channeling investible funds.

9. Policy implications and recommendations.