

PN-ABF-100

ISA 66095

Economics and Sociology
Occasional Paper No. 1589

**A REVIEW OF
MICROENTERPRISE CREDIT PROGRAMS
IN BANGLADESH**

by

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May, 1989

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List Of Abbreviations And Acronyms Used

ASA	- Association for Social Advancement
ACP	- Agricultural Credit Program
BIDS	- Bangladesh Institute of Development Studies
BB	- Bangladesh Bank
BKB	- Bangladesh Krishi Bank
BRAC	- Bangladesh Rural Advancement Committee
BRDB	- Bangladesh Rural Development Board
BSCIC	- Bangladesh Small and Cottage Industries Corporation
CIDA	- Canadian International Development Agency
CCDB	- Christian Commission for Development in Bangladesh
CRWRC	- Christian Reformed World Relief Committee
DTW	- Deep Tubewells
DFI	- Development Finance Institution
DTICP	- Deep Tubewell Irrigation and Credit Program
EZE	- Evangelische Zentralstelle Fur Entwicklungsmilfe
EDM	- Enfants du Monde
EIG	- Employment and Income Generation
FDF	- Family Development Fund
EPOC	- Equity Policy Centre
GB	- Grameen Bank
GOB	- Government of Bangladesh
IUCW	- International Union for Child Welfare
IFAD	- International Fund for Agricultural Development
IRDP	- Integrated Rural Development Program
JCP	- Job Creation Program
KSS	- Krishak Samabaya Samity
MCC	- Mennonite Central Committee
MSS	- Manabik Shahajya Sangstha
MCHFP	- Mother and Child Health and Family Planning
NGO	- Non Government Organisation
NCB	- Nationalized Commercial Bank
NOVIB	- Netherlands Voluntry Organisation in Bangladesh
NORAD	- Norwegian Agency for International Development
OXFAM	- Oxford Famine
PVO	- Private Voluntary Organization
RDRS	- Rangpur Dinajpur Rural Service
RPP	- Rural Poor Programme
RDP	- Rural Development Program
RLF	- Revolving Loan Fund
RCTP	- Rural Credit & Training Programme
RFCWP	- Rural Family & Child Welfare Project
SCF(US)	- Save the Children Fund (USA)
SB	- Swanirvar Bangladesh
SCP	- Small Credit Program
SED	- Small Enterprise Development of CARE

- UCCA** - Upazila Central Cooperative Association
- WDP** - Women's Development Programme of CARE
- WEDP** - Women's Entrepreneurial Development Project
- USAID** - United States Agency for International Development

ACKNOWLEDGEMENTS

We would like to thank Prof. Richard L. Meyer of the Ohio State University for initiating this study and for his guidance in preparing this report. We also thank USAID for funding this research through its cooperative agreement with the Department of Agricultural Economics and Rural Sociology of the Ohio State University. Especially, we would like to extend our sincere appreciation and gratitude to the staff of USAID/Dhaka Mission for all the help and cooperation in this study, particularly Mr. Gary Vanderhoof and Ms. Raka Rashid. The excellent cooperation from various microenterprise programs and their staff has been of vital help to us. Without their cooperation this study would not have been possible. Our sincere appreciation and gratitude is due to all of them. We also thank the patience of Mr. Main Uddin Ahmed in preparing several drafts of the paper. The views presented in this paper are our own and may not be shared by the persons and institutions that collaborated with this study.

A REVIEW OF MICROENTERPRISE CREDIT PROGRAMS IN BANGLADESH

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A Review of Microenterprise Credit Programs in Bangladesh
by
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1. INTRODUCTION

The benefits of microenterprise activities in generating employment and income in low income countries (LICs) have, of late, become the focus of attention by increasing numbers of development experts and practitioners from entrepreneurs and non-governmental organizations (NGOs) to governmental and donor agencies around the world. Research and experiments on microenterprise activities, however, started prior to the 1970s. The interest in microenterprise credit activity stems from the objective of encouraging private entrepreneurship among the poorest segment of the population and fostering income generating activities among the target beneficiaries of the credit programs. Bangladesh being one of the poorest LICs has also been brought into the focus of research and studies in this context.

A microenterprise has been defined as any business involved in manufacturing, service or trades employing 10 or less workers (AID Microenterprise Stocktaking, 1989). In addition, such an enterprise has a maximum investment of about US \$ 1,000. According to a report published by NORAD, the fixed investment cost of generating one industrial work place in the microenterprise sector in Bangladesh was Tk. 2,000 in 1978 (Source: Assistance to Small Scale Enterprises in Bangladesh : NORAD, Oslo, 1986). Considering the 12% annual inflation rate, this is equivalent to Tk. 6,200 in 1988. A microenterprise having a maximum of four direct labors will have a maximum fixed capital of around Tk. 25,000. Assuming 1/5 of the fixed capital to be invested as operating capital, the total capital required now is Tk. 30,000 (i.e. US\$ 1,000 @ US \$ 1= Tk. 30). A firm having a total investment of more than this is considered to be a small, medium or large scale enterprise.

This paper is an attempt to look at the operations of some of the major organized microenterprise credit programs in Bangladesh. The objective of this report is to identify issues affecting institutional viability of the credit programs. In particular, the report looks at the coverage of loan programs by types of borrower/entrepreneurs, rates of interest charged and other terms of the loans, recovery performance and costs of administering the loan programs. The study focuses its attention mainly on the non-farm microenterprises in Bangladesh i.e. credit programs designed for nonagricultural activities.

To obtain the necessary information and data the researchers:

i) reviewed the available literature on microenterprise credit in Bangladesh, including the annual reports/statements of donors/NGOs involved in microenterprise credit programs and discussed with their concerned personnel operating the microenterprise credit programs; and

ii) analyzed the method of credit operations of each organization and identified any special factors affecting overall performance of the project.

2. MICROENTERPRISE PROGRAMS IN BANGLADESH

Bangladesh is a capital scarce economy with ever increasing surplus rural labor force. Microenterprises may provide one of the best alternatives to absorb the burgeoning rural labor force in Bangladesh. However, it was not until the end of 1970's that organized microenterprise credit programs experienced a significant growth in the country.

Traditionally, the banking system in Bangladesh have kept away from financing microenterprises. Banks with their strict requirement of collateral as a guarantee for loans effectively eliminated the landless from access to formal institutional credit for microenterprise activities. Thus, microenterprises have traditionally been either a) self-financed, or b) financed from informal sources for the incremental needs beyond self-finance.

In response to the lack of direct access to bank credit, several microenterprise programs of some form have been in operation in Bangladesh since the early 1960's. The most well-known among them was the Comilla Cooperative System that became the Bangladesh Rural Development Board after the emergence of Bangladesh. But this proved ineffective, benefitting only a few rural elites who were already rich and socially influential. However, the growth and expansion of numerous non-governmental organizations (NGOs) helped fill the critical gaps in the Government's development programs in various sectors. Women, agriculture, health and education are the sectors where most of the NGOs have devoted their resources. Microenterprise development was initially given a small role in the development plans.

Microenterprise programs are not new among the country's NGOs. They have been experimenting with microenterprise development for a long time through their various projects, some with funds of the rural poor themselves, others through donations or borrowings from indigenous financial institutions or from abroad.

Currently, there are many organizations with microenterprise credit programs operating in Bangladesh. A recent research paper on income generating activities for CARE-Bangladesh (Income Generating Activities by Tawinwong.) identified some of the major ones among them as:-

- 1) Bangladesh Rural Advancement Committee (BRAC);
- 2) Grameen Bank (GB);
- 3) Enfants du Monde (EDM)/International Union for Child Welfare (IUCW);
- 4) Mennonite Central Committee (MCC); and
- 5) Proshika/Manabik Unnayan Karmashuchi (MUK)

Mention should also be made of the Bangladesh Rural Development Board (BRDB), Bangladesh Small and Cottage Industries Corporation (BSCIC), Manabik Shahajya

Sangstha (MSS), and Swanirvar Bangladesh as other major organizations with microenterprise credit programs. In addition, there are also other minor programs. Many of these organizations, like BRAC, included credit program in addition to their normal social and health education and/or relief programs. Some, like Grameen Bank, started primarily as credit programs for microenterprises. Our review of the performance of these programs in lending to micro entrepreneurs is presented in the next section of this report.

3. INSTITUTIONAL ANALYSIS

3.1 Bangladesh Rural Advancement Committee (BRAC)

BRAC, a Bangladeshi private voluntary organization, is engaged in the socio-economic development of Bangladesh. It started in 1972 with post-liberation rehabilitation work in its Sulla Project in the Sylhet district. Later, it undertook various activities focusing on social conscientization and institutionalization processes among the marginal and landless farmers. It was initially funded by OXFAM, Bread for the World, Community Aid Abroad, Ford Foundation, NOVIB (Netherlands Voluntary Organization in Bangladesh) and UNICEF (United Nations Children's Fund). After considerable success in the Sulla Project, BRAC has extended its coverage nationwide with many socio-economic programs. It is supported by a unique blend of internal funds from its various revenue generating activities and savings of members and a high repute among the donors ensuring steady flow of external funds.

BRAC started financing microenterprises for increasing employment and incomes of the poor through its Rural Credit and Training Program (RCTP) in 1976 on a five-year term. With the knowledge and experience gained through RCTP, BRAC started operating several programs. The Rural Development Program (RDP) is an integrated program disbursing approximately 90% of BRAC's total yearly loans funds. (Source: Interview with Ranjan Halder, Chief Accountant of BRAC on June 23, 1988).

RDP is committed to achieving sustained development of the poor through concerted efforts. Its main activities are : i) Institution Building, ii) Landless Group Fund Generation, and iii) Income and Employment Generation. Institutional building activities involve functional education on literacy and health, human development training, legal aid and funding of rural library for the landless. Providing required credit to the landless is a major part of income and employment generation functions.

Most of the RDP loans are given to microenterprises having a total investment below US\$ 1,000. The largest investments per enterprise in RDP are on used deep tubewell enterprises and brick manufacturing enterprises. A used deep tubewell costs usually around Tk. 60,000 or US.\$ 2,000. In 1986 the cost of twelve RDP deep tubewells was only 1.90% of the total loans disbursed. In 1987 the thirty-four tubewells cost about 2.82% of the total loans disbursed.

Coverage :

RDP has so far been the most successful BRAC program in respect to coverage. The following table reveals its coverage:

Table 1: BRAC's Loan Coverage by Villages, Households and Memberships

Calendar Year	Number of Villages	Number of Households	Number of Members	Number of Loans
1985*	999	57,480	95,952	6,752
1986	267	16,144	25,795	3,742
1987	480	26,393	47,081	6,887
Total	1,746	100,017	168,828	17,381

* = Cumulative Source: RDP Files.

The cumulative number of enterprises financed, by type, were as follows:

Table 2 : BRAC's Loan Coverage by Enterprises

Year	Small Trading	Agriculture	Livestock	Food Processing	Rural Industry	Rural Transport	Fishery	Market Lease	Total number of Enterprises
1985	2001	1573	700	1203	403	241	231	400	6752
1986	3038	2655	1201	1773	741	518	478	n.a.	10484
1987	5843	4128	2867	3126	1077	739	n.a.	n.a.	17381

n.a. = not applicable Source: RDP Files.

Loans are extended to individual borrowers as well as to groups or collectives. The borrowers in RDP are the rural Bangladeshi poor. They are landless, assetless, and illiterate or semi-literate. They normally earn their livelihood by selling manual labour. They had little or no skills in the enterprise they were engaged in.

To be eligible for loans, a group member has to prove that he or she had sufficient training in human development skills and is mature enough to undertake the proposed enterprise. Once a loan is approved, it is disbursed by the BRAC Branch Manager. Prior to applying for the first loan the member (or the Group in case of collective loans) has to have saved 10% of the total proposed loan as a Fixed Deposit Receipt (FDR) in a local bank. Once all the liabilities are met after the first loan, this 10% of the loan amount is paid back to the borrower.

In 1986, the largest component of total loans (31.82%) was given to small trading enterprises followed by agriculture, food processing, livestock and rural industries. The rural industries sector comprised such activities as cottage industries, oil crushing, net making, coir rope making, rice mills, ice factory and brick making enterprises. In all, Tk.

9,592,886 was disbursed to 741 enterprises under the rural industries sector, the average size of each enterprise being Tk. 12,946.

In 1987, the largest share of loans went to small trading (as in case of 1986) followed by agriculture, livestock, food processing and then rural industries. The rural industries loans were 7.66% of the total. It may be noted here that BRAC's livestock and food processing enterprises are also microenterprises.

Volume of Loans:

Loan disbursement in RDP is on an increasing trend. While the total disbursement in 1985 was Tk. 23,210,423 it rose to Tk. 37,941,485 in 1986 and to Tk. 72,339,630 in 1987. The collective loans given out in 1985 were 21.88% of the total while in 1987 these came down to 5.62% of the total loans (See Table 3). Male landless group members received Tk. 13,632,690 as loans in 1985 while female members received Tk. 9,577,733 (41.26%) only. In 1987 females got Tk. 34,969,323 (48.34%) out of a total loans of Tk. 72,339,630.

Loan Terms :

Loans were disbursed on three types of terms, namely short, medium and long term. The short-term loans are for a period of one year or less. The medium-term and long-term loans are for three years and more than three years, respectively. The largest component (Tk. 12,698,458) of the loans in 1985 were short-term ones followed by the medium-term and long-term ones. The long-term loans were Tk. 1,074,900 only. In 1986 and 1987 the same trend was maintained. The repayment schedule for an enterprise is planned by BRAC's field personnel on the basis of the project's gestation period and the expected rate of return. Repayment of short-term loans is usually planned for twice a year. Compounding of interest in case of non-repayment applies on all loans.

The nominal interest-rate on BRAC's RDP loans is 18% per annum. This rate applies on all its loans whether individual or collective type. In addition to this, 5% of the loan amount must be deposited by the individual or group to the Group Fund which is used in the future for common purposes like recovering bad debts etc. Furthermore, 3% of the loan amount is to be paid to the group's Managing Committee as its service charge. This service charge is distributed among various members of the committee as per its own rules and regulations.

In case there is any loss in any group enterprise, the loss is covered by the common fund. When there is a loss in an individual enterprise, the loss is made good by the fund from the Group Tax realised from it.

Other Non-loan Services :

Microenterprise development in BRAC's RDP is not an isolated activity. The staff usually monitors the progress of every enterprise, advises the entrepreneurs at times of need, assists them in procuring inputs from the Government's line departments, and provides

training in functional education, basic management, and the technologies involved in various economic activities. BRAC's field staff also assists in preparing the feasibility studies of the enterprises, though in a very simplified manner.

Income vs Expenses :

As stated earlier, RDP obtains all its funds for loans and operating expenses from external donors. In 1986 BRAC received for RDP a total amount of Tk. 48,353,093 from three donors, namely NOVIB, EZE and NORAD. Out of this, the total expenditure was Tk. 41,789,434. In 1987, the total donation obtained was Tk. 81,544,615 while the total expenditure was Tk. 83,319,307. The total loans disbursed in 1986 and 1987 were Tk. 37,941,485 and Tk. 72,339,630, respectively. The comparative position of the administrative costs to render RDP loans as against the total loans disbursed in 1985, 1986 and 1987 is shown below:

Table 3: BRAC's Cost of Loan Operations

Year	Total Receipts (Taka)	Total Expenses (Taka)	Total Loan Disbursed (Taka)	Administrative Cost*		Interest Rate (%)
				Total (Taka)	% of loan	
1985	5,559,186	32,458,906	23,210,423	1,964,769	8.47	18
1986	48,358,093	41,789,434	37,941,485	2,656,614	7.00	18
1987	81,544,615	83,319,307	72,339,630	2,811,293	3.89	18

* The administrative costs here exclude the program personnel costs and includes rent, utilities, stationery, maintenance, depreciation, bad debts, and other general expenses.

Source : Annual Reports 1986 and 1987 ; BRAC, Dhaka; RDP Files.

So far, BRAC has received all its RDP funds as grants from donor agencies. On the other hand, its income from loans accrues in the form of interest. It treats its program personnel cost incurred in the income and employment generation functions not as a part of administrative cost but as a direct investment of the entire project. Also, the personnel cost for institution building functions is treated as an investment in that particular area. The recurring costs are divided equally between the income and employment generation functions and institution building functions.

Considering these recurring administrative costs as the entire costs for loan-administration, BRAC was left with 11% surplus (that is, 18% interest minus 7% administrative costs) in 1986 and 14.11% surplus in 1987. The loan recovery position is high enough to put BRAC with this surplus in a comfortable position as long as the funds are obtained as grant. However, treating the personnel costs as a part of the administrative costs and requiring some provision for potential loan losses, BRAC's operating surplus in RDP will significantly decrease.

Table 4: Loan Performance of BRAC

Year	Type	Disbursement (Taka)			Realisation (Taka)			Outstanding (Taka)			Overdue (Taka)			R (%)
		P	I	T	P	I	T	P	I	T	P	I	T	
	In.	18132822	1132405	19265327	5738228	735084	6474310	12383596	397321	12791017	208473	44155	253628	97
1985	Co.	5077501	283148	5360649	1052528	149336	1201862	4024975	133812	4158787	110181	12211	122382	91
	Total	23210423	1415553	24625976	6791752	884420	7676172	16418571	531133	16949804	318654	56366	376020	96
	In.	33984460	2340794	36325254	11163407	1703706	12867113	22821053	637088	23458141	218332	36231	255563	98
1986	Co.	3957025	299606	4236631	1170638	151415	1322051	2786389	128191	2914580	244804	299993	29993	83
	Total	37841485	2640400	40561865	12334043	1855121	14189164	25607442	765279	26372721	464136	336224	66224	96
	In.	68273140	4363882	72637022	17225371	3135246	20360617	51047769	1228636	52276405	86584	37030	123614	100
1987	Co.	4066490	911209	4977699	1814180	220299	2034479	2252310	690910	2943220	84744	28251	82995	97
	Total	72339630	5275091	77614721	19039551	3355545	22395096	53300079	1919546	55219625	151328	65281	216809	99

In. = Individual, Co. = Collective, P = Principal, I = Interest, T = Total,
R = Principal amount realised as percent of Principal due.
Source: RDP Files.

Loan Recovery :

Loan recovery in RDP in 1985/1986 was 96% . It went up to 99% in 1987 (See Table 4). The recovery rate was higher among the female group members as against the male ones. The loans distributed in the individual enterprises were recovered faster than those in the collective enterprises. The short-term loanees were less delinquent in loan-repayment than the long-term ones.

The percentage of delinquent borrowers in RDP is from 6% to 7% (Source: Interview with Karimul Haq, Staff Economist of BRAC on June 20, 1988 in Dhaka). BRAC has not yet formed a fair picture about their characteristics. The tendency to have a rollover of loans was very negligible. The poor landless normally do not want their loans rolled over as they will not be eligible to apply for fresh loans without repaying the older ones.

Loan Guarantee Funds :

The concept of loan guarantee funds prevails in RDP; but it has a unique feature in the sense that it is never maintained in BRAC's accounts. As mentioned earlier, a landless member or group, to be eligible to apply for the first loan, must save or deposit 10% of the proposed loan amount in a FDR account with a local commercial bank. Once all the liabilities after issuance of the first loan are met by the member/group, this 10% guarantee fund is paid back to the member(s).

Graduation from the Program and the Proposed BRAC Bank:

The current study did not observe any indication that there is any effort in RDP for the member-borrowers to graduate into formal financial institutions. However, BRAC is in the process of establishing a bank for its microenterprise program with the help of some donor funds (Source: Interview with Ranjan Halder, Chief Accountant of BRAC in Dhaka on June 23, 1988). The objective of this bank is to mobilize deposits among the members at a faster rate and thus have more stability on the availability of own funds, but mainly to reduce BRAC's RDP members' dependence on the formal banks for their banking operations and transform RDP into a self-sustaining credit institution.

3.2 Bangladesh Rural Development Board (BRDB)

BRDB is the integrated rural development agency under the Ministry of Local Government, Rural Development and Cooperatives in Bangladesh. It is an autonomous body headed by a Board of Directors. In the Pakistan period it operated under the name of Integrated Rural Development Program (IRDP). It has many development programs. Only one of them seem to be involved in non-farm microenterprise financing, namely the Rural Poor Program (RPP).

BRDB's programs are designed after the Comilla Cooperative System evolved at Bangladesh Academy for Rural Development (BARD) at Comilla. Each of the programs

operates through a two-tier organisation. For instance, in its Agricultural Credit Program the direct beneficiaries (farmers) are formed into KSSs (Farmers' Cooperative Societies) at the village level administered by the UCCAs (Upazila Central Cooperative Associations) at the Upazila level. The UCCAs act under the direction of BRDB staff. However, it is intended that BRDB will withdraw from directly controlling the UCCAs after they gather sufficient skill in managing themselves. At that stage BRDB will keep on assisting indirectly in technical and managerial affairs but not with finance.

Rural Poor Programme (RPP)

RPP was a program of BRDB involved in microenterprises. This program was financed by the Canadian International Development Agency (CIDA) and the World Bank through the Bangladesh Bank. It was initiated in July 1983 and phased out in December 1987. It was an off-farm income generating credit program implemented by BRDB through its two-tier structure as a component of the larger Rural Development Project (RD-2) co-financed by CIDA and the World Bank. The broad objective of RD-2 is to strengthen and expand the cooperative system of BRDB.

Under the purview of RD-2's broad objectives, RPP was aimed at:

- a) enhancing the income and employment of the rural poor by providing them, through the cooperative system, with skill development and training in group leadership and management and with access to credit;
- b) developing groups of rural poor so that they become socio economically self-reliant; and
- c) enhancing the capacity of BRDB to organize the target groups and to deliver the project inputs.

The majority of the participants were involved in handicraft making. Their products were marketed through the "Karu Shilpa" handicrafts marketing chain in Dhaka and other major cities in Bangladesh. BRDB has a plan to establish one "Karu Shilpa" in each district in the near future.

The RPP loans were classified into four groups as per the types of activity for which they were given. They were as follows:

Group A :

Amount of Credit: Tk. 2,000

Activities: Bamboo and cane works, paddy husking, mat making, poultry/duckery, vegetable gardening, coconut-fibre rope making, chair making, Cheera/muri making, food processing, and small trading.

Group B :

Amount of Credit: Tk. 1,000 - Tk. 5,000

Activities: Animal fattening, and Pottery.

Group C :

Amount of Credit: Tk. 2,000 - Tk. 8,000

Activities: Betel cultivation, fishery, fishing net making, boat making, rickshaw/van business, mechanics, blacksmithery, sewing, umbrella/umbrella sticks making, push cart business, bakery, handloom, milk cows, carpentry, oil crushing, and bullock cart.

Group D :

Amount of Credit: Tk. 10,000 - Tk. 15,000

Activities: Pond fishing, Irrigation equipment, and Sericulture.

The loans for activities under 'Group D' were allowed to groups only and not to individual members. The loans under this group were relatively insignificant in number.

Coverage:

The RPP operated in 18 (eighteen) new districts of Bangladesh. It covered all the upazilas except 11 in those districts. A total of 128 upazilas were covered by the program. The beneficiaries were the assetless and landless rural poor formed into BSSs ("Bittyahen Samabaya Samitee" or Assetless Cooperatives) and MSSs ("Mahila Samabaya Samitee" or Women's Cooperatives). No information regarding the total number of BSS and MSS members was available. The loans in RPP flowed from the BSS/MSS to its members. BRDB believed that these members were, on principle, drawn from the assetless households each of which had no more than half an acre of cultivable land. In addition, BRDB also believed that they were dependent on casual labour as a major source of income.

Eligibilities for loans are of two types:

- i) Member level; and
- ii) Group level (BSS/MSS level).

At the member level, an individual to be eligible to apply for loan must have repaid 90% of the earlier loans and must have purchased 5% of the proposed loan amount in the form of society shares and savings. After the loan application, he is eligible to receive a loan as soon as he pays 100% of the earlier loans. In case of a fresh loan, he is eligible to apply for and to receive a loan provided he has at least 5% of the proposed loan amount as society shares and savings.

At the society level, both a BSS/MSS and a UCCA have to be categorised as 'A' or 'B' for eligibility to receive loans. The society categorisation was dependent on numerical scales for certain factors as shown below:-

For BSS/MSS: Loan repayment, capital formation, accounting and record-keeping, holding of weekly meetings, manager's attendance at UCCA meetings, and villagewise coverage of the cooperative.

For UCCA: Representation in the Managing Committee by BSS/MSS, loan realisation, holding of meetings, holding of training, accounting and record-keeping, income-expense position, and capital formation.

Volume of Loans:

The total loans disbursed through RPP as of June, 1988 were Tk. 198,818,678. Out of this, the most district-wise loans (Tk. 25,481,200) went to the Pirojpur district while the smallest district-wise amount (TK.920,600) went to the Thakurgaon district. The loan sizes ranged from Tk. 500 to Tk. 5,000.

Loan Terms:

The terms (periods) of loans were of four types as shown below:-

Term of Loan	Repayment schedule (s)	Grace period	Rate of Interest
Very Short (12 months)	Monthly	2 months	17.5% per annum
Short (18 months)	Monthly	None	17.5% per annum
Medium (24 months)	Monthly	3 months	17.5% per annum
Long (30 months)	Monthly	12 months	17.5% per annum

Loans provided to the RPP beneficiaries flowed through various stages in the following manner:

Donors --> Bangladesh Bank --> Sonali Bank --> UCCA --> BSS/MSS --> Members.

Loans were disbursed through credit vouchers in both cash and kind. The rate of interest for the borrowers was 17.5% per annum (simple interest). This was retained by various institutions at different stages in the following manner:

Borrowers -->	BSS/MSS	---->	UCCA	---->	Sonali	---->	Bangladesh	---->	GOB
					Bank		Bank		
	2% as Manager's		1.5% as		3.5% as		1% as		3% as
	Commission plus		UCCA service		interest		interest		interest
	4.5% as BSS/MSS		charge plus						
	Reserve Fund		2% as bad debt						
			provision						

In case of non-repayment of loans on time, penal interest was applied. The penal interest rate was 4.5% per annum on the defaulted principal for the non-repayment period.

Other Non-loan Services :

Beside distribution of loans, BRDB and their beneficiaries received two other important services from CIDA. These were:

- i) training of 950 private mechanics to facilitate taking up of mechanical trade as an income-generating activity among many other activities assisted by RPP loans; and
- ii) training of all the upazila-level BRDB staff specifically responsible for training the RPP societies. CIDA provided all required services and funds for strengthening BRDB's structure to promote the cooperative system under RPP. They also designed 28 models for the training of BRDB staff, supplied all necessary training materials, and held training sessions through two NGOs namely Swanirvar and VERC (Village Education Resource Centre).

Income vs Expenses :

No information was available to support the income-expense analysis of RPP's operations. The interest spread of those loans has been discussed below.

Loan Recovery :

The RPP loans, whether individual or group-type, were always repaid at Sonali Bank branches from where they were first disbursed. During its five year operations, RPP disbursed a total sum of Tk. 198,818,678 as loans while it recovered Tk. 47,162,266 as of June 30, 1988. The total amount realisable was Tk. 74,618,687. The country wide rate of recovery was thus 63%. Only 24 upazilas out of the total 128 were within 90%-100% repayment range, 26 others were within 80%-89% repayment range and 23 had been within 70%-79% range. The remaining 55 upazilas were below 70% repayment level. The highest districtwise loan recovery was in Khulna district (96% cumulative) and the lowest was in Dinajpur district (36% cumulative).

Loan Guarantee Funds :

There was no system for loan guarantee funds in RPP. The loans were only secured by the list of participants or beneficiaries, and their individual undertakings while taking loans. The risk of failure due to nonrepayment of loans was minimised by introducing the system of forced savings at the BSS/MSS level by individuals and at UCCA level by BSSs/MSSs. There was also the system of purchase of shares at both levels and of payment of interest as service charge/commission for better fund accumulation thereby minimising financial crisis.

Graduation from the Program :

RPP never had a system of tracing those beneficiaries who graduated from this project to a formal financial institution. As such no information as to the graduated beneficiaries could be obtained.

3.3 Bangladesh Small and Cottage Industries Corporation (BSCIC)

BSCIC is the largest governmental agency for promotion and expansion of small and cottage industries in the country. It is the successor to the East Pakistan Small and Cottage Industries Corporation of the Pakistan regime. Since 1972 it has been engaged in a variety of income generating activities emphasising the growth of entrepreneurship and financial and technical skills among potential entrepreneurs in small and cottage enterprises. Most of BSCIC's services have so far been isolated in areas of enterprises which, per standard definition of microenterprises, are small or medium enterprises.

Among the few microenterprise projects, the Women's Entrepreneurial Development Program (WEDP) of BSCIC is operating for a substantial length of time. The objective of WEDP, initiated with grant fund from USAID in 1982, is to improve the social status of women through their employment in less developed rural areas by providing credit and skill to the potential women entrepreneurs. Loans under the WEDP are given through selected branches of Bangladesh Krishi Bank.

WEDP started operating in four upazilas in 1981 in its pilot phase. The upazilas covered then were Laksham in Comilla District, Kaunia in Rangpur District, and Swarupkathi in Barisal District. On the basis of the success achieved in that phase, the program included five more upazilas in 1983 making the upazilas covered nine in total.

Coverage :

In the 1982-83 to 1984-85 period, WEDP identified 6,202 prospective women borrowers. Out of them 5,383 were provided loans. They were the residents of nine upazilas covered by the program at that time. The total number of their loans was 5,487. The program's head office enlisted twenty-nine activities in total for which loans were provided in the said period. The average loan size was Tk. 2,021. The maximum size of loan per

enterprise up to December 1987 was Tk. 20,000 (Source: Interview with Dilara Kibria, Project Manager of WEDP in Dhaka on 13 July, 1988). The loans provided by WEDP consist of both fixed capital and working capital loans.

Volume of Loans :

Total loans disbursed by WEDP through the Bangladesh Krishi Bank from 1982-83 to 1984-85 were Tk. 11,000,000, the average loan size being Tk. 2,021. Out of this, Tk. 3,200,000 were given out in 1982-83 whereas in 1984-85 the total disbursement was Tk. 3,300,000. In 1983-84 the total disbursement was Tk. 4,500,000.

Loan Terms :

The working capital loans are distributed on a term of one year while fixed capital loans are for five years. The rates of interest on both are 16% per annum. Compounding of interest is applied in the case of default only.

The identification and test of eligibility of the borrowers are accomplished by WEDP's field offices. The loans are disbursed from the Bangladesh Krishi Bank branches. An enterprise to be entitled to loans must be economically viable and be dependent on indigenous raw materials.

Other Non-Loan Services :

The non-loan services provided by WEDP to its borrowers include training and quality control, and technical and marketing support. These are channelled through the program staff.

Income vs Expenses :

No independent calculation of income and expenses on WEDP's loan operations could be made due to the absence of detailed relevant data. It was revealed by the interviews with the program staff that the expenses were higher than expected. USAID, the donor of this program, wanted the expense to loan disbursement ratio to be 0.70 to 1. But BSCIC failed to maintain this limit at the close of June 30, 1988. A recent USAID study found that for the year 1987-88 the overhead cost for providing all WEDP services to lend and recover one taka was Tk. 1.40. And, between 1984-85 and 1986-87 the cost fluctuated from a low of Tk. 1.32 and high of Tk. 1.36 per Taka of loan (A.I.D. Microenterprise Stock-taking: Bangladesh Field Assessment, March 1989).

Loan Recovery:

Loan recovery in WEDP had been increasing satisfactorily until recently. From 1982-83 to 1984-85 the cumulative loan recovery (principal plus interest) was 73%. The cumulative recovery rate from July 1985 to December 1986 was 79%. However, from July 1987 to June 1988 the recovery rate fell to 77%. The USAID study calculated that the

yearly recovery rate increased from 42% in 1983-84 to 95% in 1984-85 and fell to 80% in 1985-86 and 1986-87, and to 65% in 1987-88.

Loan recovery campaigns are conducted jointly by BKB officials and the WEDP officials. They have experienced three problems in loan recovery, such as: i) in some upazilas the borrowers often migrated to India without notice and without repaying their WEDP loans;

ii) some of the older borrowers died before loan recovery started; and iii) some of the borrowers take up regional migration in the country before repaying WEDP loans.

Loan Guarantee Funds :

There is no system for mortgaging or any other security against WEDP loans. In spite of this, there is the provision for treating the plant and raw materials of the entrepreneurs as collateral against loans.

Graduation from the Program :

No information was available with WEDP to determine how many of their beneficiaries had graduated from this program to other formal financial institutions for credit. However, the A.I.D. Stock-taking Study revealed that it is difficult for WEDP borrowers to graduate to formal banks directly and operate on their own since the banks do not provide the services that WEDP provides free to them.

3.4 Enfants du Monde (EDM)/International Union for Child Welfare (IUCW)

EDM with its headquarters at Grand-Saconnex, Geneva is a non-governmental organisation dedicated to the services of children and adolescents living in distress or sub-human condition, without distinction as to race, nationality, creed or political opinion. It is a member organization of the International Union for Child Welfare (IUCW). In 1974 IUCW initiated the Rural Family and Child Welfare Project (RFCWP) as a joint collaboration with the Department of Social Welfare, Government of Bangladesh. The IUCW handed over the implementation responsibility of RFCWP to EDM in April, 1986.

There are three integrated components of the RFCWP aimed at minimising the suffering of as many rural families as possible. They are: Family Development Fund (FDF), Family Development Center (FDC), and Community Development Schemes (CDS). The project completed implementation in 916 villages by November, 1986. Its objectives are:

- i) to assist economically deprived families (mostly landless) with capital, training and information for microenterprises or socio-economic schemes (SES) to generate an additional source of income in order to meet essentially required basic needs;
- ii) to spread information about birth control methods among the fertile couples, distributing contraceptives and arranging sterilization of desiring couples; and

iii) to improve the health and sanitation levels of the socio economic schemes (SESs).

The project funds, per the EDM Annual Report, 1985-86, are mainly obtained from the Swiss Government (84%) and FPIA (16%). EDM has to hand over the project in any region of Bangladesh to the Government after a successful continuous operation for three years. The loans in this project are provided to target families in each target village from the Family Development Fund (FDF) and loan repayments are made to that fund for recycling. A revolving fund is thus established designed to reach other needy families in the area to ensure financial resources for the continuation of the Project once EDM withdraws.

Coverage :

EDM is still small in Bangladesh and it has not yet achieved a very wide coverage. At the start of the project in 1978 after the pilot phase of 1974-78, it covered 304 villages in 19 upazilas of Bangladesh. The total number of target families was 39,509 out of which 16,107 families were assisted. In 1981-84, the total number of assisted families was 16,367 and in the 1984-87 phase it was 9,761 as of October, 1986.

The borrowers of SES loans in RFCWP are among the poorest of the poor population of Bangladesh. There are three types of beneficiaries of these loans classified during a survey for this purpose prior to initiation of the project. According to these surveys the three groups are as follows:

A group : poorest of the poor families, having an average annual per capita income up to Tk. 1,200.

B group : families having an average annual per capita income of Tk. 1,201 to Tk. 1,700.

C group : families having an average annual per capita income of above Tk. 1,700.

According to this study, the poverty line was estimated to be Tk. 1,700. For the SES loans, 'A' group families are the primary target and 'B' group families are the secondary target. So far, EDM has worked on the 'A' group families only. Loans are disbursed to both group and individual enterprises.

Priority for economic assistance to respective 'A' group families is given on the following criteria:

- i) Families who come forward with a request or their own proposal,
- ii) Families with under-utilized or un-utilized manpower,
- iii) Families with potential skills or knowhow, and

iv) Families exhibiting behaviour pattern indicating strong motivation to improve themselves.

On the basis of their motivation, unutilized manpower, potential knowhow and entrepreneurial behaviour pattern, families are selected for loans by both the village committee and the Government's village social worker. Case cards of these families approved for financial assistance are sent to the upazila level for final approval by the Upazila Social Service Officer and the Field Coordinator of EDM.

Table 8: Coverage, Fund Utilisation and Loan Recovery under EDM's RFCWP.

Phase	Area covered		Target Families No.	Families assisted		Funds placed (Taka)	Loans Disbursed (Taka)	Funds used per family (Tk)	Recovery rate (%)**
	No. of Upazilas	No. of Villages		No.	% of target				
1974-81	19	304	39,509	16,107	41	7,600,000	6,374,247	396	81
1981-84	21	336	35,566	16,367	46	10,065,552	8,978,283	549	87
1984-87*	46	276	29,469	9,761	33	9,660,000	9,119,750	934	93
Total	86	916	104,544	42,235	40	27,325,552	24,472,280	579	87

* As of October, 1986.

** Amount recovered as percent of principal plus interest receivable.

Volume of Loans:

Table 8 shows the sizes of loans distributed under RFCWP in three phases up to October 1986. The largest phase-wise portion of 'A' group families (46%) totalling 16,367 was assisted in 1981-84. Considering the average family size to be five, it may be estimated that nearly 81,835 beneficiaries were assisted in that phase. The project disbursed Tk. 6,374,247 in 1974-81, while in 1981-84 the total disbursement was Tk. 8,978,283. In the third phase (1984-87) up to October 1986 the total disbursement was Tk. 9,119,750.

In 1974-81, the average loan size per family was Tk. 396, while in 1981-84 it rose to Tk. 548. In the 1984-87 phase up to October 1986 the average loan size was Tk. 934 while the loans ranged from Tk. 340 to Tk. 3,500 per family.

Loan Terms:

Entrepreneurs approved for loans have to undergo a one-day training program on the objectives and implementation procedures of SESs after which the individual loans are distributed in the form of cash and cheques. Repayment agreements are signed in a village committee meeting.

Data from November 1985 to March 1988 of RFCWP showed that the rate of interest on the SES loans ranged from 6% per annum to 10% per annum. The size of loans and interest rate depended on the existing skills and labour potential as well as on the profitability of the proposed scheme in a particular area of operation. The total repayment schedules also varied from place to place and from scheme to scheme.

Beside the disbursement and recovery functions, EDM seemed to be giving very little of other services like technical assistance or group management functions. As EDM's target families are already potentially skilled/semi-skilled, there seemed to be a limited necessity for further technical assistance.

Income vs Expenses:

Little information and data regarding the total loans under SESs, total implementation costs for all the projects of EDM, and total receipts in November '84 to October '86 were available. All these are summarised in Table 9.

Table 9: Receipts and Expenditures of EDM, November '84 to October '86.

TOTAL RECEIPTS (Taka)	TOTAL PAYMENTS (Taka)				
	Project Component Expenses			Support Expenses	
	Family Dev. Fund	Family Dev. Centre	Community Dev. Scheme	Training Cost	Implementation Cost
36,307,440	9,660,000	6,602,659	2,230,883	701,136	9,200,065

Out of Tk. 9.66 million from the Family Development Fund (the revolving fund for SESs), about Tk. 9.12 million was given out as loans and the rest consisted of expenditures other than loans. However, various implementation costs included costs for all the three projects and so were the expenditures on training. EDM considered training to be an investment capital expenditure. Again, no basis for apportionment of implementation costs was available. However, if the apportionment is based on a weighted average of the total capital expenditure (Tk. value) on each activity, we find that the share of implementation costs on Family Development Fund was Tk. 4,193,390. With the total loans disbursed being Tk. 9,119,750, the cost for disbursement of loans in SESs of RFCWP in November 1984- October 1986 was 45.98% of the loans disbursed. Since the funds were obtained as a donation, EDM did not have to pay anything as cost of the funds. Nonetheless, the 45.98% cost of lending was very high against EDM's income of 6% to 10% as interest on loans.

Loan Recovery:

The loans disbursed by EDM in its RFCWP had a comparatively good recovery rate (Table 8). In 1974-81 the recovery rate was 81%, and in 1981-84 it was 87%, while in the 1984-87 phase up to October 1986 it rose as high as 93%.

EDM's loan recovery being good, has enabled FDF to have a wider loan coverage in a very short time with increases in the average size of the enterprises financed. By December 1987 a total of Tk. 5,088,500 was transferred from villages to recycle FDF and out of this an amount of Tk. 4,772,950 was invested in SESs.

EDM has no system for credit or loan guarantee funds to hasten loan recovery, or to increase its capability to make additional lending. EDM also has no collateral requirement against loans extended. What distinguishes EDM's credit program from that of BRAC or Grameen Bank (discussed next) is that its beneficiaries are not in cohesive groups. They are individuals in various families. The individual borrower is responsible for repayment of the loan. Each of them is discouraged to take repeated loans or be totally dependent on such loans from EDM.

Graduation from the Program:

Since EDM discourages repeat loans, there is no scope for participants to remain with the Program. Either the enterprises successfully expand to the formal financial institutions or they move on to other programs or continue to operate with their own funds without much expansion. EDM files could not provide much information on this issue. Given EDM's specific rules about non-dependence on EDM funds and that most of the participants are skilled/semi-skilled motivated individuals, it would be very informative to follow up on the activities of those enterprises that have left the program.

3.5 Grameen Bank (GB)

The Grameen Bank is a specialized development finance institution (DFI) that started operating as a bank in October, 1983. The idea of the Grameen Bank had its beginning in an action-research study undertaken by Professor M. Yunus at Chittagong University in 1976 in a village called Jobra, adjacent to the University. The findings of the study provided confidence to launch a pilot experiment in Jobra in April 1978. A sub-office of Bangladesh Krishi Bank (BKB) was set up in the area to process loans under the experiment. The success of the experiment led to a large scale Grameen Bank Project of the Bangladesh Bank in June 1979. In addition to several locations in Chittagong district, the GB Project was also located in Tangail district. The Project was tied in with the local branches of the nationalized commercial banks and BKB. The success of the GB Project on the one hand and the lack of enthusiasm of the participating NCB and BKB branch staff on the other hand led to the need for a separate bank. So in September 1983 a government ordinance created Grameen Bank (GB). GB started with an authorized capital of Tk. 80 million and a paid up capital of Tk. 30 million, 40% of the shares contributed by the GB member-borrowers, 40% by the Government, 10% by the Bangladesh Krishi Bank and 10% by the Sonali Bank. In July 1986, the paid-up share capital was raised to Tk 72 million that allowed the GB member-borrowers to own 75% of the share capital.

As a specialized bank for the landless, GB aims at contributing complementary financial services to the country's rural poor in view of the limitations of the traditional banking system. It is a breakthrough in the realm of financing for the poor. It provides credit to the poor without any collateral. This bank, contrary to expecting customers to be attracted by the bank for loans, first approaches the customers itself and motivates them to take loans for healthy investments.

Grameen Bank loans are available to its landless groups or the members therein, to males and females, for investment in a wide variety of activities. Membership to Grameen Bank groups is open to like-minded persons having the same social status and whose family owns less than 0.5 acre of cultivable land his/her family's total assets being valued not above the market price of one acre of average quality land in the locality.

A group consists of not more than five members. Only one person from a household is allowed to join GB as a member. A group is managed by a chairperson and a secretary elected from among the members. These positions are rotated among the members yearly. The chairperson is responsible to maintain discipline and supervise loan utilization by the group members.

A number of groups from the same village or adjacent villages form a center. All weekly meetings of the groups are held at the center level. A center is headed by a center chief elected from amongst the group chairpersons under the center. Center chiefs are responsible to ensure attendance at the weekly meetings, repayment of loans, and overall discipline of the members. The GB is represented at the weekly meetings by its Bank Worker (BW). The BW is GB's field staff responsible for organizing the groups and training and motivating the members. The BW conducts all bank business openly in the weekly meetings.

Every member in a group must save one taka every week to its common fund known as the Group Fund operated by the group. These individual savings are refundable if the member leaves the Grameen Bank. The Group Fund is available for members to borrow for various consumption needs such as health expenses or social expenses. The terms and conditions of these loans are determined by the group, and are usually extended interest-free.

Once a group is formed, it is kept under observation by the Bank Worker to see if its members conform to Bank discipline. During this time they are taught to sign their name and the rules and regulations of GB, and responsibilities and requirements of the members. The group is given formal recognition when all members are found to be conversant in the rules and procedures of GB. Then two members are chosen from the Group for loans. These two borrower are put under observation to see their loan repayment behaviour. If they prove to be good borrowers, then the next two members are considered eligible to apply for loans with the group chairperson as the last to receive loans.

Coverage:

Unlike the traditional commercial banks, the Grameen Bank maintains a very small average loan size. Individual loans may be of a maximum of Taka 5000. This small loan size allowed the Bank a wide coverage. In 1984 it disbursed 173,006 loans the average size being only Tk. 1,759. The major groups of activities financed at that time were eight in number. In 1987 the total number of new loans rose to 442,937 the average loan size being only Tk. 1,829. The following table reveals this growth of the Bank's loan coverage:

Table 10: Loan Coverage of Grameen Bank

Year	No. of loans to male members	No. of loans to female members	Total no. of loans made	Broad Activity Types	Specific Activity Types*
1984	74118	98888	173006	8	490
1985	64977	151827	216804	8	534
1986	54526	233392	287918	8	548
1987	59405	383532	442937	8	539

* = Same type under individual and collective loans are counted twice.

In a 1984 study, Hussain found that about 76.6% of the male loan recipients was engaged in trade and business, farming, and cottage industry while 87.4% of the female loan recipients were involved in domestic work and cottage industry. (Source: Credit for the Rural Poor - the Grameen Bank in Bangladesh; BIDS, Dhaka, 1984). The involvement of females in cottage industry was significantly higher than that of the males, while in the case of trade and business it was the reverse.

Volume of Loans

In addition to the overwhelming number of small, individual loans ranging from a few hundred Takas to a maximum of Tk. 5000, GB had started experimenting with a small number of group or cooperative loans ranging in size from Tk. 50,000 to as large as Tk. 100,000. These cooperative loans are issued to a collective body of members but each member is responsible for an equal proportion of the loan. Repayment is also made by each member at the weekly meetings. In 1984 32% of GB members borrowed for collective enterprises. However, the failure of many of these collective loans reduced the share to 6% in 1987. In overall GB portfolio, collective loans jumped from 1.9% of total amount in 1983 to 8.2% in 1984, but reduced to 5.1% in 1985 and to 1.8% in 1987.

Grameen Bank's total amount of advances has been increasing tremendously. In 1984, total cumulative loan amount stood at Tk. 499,279,000. In 1987, it went up to Tk. 2,279,400,000. Yearly disbursement increased from Tk. 304,359,000 in 1984 to Tk. 810,026,510 in 1987. The average loan size in 1984 was Tk. 1,759 while it rose to Tk. 1,882 in 1986 (see Table 11). The share of total loans going to female borrowers increased from 50% in 1984 to 80% in 1987.

Loan Terms :

All GB loans are issued for a period of only one year. They have to be repaid in weekly installments, each installment being 2% of the principal. Payments in the last two weeks of the year are regarded as interest charges.

Grameen Bank at present charges its borrowers an explicit simple interest rate of 16% per annum. Earlier, while it was a project it used to charge an annual interest rate of

13%. The Bangladesh Bank now charges 8.5% annual interest on the money lent to the Grameen Bank instead of the 4.5% concessionary charge applied before.

Whenever a group member receives a loan, he/she must deposit 5% of the loan amount to the Group Fund, which is deducted at the time of disbursement and is nonrefundable if the member leaves GB. Beside the payment to the Group Fund, borrowers are also required to pay an additional sum equal to 25% of the interest charged on the loan to create another fund called the Emergency Fund. This works as an insurance fund against default, death, disability, or other contingencies.

The borrower may invest the loan fund in any economic activity. There are no binding rules from the bank's side in this regard.

Other Non-loan Services:

Unlike BRAC, there is no system for technical assistance to be provided to the members. The Bank Worker discusses the proposals for loans with the group members and disburses loans in the groups' weekly meetings. S/He even collects the repaid loans directly from the members at those meetings. S/He also helps maintain group cohesiveness and members' conformity to bank rules by attending the weekly meetings. But no system for technical assistance has evolved so far.

Income vs Expenses:

Unlike most of the organizations with microenterprise credit programs, Grameen Bank is more like a financial institution than a typical self-help organization. It borrows its loanable funds from other financial institutions as loans and charges all its program personnel costs to expenses rather than to fixed project expenditures or assets. It pays an 8.5% annual interest on loan from the Bangladesh Bank and 2%-3% interest on loans from IFAD (International Fund for Agricultural Development) and other international donors. The rate of interest on temporary overdrafts from Rupali Bank was 16% in 1985. In 1985 and 1986 it also took interest-free loans from the Ford Foundation.

Its income comes mainly from loans and deposits with banks. On its loans it charges an explicit interest rate that is equal to the official rate for rural loans. However, it is estimated that given the different deposit requirements similar to compensating balances, the effective interest charged is around 22.5%. Again, like a financial institution, GB has a reasonably diversified portfolio of assets. Not only are its loans diversified into several hundred types of activities in different parts of the country, it also maintains almost half of its funds in risk free fixed income assets in government bills and term deposits with banks. This has provided GB with the necessary cushion to offset any losses in loan operations.

In 1981-82 the cost of running the Grameen Bank Project units plus the bank charges on the borrowing was estimated at 12.3% of the loans disbursed. The rate of interest received on loans disbursed was 13% so the project was then running at a small surplus.

In October-December 1983 the project earned a net profit of 2.6% per annum on the loans extended.

In 1984 total operating costs (including cost of funds) were 10.23% of the yearly loans disbursed which provided significant profit compared to the interest rate of 16% on its loans. However, with the expansion of branches, the expense to loan ratio increased to as high as 16.59% in 1986, and eased slightly in 1987 to 15.84%, making Grameen Bank barely profitable with the 16% income on loans (Table 11). But with the income earned from interest on government treasury bills and term deposits at banks it was in a comfortable financial situation.

Table 11: Loan Management Efficiency of Grameen Bank

Year	Annual Loan Disbursement (Taka)	Average Loan Size (Taka)	Rate of Interest (%)	Rate of Recovery*	Operating Expenses	
					Total (Taka)	% of Loan Disbursed
1984	304,359,000	1759	16	n.i.	31,131,835	10.23
1985	428,450,000	1976	16	96.52	65,278,012	15.24
1986	541,733,000	1882	16	95.88	89,884,842	16.59
1987	810,026,510	1829	16	96.42	128,282,426	15.84

* Cumulative figures, n.i. = no information

Source: Annual Reports and Cumulative Statements of Grameen Bank.

Loan Recovery :

Bank records show that overdue rates for 1980, 1981, 1982 and 1983 were less than 1% of outstanding loans. A BIDS survey in 1983 showed slightly higher figures, while overdue cases were 2.5% of the number of loanees. The same survey found that repayment was proportionate to supervision. Where supervision was lacked, overdues were higher.

The annual cumulative statements of the Bank show the outstanding and overdue amounts to be as follows:

Table 12: Grameen Bank's Outstanding and Overdue Loans

Year	Total Unrepaid Loans (% Disbursement)	Total Outstanding (%)*	Total Overdue (%)**
1985	22.53	2.78	0.70
1986	20.50	2.87	1.25
1987	20.06	1.86	1.72

* Amount remaining unrepaid after one year.

** Amount remaining unrepaid after two years.

Source: Annual Reports, Grameen Bank.

The annual statements of the Grameen Bank reveal that the rate of recovery among males was slightly higher than among the females in 1985, 1986 and 1987. The monthwise recovery statements show that the highest monthly recoveries were achieved in December of every year, the lowest being in the month of January. In December the banks close their calendar year accounts; as a result closer supervision and a special effort for loan recovery in that month is conceivable. The reasons for this abnormally high concentration of loan recovery in one single month deserves further investigation.

As stated earlier, the collective loans have not fared well in recovery performance. One of the major reasons for the poor performance of these larger loans was the one-year term of the loans and the requirement of weekly repayment like the standard GB loans. Since the use of these loans were long-term in nature with very little steady cash flow every week, borrower performance failed to keep up with the standard GB loans. In addition, in many cases, the GB borrowers were not equipped properly to manage the larger projects themselves. To ameliorate this situation, the GB management itself has taken up management responsibility of the larger projects like a management contract.

Loan Guarantee Funds :

Grameen Bank extends loans to the landless without any collateral or any other sort of explicit guarantee. However, it ensures savings among the members that facilitate the formation of the Group Fund. Over the period of time since inception, this Group Fund has grown in volume to perform as a de facto loan guarantee fund. In addition, the Emergency Fund also can be tapped to stand as guarantee.

Graduation from the Program :

Grameen Bank explicitly does not make any effort for its members to graduate out of it to the formal banks. Rather, it is a unique example of moving away from a subsidized program in a traditional bank to a specialized bank for the poor.

3.6 Mennonite Central Committee (MCC)

The MCC is a relief and development agency of the Mennonite and Brethren in Christ churches of Canada and the United States. It works in agriculture, sanitation, material aid and job creation. The JCP (Job Creation Program) of MCC is the one in which it undertakes to supply credit and to provide technical, managerial and marketing assistance to very poor persons, especially women, to enhance their employment and incomes. It supports enterprises which are financially viable and able to be sustained for a long time even after MCC's withdrawal.

Coverage :

No detailed information was available as to the total number of loans distributed. However, MCC's Report No. 7 (1986- 1987) showed that in that year it financed

enterprises in Noakhali, Comilla, Dhaka, Barisal, Saidpur and North Bengal. The total number of enterprises financed was fourteen. These included the following activities: fish tanks, coconut products, weaving, garment factory, rope and twine making, handicrafts, quilt making, soap making, photocopying, bakery and marketing of MCC products.

The beneficiaries of JCP are the rural landless, particularly female heads of households. MCC's view is to increase absolute employment among target groups, to increase worker productivity, and to develop businesses owned and controlled by the producers.

Loan size per enterprise in JCP is much higher than US \$ 1,000; but as these are given out to a large number of producer owners in a particular enterprise, its program was brought under the scope of this study to investigate its very peculiar situation.

Loan Terms :

MCC's funds disbursed as credit in JCP are soft credits involving no interest. Only the producer-owners of enterprises are entitled to such loans. Selection of loan recipients is done by MCC staff.

The following basic pattern has evolved from JCP's experience with various project development activities:

- a) Phase I - Research and Development,
- b) Phase II - Test Production and Test Marketing, and
- c) Phase III - Full Operation.

During Phase III, MCC sets a schedule for complete withdrawal of services. A substantial initial investment of working capital is made at this phase. Management training is given to a committee of producers selected to operate the business. At the end of this phase, ownership is transferred to the producers. An initial startup loan is often provided in Phase II when plans for ownership and management are also decided. MCC provides only working capital loans once a scheme transferred to the owners.

Loan repayment begins when the enterprise starts to show a profit; other than that the terms of repayment are flexible.

Once an enterprise is in full of operations, MCC has little to do with it excepting keeping records of accounts, monitoring loan recovery and issuing further working capital loans.

Income vs. Expenses :

Though MCC has to pay nothing to its donors as the cost of funds received are donations, its total expenses stand very high in relation to the loan amounts extended. It spends a lot on research-and-development and project development. Otherwise, the real expenses in relation to loan amounts are also very high. The following table validates this statement.

Table 13: MCC's Loan Disbursement, Expenses, and Recovery
(Amount in Taka)

Year	Amount Disbursed	Total Expenses	Total Loans Outstanding	Total Amount Recovered (%)*
1983	991,000	1,275,000	2,100,000	-
1984	1,370,000	1,570,000	3,091,000	17,000 (0.55%)
1985	999,000	2,445,000	4,376,000	-
1986	423,000	2,637,000	5,140,000	255,500 (4.97%)
1987	939,000	2,853,000	5,262,000	527,000 (10.02%)

* Recovery Rates in parentheses represent amount recovered as percent of principal plus interest realisable.

In 1987 out of total expenses of Tk. 2,853,000, an amount of Tk. 302,000 consisted of actual operating expenses while Tk. 1,790,000 was project development cost and Tk. 1,006,000 research expenses. The total operating expenses in that year were 32.16% of the total loans disbursed. In 1983-84, the total loan recovery was 0.55% of the loan outstanding as on 01 July, 1983. In 1986 the recovery was 4.97% while it rose to 10.02% in 1987. As MCC aims at long-term sustainable projects, it is hoped that the recovery rate will improve with passage of time and the right type of project development.

MCC seeks no loan guarantee funds nor any other type of collateral from the recipients of its working capital loans.

3.7 Manabik Shahaiya Sangstha (MSS)

MSS is an indigenous NGO formed in 1974 under registration from the Ministry of Social Welfare with the name 'Clothe the Nudes'. Initially, it was involved merely in relief work for the rehabilitation of the poor in the face of the devastations wrought by the liberation war and the floods of 1974. In January 1977 it was renamed MSS under a new registration with the permission to operate in new development activities beside relief work. MSS obtains its funds as grants from international organizations. The main donors are OXFAM (U.K), The Asia Foundation, NOVIB (Netherlands), Netherlands Government, and World Vision.

The objective of MSS is to help the needy irrespective of custom, creed or religion. It has not yet expanded its programs from the urban poor to the rural poor. From 1977 to 1982, MSS operated in selected income-generating activities among the urban poor of the Dhaka city. The activities mainly included arranging kits for the socially dislocated children involved in shoe-polishing as a profession in Dhaka, small poultry for males and females, and handicrafts mainly for the female participants. They also conducted a small functional education program. In that phase, funds were raised from the proceeds of

various charity cultural shows organized by MSS, and from the savings of the beneficiaries themselves.

Four projects are being implemented by MSS at present. They are:-

- 1) Mother and Child Health, and Family Planning (MCHFP);
- 2) Small Credit Program (SCP);
- 3) Phoneix (involved in rehabilitation of the children dislocated during the liberation war in Sandwip island); and
- 4) Relief Operations.

Of these, only the Small Credit Program (SCP) is a microenterprise credit program. This program started in 1982. The objective of this program is to: i) provide loans for income-generating activities to the slum-dwellers (in Dhaka) who do not have sufficient resources and income for such activities, and ii) enable the beneficiaries to develop the necessary skill, self-discipline and self-management to receive and to utilise bank loans in income-generating activities.

Under this program funded by OXFAM (U.K.), MSS distributed loans to the beneficiaries directly from their own office from July, 1982 to October 1984. Since November 1984 it has been providing loans through the Janata Bank. The progress achieved by SCP from November 1984 to December 1987 has been reported by its Evaluation Report. The findings from this report and interviews with the MSS officials appear below.

Coverage :

During the thirty-eight months of the program up to December 1987, a total of 564 beneficiaries received loans. Out of them the total number of males was 493 and females 71. No yearwise break-up down for these figures was available. The evaluation report mentioned that most of them received loans only once while a few received loans more than once.

The borrowers were the slum-dwellers of the Dhaka Metropolitan City in the Kathalagan, Kalabagan, Dhanmondi and Farm Gate areas of Dhaka. In general, having limited skills and almost no capital to invest, these urban poor faced problems of employment and income.

Some of these people were unemployed and in most cases what they earned was not enough for the subsistence of their family. In cases where a person could get a loan from informal sources to increase income, he would be faced with two problems: i) the rate of interest of the loan would be extremely high compared to that charged by the banks, and ii) he would be faced with the problem of management of his investment. The implication of these two problems was that many poor people who had invested in small trade or business had to pay high rates of interest and at the same time suffered loss thereby discouraging them from further investment.

About 90% of the borrowers were within the age bracket of 18 to 50 years. However, only 37.64% of the total were between 18 and 30 years of age.

Volume of Loans :

The total amount of loans distributed from November 1984 to December 1987 was Tk. 745,000. The average size of loan was Tk. 1,321. The various economic activities of the borrowers included tailoring, handicrafts, chapati making, grocery, vegetable- selling, betelnut shop, chicken raising, rickshaw ownership/ pulling, fruit selling and others. Among them tailoring, handicrafts and chapati making constituted the three highest numbers of enterprises. Out of the total disbursement of Tk. 745,000, the female portion was Tk. 117,000 (15.70%) while the female borrowers were 12.59% of the total. The loans disbursed varied in amount from Tk. 500 to Tk. 3,000. No loan for amounts below Tk. 500 are issued by MSS.

Loan Terms :

All loans recommended by the program to the Janata Bank were short-term, that is for one year only. The MSS rate of nominal interest on these was 13% per annum while the Bank realized a 3% per annum service charge on the principal amount in exchange for the financial services rendered. This made the rate of interest 16%. The field worker of MSS usually makes a survey of the peddlars and other small traders in his/her respective area. A list of the eligible borrowers is thus prepared. This list is supported by proper certifications from the concerned local representatives for particular prospective borrowers. Then the field worker submits a proposal for loans to the loan approving committee. The loan approving committee consists of the MSS Executive Director, the SCP Coordinator and two field workers. The committee, on satisfaction over the identity of a particular borrower, approves the loan proposal and sends a letter of introduction/ recommendation for him/her to the bank. The involvement of the bank in the program was: i) to receive, scrutinize and process the loan applications; and ii) to provide a loan as quickly as possible to enable timely use of it. The three branches of Janata Bank that worked with SCP are the Green Road, Airport Road and Dhanmondi (Shukrabad) branches.

A precondition maintained by SCP in loan management was that no borrower was eligible to apply for fresh loans as long or any part of his/her old loan was outstanding. The borrowers received their loans directly from the bank, and they were also instructed to repay their loans at the bank. In practice, however, 15% of them forgot this instruction and repaid their loans through MSS to the bank.

Compounding of interest, as usually practiced by every commercial bank, was also applicable on the SCP loans. The loans are to be repaid at the rate of 10% of principal per month along with interest due.

Other Non-loan Services :

MSS concentrated its efforts in SCP on loan service only. Besides acting as the go-between for the bank and the borrowers, they seemed to give few other services. Their training of the borrowers on relevant self-discipline and self-management was meagre.

The field workers worked closely with the borrowers. Each field worker had around one hundred borrowers in his/her area. Their services consisted especially in areas of identification of borrowers, proposals for loans, and motivation for loan recovery.

Income vs. Expenses :

The evaluation report provided cumulative data on SCP's expenses from November 1984 to December 1987. SCP's receipts and expenditures are treated more commercially than those of BRAC or EDM. In the absence of any indication of institutionalization, MSS treats its staff salary and training expenses as operating expenses and not capital expenditure.

Total grants received by MSS for SCP in three installments were Tk. 518,905. The total payments from November 1984 to December 1987 were Tk. 509,909. Among the payments, the stationery and office supplies were very small (that is, 2.13% of the total). In the absence of detailed explanation as to how much of the total assets of stationery and office supplies were spent (or consumed) and these total asset-amounts being relatively small, it has been assumed that all the payments on these two items were expended. Next, the total book value of furniture and bicycles under the payments head was 3.04% of the total payments. This amount being small and the assumed depreciation on these being still smaller for thirty-eight months, the question of depreciating them for income-expense analysis in the absence of sufficient information has been avoided. In addition, while the total initial loan fund was Tk. 400,000 donated by OXFAM, by December 1987 SCP had a total disbursement of Tk. 745,000. Here they made a surplus of Tk. 345,000 on Tk. 400,000. This was unusually large for a period of thirty-eight months made possible only through a very quick loan recovery and better investments of the funds which would otherwise remain idle and unproductive.

Under these limiting circumstances for analysis, MSS seems to have earned a gross profit of Tk. 345,000 besides having spent Tk. 494,407 (excluding the full values of undepreciated furniture and bicycles). The profit was thus only 69.78% of the total expenses. On the other hand, the total disbursement being Tk. 745,000 the total expenses were 66.36% of the total disbursements.

It may be reinstated that MSS received SCP's loan funds as grants from OXFAM. The accumulated loan funds are always to be paid out as loans while the administrative expenses are met through separate funds also received from OXFAM as donations.

Loan Recovery :

As mentioned earlier, MSS takes up the sole responsibility of motivating the borrowers to repay their loans. As per the SCP rules the borrowers are required to repay their loans in 10 instalments each being 10% of the total loan amount to be paid per month.

For the purpose of evaluating their loan management in SCP a representative sample of borrowers was selected by MSS. The total selected borrowers were 178 from the age group of 40 years or below. They represented 72% of the total borrowers. All of them borrowed Tk. 308,500 in November 1984- December 1987. Out of this, Tk. 306,679 fell due for recovery. The total repayment was 78.53%.

It was further stated in the evaluation report that the females rated better as loan repayers than the males. To estimate the women's performance on loan repayment, 27 of them out of a total 71 were selected as a representative sample. They borrowed a total amount of Tk. 48,000 out of which Tk. 47,425 was due for recovery. The repayment was Tk. 40,777 being 85.98% of the principal amount due. The information on percentage recovery on interest receivable was not available.

It was reported in the interviews with the Legal Adviser and the Executive Director of MSS that the male borrowers were usually highly mobile shifting their residences very quickly and showed quick changeovers of income-generating activities thus almost always seeking more and more funds for investment but showing less interest for loan repayment. This delay in repayment of course disqualified them to apply for repeated loans (Source: Interview with Rosy Hussain, Executive Director of MSS in Dhaka, on July 12, 1988).

Loan Guarantee Funds :

MSS sought no guarantee or collateral security against the loans made. A moderately satisfactory recovery of loans was possible only because of close supervision in loan disbursement and loan recovery.

New Design of MSS

The second phase of operations for thirty-eight months in SCP has confirmed MSS's pre-conceived notion that women make better utilization of loans and are better repayers than men. At first (around 1977) MSS provided training on cooking and housekeeping to enable women to get more lucrative household jobs. After the training, most of them were unwilling to work at long distances from the city centre. Then these women were trained in handicraft making and were provided loans from SCP.

Now MSS with the additional experience of the bank's reluctance to receive small amount of loans repaid, to send regular financial statement to MSS, and to maintain small savings accounts of beneficiaries is planning to change the policy of loan disbursement and accounting for loans. They have proposed the disbursement of loans

from their own office and maintaining a central pool of loan funds with the bank. They wish to maintain their individual creditors' accounts with themselves. Though not willing to operate as a full-fledged bank, MSS is trying to settle the issue of legal charter to act as such a credit-giving agency with the Government. This proposal also awaits the donor's agreement. Under the newly proposed credit program the beneficiaries are going to be only the poor female slum-dwellers. The name of the proposed program is "Women's Credit Program".

3.8 Proshika/Manabik Unnayan Kendra (MUK)

Proshika is an indigenous NGO of Bangladesh formed in March, 1976. It is dedicated to human development through training, manpower, and financial support. Training being the most important part of the program, each of Proshika's development centres has physical facilities for training in a) human development, and b) practical skills. Manpower (staff) development from within its project areas takes a long time. Large-scale operation of this program has limitations of funds and manpower.

The activities of Proshika are conducted through groups of landless people. A large emphasis is placed on their like-mindedness for better cohesiveness. A group works in close cooperation with the Field Organiser, that is, Proshika's grassroots staff. The group is managed by a managing committee and sits in weekly meetings and creates savings out of their own money. They first receive human development training from Proshika.

With Proshika the promotion of collective employment and income-generation is a major activity. Once its landless group members have achieved integrity manifest in terms of internal discipline and collective decisions, they take on EIG (Employment and Income Generating) activities.

The entire range of EIG activities can be grouped into the following three categories on the basis of sources of funds :

- i. EIG Activities based on Groups' Savings
- ii. EIG Activities with RLF (Revolving Loan Fund)
- iii. Socialization of Minor Irrigation Assets

The EIG activities with RLF falls under the scope of this study.

Coverage :

A total of 242 EIG activities with RLF assistance were launched in 1984. The number of group members expected to be benefitted were 4011 including 578 women. In 1985 a total of 664 EIG activities were taken up. In 1984 the total RLF loans provided were 77.04% of the total investments in the concerned enterprises, while in 1985 it rose to 81.09% of the total investment.

Table 14: RLF Coverage under Proshika

Year	Types of Projects	No. of Projects	No. of Group Members	Investment in Taka		Total Project Cost
				Groups' Contribution	R.L.F. Component	
1984	14	242	4011	424542	1424110	1848652
1985	15	664	11671	1227348	5251724	6489072

In 1984, the female members were 14.41% of the total and they took up 16.12% of the total number of enterprises. In 1985 the total female members were 28% of the total while they took up 31.93% of the total number of enterprises.

Volume of Loans:

In 1983 total loans disbursed were Tk. 375,000. (Source: Interview with Masrurul Islam, RLF Monitor, Proshika, on June 25, 1988). In 1984 it was Tk. 1,424,110 and in 1985 Tk. 5,261,724. The total amount of fresh loans is on an increase and so is Proshika's participation in the total investment of EIG enterprises, 77.04% in 1984 and 81.09% in 1985. The average loan size in 1984 was Tk. 5,884 while it rose to Tk. 7,924 in 1985.

Loan Terms :

Loans are distributed on the basis of applications approved by the group managing committees. Like the BRAC groups, they also deposit some amount of money into a common fund as their own savings. This acts as a guarantee for Proshika's loans. The service charge realised by Proshika from RLF loans is 7% on working capital loans and 5% -16% on fixed capital loans. The fixed capital loans are repayable at a time on completion of the loan term or in installments.

Income vs. Expenses :

Lack of proper records with Proshika constrained a proper study on this topic.

Loan Recovery :

The yearwise recovery of loans (principal plus interest receivable) for 1983 and 1984 up to June 25, 1988 was 87% and 74% respectively. At the end of December 1985 the cumulative recovery was 91% while in 1986 and 1987 it came down to 72% and 78% respectively. No other information concerning Proshika's loan recovery on RLF financing were available.

Loan Guarantee Funds :

No loan guarantee funds are maintained by Proshika's group members against their loans. But they must make some substantial amount of savings in their group fund account in order to be eligible to apply for loans for individual or collective enterprises. This

condition imposed on them enables Proshika to have the RLF expanded gradually by the landless for their own benefits. This gives Proshika the scope to make additional funding of EIG activities.

3.9 Swanirvar Bangladesh (SB) :

Swanirvar Bangladesh (SB) is an organization with an integrated program of development activities. It was founded by the late Mr. Mahbub Alam (Chashee) as a movement against poverty in 1975. This movement was inspired by the devastations of the floods in 1974, and by the liberation war of 1971.

SB concentrates its development efforts on three main areas, namely i) mass education, ii) population control, and iii) microenterprise credit. The Swanirvar Credit Project (SCP) was launched in 1978 as a part of the Swanirvar Intensive Program. It first started in ten upazilas involving assetless rural women as the beneficiaries investing their own savings as capital. On the basis of the success achieved in that pilot project, the Bangladesh Bank issued a circular to a number of nationalized scheduled banks to provide loans to the male and female beneficiaries of the SCP. The financing banks are Sonali Bank, Bangladesh Krishi Bank, Janata Bank, Agrani Bank and Rupali Bank. Under SCP, SB does not disburse any of its funds, rather it facilitates its members to obtain loans from the participating branches of the nationalized banks in the area. In that sense, under SCP, SB prepares its members to be eligible for normal bank loans and helps the bank staff to select potential borrowers.

SB gets very few funds from international donor agencies. Its administrative expenses are met with grant funds from the Ministry of Health and Family Planning, the Ministry of Finance, and the SCP Workers' Trust. A small amount is obtained from the Path Finder, an international NGO involved with family planning activities.

The objectives of Swanirvar's SCP are:

- i) to facilitate access of the assetless rural poor to commercial bank loans on soft terms without collateral or security,
- ii) to enhance the economic condition of rural families through an increase in employment opportunities,
- iii) to generate mutual respect, leadership and skills among the rural poor through their group formation,
- iv) to achieve an integrated development of rural areas,
- v) to generate social and human values, and
- vi) to eliminate illiteracy and to implement the family planning program.

Coverage :

As part of SB's overall integrated total village development program, credit activities follow family planning and education activities in the village. Therefore, SCP activities are initiated in a village only after the village members fulfill other organizational

requirements of SB programs. Whereas SB had started functioning in 138 upazilas by the end of June 1988, only 90 upazilas were covered specifically by its SCP at that time. The total upazilas under SCP by the end of June 1987 were 76 covering 8884 villages in 21 districts. The total number of loan recipients has increased from 10,877 in 1979-81 to 446,200 in 1986-87.

A borrower here means any male or female member of the population in a village who is a bonafide member of any SB assetless group and whose total landholding is not above 0.40 acre, and total annual income not above Tk. 20,000. Literacy among the borrowers is highly encouraged; but in case of illiterate borrowers indirect pressure and assistance is made to make him literate. A borrower is also required to adopt necessary family planning methods. That is, if he has more than two children (the wife being alive) he has to take up temporary birth control methods. The unmarried borrowers are also advised to delay their marriage.

Volume of Loans:

The amount of loans distributed by the participating banks under SCP increased tremendously in the early years of the program until the general credit tightening in Bangladesh in 1985-86. While it plans to operate in a total of 138 upazilas, it is now operating in only 90 upazilas. The maximum amount of loan provided per enterprise is now Tk. 5,000 including fixed capital and working capital loans and the minimum amount is Tk. 1,000. However, most loans are in the range of Tk. 2,000 to Tk. 3,000. In 1979-81 total loans disbursed were Tk. 5,549,713. In 1983-84 SCP's total loan disbursement increased significantly to Tk. 182,492,990. This was the outcome of a large number of new group members included in the program. However, since then the volume of loan disbursement has been decreasing steadily (Table 15).

Table 15: Loan Coverage, Disbursement and Recovery under SCP

Year	Total No. Borrowers*	Total Annual Disbursement (Tk.)	Total Annual Recovery (Tk.)	Recovery Rate (%)
1983-84	227007	182,492,990	100,727,481	94
1984-85	341903	181,739,223	85,695,471	71
1985-86	406514	122,474,779	112,073,915	64
1986-87	446200	99,623,215	72,299,577	67
1987-88	465139	78,354,989	69,151,253	81

* Cumulative figures.

Source: Annual Reports, Swanirvar Bangladesh.

SCP loans are provided for any viable income-generating activities undertaken by the members. Currently, there are over 225 types of enterprises that are financed through SCP. Ten of these activities consumed most of the SCP loans. These activities were: dhenki (indigenous method of paddy husking), grocery, cow fattening, rickshaw, puffed

rice making, flour selling, raw sugar selling, tea stall, sewing /tailoring, and clothes selling.

Loan Terms :

The SCP loans are provided to the selected beneficiaries after long scrutiny. To be eligible to apply for loans, a group member has to prove that he is regularly attending the group's weekly meetings and is taking an active part in its overall management. He has to abide by all the Swanirvar Credit Project rules. He is required to save one taka per week as his personal savings in the Group Fund with the bank. The Group Fund contains money accumulated as a result of a) members' personal savings, b) Group Tax #1 (paid in return of financial services received through the Group on loans from bank), c) Group Tax #2 (paid in return of financial services received through the Group on loans from the Group itself), and d) fines paid for absence in the weekly group meetings in a centre. Besides, the concerned bank branch also maintains another loan account under the personal name of every loan recipient.

The application for loans by a member is assisted by the loan assistant (a locally recruited field staff) maintaining liaison between the bank and the Centre/Group. Each group consisting of 5 male/female members is administered by a centre. A centre consists of ten groups of males or females. A centre is headed by a Centre Chief.

The application for loan is primarily forwarded by the Group's Manager and the Centre Chief. The Union Swanirvar Committee (administering a number of Centres) and the loan assistant jointly recommend loan applications to the concerned bank. The loans are received by the borrower from the bank. But the loan repayments are received by the loan assistants in weekly meetings.

The payments made by the loan recipients for a loan are:

- a) Group Tax @ 5% of loan amount to be deposited in the Group Fund account maintained with the bank by the Group Manager;
- b) Emergency Tax @ 1% of loan amount to be deposited in the Emergency Fund Account maintained with the bank by the Chief or Assistant Chief of the Centre;
- c) Workers' Trust Tax @ Tk. 2.00 per week to be deposited in the Workers' Trust Fund Account maintained by the Union Assistant; and
- d) Interest @ 13% per annum to be paid to the bank.

It should be added here that all SCP loans are short-term, that is, for one year only. The Group Fund is considered to be the Group's money and not refundable to any individual member. This is utilized for further lending to members. While only 50% of it is to be lent out to members, the remaining 50% may be invested outside for Group

benefits. The decisions in this regard are to be taken by the group in a democratic manner.

The Emergency Fund is utilized in assisting any member of the Group in case of any unforeseeable problem. In the case of the Workers' Trust Fund, 50% of it is paid to the Loan Assistant(s), 25% to the Union Assistant(s), and the remaining 25% maintained in the Trust Fund for long-term uses. Other than this, there are no salaries for the field workers of SB.

There is, normally, no system for paying a service charge (now usually 3%) on bank loans under SCP. But in the case of non-repayment of loans within a one-year period, the recipient has to pay double of this 3% as service charge, in addition to the 13% interest charges and the 3% penal rate. This makes the subsequent interest rate to be 22% per annum on the principal amount.

The loans are repaid at 2% per week. This makes the total loans payable within 50 weeks at 13% per annum interest. The compounding of interest is applied on the expiry of one year (or, 52 weeks) after disbursement of the loan.

In the case of loans from the Group Fund, a borrower has to pay interest (determined by the centre), the emergency tax, and the group tax #2. The rates of emergency and group taxes are equal to those in the case of the bank loans.

Other Non-loan Services :

SCP combines many services with financing. It ensures proper training of the Union Assistants in the Upazila Swanirvar Implementation Offices for proper implementation of the project. The training topics include simple financial analysis, record keeping, and credit rules. The Union Assistants trained in the Upazila Swanirvar Offices subsequently train the Centres and Groups in the field.

This project has also ensured attainment of literacy among the prospective borrowers through rules regarding eligibility for loans. The necessity for abiding by the family planning rules applies to all the group members of Swanirvar Bangladesh. The SCP is, therefore, providing a package of services and not only financial services.

Income vs. Expenses:

SB obtains funds from four sources: i) grants from the Ministry of Health and Family Planning, ii) grants from the Ministry of Finance, iii) donations from the Path Finder, and iv) The Swanirvar Workers' Trust. Among these, the funds from the Ministry of Finance and the Workers' Trust are spent for administering the SCP.

Since SCP is a component of SB's overall Village Development Program where the SB staff carries out a variety of activities in addition to SCP, it is difficult to separate out the costs associated with SCP activities except for those directly related to the SCP training program for which separate funds have been earmarked each year from the

Ministry of Finance. Again, the Loan Assistants are not paid any direct salary except the share from the Workers' Trust Fund, so the total costs associated with administering SCP are further understated.

The 1988 Annual Report of SB indicates that in the period 1984-85 to 1987-88 all the funds received were spent. In 1984-85 total expenses under SCP were Tk. 274,000 which rose to Tk. 5,950,000 in 1987-88. All these expenses are of an operating nature including pay and salaries of officers and staff, allowances and honoraria, and miscellaneous expenses directly related to training under SCP.

Table 16 : Loan Management Efficiency of SCP

Year	Total Loan Disbursed (Taka)	Administrative Expenses (Taka)	Administrative Expenses as % of Loans Disbursed
1984-85	181,739,223	274,000*	0.15
1985-86	122,474,779	300,000*	0.24
1986-87	90,624,916	4,466,000	4.93
1987-88	78,354,989	5,950,000	7.59

Source: Swanirvar Bangladesh, Annual Report 1988.

* These amount represent expenses met by funds received exclusively for SCP. The rest of the funds for required expenses came from other project funds not reported against SCP. Thus, a clear picture is not available.

Loan Recovery:

Currently, the overall loan recovery situation in SCP is relatively poorer than that of Grameen Bank, BRAC, etc. From a recovery rate of 100% in the initial years (1979-81) of SCP, it has dropped severely to as low as 64% in 1985-86. However, the downward trend seems to have been checked. Table 15 shows that the current rate is 81%. Since the SB credit program operates directly as an adjunct of the nationalized banking system, the recent deterioration may be attributable directly to the overall decline of financial discipline in the banking sector in Bangladesh. Nonetheless, compared to the recovery rates hovering under 40% in the scheduled banks in the rural sector, the recovery performance of SCP loans is remarkably high.

Loan Guarantee Funds :

No provision for any collateral or security against bank loans is made in SCP. The confidence in the organisational strength of Swanirvar's assetless groups is the only factor influencing banks to provide loans. The loan recovery activity is strengthened by the SCP staff like the loan assistants and also by the center chiefs.

Graduation from the Program:

Since Swanirvar already mediates for its members to obtain loans from scheduled banks under SCP, it does not have any specific plan to graduate its members to deal directly with the banks. Like, BSCIC's WEDP, SCP borrowers will tend to lose the free assistance provided by SB if they approach the bank on their own. On the other hand, SB being an integrated program, there are other activities that the SCP borrowers would not like to part with even if they attain financial strength.

3.10 Other Programs :

In addition to the above major microenterprise programs, there are still several other organisations, national and international, providing credit to microenterprises in Bangladesh. These programs are briefly introduced below.

3.10.1 Association for Social Advancement (ASA):

Association for Social Advancement (ASA) has some women's income generating programs in Narshingdi, Kishoregonj and Netrakona districts. In 1987 around 20,000 women were organised into groups of about 30 each. ASA trains its women in income generating activities, education, and leadership. The major activities conducted are poultry/duck raising, paddy husking, embroidery, tailoring/seaming, mat-making and bee-keeping. The group members receive loans from a revolving fund created by ASA. The loans are repayable in six months.

3.10.2 CARE:

CARE is involved in many development activities in Bangladesh. Of the various activities undertaken by CARE, it accomplished small successes in the provision of credit for non-farm microenterprises operated by women under the Women's Development Program (WDP). Aimed at rendering overall development of the distressed rural womanfolk, WDP was started in the 1970s as a health and family planning program. It was only in 1980 that CARE launched its income generating activities among organised rural women's groups through their (groups') own savings. Each group consists of 10 to 15 members.

CARE provides no loans out of its own funds to beneficiaries. CARE is cautious not to make the group members become very dependent on CARE for external sources of funds thus affecting proper planning and implementation of sound entrepreneurship; and since CARE withdraws from each women's group after an operation for three years, it may not be possible for the group to sustain after this period if dependence on CARE funds is an important factor. Thus, the group members generate loans from their group funds created out of their own savings. In this sense, CARE intermediates internally mobilized funds among the members and provides the necessary organizational assistance.

CARE's activities in this program include:

- a) organization of women into groups,
- b) motivation of women to save money and to take up entrepreneurship,
- c) literacy and numeracy training on the groups,
- d) supervising the groups' weekly meetings, and
- e) reconciling the groups' annual income/loss statements.

The existing income-generating activities in WDP mainly include paddy husking, chicken rearing, muri (puffed rice) and cheera making, vegetable gardening, and small shops. This program is operating in twelve upazilas under five CARE Suboffices, namely Dhamrai, Mirzapur, Tangail, Gopalpur, and Parbatipur.

The total number of groups in the program as of May 31, 1988 was 138 with a total of 1710 members. The total loans outstanding as of that moment was Taka 259,679 which was 57.39% of the total group fund of Taka 452,495, (Table 18). The average group fund and average fund per member at that moment stood at Tk. 3,419 and Tk. 261, respectively.

Table 18 : Program Status of WDP as of May 31, 1988
(Amount in Takas)

CARE Sub-office	Total No. of Groups	Total No. of Members	Total Loans Outstanding	Total Group Fund	Average Group Fund	Average Group Fund per Member
Dhamrai	29	318	29,875	71,063	2,450	223
Mirzapur	26	358	95,325	167,375	6,434	468
Tangail	30	356	54,559	83,731	3,349	235
Gopalpur	25	304	21,061	48,703	1,948	160
Parbatipur	28	374	58,859	81,623	2,915	218

The beneficiaries of WDP cannot take up many diverse activities because they are not sufficiently trained to know how to best invest their funds.

Effective from 1989-90 FY, the next phase of this income generating activity under WDP, CARE is introducing a one time initial capital loan to group members. In this phase the group will be renamed as a savings and loan association.

3.10.3 Christian Commission for Development in Bangladesh (CCDB):

Christian Commission for Development in Bangladesh (CCDB) is operating in many villages of Shibalaya, Harirampur and Ghior Upazilas in the Manikgonj district. It has an integrated approach to raising awareness and income-generating activities among the distressed women. CCDB provides loans, technical assistance (in case of sophisticated activities) and supervision and monitoring.

The loans ranged from Tk. 600 to Tk. 1,500 at a 12% service charge in 1987. The main income generating activities included at that time were paddy husking, beef fattening, garments making, net making, weaving, tailoring, and cane-and-bamboo works covering around 1,000 women. The average loan recovery rate in 1987 was 75% of principal and interest realisable.

3.10.4 Christian Reformed World relief Committee (CRWRC):

Christian Reformed World Relief Committee (CRWC) is aimed at the improvement of the socio-economic condition of women and children. It is operating only in the Bogra district. In 1987 after a span of four-year operations, it had only 235 participants. It assists the participants in obtaining loans from the nationalised commercial banks at 16% annual interest. The average size of their loans in 1987 was Tk. 2,000. In that year the average loan recovery rate was 90% of principal and interest.

3.10.5 Rangpur Dinajpur Rural Service (RDRS) :

Rangpur Dinajpur Rural Service (RDRS) has a women's entrepreneurship program launched in 1972. The beneficiaries are distressed rural women coming from the landless families. This program encompasses many thousands of female beneficiaries. Aimed at attaining the poor women's self reliance, this program is now involved in the following income generating activities:

- a) traditional activities like kitchen gardening, poultry, weaving, handicrafts etc., and
- b) non-traditional activities like farming on leased land and construction of latrine slabs.

The loans provided to these women by RDRS are interest free. The average loan size was Tk. 3,000. In 1987 the average loan recovery was 95% of the recoverable principal and interest.

3.10.6 Save The Children Federation (USA):

Save the Children Federation (USA) has an the integrated rural development program in Bangladesh. The target group is the landless, particulalry women. There were 5048 women organized into 460 savings groups in 1987, and the total income-generating activities conducted by them was 37 in that year.

SCF (USA) provides matching funds to these women at a 12% service charge usually repayable in twelve months. The extension services provided to the beneficiaries include training, supervision, follow-up and monitoring on the `para' or `hamlet' of women. The average loan size was Tk. 1,500.

4. SUMMARY AND CONCLUSIONS:

This report provides an overview of loan management for microenterprise, at some of the leading microenterprise credit programs in Bangladesh. In the context of these findings, even though the programs are varied, the following issues are important to note:

1. **The type of the lending agency** : The donor agency providing funds for the microenterprise program will have more influence and priority in designing the objectives and uses of the funds in the program if the implementing agency is an NGO, rather than a Government agency.

2. **Underlying principles of organisation**: Most of the programs are organized with the principle of groups of some kind. All the programs deal with disadvantaged people. Groups enable the disadvantaged people to exert strength, and also provide for peer pressure for loan repayment. The programs exhibited group formation of various types. Some programs lend only to groups for group projects (e.g. Proshika, CCDB); or to sub-groups or individuals through their groups while holding the group responsible for repayment (e.g. BRAC, GB); or lend only to individuals within groups (CARE, Swarnirvar, EDM); or lend to individuals directly (BSCIC, MCC); and a few work only with cooperatives as a matter of policy (BRDB).

Organisations formed under the Cooperative Societies Act, 1940 generally faced problems in loan recovery as they cannot take stringent measures against members in case of non-repayment. The situation existing in BRDB deserves mentioning in this context.

3. **The type and source of funds for loans** : Except for CARE's WDP program, all other programs have to depend on some form of direct donor (public or private) funds for on-lending to the enterprises. The cost of funds is, therefore, subsidized by the source of funds. The extent of subsidy depends on the terms of the funding source. This also determines the rate of interest charged to the enterprises and the extent of other non-loan services provided by the organization.

4. **The rate of interest** : The rate of interest charged to the borrowers does not appear to be a significant factor in the repayment performance of the borrowers. Grameen Bank, BRAC and SB, charging a normal rate of interest, have been able to maintain very high recovery rates compared to other programs offering funds at very low rates of interest. What distinguishes the successful programs from other programs is their loan administration and close supervision of the entrepreneurs and the repayment schedule. However, the rate of interest charged does influence the earnings capacity of the lending organization, other things remaining the same, and eventually the viability of the program.

5. **Repayment schedules** : Repayment schedules greatly affect loan recovery and the required efforts and expenses in recovery. Grameen Bank and Swarnirvar, with the compulsion for borrowers to repay 2% of the loan per week, are good examples in this respect. BRAC's strict 6-month repayment plan has also been very successful. On the other hand, Proshika with a very flexible rule for repayment on a 4-5 year term has a

poor recovery rate. This makes revolving of funds difficult. Quick repayment means quick eligibility for fresh loans and quick turnover of funds. Insistence on strict financial discipline like in BRAC, GB, and SB is essential for viability of the system.

6. Permanence of skills : Some programs like Proshika and BRAC have attained a satisfactory loan recovery rate near that of Grameen Bank. While the Grameen Bank (like EDM and MCC) has beneficiaries with age-old skills in traditional employment, BRAC and Proshika, on the other hand, have beneficiaries with lesser skills involved in varied types of enterprise with the intention of spreading technical knowledge through some training. This may hamper the proper use of skills and ultimately retard productivity if the training of the new skills is not effectively carried out, and will affect repayment when the enterprise is left on its own.

7. Types of activity : The types of income-generating activities seem to affect the viability of lending in a large way. If the activities are complicated or not familiar to the entrepreneurs, both productivity and loan repayment are delayed. The activities of Proshika and BRAC, though more innovative, are complicated requiring close technical assistance to the beneficiaries. EDM and Grameen Bank choose simpler activities with better recovery. In addition, when the activities are simple the expenses on supervision and technical assistance/ training are reduced. This allows the lending organisation to reduce operating expenses with resultant higher efficiency in loan disbursement and better recovery.

8. Feasibility studies : In many cases, as found in Proshika, proper feasibility studies are not taken up. This affects productivity and consequently loan repayment. At the other extreme, MCC undertakes long research and development activities and project development functions prior to taking up operations of a scheme. Their schemes are large employing many producer-owners with traditional skills in one single scheme. Their R&D and project development expenses stand out very large against loans disbursed or net profit. Their operating expenses are also very high. The R&D and project development costs will take a long time to recover. However, a proper feasibility study will minimise R&D costs and the probability of scheme failures.

9. Collateral/Loan guarantee funds : Collateral may not be considered necessary in microenterprise financing. The success of EDM, GB, SB, etc. is proof of this. These programs, including BRAC to some extent, have shown that the soundness of the loan project and the integrity of the borrower are more important in microenterprise loans than real estate collateral. BRAC has the system of securing 10% of the amount of the loan proposed. This, however, compensates for the absence of high frequency repayment schedules as practiced in Grameen Bank and Swanirvar Bangladesh.

10. Forced Savings : Forced savings by the beneficiaries have helped many of the programs to generate huge internal revolving funds and to lessen their dependence on external funds. Such a system also enables the program to instill financial discipline among the members as well as enhance investment coverage of the program.

11. **Women's participation** : Women's participation in microenterprises is increasing in both Grameen Bank and BRAC. In BRAC, women proved better than men in repayment. In Grameen Bank, and in EDM most of the borrowers being women have exhibited good performance in repayment.

12. **Timing of the loan** : It was noted in the case of Grameen Bank that most of the recovery took place in November-December every year. Presumably, this was for two reasons : a) the bank staff were most active at that time to complete recovery prior to bank closing of 31 December, and b) as the economy is mainly agricultural, the rural families had some surplus cash in November-December due to the paddy harvest (Boro variety) at that time or due to a temporary reduction in the prices of rice and other foodstuffs. Therefore, if the short-term loans for one year or less are issued in such a way that the repayment is to be completed around November-December, the recovery performance may be sound.

13. **Terms of loan** : In BRAC, the short-term loans showed the best recovery and the long-term ones the worst. This issue could not be compared with other programs because most of these programs had only short-term loans. Perhaps lending for short-term loans would possibly be the best strategy.

14. **The type of loan**: While not supported by other programs due to shortage of data, BRAC reports showed that the individual borrowers proved slightly better than the groups in repayment. The reason for this is uninvestigated and unknown.

15. **Impact of migration** : It becomes difficult for an NGO to maintain good loan recovery when the loan recipients take up frequent migrations. This problem has been largely responsible for poor loan recovery in some cases in WEDP of BSCIC.

16. **Shifts in type of enterprise** : The loan recipients in urban areas, due to the dynamic character of the market, are prone to changing their activities. As a result, they are increasingly in need of more loans. They shift their residences/workplaces frequently and try to evade loan repayment. This feature of loan recovery has been most striking in MSS.

17. **Type of field staff** : Grameen Bank, operating on a modified Swanirvar model, has been able to achieve a better loan recovery than Swanirvar, perhaps due to the lower motivation level of SB field staff compared to GB staff. SB's field staff are not as well compensated as GB's field staff involved in loan recovery. Emphasis on mere idealism and voluntary spirit for staff motivation without substantial material remuneration may have proven ineffective for Swanirvar.

18. **Graduation from the Program**: Except for CARE and EDM, none of the programs have any explicit plan for their members to reduce dependence on the program and move into formal financial institutions. Even CARE and EDM do not exactly graduate their beneficiaries, especially those who have shown evidence of successful entrepreneurship. They simply cut off financial assistance after three years assuming that this will motivate members to depend on their own resources and entrepreneurship. On

the other hand, it would be a bad strategy for a lender (financial NGO or others) to graduate out the best and successful borrowers while holding on to the bad and unsuccessful borrowers. Programs like GB and BRAC need to innovate new mechanisms and instruments or adjust their lending limits to retain their successful entrepreneurs while allowing them to expand. In this situation, there is also a role for an institution that could organize the successful entrepreneurs of BRAC, CARE, EDM, GB, SB, etc. at the grassroots level into a program that would provide necessary assistance to expand their enterprises.

5. RECOMMENDATIONS :

The analysis conducted in this study suggests that there are a number of things that contribute to improved success in microenterprise lending in Bangladesh. They are:

- a) Lending to microenterprises in Bangladesh should be through programs that encourage some aspect of group structure, with particular emphasis on women's participation;
- b) Loans should be for short-term investments, preferably enterprises involving traditional skills and requiring minimum technical/managerial assistance;
- c) Loans may not be secured with any collateral and may not be at subsidized rates of interest;
- d) The program should contain a high degree of close supervision of the groups' activities;
- e) A forced savings system for a revolving fund must be included;
- f) Proper financial and technical analysis of the proposed project should be made prior to lending, particularly the identification and motivational determination of the potential entrepreneur.

It is quite clear from the varying successes of the different models, that the rate of interest on the loans must be market determined so that the programs can survive and depend on internal resources for operations. The programs can externalize the transaction costs of lending by imposing various charges and fees like a Group Tax, Emergency Tax, etc. and also reduce risk by organizing group responsibility for overall discipline of the members.

It is also clear on the demand side, that the entrepreneurs are willing to pay higher effective interest charges if the loan decisions are made quickly with appropriate repayment plans, etc. The provision of other non-financial services is of less consequence to the loan program. Programs offering these services, in addition to financial assistance to microenterprises, are themselves not financially self-sufficient without external donor grant funds.

This study was carried out with available secondary data and information. Consequently, a proper comparative study could not be made due to lack of adequate data. Several programs had data reported as cumulative figures since inception. It is possible to extrapolate yearly data of flow items, but not for stock items making it difficult to compare with other programs. Again, different programs identified the same costs under different heads. However, a thorough comparative study of the major programs would be very helpful to guide future directions in microenterprise credit programs and to identify the critical issues that influence the performance of the programs.

APPENDIX I: EXCHANGE RATES
(Taka per US Dollar)

Year*	Official	WES**
1975	8.88	-
1976	15.05	-
1977	15.43	-
1978	15.12	19.86
1979	15.22	19.68
1980	15.49	19.21
1981	16.26	20.11
1982	20.07	22.79
1983	24.50	25.54
1984	25.20	27.22
1985	27.50	31.28
1986	30.00	33.18
1987	30.98	33.00

* June 30th of the year.

** WES = Wage Earners' Scheme

Source: i) Economic Trends, Bangladesh Bank, various issues.
ii) Bangladesh Bank Bulletin, various issues.

APPENDIX III:
Performance of Microenterprise Financing in Bangladesh
(major programs)

<u>Program</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Remarks</u>
1. BRAC (RDP)						
Number of Loans	n.i.	n.i.	2507	4291	6887	<u>Other non-loan services:</u> Group management, numeracy, literacy, health, and technical assistance.
Total Loan disbursed ('000 Tk)	n.i.	n.i.	23210	37941	72339	
Interest Rate (% per annum)	n.i.	n.i.	18	18	18	<u>Mode of Operation:</u> development agency supported by donations.
*Cost of Lending (% loan amount)	n.i.	n.i.	8.48	7	3.89	
Cost of Funds (% loan amount)	NIL	NIL	NIL	NIL	NIL	
Loan Recovery (% principal + interest due)	n.i.	n.i.	98	98	99	
3. BSCIC (WEDP)						
Number of Loans	n.i.	3741**	1748	1772	n.i.	<u>Other non-loan services:</u> Training on production techniques, quality control, and marketing.
Total Loan disbursed ('000 Tk)	3200	4500	3322	4028	n.i.	
Interest Rate (% per annum)	16	16	16	16	16	<u>Mode of Operation:</u> semi-autonomous government incorporation funded by grants (internal/external).
Cost of Lending (% loan amount)	n.i.	134	136	132	140	
Cost of Funds (% loan amount)	NIL	NIL	NIL	NIL	NIL	
Loan Recovery (% principal + interest due)	42	95	80	80	65	
4. EDM/IUCW (BFCWP)						
Number of Loans (simple yearly averages based on phase-wise reports)	5456	5456	7321	n.i.	n.i.	<u>Other non-loan services:</u> NIL
Total Loan disbursed ('000 Tk)	2993	2993	6839	n.i.	n.i.	
Interest Rate (% per annum)	6-10	6-10	6-10	6-10	n.i.	<u>Mode of Operation:</u> development agency funded by international grants.
Cost of Lending (% loan amount)	n.i.	n.i.	45.98	45.98	n.i.	
Cost of Funds (% loan amount)	NIL	NIL	NIL	NIL	NIL	
Loan Recovery (% principal + interest due)	87	87	93	93	n.i.	
5. Grameen Bank						
Number of Loans	n.i.	173006	216804	287918	442937	<u>Other non-loan services:</u> Group management; adult literacy, family planning, etc. programs;
Total Loan disbursed ('000 Tk)	n.i.	304359	428450	541733	810027	
Interest Rate (% per annum)	13	16	16	16	16	<u>Mode of Operation:</u> Development Bank, strictly supervised
*Cost of Lending (% loan amount)	n.i.	10.23	15.24	16.59	15.84	
Cost of Funds (% loan amount)	n.i.	2-5	2-5	4.35	2.74	
Loan Recovery (% principal + interest due)	n.i.	n.i.	97.22	97.13	98.14	

APPENDIX II (continued)

Program	1983	1984	1985	1986	1987	Remarks
6. MCC (JCP)						
Number of Loans	n.i.	n.i.	n.i.	n.i.	n.i.	<u>Other non-loan services:</u> Technical assistance, and general management training.
Total Loan disbursed ('000 Tk)	991	1370	999	423	939	
Interest Rate (% per annum)	NIL	NIL	NIL	NIL	NIL	<u>Mode of Operation:</u> International church funded relief organization.
Cost of Lending (% loan amount)	128.66	114.60	244.74	623.40	303.83	
Cost of Funds (% loan amount)	NIL	NIL	NIL	NIL	NIL	
Loan Recovery (% principal + interest due)	NIL	0.55	NIL	4.07	10.02	
7. MSE (SCP)						
Number of Loans	n.i.	n.i.	n.i.	n.i.	n.i.	<u>Other non-loan services:</u> Meagre training on skill-development, discipline, and self-management.
Total Loan disbursed ('000 Tk)	n.i.	n.i.	n.i.	n.i.	745**	
Interest Rate (% per annum)	n.i.	n.i.	16	16	16	<u>Mode of Operation:</u> Urban-oriented indigenous NGO supported by donations.
Cost of Lending (% loan amount)	n.i.	n.i.	n.i.	n.i.	66.36**	
Cost of Funds (% loan amount)	NIL	NIL	NIL	NIL	NIL	
**Loan Recovery (% principal due)	n.i.	n.i.	n.i.	n.i.	78.53	
8. Proshika (EIG)						
Number of Loans	n.i.	242	664	n.i.	n.i.	<u>Other non-loan services:</u> Group management, technical lessons and human development training.
Total Loan disbursed ('000 Tk)	375	1424	5261	n.i.	n.i.	
Interest Rate (% per annum)	5-16	5-16	5-16	n.i.	n.i.	<u>Mode of Operation:</u> Development agency supported by donations.
Cost of Lending (% loan amount)	n.i.	n.i.	n.i.	n.i.	n.i.	
Cost of Funds (% loan amount)	NIL	NIL	NIL	n.i.	n.i.	
**Loan Recovery (% principal + interest due)	87	74	91	72	78	
9. Swanirvar Bangladesh (SCP)						
**Number of Loans	227007	341903	406514	446200	465139	<u>Other non-loan services:</u> Motivation for family planning, training on financial services and record-keeping and literacy program.
Total Loan disbursed ('000 Tk)	n.i.	182493	181739	122475	90825	
Interest Rate (% per annum)	n.i.	13	13	13	13	<u>Mode of Operation:</u> Autonomous indigenous NGO supported by government's grants and donations.
Cost of Lending (% loan amount)	n.i.	0.15	0.24	4.93	7.59	
Cost of Funds (% loan amount)	NIL	NIL	NIL	NIL	NIL	
Loan Recovery (% principal + interest due)	94	71	64	67	81	

Notes

- * = Grameen Bank includes all costs including cost of funds but ERAC excludes program personnel costs.
 ** = Cumulative figure.
 n.i. = no information was available

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