

Impact of Micro Credit Program for Women Development in Bangladesh: A Case Study of BRAC

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Abstract: The Role of Bangladesh Rural Advancement Committee (BRAC) in study of development of rural women entrepreneurship is praiseworthy. Because, BRAC has been launching its micro credit program with a view to helping the rural poor women from its inception. BRAC has been advancing its micro credit to the poor rural women to generate income by creating self-employment in various sectors of economic life (Quddus, 1995: 117). According to BRAC Annual Report-2003, BRAC has been able to create confidence among the rural women and keep positive impact upon the entrepreneurial development of women folk in rural Bangladesh (BRAC Annual Report, 2003: 55). In the present study, an attempt has been made to measure the impact of micro credit program of BRAC for the development of rural women entrepreneurship in Bangladesh.

Key words: Micro credit, BRAC, women

INTRODUCTION

Bangladesh⁴ is a rural based country and majority of the rural people are poor, whose level of income is meager. Rural Bangladesh is characterized by landlessness 50%, low income and unemployment 40% resulting in a high incidence of poverty (Khan: 2000: 9). One of the major reasons for widespread poverty is the lack of access to productive assets and financial capital by the poor. Because, out of their small income, they can hardly save any money to generate capital. As a matter of fact, they are to go to the village moneylenders for capital to run their business. The condition of the women business entrepreneurs in this regard is more deplorable, since they are unable to manage fund for their business because of low savings rate. But, it is possible to fill up this need by extending credit facilities. Credit provides them with much needed financial capital and therefore creates new opportunities to save and invest in quick income activities and hence creates the opportunities for women entrepreneurship development¹.

Statement of the problem: Capital is one of the important tools for business enterprise. Without capital no business can run or flourish². In a country like Bangladesh, problem of capital is very acute. In rural Bangladesh, the only source of capital is village moneylenders, whose rate of interest is very high³. So, micro credit is essential for their income generation. Specially, rural women have little

access to the institutional credit facilities, since it involves cumbersome procedures and formalities. Majority of the Non-Government Organizations (NGOs) such as Grameen Bank, BRAC, ASA, Proshika etc. are advancing micro credit for income generation activities in rural Bangladesh⁴. Micro credit can play vital role in generating income among the rural women, because rural women can easily obtain it and apply in business and other economic sectors such as poultry, farming, rearing of milk cow, fishing, cottage industry etc⁵.

In general, the poor people have limited access to credit. Those who live in the rural areas have even less. Rural poor women have the least of all. In many parts of the world, women of any age are considered legal minors and thus can not get credit without the signature of a father, spouse or brother. The traditional method of the credit distribution by the financial institutions requires collateral. Without little land or other assets, they have nothing to put up as collateral and so are ineligible for many types of loans and are viewed by banks as poor credit risk⁶. Most rural poor women engaged in subsistence farming and banks find it difficult to believe that loans to them can be repaid.

In the recent decades, efforts have been concentrated on the development of innovative methods of credit schemes and programs to help the rural poor women. NGOs, including BRAC has been launching micro credit program with a view to enhancing the life standard of the common people by alleviating poverty from all stratum of

the society. But, to what extent so called micro credit program has been able to reduce poverty and create entrepreneurial ability among the rural women, is a perplexing question^[7]. Because, in the opinion of some eminent economists, it has not created entrepreneurship development in the rural areas of Bangladesh. Entrepreneurship has emerged as the most effective innovation to reduce the extreme poverty of the rural poor women. The poor women took credit from the MFIs to operate their business as such poultry, farming, small cottage industry, cultivation etc. This business will help them for their future employment and income generation and finally reduce the poverty. In this way, women entrepreneurship development should take place in the rural areas of Bangladesh. But the problem is that, There is a riddle of micro credit and as such, socio-economic planners are suffering from a dilemma, which has to be resolved by the discovery of actual truth, i.e. whether or not we are to sustain and reinforce micro credit. Proposed study is aimed at discovering that truth^[8].

Review of literature: Bangladesh is known as the birthplace of modern micro credit. NGOS, including BRAC has been launching micro credit program with a view to enhancing the life standard of the common people by alleviating poverty from all stratum of the society. But, to what extent so called micro credit program has been able to alleviate poverty and create entrepreneurial ability among the rural women, is a perplexing question. Because, in the opinion of some eminent economists, it has not created entrepreneurship development among the poor rural women rather perpetuated the culture of poverty^[6].

Extensive and exclusive research work has been conducted on micro credit and women entrepreneurship, such as Choudhury^[9], Saha^[10], Choudhury^[5], Hossain^[11], Rahman and Nahar (2000) etc. A common feature of these studies is that they are conducted on macro level. Lack of micro level study of micro-credit is a shortfall of micro-credit literature. Choudhury^[11] makes an evaluation of micro-credit in Bangladesh. This study provides an overview of targeted micro-credit initiatives for poverty reduction by the government, the banks and NGOs and MFIs operating in Bangladesh.

Hossain had an in-depth study on Credit for Alleviation of Rural Poverty: The Grameen Bank in Bangladesh to assess the socio-economic impact of Grameen Bank. He found a positive impact on employment generation and the economic status of Grameen Bank borrowers. The average level of income and employment of the members' household increased significantly for Grameen Bank intervention. The study indicated that the Grameen Bank was not cost effective. Its interest income

from the members was not sufficient to cover the total cost, so Grameen Bank program was dependable on subsidy and borrowing at a lower interest rate.

Saha^[12] conducted an empirical study on "Development of Women Entrepreneurship and Bank Financing as a Support Service". He studied general problems of women entrepreneurship development and role of bank finance as an important supportive factor in this regard. This study examined the cost structures of the selected credit programs and estimated their impact on women entrepreneurship development.

Rahman^[10] in his study, "Bank Credit for Women Entrepreneurship Development in Bangladesh" examined the prospects of bank financing towards the promotion and development of women entrepreneurship in Bangladesh.

Choudhury^[7] makes an assessment of impact of micro-credit program for rural women in Bangladesh. The study revealed that, poverty reduction by the micro credit program through the generation of self-employment opportunities by the poor is not correct. The borrowers repaid their loan from the regular income sources and not by the income from micro enterprise financed by the micro credit.

Like these studies most of the studies are conducted on macro-level. It has been revealed from these studies that, there is a riddle of micro credit and as such, socio-economic planners are suffering from a dilemma, which has to be resolved by the discovery of actual truth, i.e. whether or not we are to sustain and reinforce micro credit. Proposed study is aimed at discovering that truth.

Source and nature of data: Various types of data and information are needed to conduct a research. There are mainly two types data used in social research- Primary data and Secondary data.

The secondary data are those, which someone else has already collected and which have already been passed through the statistical process^[12]. The researcher to fulfill the requirement of the study has also used secondary data. In this study, secondary sources of data are-

- Annual and Monthly Reports of BRAC
- Books and relevant articles from journals
- Newspaper and other printing media
- Web sight of BRAC and other NGOs
- Published relevant papers of past researchers etc.

Theoretical framework: Bangladesh Rural Advancement Committee (BRAC) is one of the leading NGO of Bangladesh. It is formed at the time when a new

independent country Bangladesh has emerged in the globe. In the aftermath of worst cyclone in 1970 and the nine-month long liberation war in 1971, the life of common people was in a disastrous condition. In this situation, Mr. Fazle Hassan Abed, who was a professional accountant working in a British Oil Firm could not deny the call of the soil for starting reconstruction work of a war ravaged new nation. He along with some other conscious, educated persons formed a committee for helping the people with some relief goods. This committee, now a giant in the NGO community, named BRAC^[13]. The name of BRAC itself tells what type of organization it is. The two word “rural” and “advancement” are the key words in understanding the mission of BRAC. Simply, BRAC works in the rural areas for the advancement of those people who are hardcore poor. The poor dominate the rural areas of Bangladesh. So, BRAC works with people whose lives are dominated by extreme poverty, illiteracy, diseases and other handicaps^[14]. BRAC’s intervention in this regard is a multidimensional one. BRAC hopes that such a multidimensional approach will bring about positive changes in the quality of life of the people they ought to serve. BRAC initially started with the aim of relief operation, soon found that the problem were so acute that relief was not enough for solving the problem. They were really in need of economic and social rehabilitation not on a temporary, but a long-term basis. In this context, the aims and objectives of the committee shaped in two broad sector-

- Poverty Reduction
- Empowerment of the Poor

This is the core philosophy of BRAC and all its organizational strategies are based on this. The essential features of BRAC strategies include:

- Making the target group members aware of their own problems
- Giving them the tools to write homogenous class interest groups and
- Increasing their capacity to secure their legal and civil rights^[15].

Concept of micro credit: Micro credit can be defined as the extension of small loans to population, too poor to qualify for traditional bank loans. This credit is provided by the formal institutions (such as banks and cooperatives), semi-formal institutions (such as NGOs) and informal sources (such as friends, relatives, moneylenders and shopkeepers). Micro credit is the major part of overall micro finance activities. The other parts are

micro-savings, micro-insurance and other financial services. Micro credit is the disbursement of small loans on reasonable terms exclusively for very poor rural dwellers to finance additional income generation activities.

Characteristics and nature of micro credit: The major characteristics of micro credit are as follows-

- Micro credit is delivered to urban and rural poor primarily to employment and income generating activities.
- The credit does not call for collateral in tangible assets.
- The potential borrowers owing less than 0.5 acre of land are first formed into groups. Group members undergo an initial orientation process for 1-6 months and stand guarantees for each other for credit repayment.
- The credit is repayable usually within one year on weekly, fortnightly or monthly basis.
- Credit is intensively monitored and supervised by the field staff and group members.
- Women are given priority for giving loan.
- It is very short term loan and interest rate is very low.

Interest Rates of Micro Credit: Interest rates, widely called service charge, realized from borrowers under micro-credit programs vary widely. Also methods of interest calculation vary. Simple interest on the original amounts (flat method), declining balancing method and composite methods are followed. Majority of the MFIs 93% practice flat method. Table 1 prove some information about interest rate.

Micro credit and micro finance: There are some difference between micro credit and micro finance. I want to explain the difference in the Table 2.

Evolution of micro credit in bangladesh: Micro credit programs in the subcontinent were initiated by the cooperative societies in the early part of 20th century. Bangladesh, after liberation, inherited the cooperatives operating within its territory and continued their operation

Table 1: Interest rate charged by the micro credit providers

Micro credit provider	Range (in %)	
	From	To
Governments	5	18
Banks	5	18
MFIs	10	40

Source: Choudhury: 2001: 51.

Table 2: Difference between micro credit and micro finance

Micro credit	Micro finance
Micro credit refers to the credit of small amount	Micro finance is a program which encompasses micro credit and its related other financially advantageous facilities
This program is confined to a certain group of people or clients. This is the program of only giving credit.	This is operated across different types of people and clients. Savings activities are also included in micro finance
Micro credit is a part of micro-finance	Micro finance is a complete program.

Source: Katz:^[6]

for rural credit delivery. In this context, Bangladesh Cooperative Bank Limited (BCBL) acted as the apex organization. Now BCBL is almost non-performing. Its recovery rate is below 5%^[11]. The traditional cooperatives fell into disrepute with the poor due to their dominance by the village elite who derived the maximum benefits out of the cooperative movements.

However traditional cooperatives could not achieve sustainability. In 1971 the government established Integrated Rural Development Project (IRDP), which started replicating two-tier cooperative structure, which was successfully experimented earlier in Comilla district. It started its credit in 1974. Bangladesh Rural Development Board (BRDB) is established in 1982 by the government as the successor of IRDP. BRDB replicated two-tier cooperatives all over 460 sub-districts (now called Thana). The tiers comprise local or village level (or primary) cooperatives and secondary cooperatives at Thana level^[17].

Over the last couple of decades Bangladesh has been drawing attention of the international community for its successful micro finance activities. Most famous micro credit program initiative is that of Grameen Bank. Commencing in 1976 as an experimental project Grameen Bank has proved in practice that micro credit is powerful tool for poverty reduction. In 1983 the government established Grameen Bank as a formal Micro Finance Institution (MFI) under a special enactment. Since then it has encouraged replication and innovations within and beyond the borders of Bangladesh. The poverty alleviation model prescribed by Grameen Bank is now an internationally accepted model^[17].

Composition of micro credit sector: The demand of micro credit comes from the rural poor people. On the supply side there are both formal and semiformal institutions engaged in the intermediation of credit. Informal sources of micro credit are not considered here. The formal institutions include scheduled banks, Grameen bank, cooperatives and insurance companies. Semiformal institutions include NGOs with micro credit program. The government agencies use both formal and semiformal institutions for micro credit delivery under their program. Government, MFIs and commercial banks are heavily involved in micro credit delivery to the distressed women class^[17].

Government: The government of the People's Republic of Bangladesh (GOB) recognizes micro credit programs as one of the important mechanism to alleviate poverty. The government policy has been positive in the development of the micro credit sector. The Fifth Five-Year Plan (1997-2002) stipulates effective government NGO collaboration for hardcore poor and rural women development projects. The Ministry of Finance and Children Affairs is prominent in implementing a number of micro credit programs for women. A list of micro credit programs operated by the government ministries is presented in Table 3.

NGOs and MFIs: Majority portion of micro credit program is implemented through NGOs and MFIs. It is evident from the table below that in December 2004, top 11 MFIs and Grameen Bank accounted for 95.63% of total micro credit outstanding. Grameen Bank was the leading MFI with 36.53% of total micro credit outstanding followed by the second largest MFI, BRAC, which had 21.78% of the total outstanding. In terms of number of borrowers these MFIs accounted for about 9.0 million rural women borrowers. The average outstanding loan size was Taka 2748 (US\$48). In December 2004, average loan outstanding per credit employee of the MFIs was Taka 0.72 million. Each credit personnel supervised 218 borrowers. The Table 4 is shown in the next page.

Scheduled commercial banks: There are four government controlled commercial banks, two government owned agricultural banks, one specialized bank and one private sector bank (Islami Bank Bangladesh Ltd), operating in micro credit programs. Banks' own micro credit programs have three broad approaches^[11].

Fund wheeling: Under this approach banks establish linkage with credible NGO-MFIs and provide them with funds on a wholesale basis for lending to the borrowers. The quantity of loan and interest rate is negotiated on study to study basis. The credit risk is borne by the MFIs.

Direct lending: Under this approach banks lend directly to the individual borrowers under the banks own supervision. The bank themselves conduct monitoring and supervision of credit. The credit risks are borne by the banks.

Table 3: Small loan programs under government administrative departments

Ministry of	Dept.		Cum up to 1997	1997-98	1998-99	1999-00	2000-01	Cum Dec.2000
Finance	Banking wing	Disb	190.4	270.4	434.6	367.1	264.0	1542.8
		Recov.(%)	54.8	41.2	52.1	74.9	72.3	58.3
Rural development and cooperatives	BRDB	Dis.	7365.9	2937.8	2780.6	3005.7	1013.0	17103.3
		Recov(%)	84.4		96.0	91.0	91.1	89.9
	BARD	Dis.	340.2	75.9	89.4	56.6	38.3	600.3
		Recov(%)	77.9		94.9	132.3	103.4	92.0
	RDA	Disb	13.3	5.0	7.9	14.2	10.3	50.8
		Recov(%)	86.9	97.8	98.2	97.6	97.5	98.9
Women and children Affairs	Women welfare	Disb	517.9	301.1	389.0	151.2	96.5	1455.7
		Recov(%)	76.0	72.4	88.4	90.2	93.6	81.2
	Jatiya mahila sangstha	Disb.	60.0	12.4	18.4	27.9	20.5	139.2
		Recov(%)	30.2	72.0	54.3	0.0	0.0	58.4
Social welfare	Social welfare dept	Disb	1149.8	57.6	1559.9	75.8	85.2	1528.2
		Recov(%)	95.9	93.7	91.7	91.7	91.8	84.4
Labor and employment	BOMET	Disb	161.4	39.6	21.5	9.3	0.0	231.8
		Recov(%)	40.2	51.1	111.8	0.2	84.4	60.1
Cabinet division		Disb	237.6	9.6	5.8	6.4	0.0	259.4
		Recov(%)	92.9	89.7	91.3	91.0	0.0	92.7
Fisheries and livestock	Dept. of fisheries	Disb	22.1	24.5	31.8	2.8	14.3	95.5
		Recov(%)	48.7	40.6	41.0	41.0	0.0	36.5
	Dept. of livestock	Disb	133.2	45.4	152.1	285.3	275.2	891.2
		Recov(%)	31.4	34.3	78.8	99.7	0.0	52.9
Industries	BSCIC	Disb	361.4	138.5	157.2	162.7	82.0	901.8
		Recov.(%)	41.7	90.2	87.3	90.3	68.3	68.3
Agriculture	Cotton dev. board	Disb	17.4	3.9	2.7	3.5	1.9	29.4
		Recov(%)	105.8	102.1	107.4	105.7	0.0	98.6
	Agriculture extension division	Disb	121.9	34.6	76.8	105.9	69.4	408.6
		Recov(%)	117.0	56.9	62.5	69.5	78.7	82.9
Land		Disb	139.5	0.0	0.0	n.a	n.a	73.2
		Recov(%)	69.4	2.4	0.0	n.a	n.a	57.9
Local govt.	Local govt. division	Disb	43.6	15.8	12.1	9.2	9.2	89.9
		Recov(%)	79.3	88.0	83.5	84.7	84.8	82.4
Youth and sports	Dept. of youth dev.	Disb	1556.0	564.7	781.0	687.5	306.2	3795.4
		Recov(%)	78.6	73.4	77.3	66.9	88.6	76.3
Textile	Handloom board	Disb	--	--	23.5	16.2	29.3	69.0
		Recov(%)	--	--	0.5	0.3	0.6	0.2
Grand total		Disb	12373.6	4578.8	5162.8	5013.1	2328.0	29238.5
		Recov(%)	79.3	87.3	90.6	89.0	76.1	86.2

Source: Bangladesh Economic Review, 2001: Finance Division, Ministry of Finance, Government of Bangladesh, Dhaka. In the table, Disb. refers to Disbursement and Recov. Refers to Recovery in Millions of Taka

Table 4: Top 11 MFIs in Bangladesh, December 2004

Name of the MFI	Inception year	Outstanding borrowers (000)	Service charge % (max)	No. of staff in credit	Credit outstanding (Taka in million)	% Share of total outstanding	Net savings in million Taka	Recovery rate (%)
BRAC	1974	2846	15	8686	7516	21.78	3536	98.37
ASA	1991	1129	15	5347	3986	11.55	1607	99.90
Proshika	1976	1113	20	2115	3811	11.04	997	95.00
CARITAS, Bangladesh	1983	274	12	1671	535	1.55	164	90.00
Swanivar Bangladesh	1979	382	11	541	517	1.50	163	83.36
RDRS, Bangladesh	1991	217	15	746	217	0.63	127	91.14
Thengamara MSSS*	1987	229	10	1243	425	1.23	188	98.58
Shakti Foundation*	1992	52	12	243	228	0.66	123	99.94
BURU, Tangail	1990	54	15	550	213	0.62	58	98.88
BEES	1988	74	15	301	186	0.54	0.64	95.26
Sub-total for top 10 MFIs		6373		21443	14634	51.10	6964	95.63
Total of 575 other reporting NGO MFIs		1616	10-30	15219	4269	12.37	1902	95.57
Grameen Bank	1983	2378	20	11000	12606	36.53	11259	91.00
Grand total		10367		47662	34509	100	20125	95.63

Headed by female executive with 100% women clients, Source: Credit and Development Forum (CDF) statistics, January 2004

Lending by involving NGOs: Under this approach banks lend directly to the borrowers after they are identified and recommended by the designated NGO. The NGO assists the bank monitoring and supervising the credit for an agreed fee. Credit risks are borne by the bank.

The Table 5 shows the picture of micro credit program undertaken by the commercial banks.

The above table shows the share of different bodies involved in micro credit programs including government. The Table 6 shows that Grameen bank holds the largest

Table 5: Micro credits programs disbursements by scheduled banks (in million taka) and % recovery, up to December 2004

	Sonali bank		Agrani bank		Janata bank		Rupali bank		Bangladesh krishi bank		Rajshahi krishi unnayan bank		Grand total	
	Disb	Recov (%)	Disb	Recov (%)	Disb	Recov (%)	Disb	Recov (%)	Disb	Recov (%)	Disb	Recov (%)	Disb	Recov (%)
1998-99	29139	88.45	6368	101.34	10212	87.46	172	92.84	2432	68.88	246	72.53	47570	88.89
1999-00	2949	93.62	1002	86.89	951	111.95	5	137.50	983	77.76	61	93.91	5951	92.83
2000-01	2555	48.38	1958	72.41	1422	55.06	9	63.95	1444	70.51	69	90.29	7456	60.66
2001-02	1675	145.67	1290	96.95	1119	104.44	9	90.11	1215	97.10	109	71.27	5417	113.06
2002-03 up to December	1674	95.66	450	136.25	800	85.24	5	119.23	610	93.28	97	68.07	3636	97.61
Cum. Up to Dec. 2004	36992	89.01	11067		95.93	14504	87.08	200	93.23	6684	77.89	582	75.88	70.029

[N.B.: Recovery rate of more than 100% are due to calculation methodology applied by individual bank], Source: Bangladesh Economic Review, January 2005, Finance Division, Ministry of Finance, Government of Bangladesh, Dhaka

Table 6: Cumulative disbursement under major micro credit programs, December 2004

Bodies	Taka in million	Share
Government	29239	8%
Scheduled Banks	67375	18%
Grameen Bank	138070	36%
MFIs	125607	33%
Palli Daridro Bimochon Foundation (PDBF)	7197	2%
Cooperatives	11390	3%
Total	378878	100%

Source: CDF Statistics Vol.11, January 2005

Table 7: Sources of MFIs Revolving Loan Fund

Sources of fund	Jun. 2000	Jun-01	Jun-02	Jun-03	Dec-04
Total Fund (million Tk)	11648%	15188%	20371%	27460%	29873%
Member's savings	16.36	19.88	23.63	25.29	25.47
PKSF	12.47	18.97	23.48	24.03	22.97
Local Banks	14.82	12.07	11.50	11.29	9.80
Foreign donations	33.51	25.96	20.70	16.93	18.56
Service charge	12.15	14.98	11.48	14.06	15.96
BRAC, ASA and Proshika	0	0.25	0.93	0.47	0.51
Own funds	7.25	4.87	5.11	3.93	3.57
Others	3.44	3.02	3.17	4.00	3.16
Total	100.00	100.00	100.00	100.00	100.00

[N.B. Taka is shown in Million], Source: CDF Statistics, Vol. 11, June 2001

share of micro credit 36% followed by the total of other MFIs (33). The dominance of Grameen bank makes it clear that this institution is the best performer in operating micro credit programs.

Sources of funds for micro credit operation: Banks receive and invest government funds to run the government micro credit programs. Government in its turn provides for the required funds for micro credit from budgetary allocations and from international sources. Deposit funds are used to run banks' own programs. NGO-MFIs receive funds from government for government sponsored direct and linkage programs assigned to them. NGO MFIs operate their core micro credit operations out of Revolving Loan Funds (RLF). RLF are built up with fund from more than one sources including international lenders and donors, local institutional fund wholesalers (Bank, PKSF and Grameen Trust), owners' equity, retained earnings of the MFIs and

members' savings. The relative position of the fund sources of the MFIs for the year from June 2000 to December 2004 is given which is shown in Table 7:

The Revolving Loan Fund (RLF) of MFIs increased from Taka 11468 million in June 2000 to Taka 29873 million in December 2004. The RLF increased at an annual average rate of 44.70%. Members' savings grew at the rate of 15.90% per annum during the period from 2000 to 2004. PKSF contribution and members' accumulated savings increased and comprised 48.44% of the total RFL in December 2004. Contribution of PKSF increased from 12.47% in June 2000 to 22.97% in December 2004 representing an annual rate of increase of 24.04%. The donor funds declined from 33.51% in June 2000 to 18.56 in December 2004. Foreign grants declined at the rate of 12.57% per annum during 2000 to 2004. Contribution of local banks and MFIs own funds also show a declining trend.

Strengths and weaknesses of institutions involved in micro credit programs: Relative strengths and weaknesses of institutions involved in micro credit programs in Bangladesh context are summarized which is shown in the Table 8:

Micro credit program of BRAC: BRAC's savings and credit program aims to help create a financial base for the group members through savings and credit so that they can carry out different income generation activities. BRAC's current micro credit program developed over the years through much trial and error, is now one of the largest in the world with more than 38 million US Dollars in members' savings and 469 million US Dollars as loan disbursed^[16]. The main concepts of credit are described in the following sub-sections.

Different types of credit extended by BRAC: BRAC since its establishment in 1972 has been conducting various social welfare activities to generate income and employment of the poor people, including extending credit facilities to them. Overall credit facilities of BRAC can be classified into the following categories:

Table 8: Strengths and weaknesses of micro credit programs

Institutions/body	Strengths of programs	Weaknesses of programs
Government	Reaches the poor uncovered by the MFIs Easier accessibility to funds Support of administrative machinery Integration with other social services	Viability consideration secondary Subsidized operation Bureaucratic and inflexible Low staff morale
Banks	Command over large amount of fund Large demand for micro credit Large network of branches Meets government policies	Inadequate experience Resistance to change Competition from MFIs Subsidized operation
MFIs	Experience in micro credit Large demand for micro credit Motivated staff Government and donor support Unregulated and autonomous	Fund constraints Not yet sustainable Limited client base (for small MFIs) Lack of transparency

Source: McGee and Thomas: 1986: 102

- Simple Credit
- Program Credit
- House Loan
- Enterprise Credit

Simple credit: In this study only credit is supplied to the borrower. No technical assistance is provided. The borrower utilizes this credit according to his/her necessity. This credit is given is for one year and the credit is repayable in 46 weekly installments. No service charge is taken on this type of credit. The main feature of this credit is that the borrower himself is responsible for utilizing, investing and managing the credit. Simple credit is generally used in the following activities:

- Small business (cloth store, v. egetable etc)
- Rice
- Riskaw/Van
- Handloom etc.

Program credit: This type of credit is extended for a specific program to the members of a village committee. In this study the borrowers are provided with various technical and managerial assistance, in some cases they are also provided with various inputs necessary for implementing the program. In this study the borrowers are required to pay service charge at a certain rate. This credit is also given for one year and repayable in 46 weekly installments. Following activities are considered suitable for program credit:

- Fish cultivation
- Sericulture
- Poultry
- Vegetable cultivation
- Housing program etc.

House loan: This type credit is given to build and repair house of the borrower. No service charge is taken and the

credit is repayable within two years in 92 weekly installments. The features of this credit are as under:

- This credit is given only for house building/repair purposes
- Only outstanding borrowers can take this credit. This loan is not given to any one as the first loan. Those borrowers who have taken other credit can qualify to receive this credit. That is only BRAC members can take this loan.
- Members who have tin-shade house shall not be considered to receive this loan.
- Outstanding loan of a borrower in simple or program credit categories shall not disqualify him/her from receiving this credit.
- If a borrower does not build or repair his/her house with this credit, it will be converted to simple credit after three month from the date of this credit sanctioned.
- The borrower has to build a slab latrine as a part of this credit.

Enterprise credit: This type of credit is given to the small businessmen or entrepreneurs to start or expand new business. This credit is given for 12, 18 and 24 month's period and is repayable in monthly installments.

A comparative picture of the above mentioned credit activities of BRAC is depicted in the Table 9:

Selection of borrowers: Selection of borrowers is very much important for proper running of the micro credit program of a Micro Finance Institution. The main features of this section are given below.

Importance of selecting the right borrower: Wrong selection of borrower makes the entire credit activity fruitless. So, for the successful implementation of a credit program identifying and selecting the right borrower is of paramount importance. The most important decision in

Table 9: A comparative picture of different credit of BRAC

Types of credit	Maturity	Interest (Flat rate)	Repayment	Security	Service charge
Simple Credit	12 months	15%	Weekly installments	Not required	Not taken
Program credit	12 months	15%	Weekly installments	Not required	Not taken
House Loan	24 months	10%	Weekly installments	Not required	Not taken
Enterprise Credit	12, 18 and 24 months	15%	Monthly	Required	Valuation fee at 0.50%

Source: Official documents of BRAC, Rajshahi

this identification and selection process is to answer the question-whom shall we give the credit? And for the correct answer of this question right, timely and sufficient information about the borrower is essential. Amount of classified or overdue credit of an area or branch depends to a great extent on the selection of right borrower.

Factors to be considered for selecting the right borrower: Following aspects of a borrower are considered in the process of identifying and selecting the right borrower:

- Organizational Aspect,
- Managerial Aspect and
- Financial Aspect.

Organizational aspect: To examine the organizational aspect of a borrower it is seen whether she-

- attains the meeting timely and regularly
- deposits regularly
- comply with the rule and regulations set by BRAC for its members
- can sign
- re-paid his/her previous credit in due time
- has required savings for credit

Managerial aspects: In order to assess the managerial capability of the borrower it is examined whether-

- his acceptability in the organization is good
- the character of her husband (if the borrower is female) is good
- she has experience enough to conduct the business for which she will take the credit
- there is enough facility to operate the project
- She is loyal to the organization and BRAC.

Financial aspect: Evaluation of financial aspect of the borrower seeks answers to the following questions:

- number of earning persons in the family
- monthly income of the family
- weekly cash flow of the family
- ability to utilize the money of the proposed loan
- ability to pay the installments out of current/proposes income.

On the basis of the above evaluation right persons are chosen as borrowers and credit is given to them.

Distribution of credit: Micro credit is a part of micro-finance and the micro credit activities of BRAC are a major part of its overall micro-finance program. These micro credit activities go through a certain mechanism and follow some steps, which are described in the next page:

First step: The borrower, by filling up the specified credit proposal form of BRAC, approaches to the respective committee for credit. Then on the basis of requests made by the members of the village committee formal credit proposal is made to the respective BRAC officials. BRAC officials, PO (MF), before recommending the credit, make a very careful scrutiny of the following factors:

- Fulfillment of the conditions for the proposed credit
- Ability of the borrower to pay the credit out of his/her income at time of taking the loan.
- Ability to pay the credit out of the family income in case two members of the same family apply for credit
- Ability of the borrower to repay the credit if the borrower applies second time for extended credit

While scrutinizing these factors one thing must be kept in mind that the borrower has to have the ability to repay his/her loan out of his current income.

Second step: When loan proposal is approved, members of the village committee make loan application in the given form and deposit it to the Program Organizer (MF) of BRAC. Rules relating to credit application are as follows:

- When credit proposal is accepted, concerned members of the village committee apply for the loan in the specified form supplied by BRAC. No application fee is required. Concerned PO (MF) helps filling up this form.
- One application can be used for 5 persons
- After filling up the form president of the village committee and leader of the small group will sign the form and deposit it to the PO (MF).
- PO(MF) will see whether the form has been filled up properly. Then he will sign at the space specified for him/her and present for granting the loan.

- The program organizer (Accounts) reconcile the information given in the application form with the information kept in the area office and signs the application form if no discrepancy is found.
- At this stage concerned area manager approves the credit or recommends the loan.

If a borrower repays his/her loan within the stipulated maturity, he/she can apply for another loan within one week of repaying the previous loan.

Third step: The program organizer, in consultation with the area manager, takes the decision as to whom to allow credit among the applicants. The procedures of approving a loan may be summarized as under:

- The area manager, before approving/recommending the loan, must verify that the credit process is in order.
- Area manager/PO (in-charge) will approve the loan
- Regional managers (MF) will approve the following credits:
 - if the borrower repaid his/her previous loan after it being overdue.
 - If a borrower applies for more than Tk 10,000.00
 - If the proposed credit is repayable in more than 46 installments.
 - If a borrower defaults in making payments of 4 or more installments in his/her previous loan, approval is required from the regional manager (MF) in case of extending credit to this borrower next time.

Fourth step: This step describes how credit is distributed and how the credit will be utilized. The credit distribution process is explained below:

- The borrower has to attain personally on a certain date in the area office and sign on the loan distribution sheet before the program organizer (accounts).
- President and leader of the concerned village committee and small group respectively have to sign on the credit contract letter as witnesses.
- Saving and credit passbook are essential. Without passbook no credit will be allowed.
- Program organizer (accounts) will disburse the loan.
- PO (MF) takes initiative so that the borrower presents his/her passbook within 10 AM on the date of credit disbursement.
- Program organizer will ensure the proper filling up of and signature of the concerned parties on the agreement (Guarantee Bond).

- Loan distribution will have to be completed within 11 AM to 2 PM.
- The borrower will show the PO his/her passbook to examine whether it has been recorded properly.
- The PO (MF) will fill up the recovery statement on day the loan is disbursed.
- PO (accounts) will record in the recovery statement the compulsory 5% saving from the credit disbursed.

The rules relating to the usage of the credit sanctioned are summarized below:

- The fund must be used in the proposed project the loan is taken for.
- Group leaders will be responsible to monitor the activities of the proposed project.
- Operating committee will try solve any problem emerged in the process of implementing the proposed project.
- The operating committee will inform the members of the organization in the weekly meeting about the progress of the project and take initiative to solve any problem by discussion.
- The responsibility of the PO (MF) is to supervise the activities of the project.

Flow chart-1: from credit proposal to credit distribution:

Attachments of BRAC officials from credit proposal to credit distribution are shown in the following flow chart.

Sl. No.	Activities	Concerned employee
1	Credit proposal and decision	→ Program Organizer (MF)
2	Application of the borrower	→ Program Organizer (MF) Program Organizer (Accounts) Area/Branch Manager
3	Credit approval	→ Area/Regional/Program Manager
4	Credit distribution	→ Program Organizer (Accounts)

The micro credit program in Bangladesh is a woman client based. Over 84% of the program borrowers are rural women. Women in general have been found to be more credible than men for micro financial transactions. Rural women have a higher propensity to save and habit and repaying credit in time than rural men. They are receptive to training and regular in weekly group meeting attendance. On the other hand, they have to take care of their family from making daily meals for all to nursing and raising children and looking after the elderly members of the family. Without credit support for their undertaking income generating activities women have no specific sources of income. It is no wonder that MFIs have found a dependable client base in rural poor women^[16].

Product and services: BRAC offers financial services designed according to the needs of different people living at different levels of the poverty ladder (extreme poor, moderate poor and vulnerable non-poor). Loan products are designed according to the poverty group and include general loan, sector program loan, housing loan and emergency loans given during times of disaster. BRAC encourages saving, considering it an important part of credit operations and believing the existence of regular saving to be an indicator of a corresponding discipline regarding sustainable credit operations. Savings include weekly personal savings, compulsory savings and current account savings. BRAC also provides backward and forward linkages like seedlings, day old chicks, vaccination, poultry feed, training etc.

Outreach: BRAC is present in 64 districts, 480 Thanas (or sub-districts), 68,408 villages and in 4,378 urban slums with 137 regional offices, 498 area offices and 1,172 team offices touching the lives of almost a hundred million as of December 2004.

Key developments:

- BRAC identified the 25 million of the absolute poorest struggling at the bottom rung of the poverty ladder who cannot access microfinance as the ultra poor. For this group, BRAC designed and is currently implementing a program titled challenging the frontiers of poverty reduction-Targeting the Ultra Poor (CFPR-TUP).
- Realising the limitations in schooling faced by children with disabilities, BRAC has focused on identifying and including children with disabilities in BRAC schools and also paid particular attention to areas inhabited by ethnic minorities under BRAC Education Programme.
- To address an impending crisis in public health leadership in the developing world, BRAC established the James P. Grant School of Public Health under BRAC University in 2004. The school is to prepare public health leaders utilising Bangladesh's vast field laboratory for experiential teaching and learning.
- BRAC, in conjunction with Pratiche Trust, has launched a programme to facilitate the foray of women into non-traditional occupations like Journalism through the Salma Sobhan Fellowship in Journalism for Women in 2004.
- BRAC's Microfinance program introduced a new credit window called UNNOTI for marginal farmers of a slightly higher gradation than the poor, adding 800,000 new microfinance clients to its existing 4 million.

- A US\$44 million National Tuberculosis Control program funded by the Global Fund for Malaria, Tuberculosis and HIV/AIDS, was started in collaboration with the government and other NGOs.
- A new variety of hybrid maize was developed by BRAC plant breeders which promises high yield.

BRAC has registered as a foreign NGO in Sri Lanka where it plans to use its decades of experience in development to help rebuild the country devastated by the Tsunami.

Machinery of brac programs: There are number of instruments through which BRAC performs its functions effectively.

Gram shobha (issue meeting): Gram Shobha, also known as Issue Meetings, are the congregation of VO members who meet once a month to discuss social and economic issues that affect their day-to-day lives. Issues related to social injustice, health, education, discrimination or violence against women and other relevant topical issues are discussed. The main goal of these meetings is to create a bond of solidarity between the women in the VOs and to ensure that the women, as well as BRAC staff, know what is happening in each other's lives. This is a forum where women can discuss and share many of their personal problems and seek the advice of their peers. All Programme Organisers of the area and branch offices facilitate these meetings.

Union shomaj: In order to have a people's organisation capable of lobbying the Union Parishad and accessing distributed government resources, BRAC has been actively considering how best to promote the federation of the Polli Shomaj groups at the union level and eventually at the upazila level. BRAC has planned to set up 500 union associations on an experimental basis between 2003 and 2006. In this process, regions where existing people's organisations (for example VOs and Polli Shomaj groups) are already very strong have been selected. If the experience is positive in these areas, more union associations will be set up in other regions where PS groups have become stronger and show an interest in federating at the union level.

- Follow-up ward federation activities
- Increase the institutional strength of the poor by bringing together a larger number of the poor
- Mobilise public resources available at the union level
- Do advocacy work and networking with government and other NGOs

- Create local leadership among rural poor women (to enable them to contest in UP elections)
- Ensure participation at the union level Shalish (mediation)
- Increase the involvement of the poor in union level bodies such as school committees, mosque committees, or bazaar (market) committees

Polli shomaj: The Polli Shomaj is a ward level organisation, made up of representatives from several Village Organisations and external poor members. BRAC initiated this organisation in 1998 which was meant to complement the Government's initiative to set up local government bodies at the Ward level. BRAC's federations are unique in that they have an all women membership. These new groups are part of BRAC's attempt to re-focus on social mobilisation efforts and to strengthen local level institutions.

The main objective of Polli Shomaj is to give a political voice to poor women and therefore ensure that their interests are represented in local level bodies (government, or local groups such as bazaar, school or mosque committees). Polli Shomaj also mobilizes government resources such as Vulnerable Group Development (VGD) cards, old age pension cards, Khash land and ponds, roads and embankments. So far, Polli Shomaj groups have addressed issues such as illegal divorce, dowry, under-age marriage, polygamy, corruption and injustice within the community. Polli Shomaj members are also participating in greater numbers in resolving social conflicts through local arbitration (Shalish) and playing an active role in lobbying the Union Parishad for various benefits (VGD cards, old age pension). In the 2002 Union Parishad election, 3,945 Polli Shomaj members contested.

One of the major achievements of the PS groups is the creation of a new cadre of women leaders among the poor. By providing them with various types of leadership training and exposure in different forums (in their own groups, in wider BRAC forums and in community forums), these women are becoming capable of providing leadership within their groups and in the community in general. It is also worth emphasising that it is still unusual for women to assume such formal leadership positions within the community (unless it is for NGO credit groups) and therefore this is a new area where BRAC has been able to change gender roles and divisions of power to some extent shown in Table 10.

Capacity development for women: union parishad (council) representatives: The Regional Technical Assistance (RETA) for Gender and Governance Issues in

Table 10: Key statistics

Full name	BRAC
Institutional structure	NGO
Gross loan portfolio	US\$ 250,087,498
Portfolio at risk>30	8.25%
Number of borrowers	3,993,525
Number of voluntary depositors	4,858,763
Valur of voluntary deposits	US\$ 130,890,389

Source: BRAC as of 12/31/04

Local Government was designed and sponsored by the Asian Development Bank (ADB) to promote capacity development for the women Union Parishod Representatives. It was piloted in Bangladesh, Nepal and Pakistan, with BRAC implementing the Bangladesh programme over an 18 month period in 16 upazilas and 141 Union Parishods in 4 districts. The pilot project which was completed in February 2004, primarily aimed to build the capacity of women leaders in local government to provide more efficient and transparent public service delivery. It sought to develop effective linkages among gender, poverty reduction and good governance in local government. The project was once again implemented in June 2004 and completed in December 2004 in 17 new upazilas and 167 Union Porishods in the same 4 districts.

A comprehensive training programme in 2004, funded by ADB, promoted capacity development for 501 elected women representatives. In addition, a large number of male chairmen of the UPs were trained and gender sensitisation for many women UP members and male chairpersons was completed. 17 upazila level women's forums for elected members of the UP were formed. The upazila forum meeting provides women members with access to systemic information about poverty alleviation projects, sectoral projects and social services in the entire upazila. Elected women members of the UP conduct monthly community meetings in their respective wards with poor women, grassroots women leaders and extension staff from the sectoral agencies and safety net programmes. The findings of the RETA project suggests that capacity development of female representatives has improved their technical skills and awareness and increased opportunities for poor women to access development programmes and legal justice. Overall, the project has deepened grassroots democracy and allowed the participatory process to strengthen local government, while ensuring that welfare programmes reach the poor who need their services. BRAC plans to expand the project across the country where the Specially Targeted Ultra Poor (STUP) programmes are operational in the year to come. BRAC envisions this project being implemented on a national scale in the future.

Area of operations: By the end of 2004, BRAC was working in over 65,000 villages in every district of Bangladesh. BRAC's microcredit program has so far organized 3.99 million poor and landless people show in Table 11, mostly women into 142,117 VOs. BRAC's microfinance programme has so far disbursed \$2.59 billion with a 98.7% recovery rate. Members have saved up to \$130.89 with BRAC.

Distinctive features: BRAC places equal emphasis on training its members in income generating activities and facilitating their linkage with consumer markets. Instituting linkages between producers and consumers, BRAC assists in the entire process of income generation and makes it possible for the poor rural producers to be linked to the market. Recently BRAC has introduced a program for retrenched garment workers to facilitate the rehabilitation of garment workers who will be forced to quit their jobs due to the closure of many industries, caused by recent changes in international trade and quota systems. It has a special program "Income Generation for Vulnerable Group Development (IGVGD)" to cover the poorest women who own no land, have little or no income, or are widowed or divorced. BRAC's members are required to save a minimum of US 10 cents every week. When members take loans, it is mandatory that they deposit 5% of the loan amount into their savings account. The interest rate for the savings is 6%. Normally borrowers can withdraw their savings anytime.

Innovations: Its programmes have been replicated in about a dozen countries including Africa and the Middle East. In 2002, BRAC was registered in Afghanistan. Since then BRAC has expanded to 20 out of 34 provinces, providing services in micro finance, health, education, income generation and small enterprise development. At the end of 2004, BRAC Afghanistan had 2184 staff, of which 2033 were Afghans. In 2005 BRAC was registered in Sri Lanka after it was hit by the devastating Tsunami.

Financial results: BRAC's credit programme has so far disbursed \$2.59 billion with a 98.7% recovery rate where no collateral is required. Members have saved up to \$130.89 with BRAC. The total outstanding loans of BRAC stood at \$237 million in December 2004. Of the total outstanding loans, women members received 75%. By the end of December 2004 BRAC had mobilized \$114 million as savings and deposits from the members. Women contributed 82% of these savings show in Table 12. Rural trading, food processing and livestock poultry accounted for more than 71% of the total loans disbursed up to August 2004.

Table 11: Poverty focus

Average loan outstanding	Average outstanding loan size /GNP per capita	Average deposit size
\$255.40/client	\$131.31	n/a

BRAC approaches poverty alleviation with a holistic approach. It has special programmes for extreme and vulnerable groups of the poor, e.g., households with no land ownership, beggars etc

Table 12: Financial Results of BRAC

Loan portfolio	Portfolio at risk	Net savings	OSS/FSS	RoE/RoA
	6.2%	\$117.80 Million	n/a	n/a

Impact assessment: Impact assessment provides a strong basis for monitoring and evaluation of micro credit programs. It is more required to justify program continuation, modifications, extensions and expansions. Common variables for a micro credit programs impact assessment includes income, diversity of income sources, volatility of income, employment generation, asset acquisition, volatility and level of household consumption, education for children, poverty reduction, women empowerment and reduction in social exclusion of women etc^[2]. There may be many more areas of research for an assessment of micro credit on rural women of Bangladesh.

In response to the humanitarian needs of Bangladesh following the War of Independence in 1971, I set up BRAC as a relief organization in February 1972. Initially, its activities were concentrated on [the] northeastern part of Bangladesh. After two years of relief and rehabilitation work, which included, among other things, building of houses for refugees returning from India after the war and restoring their livelihood, we found that the needs of the poor people went far beyond relief and rehabilitation. This realization led us, in mid-1974, to community development intervention in health, adult education and credit for rural enterprises development. Shortly afterwards BRAC changed its emphasis from the village community to dealing with the poor directly as it became clear that a determined focus on the poor was essential if our efforts were going to have any lasting impact. With this . . . strategy for sustainable development and [the] objective of alleviation of poverty and empowerment of poor and other disadvantaged sections of the society, BRAC expanded its activities to other parts of the country, ensuring accessibility of the poor to resources and services. While developing their capacity, BRAC also promotes direct involvement of the poor as entrepreneurs in agricultural sectors including vegetable cultivation, sericulture [silk production], fisheries, poultry, livestock and the like.

Under its Rural Development Programme with microcredit as a principal component, BRAC now covers 2.2 million families in 37,000 villages. BRAC also provides

skill development training and human rights and legal education to the women under its credit program. About 25 million people have been brought under its health program. It also works closely with other NGOs on education, training and capacity development. In 1985, it initiated non-formal primary education for the unenrolled and dropout children of poor families. About 1.2 million children, 75% of whom are girls, are receiving free primary education in 34,000 BRAC schools. BRAC has 18,000 full-time employees and 33,000 part-time functionaries.

So far BRAC has disbursed loans amounting to US\$500 million and the savings deposit of its borrowers, a prerequisite of their membership in the village organizations, has gone up to US\$45 million. BRAC's annual budget for 1997 was US\$102 million, 45% of which is generated internally.

Bangladesh Micro-credit Programs and Their Impact on Women's Empowerment Education Programs and Their Impact on Girls Field Visit Report February 22-25, 2004 By Praful Patel, World Bank Vice President for South Asia The Bangladesh visits focused on educational and micro-credit programs as effective, *scalable* initiatives to promote prosperity and empower poor women. How did these programs become successful over time and across different parts of Bangladesh? To understand these questions, three days were spent visiting educational and micro-credit programs in Bangladesh; and looking at how scaling up Bangladesh's rural electrification program has changed the lives and well-being of poor rural villagers. Sites Visited and Lessons Learned The Chindaikona Village illustrates how Bangladesh's rural electrification program has changed people's lives. The poor so highly valued the benefits of electricity that over 98% of consumers paid their bills on time. At the BRAC Education Program schools in Chak Protha and Goshaibari, the standard of learning, the dedication of the teachers and the confidence and intelligence of the young students are all very impressive. The Dhunat Pilot Girls High School is one of the sites of the innovative Female Secondary Schools Stipends program, which has successfully scaled up girls secondary education drawing millions of girls into secondary schools and more than doubling female enrollment in these schools. A BRAC micro-finance meeting at Hatathpara and an Enterprise Organization meeting at Fulbari were also part of this field visit. Field visit participants also went to the Madhadpur and Shahrail Grameen Bank Branches and spoke with borrowers, recipients of Grameen loans for higher education and scholarship recipients and phone ladies; as well as Grameen Bank borrowers who have been elected as female Union Parishad members. The scaling up of successful micro-finance programs has clearly contributed

to poverty alleviation and empowerment of the poor. During the visit to Bangladesh Rural Development Board's Mominpur Mohila Samabay Samity, participants learned about two ladies. One joined the cooperative in 1984. She borrowed TK 1,000 (Taka) and received training at the Rural Development Academy. Empowered, she started a nursery, which has grown, to 8 acres. She now employs 10 people to help her. Another lady, who also received a loan from the cooperative and multiplied her income, has started an NGO to provide micro-credit support to other women. In turn, these women have used the loans to start mini-nurseries. Her annual income is between TK 300,000-400,000. All her four children are in school, with the eldest applying to medical college. Her husband helps to supervise the nursery. Lessons to share with other communities in other countries? The most important lesson is that of building partnerships. Neither the NGOs (non governmental organizations) nor the Government can do it all alone. Both the Government and NGO community efforts contributed to the successes of education and micro-credit in Bangladesh. In education, the government provided resources for massive investment in schools, materials, teachers and administration. The NGOs, reached the poorest and the excluded. In micro-credit, the Government created conducive macro environment and "Hands-off" regulatory policy and NGOs provided visionary leadership and delivered the services. Donors played constructive role by providing resources at the appropriate time. To elaborate on these points. Leadership commitment has been a key to the success of these programs. For example, although Grameen and BRAC were started by unique individuals, the same level of commitment and leadership is evident at all levels of the organization, from its senior officials down to the village level school teacher and Village Organization member. A core set of organizational values drives these institutions--a corporate culture focused on raising incomes, empowerment of the poor, especially women and respect for human rights. The success then will be in replicating this organizational culture elsewhere. A key factor to scaling up is the ability of institutions to experiment, adapt and innovate in order to meet new development challenges. Grameen, BRAC and other NGOs in partnership with Government were able to transform their corporate governance structures and processes to deliver services on an unprecedented scale, while maintaining the same level of commitment and standards of quality. Critical here is the system of continuous client feedback and program evaluation. The successful institutions are those that are learning organizations. For example, in institutions like REB, Grammen and BRAC, at

a corporate level, this learning enabled them to assume more risk and expand traditional micro-finance functions into a broader range of financial services as well as health, education and even mobile phones. Finally, external catalysts and the overall environment played important supporting roles in scaling up. The Government has allowed these institutions space to grow and develop on their own. The donors provided additional resources. Also the respectable growth in the overall economy and sound macro management has created economic opportunities which support income generating programs funded through micro-finance.

It was just another day in the village of Gazipur, about an hour's drive from the capital of Bangladesh. The order was given to about thirty conservatively dressed women to stand and recite the pledge of BRACs (Bangladesh Rural Advancement Committee) micro finance program; the pledge to which all women seeking loans from BRAC are required to commit:

"I shall not patronize corruption and injustice! I shall work hard and strive to improve the living condition of my family! I shall send my children to school! I shall adopt family planning and keep the size of my family small! I shall deposit my weekly security savings installments in time! If I take loan from my organization I shall repay the amount in time! I shall take care of my daughter and son equally and fairly!"

BRAC is a non-governmental organization that specializes in development work. Funded extensively by the Bangladeshi government and the World Food Program, it is best known for its effective micro finance program. The Income Generation for Vulnerable Group Development Program (IGVGD) focuses primarily on ultra-poor women, loaning them small sums of money that they invest in various entrepreneurial activities.

With the loans, women invest in rickshaws and sari booths to cows and goats. The repayment rates for these loans are over 95%, highlighting the success and sustainability of the program. While gaining access to BRAC's credit facilities, program participants also receive training in various income generation activities, including poultry and livestock rearing. The IGVGD program provides Essential Health Care services due to the fact that ultra-poor women face greater discrimination and higher risks to their health. An annual check-up, basic curative care and family planning education are available. Human rights and legal education courses are also a key component of BRAC's program, which works to educate and empower women by allowing them to be aware of their legal rights and the mechanisms they can use to address the discrimination that they face.

Micro credit has increased the standard of living for much of the population of Bangladesh and many other nations have tried to implement micro finance programs, from Latin America to the United States. However, micro credit does have its drawbacks. The high interest rates (ranging from 15 to 25%) increase the burden of debt, accelerating the cycle of poverty in some cases. Bangladesh also face resistance to the micro credit programs. Since Bangladesh is a Muslim country, the Islamic prohibition on usury has led to many Bangladeshi Muslim groups voicing their opposition.

Innovations in the field of Islamic Economics are occurring rapidly and BRAC is doing research on the subject. The aim is to bridge the gap between secular and religious elements in Bangladesh so that both can focus solely on economic development. In addition, since BRAC is heavily foreign-funded, many nationalists and leftists in Bangladesh and in the "third world" as a whole, see anything BRAC does as a de facto act of imperialism.

Experience in Bangladesh has also shown that while micro finance works well by increasing the standard of living for small groups and individuals by increasing measures on the World Development Index- such as caloric intake -the effect on the overall economy (GDP) seems to be negligible. Being one of the poorest ten countries in the world, Bangladesh's success with its micro finance programs has been largely overshadowed by its LDC (Least developed country) status. With Bangladesh ranked as the most corrupt country by Transparency International, the market conditions for micro finance in Bangladesh are less than ideal. However, the disciplined, entrepreneurial spirit that is a result of micro-credit programs will surely have a tremendous effect on the economy in the long run and many other developing nations can learn from Bangladesh's experiences with micro credit.

CONCLUSION

BRAC is one of the largest private development organizations in the country. It has been working since its establishment with the goals of alleviating poverty, creating employment, increasing rural incomes and mobilizing the landless poor. It has been reported that women constitute 80 % of the beneficiaries of BRAC and they have contributed to 81% of the saving^[18]. BRAC with its 23 branches in Rajshahi district is also working with same spirit as elsewhere in the country. It has achieved impressive success in achieving its goal of improving the socio-economic conditions of its female borrowers. It has

brought financial independence and solvency to the target group. Women borrowers are now more confident about their abilities to face the problems of the world outside their traditional home.

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