

26. The Nature of 'Underdevelopment' II"

Planning with Women in Mind The Example of the Grameen Bank

INTRODUCTION: Problems of underdevelopment are endemic in many parts of the world. Without development, countries remain dysfunctional parts of the world trade system, grinding poverty persists, and the world economy itself loses in lost production and cost of aid. The Grameen Bank program is one of the most successful and replicated development programs in the world. Devised and founded by Bangladeshi economist Muhammad Yunus, it is now being copied by aid programs in many world areas. Recently, similar small loan programs have been started for the poor - particularly for poor women - in several places in the United States.

One premise of the Grameen Bank planners was that many economically poor people are poor partly because they have no access to credit. This was the major problem that the Grameen Bank program set out to solve. However, the Grameen Bank program also recognized that women particularly needed other support systems if they were to carry out successful enterprises. Banking services needed to come to the women, because these Muslim women were secluded at home and were occupied with childcare and domestic chores. They needed insurance against ill health and other disasters. They needed a network of women like themselves who could be called upon for help.

As it developed, the Grameen Bank program became more than a lending institution - and more a social and economic support society. The following reading and case studies give an idea of this extraordinary program.

STUDENT OBJECTIVES:

1. Students will be able to describe the Grameen Bank project and suggest reasons for its success.

2. Students will demonstrate an awareness of how the status of women is frequently improved both within the family and in society when women have access to credit and can aid the family economically.

REQUIRED TIME: 3 DAYS

GRADE LEVEL: Middle School, High School, Undergraduate.

WORLD HISTORY SKILLS AND CONCEPTS:

1. Students will understand the nature of poverty in the less developed world.
2. Students will understand how culture affects the modernization process.
3. Students will learn about the role of women in the economy of Bangladesh.
4. Students will learn how cultures adapt and integrate foreign ideas.
5. Students will learn how economic and social systems are intertwined.

TEACHING STRATEGIES:

1. Duplicate the background information on the Grameen Bank Project and assign it as homework reading.
2. Divide student participants into three groups. Each group reads one of the case studies. Participants develop a short description of their case study for the large group, or, using the interviewer/interviewee method, interview women in the case studies about their lives and experiences with the Grameen Bank

MATERIALS NEEDED:

1. Background information on the Grameen Bank.
2. Case Studies.

PROCEDURE:

1. Assign the background information on the Grameen Bank Project for homework. Have students use an Almanac to find out pertinent facts about Bangladesh and a brief history of the country.
2. Debrief students in class the next day as to basic information about Bangladesh, how it fits into a definition of a less developed country and the pertinent facts about the Grameen Bank Project.
3. Divide students into groups and let them read one of the interviews. The group will then prepare a presentation.

4. On Day 2, the groups give their presentations.
5. On Day 3, the teacher can ask students to complete "Points to Consider."
 1. Why is investment capital so important to development both in Bangladesh and the rest of the world?
 2. Is capitalism an appropriate mechanism for development in LDCs?
 3. What are some impediments to obtaining capital in Bangladesh and in this country?
 4. How did women's lives change as a result of the Grameen Bank? How did the community change?
 5. What other support systems needed to be established besides just laws?
 6. What are 2 promises (economic and social) that borrowers make before receiving loans?

HOW IS THE LESSON INTEGRATED INTO THE LESSON THAT PRECEDES AND FOLLOWS IT? This lesson follows a general discussion of what underdevelopment means and the history of its origins in the 20th century. The lesson presents a very specific example of one solution to underdevelopment and is followed by a research project which allows students to investigate another country in terms of underdevelopment with some ideas as to how the country might approach its underdevelopment problems.

Ginny Bergen, The Madeira School

Marilynn Hitchens, Wheat Ridge High School

Planning with Women in Mind

The Example of the Grameen Bank

The Grameen Bank Project, launched in 1976 in the Bangladesh village of Jobra, was based on what might have been seen as a radical idea. The goal of the Grameen Bank Project was to loan money to poor, landless, rural people in Bangladesh. These men and women had no collateral - and none would be required for their loans. But the people receiving loans would be responsible for repaying them with interest. The method of making sure loans were repaid without requiring collateral, helps to explain why the Grameen Bank Project has become a model for similar programs throughout the Third World and in the United States.

The idea for the project came from Professor Muhammad Yunus, Director of the Rural Economics Program at the University of Chittagong in Bangladesh. The intention was to extend banking privileges to poor women and men; to eliminate the exploitation by money lenders; to provide disadvantaged people with a financial support system based on sound banking principles; and to reverse the vicious cycle of "low income, low savings, low investment, low income." Women who applied for loans would not need the approval of their husbands or other family members to receive loans in their own names. This provision was a radical departure from traditional custom. As one man wrote, "all this has occurred in a Moslem society where women traditionally have few individual rights to say nothing of being able to borrow money for their own business enterprises. To do this, no laws were passed or changed and the husband's permission is not required. Grameen bank managers simply went ahead and made loans to women because it was sound business to do so even though it violated custom and tradition."

The loans would be small ones averaging \$65.00 for first-time loans. However, these small loans to poor villagers could mean flexibility and opportunity for starting small income-generating projects. Although normal interest rates would be charged, borrowers would be protected from the enormous interest rates of money lenders - rates that often forced them into a cycle of overwhelming debt.

The first step in starting the Grameen Bank Project in Jobra, was to reach poor villagers and help them to understand the program. To reach women in a predominantly Muslim country such as Bangladesh was a difficult task.

Because Dr. Yunus was known and respected in the village of Jobra, he was allowed to hold a meeting with village women at night when they were able to attend after the day's work. The women, however, maintained a distance by taking their places at the meeting in a hut while Dr. Yunus sat outside in the yard talking to them through two female aides. The women in the hut were neither seen nor heard. As the discussion began (through the interpreters), it also started to rain. Dr. Yunus was given shelter in a hut - but not the one where the women were sitting. As the discussion continued, it became obvious that direct communication was needed to make the program clear to the women.

Finally, the women understood that Dr. Yunus was trying to explain something in their interest - that he was speaking of bank loans available to them. They moved to his hut, taking their place behind a partition so they could hear him and he could hear them without seeing each other. After a long session, the women were convinced of the benefit of taking out loans from the Grameen Bank so they could participate in small income generating projects.

Bangladesh is one of the poorest countries in the world, according to ordinary statistics that rely on an accounting of the formal economic sector. According to the 1981 Bangladesh census, only 40 percent of the population over ten years of age participated in economic activities - and for women the figure is four percent. This is grossly misleading, however, because virtually all adults and the majority of children are engaged in some form of economic activity in the informal sector.

The Grameen Bank Project focused on credit because having access to credit greatly increases the economic strength and flexibility of poor people. The project grew rapidly. By 1987 over 300,000 loans had been given - the large majority of these loans had gone to women.

How does this banking system for the poor work?

- * Each Grameen Bank branch is headed by a manager who commands a fieldstaff of three male and three female bank workers. All staff members are required to live and work in the villages in which they are assigned.
- * Bank workers visit the villages and talk informally to villagers, explaining the rules and benefits of the bank.
- * Any person who owns less than 0.5 acre of farming land and has a severely limited income is eligible for a loan for any income-generating activity.
- * To get the loan, the individual must form a group of five similar people. Each group elects its own chairperson and secretary and holds weekly meetings. Several groups meet at the same time in a village; this group of meetings is called a Center. The Center elects a Center-Chief who conducts weekly meetings and is responsible for the observance of all rules prescribed by the bank.
- * Loans are given to individuals or groups; only the person receiving the loan is responsible for his or her loan.
- * All loans are for one year and are paid back in weekly installments.
- * Each week every group member deposits one Taka (Bangladesh currency) as personal saving. This fund is operated by the group. In addition, each member pays a "tax" into a group fund. The group also must set up an emergency fund to which all group members contribute as insurance against default, death, or disability of a member.

Formation of the groups is a key to the bank's success. A poor individual - particularly a woman - may feel exposed and powerless, but group membership makes her feel protected and less alone. Peer pressure helps to assure that the members will abide by the Grameen Bank rules and repay the loans.

Discipline, unity, courage, and labor are the four principles of the Grameen Bank. The Grameen Bank is more than an economic system for loans and credit; it is a social system as well. Along with the loans, each member promises to:

- * Repair old and construct new houses.
- * Cultivate, eat, and sell vegetables annually.
- * Plant as many trees as possible.

- * Plan their families.
- * Educate their children.
- * Drink tube well water.
- * Introduce physical exercises in Centers.
- * Refuse to pay dowry in their children's marriages.
- * Undertake collective social activities.
- * Participate in joint activities for earning higher incomes.
- * Fight injustice and oppression.

Credit is seen as a central way of improving the living standards for the very poor.

Particularly for women, direct loans made to them for projects that they devise are critical in raising their feeling of having power over their lives and futures. Dr. Yunus commented that the Grameen Bank Program "builds up the dignity of human beings while building up a country's economy."

The Results of the Banking Program

From 1976 to 1986 the Grameen Bank lent first-time loans to over 300,000 people averaging sixty-five dollars each. Over eighty percent of the loans went to women. With about half a million borrowers today, the bank is growing at a rate of 10,000 to 15,000 new borrowers a month. It has reached 9,500 villages - 14 percent of Bangladesh's 68,000 rural communities. Eighty-two percent of the borrowers are women. The repayment rate is 98 percent - much higher than the repayment rate of bank loans secured by collateral.

The focus has increasingly been to encourage women borrowers. Muhammad Yunus commented in a recent interview that, "in the case of a man, too often the beneficiaries are himself and his friends. A loan to a woman results in more benefits to the family."

Case Studies of Grameen Bank Borrowers

Samina - An Interview with Grameen Bank Manager Abdur Rashid Khan, Rangpur.

"A small path winding through the green of paddy fields takes you to Samina's house in Mirjapur.... Looking at this 32 year old woman in her tattered sari, I knew what kind of life she was living; a life of relentless struggle with poverty....

"There were no windows in Samina's hut. The sky was very heavy after the rain. It was difficult to see anything distinctly in the fading light of the evening.... I asked Samina, 'What do you eat your meals in?' 'In earthen plates, Sir,' she said shyly, 'Since we have very few of them, we let our children eat first. My husband and I eat afterwards. She then showed me an earthen jug, a very old glass of aluminium, and a spoon. 'These are gifts from my mother. I have preserved them with care.'"

Samina told Abdur Khan about her life. Perhaps the worst period was during the famines of 1974. "In that winter [Samina's family] had no means to buy rice.... They sustained themselves by eating boiled banana leaves. Sometimes they had nothing at all to eat for days. Her eldest daughter Mannara would cry for rice. Samina herself felt like crying because she could not give the hungry little girl any."

In 1983 Samina received a loan from the Grameen Bank of Taka 1000 (\$36.45). With the money, her husband Matiur and she set up a rice husking business. Matiur went to other villages to buy the rice and collect fuel while both carried out the rice husking business at home.

"This is how Samina, working on a capital of \$18.50 [half of the loan was stolen] and hard work and determination was able to pay off the entire loan of Taka 1,000 (\$36.45) on the 17th of April 1984. Apart from the extreme hard work and the attendant physical exhaustion, Samina was now free from worries about food for the family. They had just enough to eat; not a day of starvation in the whole of that year. The children even had new clothes and books. A few necessary domestic articles were bought....

"Samina has paid her installments and her special savings account money very regularly. So far she has never missed a weekly group meeting, not even when she has been sick. 'I would feel very bad if I ever missed a meeting....'

"I asked her about her feelings when she first received the loan from the Bank. 'I felt very happy, Sir. It was like having a new friend.'

"Samina has applied for a second loan from the Bank. It has been approved... Her plan is to continue in rice husking with part of the money and put the rest into setting up a grocery shop."

**Bhagya Rani - The Results of a Loan. An Interview with Grameen Bank Manager
Itmedadud-Doula**

Bhagya Rani's husband was disabled by illness. Bhagya Rani eked out a living for the family, "winnowing by day as well as by night. The payment was made in kind... Recalling her experience of that part of her life Bhagya Rani said, through tears, 'you know, Sir, those people with money just didn't think we were human beings. They would use most horrible language if I was ever late by a minute. However, I never protested. I thought I owed my life to them, otherwise I would just be without work and starve....'

"I do not have words to tell you how I felt [when I got my bank loan from the Grameen Bank]. I came back home with the money, a thousand Taka (\$36.45).... I had never been able to send my children to school or buy them clothes at the puja [festival]. I could not even arrange for my husband's [medical] treatment. I set out in search of rice...I dried the parboiled rice in four days and got it husked at a rice mill...I made a profit [from the husked rice] of Taka 184 (\$6.70). I wept in sheer joy" [This meant Bhagya Rani realized an average of Taka 150 (\$5.40) profit each week.]

"I requested Bhagya Rani to tell me something about the difference she had evidently experienced in the condition of life before and after joining the Bank.

"Well Sir,...before joining the Bank, I just could not think of myself as a human being. What have I not done to manage two bare meals for myself and my family. As I have already mentioned, I was thrown out by my father because my husband could not do anything. He was forced to ignore his fatal condition [tuberculosis] and beg along the streets of Galachipa for work and trying to get something for the hungry children. I myself went to work at the rice-mill, though I know well enough what nasty things people might say of me.

Even then I could not get enough food for my children. I could not think of giving them an education or buying them new clothes. Because I was poor, nobody cared to know what I was living through. But now things have changed. And the change is as a result of the Grameen Bank... We now eat three meals a day. My husband is having the kind of medical treatment tuberculosis calls for. He doesn't have to work. My children are going to school. Before this Bank business, my parents did not bother to inquire after me. Now my neighbors love to come to me and have a chat. I am the chief of my Center.... My luck had abandoned me for want of money. Now it has returned to me due to the Grameen Bank."

Sultana - An Interview with A.S.M. Mohiuddin, Branch Manager.

"Sultana was hard working and practical minded right from her childhood. She became a wage income earner from the age of 12...

"Impressed with Sultana's business ability [peddling wares in the village] her uncle Abdur Rahman expressed a desire to bring her into his house as his daughter-in-law. Her father was delighted and at the age of eighteen Sultana married Chand Miah and moved to his village.

"Sultana's mother-in-law had not been too enthusiastic about the marriage. However, Chand Miah gave her a sari, blouse, petticoat, and a nose ring. Her father gave Sultana a pair of gold earrings [and promised to pay Taka 1000 (\$36.40) in dowry for his daughter]. Due to his pecuniary condition he could not immediately make the payment. However, after the wedding he paid Taka 400 (\$14.58) in two installments.

"Chand Miah worked in a shoe shop. He was not pleased at the fact that his father-in-law had not met his end of the bargain of paying Taka 1,000 (\$36.40) as dowry for marrying his daughter. While he could do nothing to the father, Sultana had to bear the brunt of his anger as well as that of her mother-in-law. They insulted her at every opportunity, humiliated her by abusing her father. And often they would tawnt her mercilessly and afterwards send her to her father's house for the remaining amount of money...

"[The last time] her father accompanied her to explain to his son-in-law. On reentering her husband's house Sultana saw some festivities going on. Realization dawned on her with horror. Chand Miah was getting married again and this time with even a bigger dowry....

Her mother-in-law was triumphant. Seeing Sultana and her father in the midst of her festivities she became enraged....this lady refused them entry into the house and told them never to return again. Seeing the commotion Chand Miah also entered the scene. The sight of his wife and the father-in-law was like a red rag to a bull. He pulled Sultana by her hair, dragged her in the mud, beat her mercilessly, and with a final vicious kick...he shouted these dreaded sentences. 'I divorce you,' clearly three times by which any [Muslim] man can dissolve his marriage just like that and proceed on with another marriage...."

Sultana's second marriage was also unfortunate. Her husband was totally idle - the spoiled only son in a family with seven daughters.

She was told about the Grameen Bank by an employer and friend. "Sultana did not take him seriously in the beginning. What could she offer to the Grameen Bank as collateral or guarantee. A poor, hopeless woman with nothing to her name, with the exception of the clothes she had on her back. What bank would take her seriously?"

Sultana formed a group and was approved for a loan. "The first thing the group was taught was to sign their names.... The first time Sultana signed her name on a receipt of the Taka 800.00 (\$29.16) loan her hands shook visibly. So much money in her hands was like a tonic for Sultana." She bought \$30.00 worth of goods before returning home.

"Early the next morning Sultana set out on her rounds to sell her goods... The profits of the first day truly excited Sultana...[After a weeks her profit had been on the average Taka 55.00 (\$1.46) every day... Her reputation spread far and wide as she would not sell below standard articles, nor would she ever cheat anyone. Her next task was to set up a small grocery and variety store for her husband... Next to the shop Sultana constructed a tiny house for her family. She was a proud woman..."

Reprinted with permission of Susan Hill Gross, Upper Midwest Women's History Center,
6300 Walker Street, St. Louis Park, MN 55416