

The Grameen Bank in Enhancing Efficiency/ Skills of its Clients: A Reluctant Partnership

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Abstract: The argument for providing microfinancial services in this article is not the conventional microcredit argument that supply-driven microcredit services alone to poor women puts them on a conveyer belt that takes them over the poverty line. Rather, the argument is more grounded in the reality of being poor and those demand-responsive non-financial services especially skill/efficiency enhancing efforts alongside the high quality microfinancial services can help the poor to help themselves overcome their problems. Taking the Grameen Bank (GB) of Bangladesh as a case study, this article explores the provision of client-responsive microfinancial product and skill/efficiency enhancing services and the principles that could be followed by the GB in order to achieve the goal of significant poverty alleviation for rural poor women in Bangladesh.

Key words: Efficiency/Skills, Non-financial Services, Poor Women.

1. Introduction

Bangladesh is the cradle of Microcredit program. Rural poor women in Bangladesh have been involved in microcredit programs. The microcredit program is a unique innovation of credit delivery technique to enhance income generating activities. The program extends small loans to poor people for self-employment activities thus allowing the clients to achieve a better quality of life [1][2]. It is the most sensational antipoverty tool for the poorest, especially for women (Micro-credit Summit 1997). It has been quite well recognized that micro finance smoothens consumption, reduces the vulnerability of the poor and leads to increase in their income. By giving the world's poor a hand up, micro-finance can help break the vicious cycle of poverty in as little as a single generation.

The incomes earned by women tended to be spent in ways that are more beneficial to the household than that of their male counterparts. Women spend proportionately more of their extra income on things that help develop human capital i.e., better nutrition for the family, better health care and education for children, and better sanitation. Moreover, *when women earn, children learn*. This

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The Grameen Bank in Enhancing Efficiency/ Skills of its Clients: A Reluctant Partnershi

gives rise to a new generation of efficient women to participate in economic activities, ultimately reducing the dependency ratio for the new generations to come. The payoffs from human capital development thus formed involve a gestation period much longer than is normally expected. However, despite their innate efficiency and strong desire to escape from poverty, the lack of proper technology and training for the poor women leads them to reach, at best, to a *low level of equilibrium trap* in productivity.

Nonetheless, Microcredit cannot be the “panacea” on overall solution of poverty, a package programme consisting of Efficiency and Skill Development for stepping up women's productive role in the society. Education and training are vital tools of any approach to improve agricultural and non-farm productivity and rural incomes. Proper knowledge about improved production technologies and methods, new products and markets, business skills, as well as life skills (such as health management, decision-making, self confidence, or conflict management) can make a big change for many of the rural women.

2. Literature Review

The aim of this paper is to evaluate the success of microfinance initiatives that are directed at women in achieving poverty reduction. It argues that while these initiatives are beneficial, the belief that they alone can reduce poverty is too simplistic. Rather than focusing on the minimalist “Credit-only” approach as opposed to integrated “Credit plus” approach to microfinance service provision (for the importance of the latter, please refer to [3] it draws attention to the importance of measures tackling , skills enhancing efforts.

Professor Md. Yunus, the founder of Grammen Bank comments that the rationale behind targeting women is not only to enable them equal access to financial services, women have greater long-term vision and are excellent managers of scare resources[4]. It is also believed that they are more likely to spend their income on the household well-being [3][5][6][7] [8] and they reach higher repayment rates [5][6][9]. While this might be true, it does however not necessarily translate into poverty reduction.

However, in order to alleviate poverty significantly, women should be increasing their productivity on a sustained basis by enhancing their efficiency and improving their skills. The limited technology, if any, used by the poor women clients is generally very simple and consists of domestic appliances. This low technological level limits poor women's potential of increasing productivity in their microenterprises.

A major constraint on rural poor women's ability to earn more income is the length of time they spend on repetitive and unremunerative domestic tasks. It is not uncommon for these unpaid chores to take up ten or more hours every day in rural areas [10]. Perhaps of equal importance is the growing evidence that failure to recognize rural women as being overworked rather than simply underemployed can result in the collapse of projects aimed at increasing the

productivity of their work. The research understands that these poor women are unable rather than unwilling to adopt improved technologies.

As mentioned above, it has been recognized that women are more likely to spend the money in ways that are more beneficial to the household than their male counterparts. They proportionally spend more of their extra income on things that help develop human capital, better sanitation, better nutrition and also better health care and education [3]. If loans given to women thus benefit more than one person it seems sensible to direct them to women.

Despite this positive impact, the problem occurs when one looks at the type of activities women engage with-these are usually an extension of their domestic work, which unfortunately yield extremely poor returns. Examining the results of a research carried out in Sri Lanka, Hunt and Kasynathan (2001) write that at best women gain very little for their labour for many traditional income generating activities[11]. Similarly Johnson and Rogaly (1997:12) write about the revision of Oxfam's experience with income-generating projects for women that raised serious questions about the profitability of such activities[12].

De Mel et al. (2007) show that returns to capital are greater for men than women, with women often having zero return. The overlap between household and business makes it difficult for women to use the money for purely productive services since there is the daily demand to feed and care for family members [13]. Men on the other hand, with no such overlap present, are more likely to reinvest in business than women, increasing the chances for profit generation [14]. Consequently investment in the consumption related needs serves short term objective only, while it has been recognized by Kabeer (1998:30) that re-investment in business can be regarded as a strategy for assuring both consumption standards as well as security in the future[6].

The efficiency argument implies that by restricting the opportunities and development of over half the population constraints the development and welfare of the country as a whole. This could be seen as analogous to the way in which the commercial and other formal banks of Bangladesh limited the country's potential by imposing credit restrictions on over 50 per cent of the total population in Bangladesh. More specifically, the efficiency argument often points to the way in which greater participation of women in income-generating activities benefits the family or children.

In advancing support to the *efficiency* approach, the Asian Development Bank (ADB) remarks that as women are poorer, and more deprived than men, there is a need for gender focus for reasons of *equity*. A second and perhaps more important line of argument is that, even if women are equally as poor as men-that is, there is no special sense of deprivation-one can justify greater investment targeted toward women than men if the rate of return on investment in women is higher than that in men. This argument makes a case for greater investment in women-in training, education, and health, -on account of efficiency[15].

Investing proportionately more in women directly reduces poverty through substantial economic and social payoffs. It leads to higher productivity and more

The Grameen Bank in Enhancing Efficiency/ Skills of its Clients: A Reluctant Partnershi

efficient use of resources. Research has shown that investing in women promotes growth and efficiency, reduces poverty, and helps future generations and prompted development [16]. Investments in women can broaden the returns of economic development. Because of the critical role women play in their family's health and nutrition and in the education of children, the benefits, through the multiplier effect, tend to diffuse more widely through society and across generations.

While not trying to deny the importance of the empowerment approach, for the sake of brevity and for keeping the principal issues in sharper focus, this article believes that women's poverty in rural areas of Bangladesh is mainly a problem of underdevelopment, not of subordination. This article also stresses that if targeted interventions of the GB can help to direct resources to women as well as enhancing their skills, thereby overcoming past barriers, which have led to the suppression of their entrepreneurial potential, then the GB must be appreciated for its role of enhancing the efficiency/skills of its borrowers.

With women bearing much of the burden of the family's survival, and contributing often more than 50 per cent of the household income through their efficiency in household work as well as in GB-financed projects, the female-focused development projects of the GB can be justified both on *efficiency* and *poverty alleviation* grounds. The GB's focus on women originates not only from the burden of double biases against poor women, but also for *efficiency* in their projects. Studies exist to indicate that the performance of women borrowers is better than those of their male counterparts.

While credit constraint decreases the efficiency of poor rural women by limiting the start of new or existing microenterprises [17], this article is of the view that the targeting of female poor is justified to ensure effective and efficient development, which is impossible without active participation of both the sexes. In order to achieve the desired goal of development and poverty alleviation, the challenge ahead of the GB is to maximize the returns to and contribution of this group of people.

The rural poor women are more efficient compared to their male counterparts. In spite of having innate skills and efficiency, the poor women suffer poverty the worst. If being poor is tough, being a poor woman is the toughest. When a poor woman is given a little opportunity, she struggles extra hard to get out of the poverty trap. Women use every resource available more efficiently than their male counterparts. The desire and seriousness of women to improve their lives and those of their children makes them more efficient in using loans to increase productivity. Besides, female members' longer attachment to the GB-financed microenterprises increases their experience and skills and makes them persistently efficient workers. As members of the GB, the women borrowers increase their material wealth (what they have) and improve their efficiency and skills (what they do) to contribute effectively to the development process.

Women tend to be more efficient, more far-sighted, and more concerned for the long-term security of the household. They are more cautious and forward-

looking than men. A poor woman takes the loan very seriously because she does not have any *cushion* whatsoever, as a male person sometimes has. So, she wants to do a good job to keep her away from any sort of problem. She thinks this is the only opportunity she has got and as such she wants to make the best use of it.

Contrary to the general assumption that the rural poor illiterate women have no skills and as such they are inefficient, (Fuglesang and Chandler 1994: 25-7) observe that they have different skills i.e., listening skills, memory skills, survival skills, resource utilization skills and occupation skills. The poor women also have different occupation skills: rice growing, vegetable trading, cattle fattening and selling, bamboo work, pottery making, and weaving, and many other informal jobs related to manufacturing and processing. Often the poor command several of these skills and common to them all is the competence involved if they are to make a living from it [18].

The emphasis on the many skills of the rural poor women, nonetheless, does not mean training in new skills or upgrading others is unnecessary. Poor women acquire a new skill willingly and easily when they recognize its benefit. The conventional development planners, proponents of the imported western skills and technologies, all too often overlook how much people enjoy using their skills.

3. Methodology:

Satisfactory though the performance of the GB is in ensuring access of the poor, particularly poor women, to institutional sources of credit, and alleviating poverty of very few of them, the article will argue that it could have been even more impressive if the GB provided not only financial services but also other client-responsive skills/efficiency enhancing non- financial services among its illiterate, frustrated, hesitant, unskilled women borrowers, most of whom became microentrepreneurs in the GB programmes for the first time in their lives. The article also maintains that majority of the Grameen women borrowers cannot improve their poverty situation, but instead become more vulnerable and trapped in the rigid, supply-driven, credit-alone system.

Expanding financial services only may improve the welfare of the very poor women but not necessarily lift them out of poverty because of their lack of access to efficiency-enhancing factors that raise incomes by expanding their production frontier [19].

It can reasonably be said that the efficiency of women due to participation in the GB-financed microenterprises has increased if there are indications that support an increase in the female activity ratio, increase in expenditure on children's education, increase in expenditure on nutrition, and increase in expenditure on health.

To evaluate the role of the GB in enhancing efficiency/skills of its unskilled women clients, the field survey looked at 75 female GB members selected from three projects, one each from Tangail, Bogra, and Comilla zones. Due to time

The Grameen Bank in Enhancing Efficiency/ Skills of its Clients: A Reluctant Partnershi

constraints it was not possible to interview all of the 156 female Bank members in the original sample size.

The study has used three methods, namely semi-structured interview (SSI), direct observation (using the author's best judgment), and document analysis. There are four different aspects under the SSI, i.e., individual interview, participatory group discussion, key informants' interview, and case study. Besides using individual interview as the main method of collecting data, the survey took into consideration the participatory group discussion and key informants' interviews as well.

In the absence of comparable benchmark data, the impact of the GB's operation on income and poverty had to be estimated through a with and without comparison of information collected in a survey of households in six project villages covered by the GB and six control villages outside the GB's area of operation.

A total of 300 GB borrowers, 50 each from 6 project villages and 30 non-members, 5 each from 6 different control villages (where the GB has no credit operation) were interviewed to measure the extent of poverty in the absence of GB. Groups 2 and 3 have been used alternative controls for comparison of the average values of the relevant variables with those for group 1. The selection of the control villages was more or less purposive, keeping in mind similarities of land distribution and occupation structure between project and control villages. Despite all these, this methodology is still not completely free from criticism.

A list of all villages covered by different projects of the survey was collected from the GB. Most information regarding the loans from the GB was confirmed by the information provided by the GB. Loans from other informal sources were difficult to double-check. The only information, though not always reliable, for those loans were to review information by similar other surveys.

Research Findings:

This research is an exception of the traditional model-based study. It is based on the real life situation of the rural poor women in Bangladesh. So far the results of development plans suggest that economic policies based on econometric models offer little more than makeshift emergency measures with an abysmally low rate of success. National and global growths are slowing down; poverty increases and economic forecasts are poorer than ever. It appears as if economics has fallen into a simple modeled spell-bound trap in which only the measurable is real and only that which is measured is true. The dilemma of this conceptual cage is that once one is inside, one cannot see what is outside. One's scope is limited to those phenomena, which are immediately amenable to measurement.

Moreover, many models do not support to describe any real-world phenomena but are used simply to solve conceptual problems. The success of a poverty alleviation programme depends more on the commitment and desire of the

implementing agencies to work for the poor. Hundreds and thousands of models in the past could not improve the poverty situation of the rural poor despite the inflow of billions of dollars in those poverty alleviation projects.

The survey settled on four variables in evaluating the efficiency of women borrowers. They were activity ratio; the percentage expenditure on children's education; the percentage expenditure on family nutrition; and the percentage expenditure on family health care services. In general, the efficiency of the female borrowers in terms of all the variables was satisfactory (Figure 1). The increased activity ratio was the most impressive amongst all the variables.

By joining the labour force and reducing the dependency ratio, female borrowers alleviated their poverty. Empirical studies based on the findings of 93 countries indicate that for a 1 per cent increase in women labour force reduces poverty by 4.5 per cent [20].

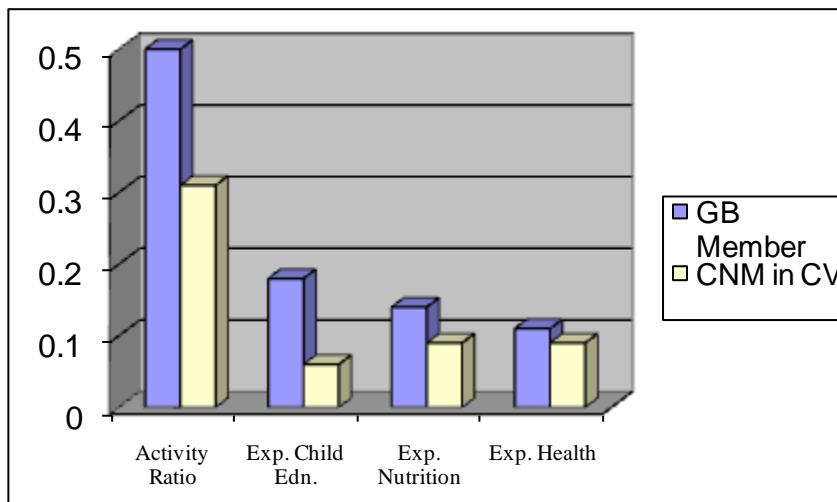


Figure 1-Efficiency of women borrowers, 2010, Source: Field Survey

Hints: GB members: Grameen Bank members, 2010, and CNM in CV: Control non-members in control villages without GB project.

Besides the GB impact in enhancing the efficiency of women borrowers, the GB impact on increase in household incomes, productivity, wage rates and capital accumulation was positive. The level of increase in incomes, productivity and capital accumulation was directly related with the pre-loan income of the rural poor women.

4. Conclusions and Recommendations

If credit can generate self-employment in home-based enterprises, and if the employment generates a positive net return to the family labour, it is imperative in terms of human economics that the women would go for such credit. However, the efficiency of rural poor, illiterate women cannot be expected in any

The Grameen Bank in Enhancing Efficiency/ Skills of its Clients: A Reluctant Partnershi

way to be identical with those of the modern educated women in Bangladesh or other developed, developing, and economically-transforming countries. The efficiency of rural poor women should be judged by keeping in mind their elastic supply of labour and their traditional three roles of production, reproduction and social services. These women would be seen as efficient as long as they make any contribution to the family income.

Development cannot be effective and efficient if women, who constitute nearly 50 per cent of the population, are excluded from the development process. Although women clients are often overlooked in the design of any development project including small and microenterprise projects, they are a potentially profitable population. Also, many Asian families depend increasingly on women as income producers, as household incomes decline. Women are the primary income earners head in many of the poorest families. Under such conditions, well-designed microenterprise projects can make an important contribution to poverty reduction efforts.

A gender-sensitive strategy is required for education, training and entrepreneurship development that acts in response to the needs of rural girls and women. Skills development for rural women often necessitates a combination of training in formal settings (such as schools and training institutions), non-formal settings (such as community groups and NGOs) and informal ones (such as learning from family or peers). It can include basic education, vocational training, life skills training, entrepreneurship training, and agricultural extension services.

Microfinance, like most development activities, works best when it is part of a broader multifaceted approach to poverty alleviation in which a number of skill and other efficiency enhancing efforts are needed. In practice microcredit is often treated as a stand-alone activity [21] but ideally poor people need access to a coordinated combination of microfinancial services as well as other development services for improved quality of life.

It may reasonably be said that the performance of the GB in its role of enhancing efficiency/skills of its rural poor women in order to have a significant impact on poverty alleviation is less than satisfactory and there is much room for improvement in its (GB's) efficiency-enhancing efforts. However, there seems to be a consensus around the view that the GB has enabled the poor rural women for the first time to engage in commercial income generating activities, be it livelihood projects or microenterprises. In the process, the rural poor women earn some income, though often less than their male counterparts, and contribute to the poverty alleviation efforts of their households. The underlying assumption of this study is that the GB could go even further in unlocking the creative and productive potential of the rural poor women through a properly designed and sensibly implemented women-friendly efficiency/skill enhancing program.

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