

Govt. Titumir College, Dhaka



Department Of Management

Term Paper

On

**The Role of Micro-Credit in Economic Development of
Bangladesh: A Case Study on Grameen Bank**

Submitted To:

Samima Yeasmin

Assistant Professor

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Govt. Titumir College, Dhaka

Submitted By:

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DU REG: 19726000242

Roll: 68833

Session: 2018-19

BBA (Hon's) final Year

Department of Management

Govt. Titumir College, Dhaka



Affiliated with

UNIVERSITY OF DHAKA

Date of Submission: May, 2023

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LETTER OF TRANSMITTAL

May, 2023

To

Samima Yeasmin

Assistant Professor

Department of Management

Govt. Titumir College, Dhaka

Subject: Submission of a Term Paper on “The Role of Micro-Credit in Economic Development of Bangladesh : A case Study on Grameen Bank”.

Dear Sir,

With due respect, I have prepared my Term paper on “The Role of Micro-Credit in Economic Development of Bangladesh : A case Study on Grameen Bank”. to fulfill the partial requirements for the award of the degree of Bachelor of Business Administration (BBA).

I am honestly thankful for your guidance during the preparation of the report. I have tried my level best to conduct this in a professional manner. I hope you will assess my report considering the limitations of the study and time frame.

Thank you once again for your endless support and supervision.

Sincerely Yours,

Taife Tasnim Souda

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BONAFIDE CERTIFICATE

This is to certify that Taife Tasnim Souda , Registration No: 19726000242 and Roll No: 68833 is a student of the Department of Management of Govt. Titumir College, Dhaka. He has completed the Term paper titled “The Role of Micro-Credit in Economic Development of Bangladesh : A case Study on Grameen Bank” successfully under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other Term paper or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any or any other candidate.

I wish him every success in life.

Samima Yeasmin
Assistant Professor
Department of Management
Govt. Titumir College, Dhaka
Affiliated of University of Dhaka

DECLARATION

This is to declare that the Term paper has been submitted here with in partial fulfillment of the degree of Bachelor of Business Administration (BBA) degree from Govt. Titumir College, Dhaka under “University of Dhaka”. I hereby declare that all the work submitted has been performed by me and this work has not been submitted elsewhere for the award of any degree.

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EXECUTIVE SUMMARY

The purpose of this qualitative research is to examine the new trends of microcredit programmes for income-generating activities through self-employment of poor people at the grassroots level in Bangladesh. The Grameen Bank (GB) provides microcredit to the poor without any collateral to generate employment, income and self-esteem. The process that takes place in the Grameen Bank is better characterized as organizational development for people's direct participation in economic activities. This paper also analyzes the difference between the Grameen Bank's members and non-members at the same village who were living in the same socioeconomic conditions before joining the microcredit programme. Empirical findings of this qualitative research reveal that there has been a dramatic change in the Grameen Bank members' lifestyle, such as income, education, health and nutrition and so on. This highlights the fact that the poor are able to improve their own socioeconomic conditions given an opportunity through direct involvement in social development activities

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Chapter 1

Introduction

This chapter, as Introduction Chapter represents the general background information, problem discussion, purpose and the delimitation of this study. This chapter also represents the brief history of Bangladesh with important key information, rural poverty and micro finance sector of Bangladesh. And the finally this chapter presents the brief history of Grameen Bank, its important facts and figures and its different product categories.

1.1 Background of the Study

The formal financial sectors in developing countries typically serve no more than 20% of the total population (Greuning, Gallardo & Randhawa, 1998). They fail to serve the poor people of the society due to their unfavorable loan qualification criteria. For getting loan facilities they require collateral, minimum level of education, acceptable level of income source and living standard which cannot be fulfilled by the poor people. To overcome these limitations and open the door of financial services for the poor people a new type of loan was first introduced in 1976 by Muhammad Yunus in Bangladesh called Micro Credit. Core principle of this loan is to provide loan to individuals within a group where each individual of this group is mutually responsible for everybody's repayment. This social collateral replaces the physical collateral which poor people have lacked. Micro credit program is mainly directed towards women. It is a small amount of capital for the poor that can be used for their existing income generating activities or establishes a new entity in developing countries (Nawaz, 2010). It is designed in such a way that covers those poor people who are left out of the formal financial systems (Mahjabeen, 2008). Micro finance is described as banking for the poor (Mejeha & Nwachukwu, 2008). United Nations World Summit Outcome Document, 2005 states that "We recognize the need for access to financial services, in particular for the poor, including through microfinance and microcredit."

Usually Micro Finance Institutions (MFIs) and Non-Government Organizations (NGOs) are involved with the micro credit programs in developing countries. To some extent some public commercial banks and specialized banks are also involved with the micro credit programs. Formal banks especially state owned banks and some specialized banks have

similar type of loan scheme but loan amount is bigger than micro credit. Their operational procedures are quite different with the MFIs and NGOs. MFIs are not only providing financial services but also social services related to health, basic education, hygiene, child immunization, skills development, capacity enhancement etc.

Bangladesh is an agricultural country that and almost 80 percent of the population lives in rural areas in the country's 68000 villages. Around 36.3 percent people are living below poverty line (Central Intelligence Agency, 2010). And the national poverty line of Bangladesh according the government of Bangladesh declaration is who earns below USD 1.25 a day (Zohir, 2010). They have only basic level of education and some people don't have any minimum level of education. Their main income comes from agricultural business like farming, harvesting, fishing, cultivating, gardening, livestock, and forestry and also nonagricultural business like small departmental store, scrap collector, village restaurant, making handicrafts etc. Highly effective micro credit programs can provide financial services to these poor people without collateral to engage themselves into income generating activities for reducing their poverty level.

There are 540 licensed NGOs, Grameen Bank, some state owned commercial banks and specialized banks which are running micro credit programs in Bangladesh by involving thirty million borrowers (Micro Credit Regularity Authority of Bangladesh, 2011). And the total outstanding loan amount is BDT 200 billion (Micro credit Regularity Authority of Bangladesh, 2009). NGOs and MFIs are playing an active role to reach the credit facilities to the poor in Bangladesh than the formal financial institutions. They help to create rural employment generation, reduce poverty of these poor people who are taking micro credit facilities and utilize it properly. It will improve their living standard and help to fulfill basic needs for their family members by making them micro entrepreneur.

Micro credit programs employ two tiered approach in poverty alleviation. They provide credit to the poor for purchasing capital inputs to make them become self-employed and also provide noncredit services such as vocational training, civil responsibilities and rights and other social services (Mckernan, 2002). Micro credit programs help to create rural employment and alleviating poverty after adopting more economic activities.

1.2 Objectives of the Study

- This study investigates the role of micro on life status improvement process of these poor borrowers.
- To explore the role of micro credit in rural poor people daily life status improvement

process in rural areas in Bangladesh

- To uncover the customer attitude towards Grameen Bank .
- To evaluate different services provided by these banks.

1.3 Scope of the Study

This paper provides the comprehensive idea about the employee's behaviour, their performance, banking facilities, wide range of banking services and the level of customer's satisfaction of Grameen Bank Singair, Manikganj. The paper is mainly focus on

- How is micro credit program helping the rural poor in financial access?
- How is micro credit program influencing the rural poor people daily life status improvement by involving them with the credit program?

1.4 Limitations of the Study

I am using Grameen Bank of Bangladesh and its borrowers for this study. The findings are based on phone interviews from the borrowers and the officials of Grameen Bank. It would be possible to collect more data if I conduct face to face interviews. The distance between Sweden and Bangladesh and financial constrains bound me to phone interviews.

Around 3589 micro finance institutions are working with more than 190 million borrowers all around the world (Reed, 2021). Micro finance institutions differ in their services and basic structures. They are using different micro credit lending models based on their social, cultural and customers demand. Most usable micro finance lending models are Grameen model, co-operative micro finance model, village bank model, credit union and so on. Most of the models are developed based on the Grameen model according to the nature of the customers and country's socio economic condition. Grameen is the most popular model in Bangladesh for financing micro credit. In this study I focus only Grameen Bank model since I am using Grameen Bank and its borrowers for this study. This is also a limitation for this study.

Chapter 2 Methodology

In this study the research conducted to find out the Role of Micro-Credit in Economic Development of Bangladesh on Grameen Bank at Singair Manikganj. Here tried to follow all the systematic way of research procedure.

2.1 Type of Research

The research is based on descriptive in terms of research type.

2.1 Population of the Study

All the customers of "Grameen Bank Limited, Singair, Manikganj." are chosen as the population of this study.

2.3 Sample Size

For this study, 100 samples have been taken from the overall population.

2.4 Sampling Technique

In this survey simple random sampling technique was used to collect data for analyzing the level of customer satisfaction.

2.5 Tools and Technique:

Simple statistical tool like Mean and different Graphs and Charts has been used to conduct the analysis of the study.

2.6 Sources of Data

Relevant data for this report has been collected both primary and secondary way.

2.6.1 Primary data Collection

Face to face conversation with the customer of Grameen Bank Singair, Manikganj.

- Direct observation
- Observing practical work
- A questionnaire survey of customer
- Discussion with the employees.

2.6.2 Secondary Data Collection

- Annual report of Grameen Bank.
- The website of Grameen Bank.
- Different publications of Grameen Bank.
- Relevant books research paper and journal.

Chapter 3

Organizational Overview

3.1 Brief History of Grameen Bank and Micro Credit

Grameen Bank of Bangladesh is established by Dr. Muhammad Yunus. He was the economics professor at the University of Chittagong in southeast Bangladesh till end of seventies. He was also serving as the director of rural research program in that university. He came back to Bangladesh after obtaining PhD degree in economics from Vanderbilt University, United States in 1971 and joined again the teaching profession. He noticed that some people were living with extreme poverty level in the villages surrounding the university campus. He conducted a survey on the village named Jobra², a village situated nearby the university campus to know about the reasons of their poverty. He observed that some of the poor women who were bound to sell their handicrafts to the middlemen at a very low rate in compare to market price because these poor women purchased raw materials from those middlemen on credit. They had not enough capital in their hand as well as credit access with the financial institutions. Then he identified there were 42 poor women who had lacked only \$ 27 to purchase their raw materials.³ He realized that unavailability of capital to start up a business was the main reason of their poverty. He lent \$ 27 to those 42 poor women from his own pocket and asked them to repay it when they afford it. In the mean while Muhammad Yunus contracted with the formal financial institutions for giving small amount loan to those poor women. All of them refused to give loan due to their lack of collateral. They also argued that the interest income from small amount of loan would not cover their operating cost.

To overcome the credit problem and reduce the poverty level of those poor people Muhammad Yunus discovered a break through idea for lending small amount of loan without collateral with weekly small repayment system called micro credit. In 1983, Grameen Bank became a specialized formal financial institution by a special ordinance of the government of Bangladesh. The word Grameen comes from Bengali word “gram” means village. It is now controlled by the central bank of Bangladesh. Grameen Bank is administrated by the 13 member of board of directors including nine members are the poor borrowers of the bank and three member nominated by the government and one Managing Director of the bank.

By providing small amount of loan to the extremely poor, the Grameen Bank creates the chance of these recipients to become entrepreneur and come out from the poverty cycle (Sengupta & Aubuchon, 2008). But in other countries like Bolivia they incorporate micro credit concept into their formal financial sector and they give micro loan to the urban people

as well to start up their own small business to reduce their unemployment level. Though operational procedures may vary from country to country but the objectives of micro credit program is the same to everywhere. The main objective of micro credit program is to alleviate poverty by giving financial support to the poor people to make them employed.

3.2 Historical Data Series of Grameen Bank

Grameen Bank has crossed long historical journey from its creation in 1976 to achieve its great objective that is a poverty free Bangladesh. Grameen Bank has started its journey with only 10 members from Jobra village. The program was extended to Tangail⁴ district with the sponsorship of central bank of Bangladesh and support of nationalized commercial banks in 1979. After the success of Tangail district the project was extended to other districts in Bangladesh and after long journey Grameen Bank come to its present position. Some historical data have shown by the following tables.

Table: 1.1 Historical data series of Grameen Bank from 1976 to 1990 (in million BDT⁵). (Source: Grameen Bank, 2022)

Performance indicator	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Total outstanding loan	0.005	0.054	0.24	1.88	13.19	21.32	31.63	72.07	177.03	225.68	301.51	457.74	723.87	996.95
Total deposits	-	-	0.00	0.22	1.48	4.23	7.37	18.51	38.33	79.82	122.67	221.88	324.46	566.65
No. of total members	10	70	290	2200	14830	24128	30416	58320	121114	171622	234343	339156	490363	662263
No. of village covered	8	2	4	17	363	433	745	1249	2268	3666	5170	7502	10552	15073
No. of total branches	1	1	1	6	24	24	54	86	152	226	295	396	501	641

Table: 1.2 Historical data series of Grameen Bank from 1991 to 2004 (in million BDT). (Source: Grameen Bank, 2009)

Performance indicator	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total outstanding loan	1270.82	1585.42	3168.88	6166.98	7933.38	8298.88	8639.68	10590.28	12316.68	11035.58	10435.98	11068.08	11395.12	15086.21	18874.64
Total deposits	851.43	1381.03	2176.32	3150.21	4135.6	4767.20	52011.95	5804.35	5404.45	6013.62	6611.85	7697.14	59424.15	14715.75	20717.79
No. of total member	869538	1066426	1424395	1814916	2013130	2065661	2059510	2272503	2368347	2357083	2378356	2378601	2483006	3123802	4059632
No. of village covered	19536	25248	30619	33667	34913	35533	36420	37937	39045	39706	40225	40475	41636	43681	48472
No. of total branches	781	915	1015	1040	1045	1055	1079	1105	1137	1149	1160	1173	1178	1195	1358

Table: 1.3 Historical data series of Grameen Bank from 2018 to 2022 (in million BDT). (Source: Grameen Bank, 2022).

Performance indicator	2018	2019	2020	2021	2022
Total outstanding loan	27357.06	32941.31	36336.3	44396.63	54714.54
Total deposits	31659.56	44274.47	51918.71	64177.25	82953.62
No. of total members	5579399	6908704	7411229	7670203	7970616
No. of village covered	59912	74462	80678	83566	83458
No. of total branches	1735	2319	2481	2539	2562

These data indicates that Grameen Bank cannot come to its existing position not by one day. They are working since last few decades by fulfilling the borrowers demand. They have tried to establish their faith in the illiterate poor people heart that credit can help to reduce their poverty by creating self-income generating activities. As of February 2011, it has 8.36 million borrowers with 2565 branches.

3.3 Types of Grameen Bank Loan

Grameen Bank offers different types of loan products for their customers based on the customer's choice and needs. They believe that loan should be distributed according to the borrowers' affordability. They designed their loan products in the following categories.

1. Basic Loan
2. Housing Loan
3. Higher Education Loan
4. Struggling Members (Beggars) Loan Programs and
5. Micro Enterprise Loan.

3.3.1 Basic Loan

Basic loan is also called general loan offered by the Grameen Bank to their borrowers that should be used in the income generating activities. This is the most popular and common type of loan of the Grameen Bank. According to the bank policies this loan should be invested in the income generating activities within one week after getting the loan. And the loan installments supposed to repay from this income. They offer this loan at 20 percent simple interest rate on declining balance method which is less than government ceiling rate 22 percent. Total outstanding loan amount of basic loan up to December 2009 was BDT 51111.96 million (Grameen Bank, 2009). When the borrowers fell in a position that they are unable to repay the weekly regular installments then the basic loan is converted into flexible loan or reschedule loan, where borrowers have the provision to repay their loan installments at tolerable installment size. But this provision is only valid till the borrowers are able to go back in the basic loan. At the end of year 2009 only four percent borrowers were in flexible loan. The loan treated as defaulter when the borrowers are unwilling to go flexible loan category and at the same time they are unable to repay their regular installments. After three years loan would be written off and then rate of recovery of total outstanding basic loan amount is close to one hundred percent.

3.3.2 Housing Loan

People feel them secure, pride when they have an own house. It also increases the social status of a person. Grameen Bank also wants to ensure well-mannered but inexpensive housing for the poor people. They introduced housing loan scheme in 1984 for their borrowers at

affordable interest rate. The maximum amount for this loan is BDT 25000 at 8 percent annual interest rate for five years tenor repayable at weekly installments. This is also a popular loan scheme of the Grameen Bank. Total outstanding amount of housing loan was BDT 200, 79 up to December 2009 (Grameen Bank, 2009).

3.3.3 Higher Education Loan

Education is one of the basic human needs. It is also the backbone of a nation. Education makes a person civilized and valuable asset for the development of a nation. Due to the financial insolvency sometimes talented students cannot continue their study. To solve this problem Grameen Bank introduced higher education loan in 1997 for the talented children of its borrowers who are perusing higher education in bachelor and masters level. This loan covers admission fees, course fees, accommodation costs, food costs, stationery costs and other related costs during the entire study period. Loan repayment installments starts after finishing the education with the 5 percent annual simple interest rate. Total outstanding amount of higher education loan was BDT 1451, 33 among 40804 students up to December 2009 (Grameen Bank, 2009).

3.3.4 Struggling Members (Beggars) Loan

Begging is the last option of the poor people when they cannot survive themselves unless involve with any illegal activities. Grameen Bank introduced a new loan scheme in 2002 for the beggars to start up the small business activities. This loan is offered at 0 percent interest rate and repayable with very tiny weekly installments. The main goal of this scheme is to transfer these people from this socially neglected profession and reduce their poverty level and gradually promote themselves as general borrowers. Grameen Bank disbursed BDT 142.43 million to 92296 beggars as of December 2009 (Grameen Bank, 2009).

3.3.5 Micro Enterprise Loan

Some of the borrowers of Grameen Bank are performing very well in their business field and want to expand their existing business or start large business. To keep their growth smooth a new type of loan is introduced called micro enterprise loan. There is no ceiling for this loan. Loan amount is approved based on the valid purpose and requirement. Around 2179300 members took this loan amounting BDT 56068, 87 million as of December, 2009 (Grameen Bank, 2009).

3.4 Other Services Offered by Grameen Bank

Besides loan products Grameen Bank provides some additional services for their borrowers. Some services are written below.

3.5 Insurance

There are two types of insurance facilities offered by the Grameen Bank for their borrowers. These are 1) Loan insurance and 2) Life insurance program. Loan insurance is an optional program that covers all outstanding loan amounts in case of death of the borrower. For this facility borrowers need to pay 3 percent of the loan and is deposited into the bank's insurance savings account. If the borrower is alive this amount will be returned to her with interest when she will leave the group permanently. This service also cover borrower's husband if she pay additional money for insurance. Borrowers need not to pay outstanding loan if their husband died. Grameen Bank also offers life insurance facility for their borrowers but they need not to pay any premium for this facility. Borrowers are covered automatically for being a shareholder of the bank. They get benefit for any serious decease and accidental death.

3.6 Pension Fund Program

Every people are worried about their old age when they cannot work or even earn more. This problem is more serious for the poor people. To minimize this problem Grameen Bank is introduced pension fund program for their clients. Here clients can deposit small amount of money monthly basis for a period of ten years. After the period depositors will receive almost double amount money they saved. This is very popular and attractive program to the client.

Chapter 4

Literature Review

This chapter, as Frame of Reference Chapter focus on micro credit related literature, theories and previous studies. This chapter discuss about micro credit, micro finance institutions and its difference from formal and informal financial institutions, poverty, basic needs, rural savings, social welfare services offered by micro finance institutions, poor entrepreneurship and different micro finance model. These theories are used for understanding and formulating the thesis problem. Based on these theories I developed a conceptual framework that shows the role of micro credit in life status improvement process of rural poor people.

Formal Financial Sector and Rural Poor People

Formal financial institutions (i.e. banks, leasing companies and other financial institutions) in developing countries are urban based. They prefer to set up their bank branches and service centers in urban areas. Their target market for collecting deposit and lending activities is urban area. They require significant collateral, preference for high income and high loan clients, and have lengthy and bureaucratic application procedures. Poor infrastructure and communication system also discourage the formal financial institutions to serve the poor area in developing countries (Chowdhury, Ghosh & Wright, 2005).

Most of the people in developing countries like Bangladesh live in rural areas and most of them are uneducated. They have not enough knowledge about the formal banking systems. It is not possible in terms of economic consideration for the formal financial institutions to select qualified customers from the rural areas as well as monitor them individually. Due to lack of education and knowledge, rural people do not know about the value of collateral. Collateral is an important factor for getting loan from formal financial institutions (Chowdhury, 2008). And the value of the loan also determine based on the value of the collateral. But the poor people do not have enough physical assets as collateral to get a loan. When the formal financial institutions sanction a loan first they think about the security option means the recovery options of the loan and this is backed by the collateral.

Another requirement for getting credit facilities from formal financial institution is minimum level of education. For getting loan customers must have some minimum level of education. The minimum level of education varies from organization to organization. In general primary level of education is compulsory for all the customers of the formal financial sectors. But most of the people in rural areas are uneducated or cannot satisfy their minimum level. Due to

literacy requirement poor people are also kept outside from their services (Yunus, 1999).

Another important requirement is acceptable level of income source and living standard. Most of the rural poor people are engaging with farming related works or even some of them have no fixed income source. They live below the poverty line. Due to their inability to fulfill this requirement they are not getting credit facilities from the formal financial institutions (Yunus, 2003).

4.1 Informal Financial Sector and Rural Poor People

Financial dualism is an important characteristic in developing countries. Informal financial sector emerges in developing countries to fulfill the gap of formal financial sector and develop the economy. Informal financial intermediation is the mobilization of capital from savers and its simultaneous transformation and allocation to meet the needs of borrowers, as performed by informal financial agents (Christensen, 1993). It tends to be smaller and shorter duration than formal (Ghate, 1992). They are working outside the government regulation and control. Informal financial agents may be neighbor, friends, relatives, landowners, professional money lenders, merchant and shopkeepers, and also money keepers.

Money lenders in informal financial sector usually charge high interest rates, undervalue collateral, and often racist or sexist attitudes in lending decisions (Chowdhury, Ghosh & Wright, 2005). Lenders of informal credit are more interested in interest earnings rather than recovering principles. Lenders in remote areas in developing countries fix high interest rate that encourages the borrowers to make defaulters. And even sometimes borrowers cannot adjust their loan by collateral due to under valuation. It is like a circle. It is very difficult to come out from this cycle though borrowers repay the loan. Ultimately poor people become poorer and have less assets.

So, informal financial sector also fails to serve the rural poor people in developing countries due to their extra profit making objectives.

4.1 Micro Credit

The word micro credit did not exist before the seventies. Traditionally the poor have had little access to credit (Mckernan, 2002). Micro credit is a grass roots development policy that provides small amount of loan to the poor people in developing countries. It is a small amount of collateral free loan to groups of jointly liable borrowers in order to foster income generation and poverty reduction through self-employment (Chowdhury, Ghosh & Wright, 2005). This social collateral removes the physical collateral that poor people have lacked (Nawaz, 2010). It is a new approach to fight poverty (Nieto, Cinca & Molinero, 2005). Micro

credit loan mainly directed towards women because they are good in organization, more conscious about the credit, and high propensity to repay the loan, restricted access to the wage labor market, and inequitable share of power in household decision making (Goetz & Gupta, 1996; Pitt, Khandker & Cartwright, 2003). Though women are the participants of micro credit but in most cases this loan is used for the family purpose (Goetz & Gupta, 1996).

This innovative credit program for the poor people was first introduced by Muhammad Yunus in 1976 in Bangladesh.

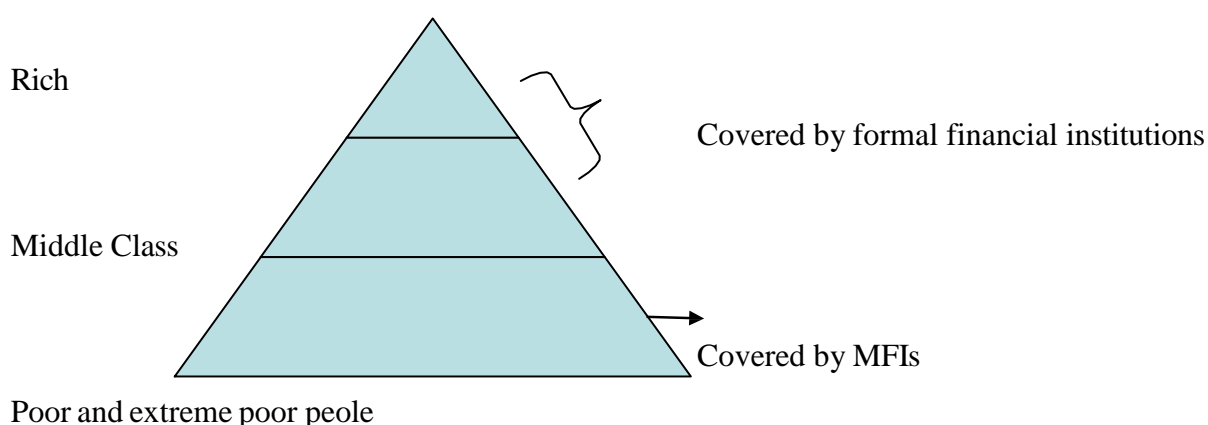


Figure: 2-1 Customer segmentation by formal financial institutions and MFIs in developing countries

Group based micro credit program provides an innovative and promising mechanism for delivering credit to the poor (Mckernan, 2002). Interested members form small group usually five members in a group by their own choice with similar socio economic status and from the same village. They select one person from the group as leader who collaborate with MFIs. This joint liability encourages the group members to monitor each other to ensure that loans are repaid. It follows small amount of weekly repayment system. All lending decisions, repayment, group formation have done in weekly meeting. Micro credit that help the poor become self-employed and generate income (Khandker, 2005).

4.2 Micro Finance Institutions (MFIs)

From my previous discussion it is clear that formal financial institutions are not interested to provide credit facilities to the poor people due to their inability to fulfill the requirements. But poor people have the ability to create income generating activities and reduce their poverty and make them employed. To meet this demand a new type of financial intermediaries has been emerged called micro finance institutions. Micro finance is an institution whose aim is to provide financial services especially to the poor women who have not access to the formal financial institutions. It includes credit unions, non-government organizations (NGOs), co-operative society or specialized banks (Greuning, Gallardo & Randhawa, 1998). Grameen Bank of Bangladesh is the first micro finance institute in the world, established by Muhammad Yunus in 1983.

Micro finance institutions have shown their diversified roles to reach poor populations. They are not only involved with loan but also collecting money as deposit, insurance and fund mobilization among the borrowers. They provide credit facilities as well as social services to borrowers (Nieto, Cinca & Molinero, 2005). This is one of the major differences between the formal financial institutions and MFIs. Group lending, weekly small amount repayment are the distinguish characteristics of micro finance institutions compare to formal financial institutions. They have proven that poor people are bankable (Yunus, 1999). Because MFIs loan recovery rate is very satisfactory which is almost 98 percent (Microcredit Regularity Authority of Bangladesh, 2009)? This is one of their major achievements. They help the poor people to change their fortune by reducing poverty that ultimately affect their whole life.

Poverty

Poverty is a multidimensional concept (Chavan & Ramakumur, 2002; Nawaz, 2010). There is no exact definition of poverty. Poverty varies from country to country, family to family or even individual to individual. So, it is very difficult to describe what poverty is in a single sentence.

Poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one's life (Haughton & Khandker, 2009).

A person or family is defined as poor if its resources fall short of the poverty threshold (Foster, 1998). So, a person can be called poor when he lacks the resources that cannot secure

his diet, good health, education, social security, indebtedness, clean water and sanitation and other basic needs (Jitsuchon, 2001). Poverty can be measured by comparing resources to needs (Foster, 1998). It is also the issue of inequality (Sen, 1983).

Poverty broadly categorized into two types. These are relative and absolute poverty. Relative poverty is mostly visible in developed countries due to inequality of income distribution. Relative poverty is the deprivation in terms of a person or a household being able to achieve less than what others in the society do (Sen, 1983). Most serious type of poverty means absolute poverty is visible in developing and under developed countries. According to Gordon (2005) absolute poverty is “a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services.” Absolute poverty mostly happens in under develop and developing countries. People having absolute poverty live under the poverty level. And micro credit only concentrates on absolute poverty in the developing countries like Bangladesh.

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Basic Needs

“Everyone has the right to a standard of living adequate for the health and wellbeing of himself and of his family, including food, clothing, housing and medical care and necessary social services (United Nations, 1948).” A household is defined as poor if their food, clothing, medical, education and other needs are not met (Glewwe & Gaag,1990). There is a close relationship exists between basic needs satisfaction and income level (Goldstein, 1985). Everybody has the right to live in this world by fulfilling at least all the basic needs. But millions of people still lack the basic human requirements for living. It is essential to develop our self as a human being. Poor people of developing countries are mostly suffering in this problem due to the lack of income source. Government supports are also not adequate for all the poor people in developing countries. Fulfilling basic human needs are the major goal for alleviating poverty. A acceptable level of income source help the poor people to ensure all the basic human needs for themselves and their family members as well.

4.3 Micro Credit Program Promotes Micro Entrepreneurship and Self Employment

Entrepreneurship is about the creation of new business entity or updating the existing business entity by taking risk, in order to take the new business opportunities (Barringer & Ireland, 2006). Micro entrepreneurship is the creation of small business entity or updating existing small business entity by investing small amount of capital. For example: small restaurant, small departmental store, repair stores, handicraft shops, bakeries etc. The poor people have the entrepreneurial skills but due to proper financial support they cannot start their own business entity to make them employed and alleviates their poverty.

Finance plays an essential role in the economic development (Drioadisuryo & Cloud, 1999). Without access to financial capital poor people face a tremendous problem to establish and expand business, increase their labor productivity and increase their income (Woller & Woodworth, 2001). Micro credit has become a popular instrument to promote economic empowerment among poor entrepreneurs (Roy & Alliance, 2005). Micro credit programs increase self-employment productivity (McKernan, 2002). There are two types of employment opportunities available in rural areas. People can do agricultural activities such as farming, fishing, gardening, and livestock and so on. They can also do nonagricultural activities such as small enterprises, street vendors, and small restaurants and so on. Micro credit programs mainly help the landless people who are holding less than half of an acre of land by providing credit facilities to startup a new activity or expand old ones. It allows the poor people to become self-employed who sell their labor in the labor market. Though micro credit is given to women but they use this loan in their husband's or other family member's self-employed activities by setting up micro credit financed small enterprises. Because, these enterprises require male labor for marketing and other purposes (Khandker, Samad & Khan, 1998).

4.4 Micro Credit Program and the Poor Empowerment

“Empowerment is the expansion of assets and capabilities of poor people to participate in negotiate with, influence, control, and hold accountable institutions that affect their lives (Prem, 2002).” From the previous discussion it is clear that poverty is multidimensional. Poor people are power and voice less against the rich in the society.

4.5 Micro Credit Program and Social Welfare

Micro finance institutions not only provide loan facilities but also different social welfare services to their borrowers. BRAC focus also on human capital development such as functional literacy, skill promoting training, and awareness and so on other than their credit services (Khandker, Hussain & Khan, 1998). MFIs provide credit as well as noncredit supports such as vocational training, suggestions and so on to the poor to initiate self-employment activities, which increase their income and consumption. However, borrowers should have some entrepreneurial skills to engage them income generating activities to generate enough income to pay off the loan and personal saving. Income and employment also depends on country's economic growth (Khandker, Samad & Khan, 1998).

Micro credit program is also improves nutrition, health care, and educational opportunities for the children (Sengupta & Aubuchon, 2008). Some micro finance institutions also provide family planning services, night school for aged people's education and so on. This is one of the major distinctions between formal financial institutions and micro credit institutions. Formal financial institutions provide only credit facilities to their borrowers. That's why micro credit program is a new innovation for the rural poor. It fulfills financial needs as well as social needs.

4.6 Micro Credit Program and Rural Savings

Micro credit program is a combination of savings and credit programs. Micro finance institutions offer saving services to the poor besides the credit services. Some micro finance institutions offer saving facilities to the poor who are not member of their organization. After paying off the loan installment and consumption expenses rural poor can save some of their earning with the MFIs for future purposes. Increase in income and alleviation of poverty on a permanent basis depends on the savings by the poor people. Every member of the group deposit money in weekly basis. Members can take interest free loan up to half of the total group savings by the approval of all members of that group. Savings increase their self-confidence and self-worth (Maclsaac, 1997).

There are two types of savings products are available in MFIs. One is Obligatory savings and other is flexible savings (Dowla & Alamgir, 2003). Compulsory savings means it is compulsory for all the members to deposit money as savings for getting loan. But in case of compulsory savings members can not withdraw the savings unless the members decided to leave the organization permanently. This savings works like cash collateral of the loan. And flexible savings includes other saving schemes besides the compulsory savings. People need

not go far to deposits money with banks. They get this service at their door. They can also withdraw money easily when they need.

Savings is both important for the borrowers as well as MFIs. Poor people can use their savings in expanding their businesses or setup a new business or for family purposes. It is also important for the MFIs. They mobilize this savings among the borrowers. It will increase the sustainability of the MFIs and also reducing the dependency on the donor agencies.

4.7 Conceptual Framework

A lot of research work has been done on micro credit, while here I am focusing on the role of micro credit and how it helps to improve the life status of its borrowers and their families since most of the borrowers are rural poor people who are neglected from formal financial services. For my thesis work I have studied how borrowers use this loan, what kind of income generating activities they are adopting, how to reduce their poverty level, how to influence the services other than credit offered by MFIs such as savings program, pension fund scheme, social welfare services in the poor people's life to improve their life status.

The main objective of micro credit is to reduce poverty and improve life status of the rural poor people by providing capital for starting income generating activities. I have compared theories which are discussed above with the empirical data and tried to find out how micro credit plays an important role to reduce the poverty and improve the life status of the rural poor people in Bangladesh.

Most of the borrowers are investing this loan either in the existing or developing new business entity. It helps the poor people to be a micro entrepreneur.

CHAPTER 5

Data Analysis and Findings

5.1 Analysis

5.1.1 Respondent Profile

1.Age of respondent

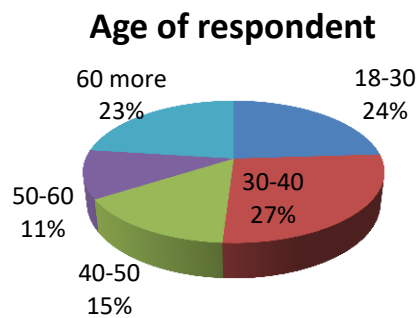


Figure 5.1.1: Age of Respondent

Interpretation:

This pie chart disclose different age groups of people of this bank. The chart expresses that in the 18-30 age groups Grameen Bank has 24% customers, 30-40 age groups has 27% customers, 40-50 age groups has 15% customers, 50-60 age groups has 11% , 60 more aged 23% customers.

2.Gender of respondent

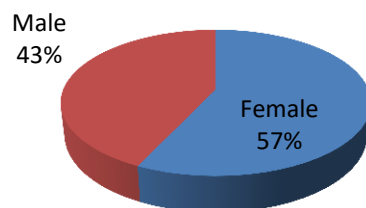


Figure 5.1.2: Gender of respondent

Interpretation:

From the pie chart we can say that the male portion of Grameen Bank is comparatively higher than female. It shows that Grameen Bank deals with 43% male customer and female customers have 57%.

3. Profession of Respondent

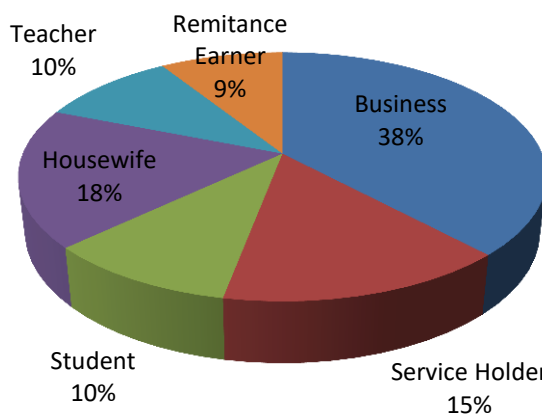


Figure 5.1.3: Profession of Respondent

Interpretation:

The chart shows that Grameen Bank 38 % customers are Business man is dealing with business. In terms of service holder customer has 15%. In terms of student customers has 10%. In term of House wife customers has 18%. In the Remittance earner has 9%.

4. Employees treat customers with respect

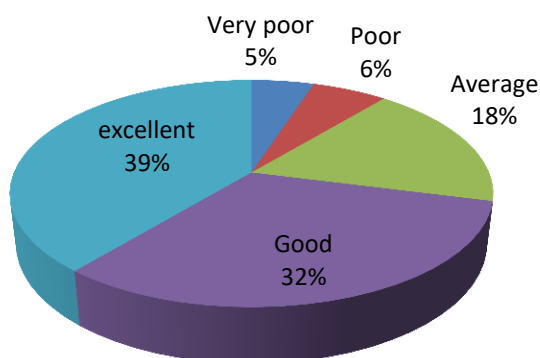


Figure 5.1.4: Employees treat customers with respect

Interpretation:

Employee’s behavior is one of greatest factors to the customers. Regarding the employee’s superior behavior it is found that 39% of Grameen Bank in this branch, 18% customers are average, 32% are good and 5% customers are poor.

5. Advertisement and promotional activities

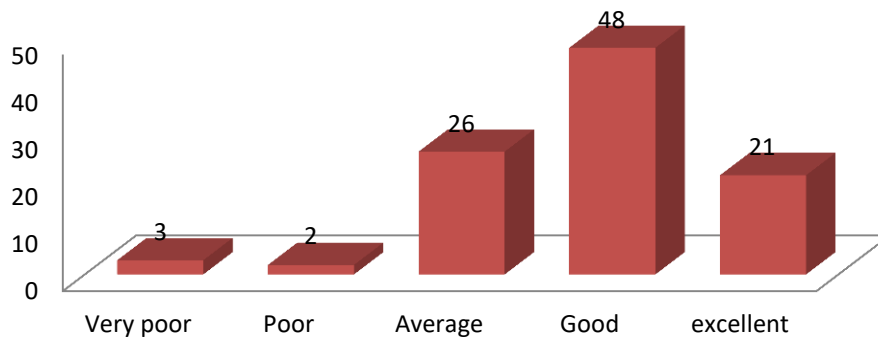


Figure 5.1.5: Advertisement and promotional activities

Interpretation:

From the chart it’s found that 21% of Grameen Bank customers are replied as excellent, 48% of customers are said good, 26% customers said average, 2% customers said poor and 3% of customers said very poor.

6. Overall satisfaction level in order to Banking performance

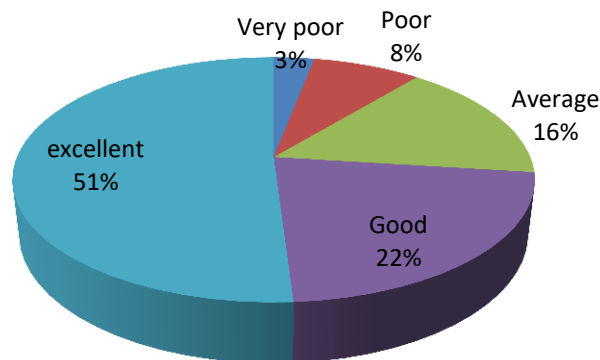


Chart 5.1.6: overall satisfaction

Interpretation:

In the survey it is asked to the respondents about overall satisfaction of Grameen Bank. 51% of Grameen Bank customers are replied excellent, 22% customers replied well and 16% replied average.

7. Employees are happy to provide prompt service

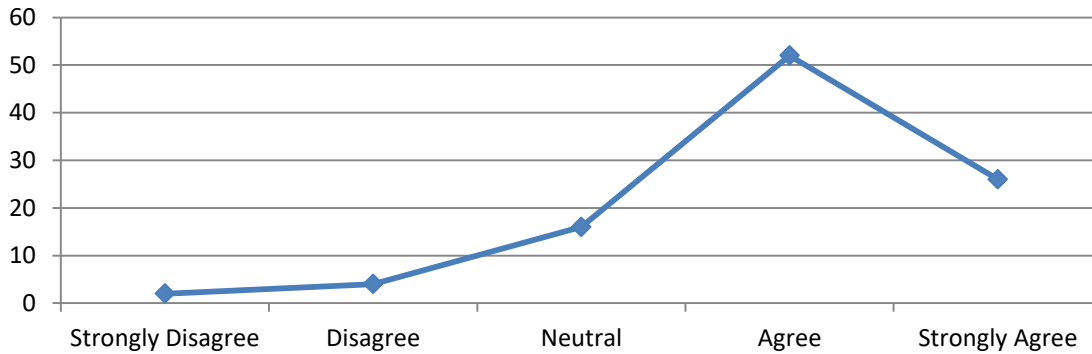


Figure 5.1.7: Happy to provide prompt services

Interpretation:

From the chart it is found that 26% of customers are strongly agreed with the term, 52% of customers are agreed and only 16% of customers are neutral.

8. Employees are accurate and Consistent through their service

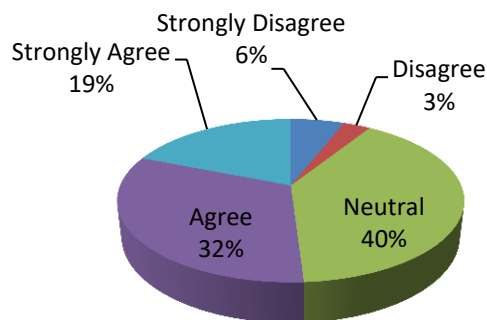


Figure 5.1.8: Accuracy of Service

Interpretation:

From the chart it is found that 19% of the customers are strongly agreed about the accurate Service of RBL, 32% customers are agreed and only 40% of customers are Neutral.

9. Satisfaction with the overall Employee’s performances

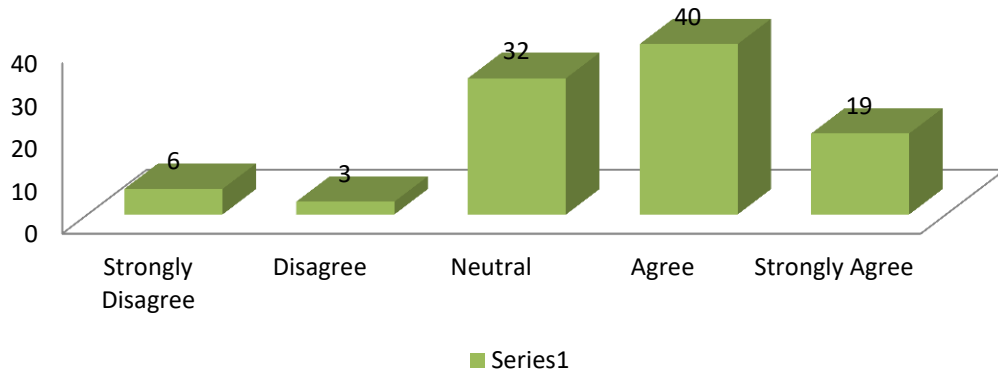


Figure 5.1.9: Satisfaction of overall Employees performances

Interpretation:

From the graph it is found state that 6% of customers are strongly agreed, 40% customers are agreed and only 32% customers are neutral about the overall satisfaction of employee’s

5.2 Findings

Grameen Bank is a conspicuous bank at present in Bangladesh. By breaking down consumer loyalty pace of Grameen bank, I discovered some fundamental data about Grameen Bank and these are,

5.2.1 Behavior of employee

Most of the customers are being happy with the behavior of employee after calculating the data majority of customer are fairly satisfied with the behavior of employees.

5.2.2 Mobile Banking

Mobile banking is a new form for customers. Most of the customers of Grameen Bank are not clear about these services. But the customers, those are clear about these services are fairly satisfied with it.

5.2.3 Credit facility

As a commercial bank, Grameen Bank provided credit facility to the individual and industries. Most of the customers are preferred credit facility from this bank. And few are get facility for some special feature. But the customers of RBL are fairly satisfied with interest rate.

5.2.4 Reliability

By figuring the normal score, is certain that Grameen Bank is more solid with their client. They satisfy their administrations at an opportune time that they vows to do as such, they show true interest to taking care of the issue of client, they play out the administrations at ideal time.

5.2.5 Responsiveness

The employees of Grameen Bank are more responsive. They informed customer when the services will be performed, they are willing to help customer at any time.

5.2.6 Empathy

For maintain the service quality Grameen Bank shows empathy to customer, they give special attention to them and sometimes they give evening facility to their valuable Customer.

5.2.7 Advertising and Promotion

Advertising and promotional activities is one of the most effective tools used by any organization to attract and inform the customers. The Banks don't that much emphasis on advertising and promotional activities.

5.2.8 Service Quality

According to the service quality it is found that Grameen Bank's service quality is better. In case of providing service the officer of Grameen Bank is sincere.

5.2.9 A Few Case Studies on Grameen Bank's Surveyed Members

5.2.9.1 Case One

In 2011, Ms. Hafeza Aktar (26) parents decided her marriage when she was 16 years old. She and her truck driver husband had a comfortable life. But in 2016, her husband died in a road accident in Chittagong city. By this time she had already given birth to a son. After her husband died she did not receive any cooperation from her husband's family, so she was destined to return to her parents as an additional burden to her family. In, she heard from her neighbor that people were improving their financial condition through income-generating activities through microcredit loans that were initiated by the Grameen Bank. At the end of 2016, Ms. Hafeza Aktar has decided to join the Grameen Bank Microcredit programme in order to become self-reliant and to reduce her dependency on her parents' family. During the period 2016~2017, she used her loans (Taka 50,000) for fattening milch cows and sold them to the local market. Each time her net profit was about 25000-46000.

Her weekly installment from handicrafts earning. In 2018, she borrowed technology loans from the bank and bought a sewing machine with her loans. By this time, she already mastered tailoring skills. More recently, Ms. Hafeza Aktar improved her tailoring skills through her work. Many villagers request her to make their clothes; they become regular customers and her monthly income was (Taka 30000~45000). Her son is now 9 years old and is going to school. She is still young but does not have any intention to remarry again. Ms. Aktar's own words; 'My son is my hope, dream and everything in my life, I am thinking about his education and future'.



Figure 5.2.1: Hafeza's tailoring business at home

5.2.9.2 Case Two

Ms. Khaleda Beuam (35) comes from a family of five which includes her husband and three children. Her daughter and two sons were 15, 12 and 8 years old. Her husband's income failed to meet the family's needs. Consequently, the family was having difficulties even in providing three meals a day. One day, she was persuaded by her friend to join the Grameen Bank microcredit program to alleviate her poverty. Later she joined with other four likeminded women to form a group in the same village. Her group got recognition from the Grameen Bank in 2016. Ms. Khaleda Beuam used her first loans (Taka 5, 0000) for handicrafts (bamboo works), and started to sell her finished products at the local market. She repaid her weekly installments from her cash income at the center meeting. The following year she took seasonal loans in addition to her general loan.

After one year, she has been playing an even important role in the family. Sincethen, three meals a day have been guaranteed as a result of the



Figure 5.2.2: Khleda is now owner of three milch cows (Photo: Provided by Grameen Bank)

Chapter 6

Conclusion

The main purpose of this study is to examine the role of microcredit in poverty reduction of poor people at the grassroots level in Bangladesh. Evidence shows that involving vulnerable people groups at every stage of their own social development through income-generating activities decreases the number of poor people in so study also explored how the Grameen Bank's microcredit programmes play an important role which emphasizes women's participation in economic activities at the grassroots level. The field survey and the case studies of the Grameen Bank borrowers reveal that the social awareness, institutional and capacity building of the vulnerable groups at the grassroots level is steadily increasing, and the poor people are improving their socioeconomic condition because they are placed at the center of the participatory social development process.

Following the above discussions, the author concludes that the Grameen Bank microcredit programme approach in social development and self-employment has potential to create an impact on poverty reduction in Bangladesh. The Grameen Bank approaches place people in the mainstream of social development through microcredit programme. These approaches enable women to take part in every stage of their own social development such as socioeconomic, cultural and political areas.

As a bank Grameen Bank Limited requirements to do a huge load of things for the headway of the country. The Bank is insistently arranged in the business area and with its middle characteristics it can coordinate investors' longings and thusly bring their wealth up in future through good setting aside cash and best assessing. Thusly, it needs to venture up with the objective that it can fulfill the yearning of the govt. and furthermore people. It will redesign more open organizations and create working gatherings to give the best organizations to its beneficial customers. It should be continue to run in made manner and control should be ensured in all hover of its execution. Capable admission gathering, import gathering and settlement bunch should be outlined and perform commitments suitably. Extra readiness, computerization, data gathering, market assessment and briskness in changing are fundamentally required. To do these the endorsed suggestions can be used. Notwithstanding the way that it is theoretical suggestions, it isn't worthless. It has mind boggling impact on the dealing with a record business and various pieces of the economy.

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Appendix

A-1 Questionnaire

This questionnaire is design to make a survey in order to collect data for only developing the project report title; "Customer satisfaction of Grameen Bank Limited : A study on Singair, Manikganj ", the collected information will be kept strictly confidential and will be used only for the research purpose.

Please put the tick (√) marks in the appropriate box.

Respondent's Personal information

Name (Optional):

Age: 18 - 30 yrs 30 - 40 yrs 40- 50 yrs 50 - 60 yrs 60 more

Gender: Male Female

Profession: Business Service holder Student House wife Remittance earner Others

1.How much amount you have taken from MFIs?

Answer:

2.Is this your first loan?

Answer:

3. Why you take loan from MFIs?

Answer:

4. Occupation before taking the micro credit loan from MFIS.

Answer:

5. Present occupation after taking the loan

Answer:

6. Can you increase your income from present occupation?

Yes No

7. Did you consider yourself as a poor before taking the loan (per day income below USD 1.25) ?

Yes No

8. Do you think this micro credit program will help to alleviate your poverty?

Answer:

9. Can you ensure basic needs (including food, clothing, housing, education and medical care) for you and your family members after getting loan?

Answer:

10. Can you increase your social status after getting the loan?

Yes No

11. Do you think MFIs saving facilities will help in your future life?

Yes No

12. Are you taking pension fund scheme?

Yes No

13. Do you think that services other than credit (including human development, skill promoting training, education and nutrition programs, and so on) offered by the MFIS are important for your life?

Yes No

14. How many installments you have left to adjust this loan?

Answer:

15. Do you have any loan with other MFIs?

Yes No

16. Do you think your income is enough to repay the loan installments?

Yes No

17. Do you need to sell any property to repay the loan installments?

Yes No

18. Do you have any plan to take further loan after adjusting your existing loan?

Yes No

19. Do you think that micro credit program help you to improve your overall life status?

Yes No

20. Do you want to share anyother information?

Answer:

(Signature of the Respondent)

