

# Credit for alleviation of rural poverty: The Grameen Bank in Bangladesh

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## Summary

*The Grameen Bank is a specialized financial institution in Bangladesh that was established to provide credit to the rural poor for the purpose of improving their economic conditions with the hypothesis that if the poor are supplied with working capital they can generate productive self-employment without external assistance. Loans from the Grameen Bank are used primarily for undertaking noncrop activities. The loan repayment performance is excellent. Only 0.5 percent of loans to 975 borrowers surveyed were overdue beyond one year, and overdue weekly installments (before the expiration of the one-year repayment period) were only 3.3 percent of the total amount borrowed.*

*The Grameen Bank concept of credit without collateral should work in other countries with widespread poverty and underemployment. But elements like taking the bank to the people and intensive interaction of bank staff with borrowers may be inappropriate and highly expensive for sparsely settled areas with underdeveloped transport systems. For such environments, an appropriate delivery mechanism has to be worked out.*

## Résumé

*La Banque Grameen est une institution financière spécialisée du Bangladesh qui a été créée pour fournir du crédit aux pauvres des campagnes afin de leur permettre d'améliorer leurs conditions. L'hypothèse était que l'apport d'un capital de travail permet de créer son propre emploi rentable sans autre aide extérieure. Les prêts de la Banque sont surtout employés pour entreprendre des activités non agricoles. Le taux de remboursement est excellent, avec seulement 0,5% des emprunts par 975 personnes non remboursés après une année et 3,3% du total prêté subissant un retard dans les remboursements hebdomadaires pendant la période d'une année convenue pour le prêt.*

*La conception de la Banque Grameen d'accorder du crédit sans garantie classique devrait pouvoir s'appliquer dans d'autres pays où la pauvreté et le chômage sont très répandus. Mais des éléments comme apporter la banque près des gens et entretenir une interaction intense entre le staff de la banque et les emprunteurs peuvent être difficilement applicables ailleurs sans essais préliminaires.*

*In 1992, the seventh "King Baudouin International Development Prize" was awarded to the Grameen Bank of Bangladesh. The outstanding role of this financial institution is still ignored by too many people. Therefore, TROPICULTURA makes use of the permission of and acknowledges the International Food Policy Research Institute (1) to reproduce sections of the original Research Report.*

## Introduction

Bangladesh has been experimenting with a rural credit program for the extreme poor that is known as the Grameen Bank. The word *grameen* means village, but the Grameen Bank is different from the agricultural development bank (Bangladesh Krishi Bank or BKB) and commercial bank branches located in villages. The Grameen Bank is a target-group-oriented credit institution set up to provide loans to rural households that own less than 0.5 acre of land.

The Grameen Bank was initiated in 1976 as an action research project in a village near Chittagong University by a professor of economics who is currently the bank's mana-

ging director. After an experimental period of three years, the project was replicated in five districts of Bangladesh (see Figure 1) during 1979-82, in collaboration with rural branches of commercial banks and BKB, and with financial assistance from the Bangladesh Bank (the state bank of Bangladesh) and the International Fund for Agricultural Development (IFAD). The project was transformed into a specialized credit institution by a government ordinance in September 1983. Since then it has expanded rapidly. By February 1987 the Grameen Bank has opened 298 branches covering more than 6 percent of the villages in the country.

## Landlessness and poverty

Bangladesh is an extremely land-scarce country. In 1987 it supported over 100 million people within an area of 56,000 square miles (145,040 square km). Nearly two-thirds of its 35 million acres of land are already cultivated; the remainder is under forests, rivers, and homesteads. There is little scope for expanding the cultivated area, which has remained at 22.2 million acres since the early 1960s. The 1983/84 agricultural census found that the average size of a farm had declined from 3.53 acres in 1960 to 2.25 acres in 1984.

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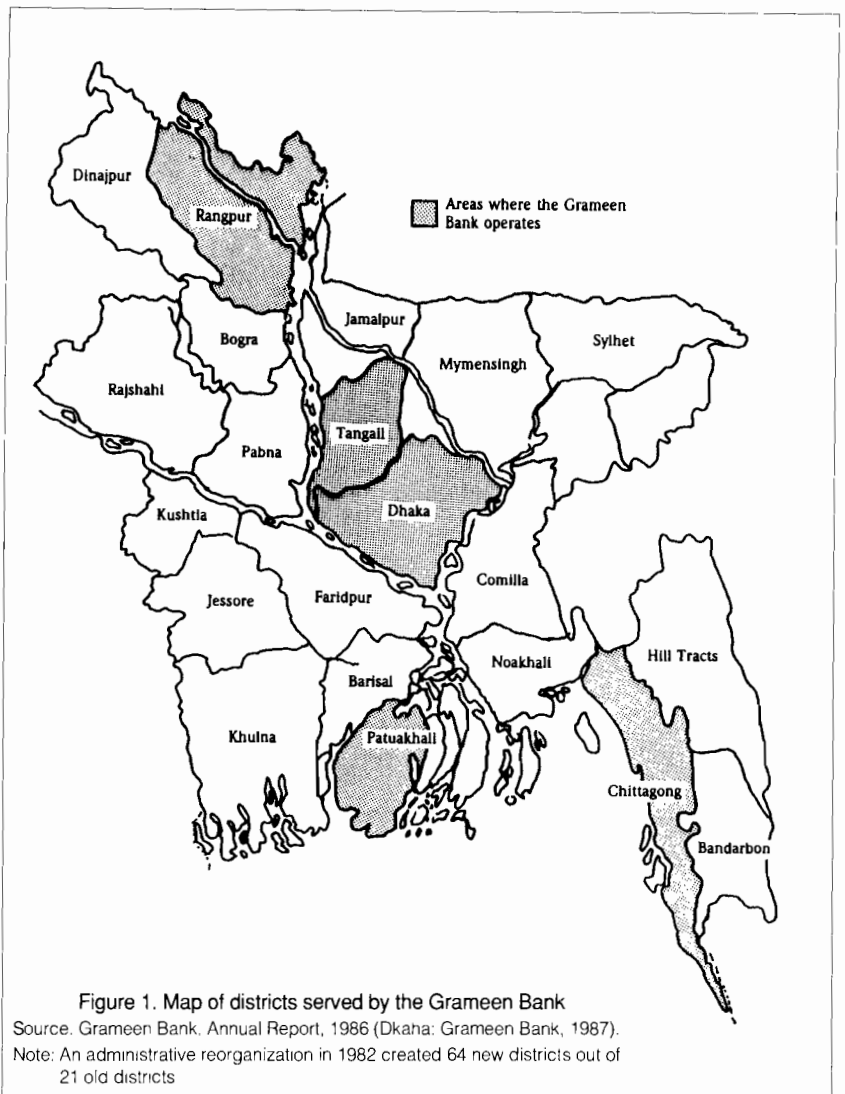
Because of the extreme pressure of population on land, the incidence of landlessness is high. In 1983/84 only 3.8 percent of rural households owned 7.5 acres or more and another 16.3 percent owned 2.5-7.5 acres. Households with no land at all were relatively few, since shelter requires a parcel for a homestead, but the number of marginal landowners is vast. Households with less than 0.5 acre were estimated at 6.4 million - about 46 percent of all rural households in 1983/84. In Bangladesh, households with less than 0.5 acre are considered functionally landless, since the amount of land they own cannot be a significant source of income.

Until recently, the landless were growing at a faster rate than the population - the exact magnitude of the growth is disputed because comparable time series data are not available. For 1960 the number of rural households was estimated at 9.1 million, of which 3.8 million were functionally landless. By 1979 these numbers had increased to 12.9 and 6.3 million, respectively. Thus the landless grew at 2.7 percent a year compared with 1.9 percent for all rural households. In recent years, however, the situation may have improved because of rapid urbanization and relatively greater movement of the absolutely landless households to urban areas. During 1979-84, the number of absolutely landless households declined from 2.0 to 1.2 million, while the number of marginal landowners increased from 4.3 to 5.2 million - a rate of increase of 4.4 percent a year, compared with a 1.6 percent increase in the number of all rural households.

Many recent studies have reported that during the 1970s, two-thirds to three-fourths of the rural population suffered from absolute poverty, and the magnitude of poverty had deepened compared with that of the 1960s.

#### Organization of nonfarm production and the poor

A majority of the organizers of rural nonfarm activities come from lower-income households. According to the 1983/84 agricultural census, 6.7 percent of rural households operated cottage industries; the proportion was 10.8 percent for the landless, 6.9 percent for those operating less than 2.5 acres, and 3.7 percent for households operating 7.5 acres or more. A 1982 survey of 16 villages found that 40 percent of rural households were engaged in transport and construction activities and 30 percent in various rural services. For the functionally landless group, the estimate was 54 percent in transport and construction and 40 percent in rural services. The inverse relationship between self-employment in rural nonfarm enterprises and the size of landownership has also been reported by other village studies. A number of hypotheses can be put forward to explain the



relative advantages, in the initial stages of development, of small-scale organization of production around the household over large-scale production along capitalist lines.

First, at low levels of income, the size of the market for non-farm goods and services is so small and thinly spread over a wide area that large-scale organization of production may be uneconomic owing to underutilization of capacity of indivisible assets. For example, a petty trader carrying goods on a headload may operate more economically in a village hat than a large trader transporting goods on carts, boats, or trucks. (A hat is a marketplace where people assemble once or twice a week. On average, one hat serves a population of about 9,000 people from a cluster of eight villages.)

Second, in the environment of underdeveloped infrastructure facilities, the high unit cost of transport may prohibit movement of goods necessary to exploit the market of a wider area if production has to be organized on a large scale. The household, on the other hand, can limit production to an amount that can be sold within the locality or be transported to the hat on headloads of the producer without incurring any transport cost. This may be an important reason behind the dispersion of traditional cottage occupations, such as potter, blacksmith, carpenter, and matmaker,

to almost every village, thus making each village a self-sufficient production and consumption unit at the phase of development when the market is thin and the infrastructure is undeveloped.

Third, the demand for such goods and services may be seasonal, with peaks occurring during post-harvest periods when farmers sell their products and buy nonfarm goods with the cash income. Trading activities fluctuate even within a week; in most areas, transactions take place in a hat held once or twice a week. In this environment, the household has more flexibility in re-allocating family labor among different occupations according to the pattern of demand than does a firm hiring workers on a fulltime basis. Thus, a hired worker of a specialized firm is more likely to be underemployed than is a family worker engaged in a number of activities that the household organizes.

Fourth, under conditions of widespread underemployment and poverty, the opportunity cost of employing family labor may be considerably less than the wage rate. Because of institutional norms, hired laborers work for a specified period of the day (usually from eight o'clock in the morning to four in the afternoon). But a household that attaches high cost to leisure because of poverty can extend working hours by employing family workers beyond normal hours. Maintenance of livestock and poultry is an activity that can be done by using family labor during slack times without sacrificing the opportunity of wage employment. In Bangladesh, a large proportion of workers in cottage industries are women who, because of socioreligious factors, do not look for employment outside the home. Cottage industries and petty trade are often secondary occupations of men who work during evenings or slack periods of their primary occupation. Since such family labor has low opportunity cost, the real rate of return on capital for organizing nonfarm activities is higher for a household than for a firm that must deduct the wages paid to hired workers before estimating the profit.

#### The role of credit

Generation of self-employment in nonfarm activities may require investment in working capital and basic skills in reading, writing, and arithmetic. The poor may be constrained in taking up such employment opportunity by lack of financial resources and necessary human capital. The amount of financial capital required may be small, but at very low levels of income it is difficult to accumulate even that amount. Although development of human capital involves a long-term program, working capital can be provided to the poor through financial institutions.

Under certain circumstances, loans can help the poor to accumulate their own capital.

But credit is rarely available to the poor at reasonable rates of interest. Commercial banks fail to cater to the credit needs of the poor for three main reasons. First, these banks require collateral, which the poor find difficult to provide; second, their procedures for filling in application forms and completing other formalities for obtaining loans are too cumbersome for the illiterate poor; and third, they prefer handling large loans rather than the petty loans that the poor need.

The general experience of the small farmer credit program, which has long been popular with governments of most developing countries, has been limited success in reaching the target group.

The poor, however, have access to informal sources of loans: professional money-lenders known as mohajons, well-to-do-farmers, friends, and relatives. It is known that 62 percent of the rural households obtained loans from these sources, and their importance was higher for the smaller land-owning groups. Nearly 92 percent of the functionally landless households were dependent on these sources for about 92 percent of total loans. But these sources charge very high rates of interest. In two-fifths of the cases, loans from informal sources were provided free of interest, but for the remaining cases the average rate of interest charged was estimated at 125 percent a year. In contrast, the average rate of interest paid on loans from institutional sources was 14.6 percent a year.

The high rate of interest severely limits the production activities that can be undertaken with the loans. Therefore, high-interest credit from noninstitutional sources basically finances consumption, for which the poor are forced to take very short-term loans when their physical existence is at stake.

Faced with shortage of capital, many nonfarm operators often borrow raw materials in kind from the mohajons against the stipulation of compulsory delivery of output to the lender. Such transactions usually involve higher prices for raw materials and lower prices for output, compared with the market, and the implicit interest charges claim a large proportion of the potential income of the borrower.

Also, lack of access to capital sometimes forces the poor with necessary skills to organize nonfarm enterprises in "partnership" with the rich whose only involvement in the activity is the contribution of capital. The income obtained by the poor in such enterprises may not be higher than the imputed value of the family labor at the wage rate prevailing in the market. Supply of capital at "reasonable" rates of interest could thus make a significant dent in the life of the rural disadvantaged groups.

#### Mode of operation

A Grameen Bank branch normally covers an area of about 15 to 20 villages located in a union, or at most two unions, in the vicinity of the branch. The branch is headed by a branch manager and includes six bank workers, an accountant, and one or two bank assistants. A person from a household that owns less than 0.5 acre of cultivated land, or assets with a value equivalent to less than 1.0 acre of medium-quality land, is eligible to receive a loan. (The original project eligibility limit of 0.4 acre of cultivated land was revised upward by the Grameen Bank Ordinance of 1983.) Because most members of the target group are illiterate and are shy about coming to banks, the banking services are brought to their doorsteps. The size of the branch and the area covered is determined by the bank workers' daily travel to maintain contact with the target group. In most cases, because of underdeveloped roads and transport facilities, the bank workers have to walk.

Interested persons are asked to form groups of five like-minded people of similar economic standing who enjoy mutual trust and confidence. The bank has settled on a group of five through trial and error. Initially, loans were given to individuals, but that quickly proved to be uncontrollable for the staff. Then groups of 10 or more were organized and the idea of mutual responsibility was introduced, but that size turned out to be too large to have the informal relationship among members that is necessary for mutual responsibility to be effective. In the end, five members proved to be the most practical size.

Only one person from a household can be a member, and relatives must not be in the same group. Male and female members form separate groups. Each group elects a chairperson and a secretary, and these positions rotate among members on a yearly basis so that all members have the learning experience that accompanies the responsibilities of these positions. The chairperson is responsible for discipline in the group and for supervision of loan utilization by the members. Members conduct business with a bank worker, through the chairperson, at weekly meetings that all members are obliged to attend.

A number of groups from the same village are federated into a center and the weekly meetings are held at the center level. Again, groups of male and female members form separate centers. The group chairpersons elect a center chief and a deputy center chief, who hold office for one year only. Center chiefs ensure attendance at the weekly meetings, payment of loan installments, and overall discipline, and conduct the program of the meetings. The bank worker attends the center meetings, and all bank business is conducted openly in the meeting in front of the members.

Loans are given to individuals for a maximum of Tk 5,000 (in June 19897, one Bangladesh taka Tk was equivalent to US \$ 0.032, which means loans of US \$ 160 !) without any collateral. A borrower may use the credit in any productive activity, but the loan has to be used immediately and the principal repaid in 50 weekly installments.

Disbursement of loans is not a simple matter. When a group is formed, it is kept under close observation for a month by the bank worker to see if members are conforming to the discipline of the Grameen Bank. The prospective borrowers are obliged to participate in a group training program for a minimum of seven days of continuous instruction by the bank worker. The training is intended to make the members thoroughly conversant with the rules and regulations of the bank. This includes understanding the purpose of the various bank procedures; the responsibilities of the group chairperson and the center chief; the group savings program; health, children's education, and other social development programs; and learning to make signatures.

The group is accorded formal recognition when all members are found to be well versed in the rules and procedures. Two members of the group then receive loans and their loan-repayment behavior is observed for a month or two. If they pay the weekly installments on a regular basis, the next two members become eligible for loans. The group chairperson is the last member to receive a loan. A repeat

loan is not approved for any member until the accounts of all members of the group are settled.

The group functions as an institution to ensure mutual accountability. The individual is kept in line by a considerable amount of pressure from other members of the group. The existence of the group thus acts as the collateral for the bank loans. The credibility of the group as a whole and its future benefits in terms of new loans are in jeopardy if one member breaks the discipline and defaults on loan repayments. So groups sometimes decide to fine or to expel a member who fails to attend a meeting and willfully defaults on payment of installments. Other members of the group also extend financial support to a member in times of genuine difficulty when the member cannot pay the installment. A member may leave the group when the loan is fully repaid; if a member leaves earlier, the responsibility for paying the balance falls to the remaining group members. When an entire group defaults, the responsibility of repayment falls to the center.

One of the regulations of the Grameen Bank is that each member must save one taka every week besides 5 percent of the loan amount, which is kept aside at the time of disbursement.

Beginning in 1984, a social development program called "Sixteen Decisions" was introduced by the Bank to imbue members with discipline, unity, and hard work and to improve their living standard. These decisions include certain codes of conduct that members are encouraged to follow in their daily life, such as production of fruits and vegetables in kitchen gardens, investment for improvement of housing and education of children, use of latrines and safe drinking water for better health, and rejection of dowry in marriages. Physical training and parades are held in weekly center meetings for both men and women, and the "Sixteen Decisions" are chanted as slogans. The bank management says that observance of these decisions -including participation in physical training and parades - is not compulsory, but in the field their observance has become a requirement for receiving a loan.

With the introduction of "Sixteen Decisions", the Grameen Bank has moved into an overall development program for the poor. Credit has been an entry point and now serves as a catalyst in the development process. The managing director, however, emphasizes the bank's interest in the social development program. In the long run, better housing and sanitation, and increased consumption of vegetables and fruits improve the health of the borrower, increase his productivity and income, and hence ensure better recovery of loans. Development of kitchen gardens provides a regular source of income from which the borrower can partly finance the weekly installments. Dowry constitutes the greatest risk of default in repaying loans, as the poor borrower is under compulsion to use capital to finance it. The bank is working hard to do away with this social ill and the attendant economic burden on its members. Recently, children's education has been promoted through active help in establishing center schools, distributing textbooks, and setting up children's savings and funds, since basic skills in reading, writing, and arithmetic are required for increasing the productivity of labor.

### Sixteen Decisions

1. The four principles of Grameen Bank - discipline, unity, courage, and hard work - we shall follow and advance in all walks of our lives.
2. We shall bring prosperity to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses as soon as possible.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the planting seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn enough to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit latrines.
10. We shall drink tubewell water. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry in our sons' weddings, neither shall we give any dowry in our daughters' weddings. We shall keep the center free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
13. For higher income we shall collectively undertake bigger investments.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help.
15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.
16. We shall introduce physical exercise in all our centers. We shall take part in all social activities collectively.

### Size and use of loans

The average size of current loans received by sample borrowers in the 1985 survey was estimated at Tk 3,040-Tk 3,279 for men and Tk 2,843 for women. On average, female borrowers thus received about 13 percent less than male borrowers. The Grameen Bank has set Tk 5,000 as the maximum amount that can be approved for an individual loan. The survey found that about 14 percent of current loans were Tk 4,000 or more, and about 12 percent were Tk 1,500 or less. Nearly 50 percent of the loans to male members were between Tk 2,500 and Tk 4,000, while about 40 percent of loans to female members were in this range.

The average size of loans for the major activities varied according to the purpose for which a loan was taken and the sex of the borrower. For most of the activities, female members received smaller loans than male members. The average size also varied with the educational status of the members. Illiterate members received about 25 percent less than those with secondary or higher education.

For male members, about 50 percent of the amount of the loans was taken for trading and shopkeeping, while for female members, about 75 percent of the loan amount was for livestock and poultry raising and for processing and manufacturing activities. The important point to be noted is that only an insignificant proportion of the loans was diverted to consumption and other household needs. Only 0.7 percent of the money was used for consumption purposes, 4.3 percent for social ceremony, and 1.6 percent for repair of housing. Ninety-four percent of the money was used for investment in various agricultural and non-agricultural activities. About 4.3 percent of the total amount was borrowed for crop cultivation, but 6.4 percent was utilized for this purpose, indicating marginal diversion of nonfarm loans into farming activities. Thirty-five percent of the total amount was used for trading and shopkeeping, and 32 percent for livestock and poultry raising - almost the same proportion that was borrowed for these purposes. It appears that the diversion of loans to consumption and social ceremony took place primarily at the expense of investment in processing and manufacturing activities.

### Repayment behavior of borrowers

The traditional banking system rarely provides credit to the poor, since (1) they cannot provide collateral against which the loan can be granted; (2) they do not maintain accounts for preparation of bankable projects; and (3) they have a low repayment capacity because, at their subsistence level, the compulsion to consume the additional income is great. The Grameen Bank is providing loans to these people without any collateral. It is thus important to investigate the repayment behavior of Grameen Bank members.

The monthly statement of the Grameen Bank for February 1987 reported that 97.4 percent of the money was recovered within one year after the date of issue and 98.6 percent within a period of two years. The bank treats as overdue any loan amount that is not repaid within two years, since the loanable fund is borrowed for that term. Thus the bank regarded only 1.4 percent of loans as overdue. In actual practice, however, the borrower is expected to fully repay the loan within one year. From this point of view, the overdue amount was 2.6 percent.

### Cost of operation

Contrary to the conventional banking practice that the borrower comes to the bank to receive and repay a loan, the Grameen Bank goes to its clientele for both disbursement of loans and collection of repayments. The loans are small and repayments are collected in weekly installments. In addition, the bank takes the responsibility of giving its clientele intensive training in credit discipline and engages in a social development program. All this means that the paperwork

and the staff time needed for servicing a given amount of loan are higher than for a normal rural credit program. The benefits of this intensive credit program, in the form of excellent recovery of loans and significant improvement of the economic condition of the extreme poor, need to be evaluated against the high costs of operation.

The annual reports of the Grameen Bank for 1984-86 state that the bank operates at a marginal profit. A close scrutiny of the accounts, however, shows that the credit operations of the bank involve losses that are compensated for by profits from deposits in other banks of a substantial amount of low-cost funds available from international donors.

### Sources and costs of funds

The major sources of funds for the Grameen Bank are borrowings from the Bangladesh Bank and loans and grants from the International Fund for Agricultural Development (IFAD). A small amount is also available as loans from the Netherlands and the Ford Foundation. The Grameen Bank also draws on the deposits contributed by members.

### Conclusions

It is clear from this study that the Grameen Bank has made a positive contribution to the alleviation of poverty in the area of its operation. The bank has successfully reached its target group with credit, and has ensured both productive utilization of loans and their recovery in due time, thus helping to improve the living standard of more than 90 percent of the participants. But the bank has so far covered only about 13 percent of the target group in the districts under its operation and 4 percent of the target group throughout Bangladesh. The question remains as to whether the bank can be extended widely enough to have a significant effect on the alleviation of poverty nationally, and whether the model can be replicated in other countries.

### Constraints to expansion

An important factor in determining the successful expansion of the Grameen Bank from the supply side is institutionalization of management so that it no longer depends on the personal leadership of the bank's founder-managing director. Since 1983 the bank has made good progress toward that end. Initially, the managing director participated in the recruitment and training of all bank workers and directly supervised their activities. With the expansion of the bank, a decentralization of administration has taken place, with responsibilities and decisionmaking power vested in a dedicated cadre of midlevel officers who were developed during the 1976-82 period of experimentation with the project.

Incentives for hard work have been maintained through quick promotions and transfers based on performance in the field. Borrowers' representatives, center managers, and bank officials meet frequently in regional workshops to discuss important issues pertaining to the operation of the bank and the lives of the borrowers. Senior management personnel attend these workshops to keep constantly in touch with problems in the field, and the lessons learned are often translated into policy changes. Mainly owing to the decentralization of administration and to flexible and responsive

management, the Grameen Bank has been able to confine its services to its target group and ensure excellent recovery of loans in spite of the large expansion that has taken place since 1983.

### Lessons of experience

The Grameen Bank experience shows the vital importance of credit as an entry point for a program of social and economic development. If a program is to have an appeal for people living in abject poverty, it must offer them clear and immediate prospects for economic improvement. It is easy to sell other interventions for social development, however unconventional they may appear (as demonstrated by the acceptance of physical training and parades by traditional Muslim women), once improvements in standards of living are demonstrated. The bank has also shown that it is possible to devise projects that directly benefit the extreme poor.

The Grameen Bank experience also brings out the importance of appropriate training and orientation of the field staff for successful accomplishment of a project. The key to the success of the Grameen Bank is the orientation, approach, and human qualities inculcated in the bank workers through a training program based largely on "learning by doing", that is, through observation of and participation in the ongoing activities.

Before they start work on their own, prospective staff are required to observe critically the workings of the rural economy and society and the plight of the rural poor. This helps them to understand the philosophy and approach of the bank and to develop qualities required for inspiring trust and confidence in the target group. The bank workers have demonstrated that under appropriate conditions, the idealism and energy of youth can be harnessed to combat poverty and underdevelopment.

The bank has clearly demonstrated that lack of collateral should not stand in the way of providing credit to the poor. The poor can utilize loans and repay them if effective procedures for bank transactions with them can be established. These procedures may differ according to the socio-economic environment. In the Bangladesh context, formation of groups with a small number of like-minded people has worked well, and group solidarity and peer pressure have substituted for collateral. Other innovations of the bank are taking the bank to the people, rather than people to the bank; recovering loans in small weekly installments; and developing collective funds with compulsory savings from individuals for their mutual benefit.

### Replicability in other countries

The Grameen Bank is an innovative credit program and has attracted the attention of a large number of countries and international donors. It has been visited by high-level government officials from Nepal, Malaysia, the Philippines, Indonesia, and the Solomon Islands, and by nongovernmental organizations and interested individuals from Kenya, Tanzania, and Rwanda. The Economic and Social Commission for Asia and the Pacific (ESCAP) organized a "Study Tour of Grameen Bank" for government representatives,

bankers, and female program leaders of the region. IFAD is trying to launch a Grameen Bank-type credit program in Malawi. Malaysia has already formulated a project to experiment with such credit for the poor in Selangor State. Thus there is widespread interest in trying the Grameen Bank approach to credit in other countries. But will it work ?

The Grameen Bank concept of generating self-employment through credit should work in countries with widespread poverty and underemployment. As long as there is surplus labor with little opportunity cost (under extreme poverty, leisure has little value), and labor can be transformed into salable commodities and services with a small amount of capital, there should be demand for Grameen Bank-type loans. And if the need for credit is genuine, and the transaction cost is such that it can be profitably used to increase household income, recovery of loans should not be a problem.

But it may not be possible to replicate universally the entire Grameen Bank approach to delivery of credit. Some elements of this approach, like formation of small homogeneous groups for group guarantee of loans and supervision of loan utilization, recovery of loans in small regular installments, and institutions for collective savings, could work well across different environments, but elements like taking the bank to the people and intensive interaction of bank staff with borrowers may not be appropriate and could become too costly for sparsely settled environments. The Grameen Bank approach has a fair chance of success in densely settled, poverty-stricken areas of Asia, but for Africa an appropriate delivery mechanism has to be worked out through trial and error. An approach or method cannot be replicated in a fixed, prescriptionary sense. Indeed, one of the important lessons of the Grameen Bank is that appropriate procedures can be developed only after considerable experimentation, through a thorough understanding of the physical and socio-economic environment.

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## AVIS

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Merci.

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Met uw hulp denken we dus een grote dienst te kunnen bewijzen aan de gemeenschap waarvoor u werkt.

Dank U.