

= Grameen Bank =

The Grameen Bank (Bengali : গ্রামীণ ব্যাংক) is a Nobel Peace Prize @-@ winning microfinance organization and community development bank founded in Bangladesh . It makes small loans (known as microcredit or " grameencredit ") to the impoverished without requiring collateral . The name Grameen is derived from the word gram which means " rural " or " village " in the Bengali Language .

Grameen Bank originated in 1976 , in the work of Professor Muhammad Yunus at University of Chittagong , who launched a research project to study how to design a credit delivery system to provide banking services to the rural poor . Based on his results , in October 1983 the Grameen Bank was authorized by national legislation as an independent bank . In 2006 , the bank and its founder , Muhammad Yunus , were jointly awarded the Nobel Peace Prize . In 1998 the Bank 's " Low @-@ cost Housing Program " won a World Habitat Award . In 2011 , the Bangladesh Government forced Yunus to resign from Grameen Bank , saying that at age 72 , he was years beyond the legal limit for the position .

= = History = =

Muhammad Yunus earned a doctorate in economics from Vanderbilt University in the United States . He was inspired during the Bangladesh famine of 1974 to make a small loan of US \$ 27 to a group of 42 families as start @-@ up money so that they could make items for sale , without the burdens of high interest under predatory lending . Yunus believed that making such loans available to a larger population could stimulate businesses and reduce the widespread rural poverty in Bangladesh .

Yunus developed the principles of the Grameen Bank (literally , " Bank of the Villages " in Bengali) from his research and experience . He began to expand microcredit as a research project together with the Rural Economics Project at Bangladesh 's University of Chittagong to test his method for providing credit and banking services to the rural poor . In 1976 , the village of Jobra and other villages near the University of Chittagong became the first areas eligible for service from Grameen Bank . Proving successful , the Bank project , with support from Bangladesh Bank , was extended in 1979 to the Tangail District (to the north of the capital , Dhaka) . The bank 's success continued and its services were extended to other districts of Bangladesh .

The Grameen Bank staff not only work in harsh , grueling conditions but are an " elite brigade of poverty fighters " . Required to have a passion for changing the lives of the poor , the Grameen staff must be willing to step out of their comfort zones on a daily basis . Potential employees receive 6 months of on @-@ the @-@ job training while shadowing qualified and experienced individuals from various branches of Grameen . The goal of this training is for the trainee to " appreciate the unexplored potential of the destitute " and to discover new ways to solve problems that arise within the Grameen branch . After completing the 6 @-@ month period , trainees return to Dhaka headquarters for a time of review and critique . Ultimately these new staff are appointed to a new branch of the Grameen bank .

By a Bangladeshi government ordinance on October 2 , 1983 , the project was authorized and established as an independent bank . Bankers Ron Grzywinski and Mary Houghton of ShoreBank , a community development bank in Chicago , helped Yunus with the official incorporation of the bank under a grant from the Ford Foundation . The bank 's repayment rate suffered from the economic disruption following the 1998 flood in Bangladesh , but it recovered in the subsequent years . By the beginning of 2005 , the bank had loaned over USD 4 @.@ 7 billion and by the end of 2008 , USD 7 @.@ 6 billion to the poor .

The Bank continues to expand across the nation . By 2006 , Grameen Bank branches numbered over 2 @,@ 100 . Its success has inspired similar projects in more than 40 countries around the world , including a World Bank initiative to finance Grameen @-@ type schemes .

The bank has gained its funding from different sources , and the main contributors have shifted over time . In the initial years , donor agencies used to provide the bulk of capital at low rates . By

the mid @-@ 1990s , the bank started to get most of its funding from the central bank of Bangladesh . More recently , Grameen has started bond sales as a source of finance . The bonds are implicitly subsidised , as they are guaranteed by the Government of Bangladesh , and still they are sold above the bank rate . In 2013 , Bangladesh parliament passed ' Grameen Bank Act ' which replaces the Grameen Bank Ordinance , 1983 , authorizing the government to make rules for any aspect of the running of the bank .

The bank is also engaged in social business and entrepreneurship fields . In 2009 , the Grameen Creative Lab collaborated with the Yunus Centre to create the Global Social Business Summit . The meeting has become the main platform for social businesses worldwide to foster discussions , actions and collaborations to develop effective solutions to the most pressing problems plaguing the world .

= = Application of microcredit = =

Grameen Bank is founded on the principle that loans are better than charity to interrupt poverty : they offer people the opportunity to take initiatives in business or agriculture , which provide earnings and enable them to pay off the debt .

The bank is founded on the belief that people have endless potential , and unleashing their creativity and initiative helps them end poverty . Grameen has offered credit to classes of people formerly underserved : the poor , women , illiterate , and unemployed people . Access to credit is based on reasonable terms , such as the group lending system and weekly @-@ installment payments , with reasonably long terms of loans , enabling the poor to build on their existing skills to earn better income in each cycle of loans .

Grameen 's objective has been to promote financial independence among the poor . Yunus encourages all borrowers to become savers , so that their local capital can be converted into new loans to others . Since 1995 , Grameen has funded 90 percent of its loans with interest income and deposits collected , aligning the interests of its new borrowers and depositor @-@ shareholders . Grameen converts deposits made in villages into loans for the more needy in the villages (Yunus and Jolis 1998) .

It targets the poorest of the poor , with a particular emphasis on women , who receive 95 percent of the bank 's loans . Women traditionally had less access to financial alternatives of ordinary credit lines and incomes . They were seen to have an inequitable share of power in household decision making . Yunus and others have found that lending to women generates considerable secondary effects , including empowerment of a marginalized segment of society (Yunus and Jolis 1998) , who share betterment of income with their children , unlike many men . Yunus claims that in 2004 , women still have difficulty getting loans ; they comprise less than 1 percent of borrowers from commercial banks (Yunus 2004) . The interest rates charged by microfinance institutes including Grameen Bank is high compared to that of traditional banks ; Grameen 's interest (reducing balance basis) on its main credit product is about 20 % .

Grameen has diversified the types of loans it makes . It supports hand @-@ powered wells and loans to support the enterprises of Grameen members ' immediate relatives . It has found that seasonal agricultural loans and lease @-@ to @-@ own agreements for equipment and livestock help the poor establish better agriculture . The bank has set a new goal : to make each of its branch locations free of poverty , as defined by benchmarks such as having adequate food and access to clean water and latrines .

Grameen Bank is best known for its system of solidarity lending . The Bank also incorporates a set of values embodied in Bangladesh by the Sixteen Decisions . At every branch of Grameen Bank , the borrowers recite these Decisions and vow to follow them . As a result of the Sixteen Decisions , Grameen borrowers have been encouraged to adopt positive social habits . One such habit includes educating children by sending them to school . Since the Grameen Bank embraced the Sixteen Decisions , almost all Grameen borrowers have their school @-@ age children enrolled in regular classes . This in turn helps bring about social change , and educate the next generation .

Solidarity lending is a cornerstone of microcredit , and the system is now used in more than 43

countries . Although each borrower must belong to a five @-@ member group , the group is not required to give any guarantee for a loan to its members . Repayment responsibility rests solely on the individual borrower . The group and the centre oversee that everyone behaves responsibly and none gets into a repayment problem . No formal joint liability exists , i.e. group members are not obliged to pay on behalf of a defaulting member . But , in practice the group members often contribute the defaulted amount with an intention to collect the money from the defaulted member at a later time . Such behavior is encouraged because Grameen does not extend further credit to a group in which a member defaults .

No legal instrument (i.e. no written contract) is made between Grameen Bank and its borrowers ; the system works based on trust . To supplement the lending , Grameen Bank requires the borrowing members to save very small amounts regularly in a number of funds , designated for emergency , the group , etc . These savings help serve as an insurance against contingencies .

In a country in which few women may take out loans from large commercial banks , Grameen has focused on women borrowers ; 97 % of its members are women . While a World Bank study has concluded that women 's access to microcredit empowers them through greater access to resources and control over decision making , some other economists argue that the relationship between microcredit and women @-@ empowerment is less straightforward .

In other areas , Grameen has had very high payback rates ? over 98 percent . However , according to the Wall Street Journal , in 2001 a fifth of the bank 's loans were more than a year overdue . Grameen says that more than half of its borrowers in Bangladesh (close to 50 million) have risen out of acute poverty thanks to their loan , as measured by such standards as having all children of school age in school , all household members eating three meals a day , a sanitary toilet , a rainproof house , clean drinking water , and the ability to repay a 300 taka @-@ a @-@ week (around 4 USD) loan .

= = = Village phone program = = =

The bank has diversified among different applications of microcredit . In the Village Phone program , women entrepreneurs can start businesses to provide wireless payphone service in rural areas . This program earned the bank the 2004 Petersburg Prize worth EUR 100 @,@ 000 , for its contribution of Technology to Development . In the press release announcing the prize , the Development Gateway Foundation noted that through this program :

... Grameen has created a new class of women entrepreneurs who have raised themselves from poverty . Moreover , it has improved the livelihoods of farmers and others who are provided access to critical market information and lifeline communications previously unattainable in some 28 @,@ 000 villages of Bangladesh . More than 55 @,@ 000 phones are currently in operation , with more than 80 million people benefiting from access to market information , news from relatives , and more .

= = = Struggling members program = = =

In 2003 , Grameen Bank started a new program , different from its traditional group @-@ based lending , exclusively targeted to the beggars in Bangladesh . This program is focused on distributing small loans to beggars . The loans are completely interest @-@ free , the repayment period can be arbitrarily long , and the borrower is covered under life insurance free of cost . For example , a beggar taking a small loan of around 100 taka (about US \$ 1 @.@ 50) may pay back only 2 @.@ 00 taka (about 3 @.@ 4 US cents) per week .

= = = Housing loans = = =

In 1984 , Grameen applied to the Central Bank for help setting up a housing loan program for its borrowers . Their application was rejected on the grounds that the \$ 125 suggested loan could not possibly build a suitable living structure . So Grameen instead proposed the idea of " shelter loans "

. They were again rejected , this time on the grounds that their borrowers could not afford non @-@ income generating loans . Grameen changed tactics and applied a third time , this time to make " factory loans " , the explanation being that borrowers worked from home , so the home was also a factory that made it possible for borrowers to earn income . Grameen was rejected for a third time .

After this third rejection , Yunus , the bank ? s founder , met personally with the Central Bank governor to plead for their application . When asked if he thought the borrowers would repay the loans , he replied , " Yes , they will . They do . Unlike the rich , the poor cannot risk not repaying . This is the only chance they have . " Grameen was then allowed to add housing loans to their range of services .

As of 1999 , Grameen has made housing loans totaling \$ 190 million to build over 560 @,@ 000 homes with near @-@ perfect repayment . By 1989 , their average housing loan had grown to \$ 300 . That year , the Grameen housing program received the Aga Khan International Award for Architecture .

= = Grameen Bank 's perception of people with economic disadvantages = =

When Muhammed Yunus took the first steps toward establishing Grameen Bank in Bangladesh and began to provide micro @-@ credit loans to those living in abject poverty in the rural area surrounding Jobra , he adopted and maintained two basic premises . First , that credit is a human right ; second , that the poor are those who know best how to better their own situation .

In his book Banker to the Poor : Micro @-@ lending and the Battle Against World Poverty , Muhammad Yunus shows the outlook behind why Grameen Bank runs the way it does , saying , ? When you hold the world in your palm and inspect it only from a birds eye view , you tend to become arrogant , you do not realize things become blurred when viewed from an enormous distance . I opted instead for the ? worms eye view . ? ? The poor taught me an entirely new economics . I learned about the problems they face from their own perspective . ? Here we see his willingness to immerse himself with the people he is aiming to help . We get our first look at Muhammad Yunus ? s perception of the absolute poor when he meets Sufiya Begum , a bamboo stool maker who was trapped in poverty ? s vicious cycle due to a lack of 27 cents . That is where we find that what will become Grameen bank , is founded upon one man ? s heart for those that society and big corporations could or would not help . Taking productive action , Yunus worked with the banks and community around to empower people like Sufiya to be able to apply for credit , and use it in the best and most productive way that she knows how in her unique situation . Grameen Bank would need to be a bank of unusual standards . It would have to be , as Yunus put it , ? an institution that would lend to those that had nothing . ? Later , as time progressed , more situations would arise , such as battling for those who were landless , or small @-@ time farmers such as those in Jobra who could not use a deep tube @-@ well that was available to them .

As Grameen bank has developed and expanded in the years since its beginning , it continues to operate on those same two principles . Today , Grameen bank still assumes that when individuals are provided credit , they will be able to initiate upward social mobility for themselves through entrepreneurial endeavors . As a result , Grameen differs from many other social justice efforts in that it does not include intensive rehabilitation training programs for the disadvantaged persons it serves . Instead , Grameen gives its borrowers freedom to pursue a better future using the skills they already possess in the best way they can with membership in a five @-@ person support group being the only requirement .

The Grameen Bank encourages its members to create a positive impact by becoming actively involved in the politics of their country . According to Muhammad Yunus 's book , Baker to the Poor , Yunus commissioned his bank staff to encourage Grameen borrowers to vote ; however , the staff were not to influence the voters ' decisions on which political party to support . While all Grameen groups are required to exhibit a form of democracy (such as electing a chairperson and secretary) , the Grameen staff were surprised to find that borrowers were thrilled with the opportunity to display their voting rights as citizens of Bangladesh in the 1991 national election . The work of the Grameen staff initiated a sharp increase in political activity which continued into the 1992 , 1996 , and 1997

elections . Since the Grameen Bank caters to women , the 1996 elections received more women voting than men , which led to the removal of political parties opposing women 's rights . Not only did more women participate in political activism , but over 1 @, @ 750 Grameen members , 268 male and 1 @, @ 485 female , were elected to local offices in 1997 .

In an interview with PBS in 2006 , (after sixteen years of experience with Grameen Bank as a social business) Yunus expressed satisfaction in the micro @-@ credit system of Grameen bank as a motivation and an opportunity for the poor to improve their own situations . He stressed that he has observed that Grameen 's borrowers attain a sense of confidence and self @-@ sufficiency when they pay back their loans from Grameen bank . While being careful not to criticize charity 's rightful place , he added that the recipient of a charitable gift does not experience these long @-@ term emotional benefits in the same way .

= = Operational statistics = =

Grameen Bank is owned by the borrowers of the bank , most of whom are poor women . Of the total equity of the bank , the borrowers own 94 % , and the remaining 6 % is owned by the Bangladesh government .

The bank grew significantly between 2003 @-@ 2007 . As of January 2011 , the total borrowers of the bank number 8 @. @ 4 million , and 97 % of those are women . The number of borrowers has more than doubled since 2003 , when the bank had 3 @. @ 12 million members . Similar growth can be observed in the number of villages covered . As of October 2007 , the Bank has a staff of more than 24 @, @ 703 employees ; its 2 @, @ 468 branches provide services to 80 @, @ 257 villages , up from the 43 @, @ 681 villages covered in 2003 .

The bank has distributed Tk 684 @. @ 13 billion (USD 11 @. @ 35 billion) in loans , out of which Tk 610 @. @ 81 billion (USD 10 @. @ 11 billion) has been repaid . The bank claims a loan recovery rate of 96 @. @ 67 % , up from the 95 % recovery rate claimed in 1998 . David Roodman has critiqued the accounting practices that Grameen used to determine this rate .

The global number of potential micro @-@ borrowers is estimated to be 1 billion , with a total loan demand of \$ 250 billion . The present microfinance model is serving 100 million people with \$ 25 billion of loans . The Grameen Bank is 95 % owned by the local poor and 5 % by the government .

= = Honours = =

1994 , Grameen Bank received the Independence Day Award in 1994 , which is the highest government award .

October 13 , 2006 , the Nobel Committee awarded Grameen Bank and its founder , Muhammad Yunus , the 2006 Nobel Peace Prize " for their efforts to create economic and social development from below . " The award announcement also mentions that :

From modest beginnings three decades ago , Yunus has , first and foremost through Grameen Bank , developed micro @-@ credit into an ever more important instrument in the struggle against poverty . Grameen Bank has been a source of ideas and models for the many institutions in the field of micro @-@ credit that have sprung up around the world .

On December 10 , 2006 , Mosammat Taslima Begum , who used her first 16 @-@ euro (20 @-@ dollar) loan from the bank in 1992 to buy a goat and subsequently became a successful entrepreneur and one of the elected board members of the bank , accepted the Nobel Prize on behalf of Grameen Bank 's investors and borrowers at the prize awarding ceremony held at Oslo City Hall .

Grameen Bank is the only business corporation to have won a Nobel Prize . Professor Ole Danbolt Mjøs , Chairman of the Norwegian Nobel Committee , in his speech said that , by giving the prize to Grameen Bank and Muhammad Yunus , the Norwegian Nobel Committee wanted to encourage attention on achievements of the Muslim world , on the women 's perspective , and on the fight against poverty .

Citizens of Bangladesh celebrated the prize . Some critics said that the award affirms neoliberalism

= = Related ventures = =

The Grameen Bank has grown into over two dozen enterprises of the Grameen Family of Enterprises . These organizations include Grameen Trust , Grameen Fund , Grameen Communications , Grameen Shakti (Grameen Energy) , Grameen Telecom , Grameen Shikkha (Grameen Education) , Grameen Motsho (Grameen Fisheries) , Grameen Baybosa Bikash (Grameen Business Development) , Grameen Phone , Grameen Software Limited , Grameen CyberNet Limited , Grameen Knitwear Limited , and Grameen Uddog (owner of the brand Grameen Check) .

On July 11 , 2005 the Grameen Mutual Fund One (GMFO) , approved by the Securities and Exchange Commission of Bangladesh , was listed as an Initial Public Offering . One of the first mutual funds of its kind , GMFO will allow the more than four million Grameen bank members , as well as non @-@ members , to buy into Bangladesh 's capital markets . The Bank and its constituents are together worth over USD 7 @.@ 4 billion .

The Grameen Foundation was developed to share the Grameen philosophy and expand the benefits of microfinance for the world 's poorest people . Grameen Foundation , which has an A @-@ rating from [Charity Watch] , provides microloans in the USA (the only developed country where this is done) , and supports microfinance institutions worldwide with loan guarantees , training , and technology transfer . As of 2008 , Grameen Foundation supports microfinance institutions in the following regions :

Asia @-@ Pacific : Bangladesh , China , East Timor , Indonesia , India , Lebanon , Pakistan , Philippines , Saudi Arabia , Yemen

Americas : Bolivia , Dominican Republic , El Salvador , Haiti , Honduras , Mexico , Peru , US

Africa : Cameroon , Egypt , Ethiopia , Ghana , Morocco , Nigeria , Rwanda , Tunisia , Uganda

= = Criticism = =

Some analysts have suggested that microcredit can bring communities into debt from which they cannot escape . Researchers have noted instances when microloans from the Grameen Bank were linked to exploitation and pressures on poor families to sell their belongings , leading in extreme cases to humiliation and ultimately suicides .

The Mises Institute 's Jeffrey Tucker suggests that microcredit banks depend on subsidies in order to operate , thus acting as another example of welfare . Yunus believes that he is working against the subsidized economy , giving borrowers the opportunity to create businesses . Some of Tucker 's criticism is based on his interpretation of Grameen 's " 16 decisions , " seen as indoctrination , without considering what they mean in the context of poor , illiterate peasants .

Maulana Ibrahim , an imam in Bangladesh , spoke out against the Grameen Bank in 1993 for fostering " un @-@ Islamic ways . " He alleged that the lenders ' pledge required women to say they would not obey their husbands and would not live in poverty anymore .

The Norwegian documentary , Caught in Micro debt , said that Grameen evaded taxes . The Spanish documentary , Microcredit , also suggested this . The accusation is based on the unauthorised transfer of approximately US \$ 100 million , donated by The Norwegian Agency for Development Cooperation (NORAD) , from one Grameen entity to another in 1996 , before the expiry of the Grameen Bank 's tax exemption .

Yunus denies that this is tax evasion :

There is no question of tax evasion here . The Government has provided organizations with opportunities ; we have made use of these opportunities with aim of benefitting our shareholders who are the rural poor women of Bangladesh .

David Roodman and Jonathan Morduch question the statistical validity of studies of microcredit 's effects on poverty , noting the complexity of the situations involved . Yoolim Lee and Ruth David discuss how microfinance and the Grameen model in South India have in recent years been

distorted by venture capitalism and profit @-@ makers . In some cases , poor rural families have suffered debt spirals , harassment by microfinance debt collectors , and in some cases suicide .

= = Representation in other media = =

The film To Catch a Dollar (2010) documents the process of establishing Grameen America programs in Queens , New York in 2008 . It premiered at the 2010 Sundance Film Festival .

The documentary film Living on One Dollar (2010) includes Grameen Bank providing microcredit to start small home businesses in a rural Guatemalan village . The documentary is available directly from the organization " Living On One " [2] , and on Netflix [3] .