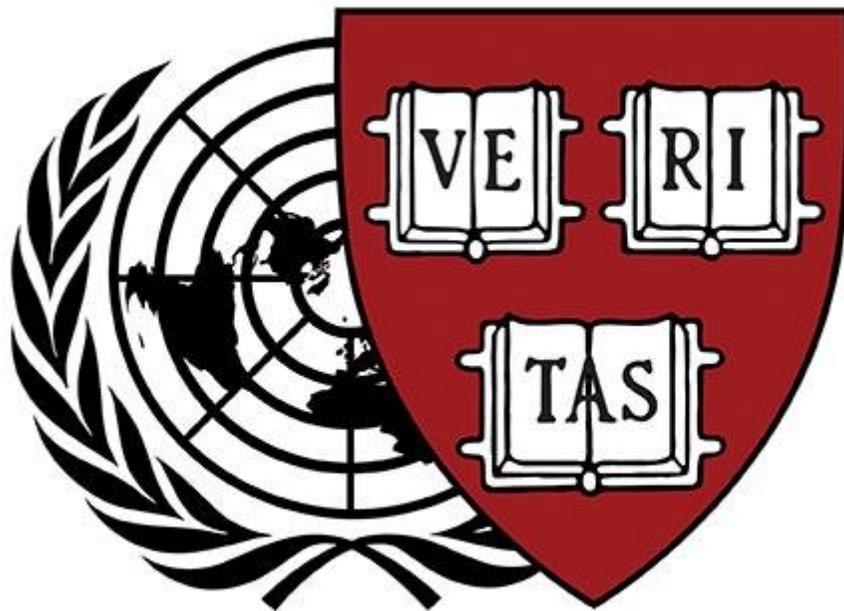


Harvard Model United Nations India 2017

Commission on the Status of Women



Update Paper:

The Grameen Bank

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What is the Grameen Bank?

The working of the Grameen Bank (GB) is completely different from that of a conventional bank. Half the population of the world remains deprived of financial services because the conventional banks work on the principle of providing more financial services to people who are generally in a better financial position as compared to the people who need these services more. GB was started to bridge the gap among the different financial sections of society using the concept of microcredits.

GB respects the potential of an individual and believes that each individual has endless potential irrespective of his/her material positions while allocating loans. The Sixteen Decisions stated by the GB give us an idea of the noble thought behind its formation. GB goes one step further than a conventional bank to stir a social and educational change in society which makes its presence even more impactful.¹

Origins

Professor Muhammad Yunus launched an action research project that could provide banking services to the rural poor. This project was then transformed to an independent bank by an ordinance passed by the Bangladeshi Government on October 2nd, 1938.

GB's microcredit model made an international impact just months after its introduction. The establishment of the International Program Department was a result of the buzz and



excitement around the world which led to the formation of different training programs which would help people understand the dynamic processes of GB and be able to contribute their ideas and inputs to improve its functionality as well. Its role in the empowerment of women has been instrumental ever since. Professor Muhammad Yunus and GB won the Nobel Peace Prize in 2006 after yielding great results and a positive socio-economic impact on the people of Bangladesh.²

Evaluate the effectiveness on its ability to help women become financially dependent

Essential financial services can be crucial in the development and progress of the economically weaker section of society. GB helps solve this issue with the use of microcredits. Microfinance coupled with an effective working mechanism may prove to be a potential solution in many countries across the world. The use of microcredit by GB has opened up a lot of new opportunities for people to indulge in activities like self-employment and has successfully encouraged the entrepreneurial spirit among the masses in Bangladesh. The use of social mechanisms like group based lending has helped improve its reach among the masses, especially women.³

GB had started off by giving a loan to 42 women and by the end of 1998, 2.24 million of the 2.34 million registered with the bank were women. As of 2008, it had successfully granted help



to 7.56 million people 97% of which were women. Apart from helping the financially weaker sections of society, it has provided employment to many educated people in the region.

The first principle of GB is delivery of service at the client's doorstep which involves a staff member to meet the borrowers in the villages improving the effectiveness of its working. The overall banking system ensures high level of operational accountability. Repaying the loans is extremely easy and the bank's staff members also aim at providing information about the usage of the loans. Grameen initially relied on funds from donors but it soon became independent and soon became successful in helping a majority of its customers successful in improving their socio-economic conditions. Internationally, the Grameen model is replicated in some of the African countries, in India and even in Australia.⁴

What works?

Role in Family

GB has been successful in handing over the finance of a family to the women. The status of women has risen and they are now placed in a position of power. GB has given specific attention to the empowerment of women and has been successful in its endeavor.

Violence against Women

Domestic violence has been an issue in many countries across the world. The economic role given to women by GB reinforces their existence in society. Joining a micro credit institution



is an important factor in reducing domestic violence as women become well informed by having contacts outside their family and being introduced to different social customs. Hence, GB has been successful in reducing domestic violence against women.

Increased Mobility

The mobility of women in certain areas is restricted by the observance of Purdah in certain regions of Bangladesh. The repayment of loans and meetings bring women at the forefront of dealing with situations which they would otherwise not face. GB encourages interaction with other members of society which is essential in building the personalities of the women in these regions.⁵

What doesn't work?

Awareness

The most crucial element in a social initiative's success is the availability of the information of its existence to the people it is meant to support. Certain communities shy away from using the GB or even conventional banks because of fears of regulations which might be too strict or impractical for their social and financial situation.

Conditions governing the lending of credit

The conditions governing the lending of credits should be made keeping in mind the situation of people that are being helped via the GB. Irregular income, sudden sickness and other such



situations should be clearly mentioned in the conditions. This would make the entire process transparent and easier for the people to use.

Trust

It is extremely crucial to have the trust of the people that are members of the GB. If the GB is successful in securing the trust of the people it will result in a recovery of loan which is beneficial for both the parties' involved.⁶

Policymaking

The objectives of the GB go beyond its attempt to secure families financially but also to spread social awareness. The high percentage of female membership is the major highlight in the GB's list of achievements. Grameen has proved to be a reliable institution in Bangladesh that has managed to provide credit with low default rates using effective social strategies.

The GB would be a bigger success if it witnesses an increase in membership and lending. It has expanded by increasing branch lending which leads to an increase in profits and very low loan default costs but more such mechanisms could be instrumental in yielding better results. Mechanisms, across the world, could be developed on the basis of their effectiveness in that region.

Grameen and similar financial models should not depend on donors and governments to finance its lending but find other sources and techniques to make the entire process of lending credit more cost effective and hence help it expand its reach. The major obstacle before



adopting the concept of the GB is achieving cost efficiency and expanding the reach of its facilities to the neediest sections of society.⁷

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