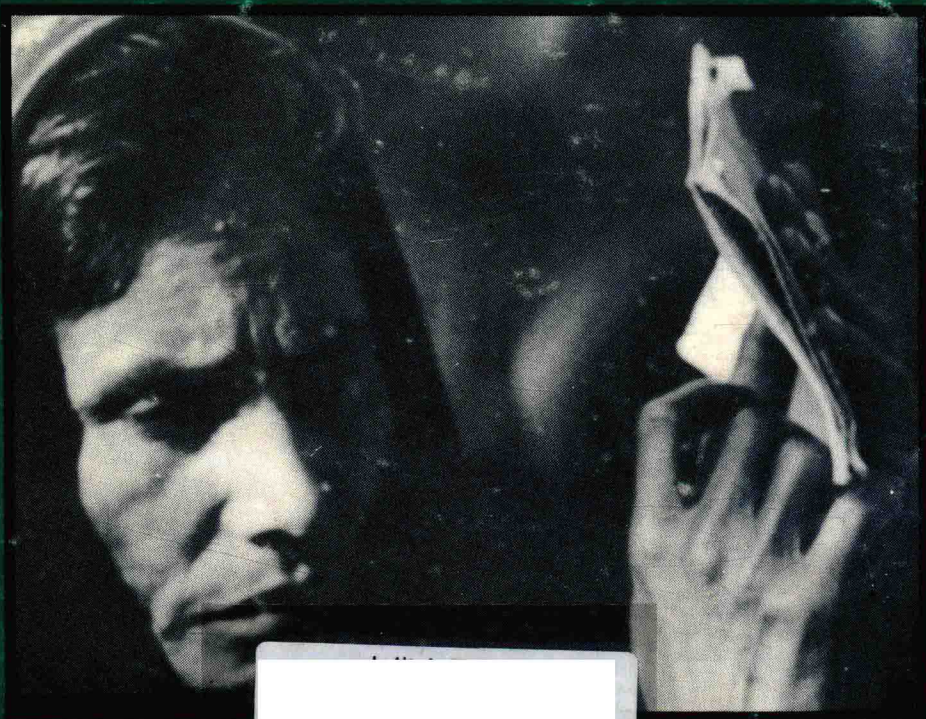


PARTICIPATION AS PROCESS

– what we can learn
from Grameen Bank,
Bangladesh



书馆

andreas fuglesang
dale chandler

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Reprinted by : Grameen Bank
Mirpur Two, Dhaka 1210
Bangladesh
Phone : 383081-5

August, 1988

Printer : _____inting & Packaging
376 Magbazar (Tongi Diversion Road)
Dhaka 1217 Bangladesh

ISBN: 82-7123-110-3

Cover photo: Woman waiting with her loan pass book
in Moisha Kanda Women's Centre No. 43 in Tangail.
Photos and design by the authors.
The views and ideas expressed in this book
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TO THE BANK WORKERS

Up in the sky the drums beat,
The strained earth beneath it
Youths of the sunny morn
March forward, on.
Nazrul Islam

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EQUIVALENTS:

1 US Dollar	= 33.15 Taka
Lakh	= Hundred thousand
Crore	= Ten million
1 bigha	= 0.33 acres
100 decimals	= 1 acre
1 pakhi	= 0.33 acres
1 maund	= 82.27 lb. (37.3 kg.)
1 seer	= Approximately 2 lbs

dhaki - A foot-operated wooden pounding vessel for dehusking rice
paddy - Unhusked rice

introduction

I remember the 50 taka loan
to the first loanee.
Sophia Khatoon hid her face
as she made her thumb print.
When she extended her
hand for the money,
it was trembling.
First bank worker

The Bangla word, Grameen, has the meaning rural or village in English. So Grameen Bank is a rural bank, a village bank, one which astonishingly succeeds in living up to its name. It is a bank that gives credit to the poorest of the rural poor and, in the process, can proudly point to the generation of a small profit. Surely, this represents an invigorating breath of self-reliance not only for Bangladesh, but for the South. Indeed, Grameen Bank holds the promise of sustaining itself while delivering credit to the poorest. It casts off the never-ending chain of dependency on government or foreign-donor subsidies.

At this point we wish to quickly arrest a misinterpretation the reader may assume without being aware of it. Grameen Bank is much more than an ordinary public bank. In all thinkable ways it provides its loanees services which enhance their well being, health and productivity. It does so because it believes it right to provide the poor with equal opportunities; at the same time its own existence depends on a productive clientele. Banking becomes a way of achieving human rights and dignity without losing sight of the goal that the poor should have what is rightly theirs. What emerges is a socio-economic activity based on a complementary relationship of productivity and service.

Through experience the Bank has evolved a characteristic social framework for its operation which establishes accountability in the community,

ensures due repayment of loans, and provides its members with an instrument for collective action. The Bank is well advanced in transferring the ultimate control of its operation to its owners, the members themselves. In July 1986, the Government raised the paid-up share capital to Taka 7.20 crore out of which its portion would be 25% while 75% would be subscribed by the borrowers of the Bank.

From the 50 taka loan to its first loanee, Sophia Khatoon of Jobra Village, in August 1976, Grameen Bank has expanded to comprise a total of almost 200,000 loanees at the time of writing. Currently, the Bank disburses about Taka 4.0 crore, i.e. 1.3 million US dollars, in loans every month. The average individual loan is about 2000 taka only. Normally such loans would not exceed 5000 taka. Loans for joint enterprises may, however, occasionally reach 500,000 taka. A Grameen Bank member may borrow up to 18,000 taka for building a simple tin-roofed house. More than 1805 houses have been built to date. All loans are repaid in weekly instalments.

The Bank has succeeded in making credit available to the landless and the near landless. According to the Bank's definition, these are people owning 0.5 acre of land or less. The national rate of interest is charged for loans which is currently 16% per annum. Loans require no collateral. The repayment rate is 98%. Seventy-one percent of Grameen Bank loanees are women, in one district constituting 82%.

Already, the economic performance of Grameen Bank is well documented. Several independent evaluations take different starting points in assessing the impact of Grameen Bank on the economic situation of the poorest in Bangladesh. They form an exciting debate. Although we draw on this important information in the course of our description, our emphasis is on the organizational and participatory features of Grameen Bank. However, to assist the reader we have made some of this information available in an annotated bibliography at the end.

To avoid a presentation encumbered by too many figures and too much detail, we have chosen to provide such material as annexes which are listed in the Table of Contents. In the annexes, information such as the rules and regulations of Grameen Bank, statutes, staffing tables, salary scales, and a financial overview are made available. We have attempted to present different levels of detail about the Bank's operations in progressive stages throughout the book. It is

hoped that this gradual introduction of information will allow the reader to keep clearly in mind the overall perspective of the Bank's many functions.

To set Grameen Bank in the larger international development context, we feel it is necessary to discuss first the issue of 'Another Development' in a chapter of that name. In the next chapter, entitled 'The Culture of Poverty', we attempt to outline the socio-economic situation within Bangladesh, the frame of reference for the Bank's evolution and work.

All figures are given in the local currency, taka. At the time of writing, the rate of exchange is: 1 US dollar = 33.15 taka.

Our study attempts to understand and describe how Grameen Bank is built up and how it functions. In particular we concentrate on its significance and characteristics as a participatory social development initiative. Our mandate was to produce a practically-oriented report for development education in the North and the South. The objectives of the research were:

- to study the communication approach and the organizing and facilitation methods used in eliciting and sustaining community participation;
- to examine the decision-making and implementation procedures;
- to assess the implications for the status and role of women in the community.

As well, we attempt with some humility to assess the potential for replicating Grameen Bank's approach to rural credit in other countries of the South. We feel strongly that development planners and workers shall find many of the Bank's participatory approaches equally applicable in other types of rural development programmes.

This study can be seen as a follow up to a two-year research and study project: **Methods and Media in Community Participation**, which we co-directed for The Dag Hammarskjold Foundation in 1983-85. The three reports from this project have been published recently by the Foundation under the title, **Search for Process**. (1) Volume I contains a short, preliminary description of Grameen Bank. A major observation from the project was that a process of community participation could be facilitated successfully at the local level by many known methods or media. However, community organizers and facilitators have few ideas or organizing approaches at their disposal when it comes to making participation operational in the

larger context of a region or nation. Complicating this hiatus is the reluctance on the part of community organizers to recognize the need for the particular competence in management and organization development required for large-scale initiatives. Leadership in the old political style may arouse people to action but once enthusiasm wanes or an issue is won, the organizational cohesion and viability becomes precarious. In the wake of change, another self-righteous bureaucracy is often established or a democracy incapable of coping with issues because it does not offer a new social design. We found Grameen Bank worth studying because it offers a new and valuable perspective on this issue. It is a really large-scale organizational enterprise which has become so through a unique interplay between participation and competent management.

We are grateful to the Information Unit of The Norwegian Ministry of Development Cooperation, NORAD, which provided the grant for this study. In February/March 1986, we carried out our research in four of the five districts in which Grameen Bank works: Rangpur, Tangail, Chittagong and rural Dhaka. Time was spent in interviews with head office staff in the capital of Dhaka. Extensive discussions were held with all levels of field personnel from officers to bank workers as well as the loanees themselves. In total 80 people were interviewed. We attended sessions taking place in six workshops for loanees and bank workers. We observed 15 centre meetings freely engaging in discussion with the members, saw 6 centre schools; investigated a number of joint enterprises and visited the individual homesteads of many loanees.

So many people inside and outside of Grameen Bank gave us their invaluable help with interpretation, translation and information, displaying in the process such patience with our research endeavour that it is impossible to thank everyone by name. In the spirit of Grameen Bank, we wish to express our thanks as a collective appreciation: to those we interviewed personally and in groups; to those who served us tea and cookies after long, hot car rides; to the many who performed the crucial task of translating interviews and workshop proceedings; to those who helped us with all the practical, tiresome details that accompany a research initiative. It is our genuine hope that this description and interpretation of Grameen Bank meets with their expectations.

In particular we wish to thank Mr. Muzammel Huq, Director of Training and Special Programmes, who was responsible for the overall coordination of

our research programme. We express gratitude for his efforts on our behalf and the generous interview time he made available on top of a demanding work schedule. Our deep thanks to Dr. Muhammad Yunus, the founder and Managing Director of Grameen Bank, for inviting us to carry out this research. Grameen Bank has certainly opened our minds to new insights but, more rewardingly, we experienced one of the most significant development initiatives for social justice taking place in the world today.

We did a lot of talking and a little of the long walking the 2163 bank workers do every day as a matter of routine. This book is dedicated to them in deep admiration for their imagination, openness, competence and devotion to hard work. But then, of course, everyone is such a worker in Grameen Bank.

Boröya, Norway, October 1986

Andreas Fuglesang

Dale Chandler

1. another development

The weight is not difficult
the problem is how to hold it.
Numbers do not matter,
what matters is the metaphysics...
It is in the heart
that the real truth lives.
Anonymous folk poet of Bangladesh

While in recent years Bangladesh has received a considerable amount of development assistance, it has been, in a way, regarded unfairly. Noticeable is a detectable trace of fatalism or resignation in the attitudes of many working in development, whether nationals or expatriates. This is an understandable response to a constellation of problems whose magnitude seems to grow with the inability and ineptness of government or external assistance to really cope with it. The source of the unfairness might lie in our deepest assumptions about development.

From the media we are aware of the many natural disasters which, because of their regularity are almost taken for granted when talking about Bangladesh: drought, floods, tidal waves and the heart-rendering aftermath of starvation and disease. However, less is said about another kind of disaster: the perpetrations of successive waves of development economists. We concede these are profane words but irrelevance in the face of poverty is profane.

An increasing number of development workers of good will and solid sense are exasperated by a social science so incapable of responding to the reality of the societies they work in. Village people themselves need no telling. Long before anyone else, have they felt and realized the negative impact of such notions as foreign debt, reduced consumption, savings, capital investment, economic growth rate, national income per capita and similar incantations. There is a dawning

realization that the development expected to flow from a variety of econometric models does not. Something is wrong with the fundamental assumptions of the economic paradigm. Forty years of Northern economic advice have taken the nations of the South into a quagmire of monetary debt, while their real wealth, their peoples, is ignored. The vast assets inherent in the knowledge, skills, cultural selfhood and work ability of the South's populations are absent from the national accounts.

Indicators of growth?

Both the theoretical basis and the practical utility of the concepts 'economic growth' and 'economic control' in development work must be re-examined. Neither of the concepts is limited to the countries of the South. What is it that grows when a national economy grows? Is it the income per capita that grows? Or perhaps there is another measureable indicator that is much more important? For example, low birthweight is the single most important factor in the excessive infant mortality rates of the South. Increased average birthweight, therefore, is a reliable indicator of socio-economic progress. (2) But growth in the birthweight of babies is not used as a legitimate global indicator of development. At present, concessions are made to its value only within the limits of health and nutrition policies.

What are the means of economic control? Certainly we are familiar with appeals to reduce consumption. The finance policy of the state, credit policies, interest rates and consumption disincentives, but do these measures really grapple with the issue of long-term economic development? What is disturbing is the blind faith which characterizes their use and interpretation by governments.

Closely aligned to the paradigm of economic growth is the assumption that investment in technology and industry is the best means to trigger and sustain growth? So far the results suggest that economic policies offer little more than makeshift emergency measures with an abysmally low rate of success. National and global growth are slowing down; poverty increases and economic forecasts are poorer than ever. It appears as if economics has fallen into a simple spell-bound trap in which only the measureable is real and only that which is measured is true. The dilemma of this conceptual cage is that once one is inside, one cannot see what is outside. One's scope is limited to those phenomena which are immediately amenable to measurement.

The assumptions trapped in the above concepts have been implicated in many social problems, much human denigration and a lot of semantic nonsense. An example is the attitude that the rural and urban poor are economically irrational and incapable of financial management and planning. One of the tasks today is to look for the cracks in this falsely gilded cage. Perhaps there is a perspective for growth more worthwhile in the long term, a view of the potential for Another Development in starting points such as growth of the human being, growth of society in qualitative terms. It is this perspective we are intent on exploring.

A new paradigm

The ideas of Another Development were introduced by the 1975 Dag Hammarskjöld Report: **What Now**. (3) It was released on the occasion of the 30th anniversary of the founding of the United Nations. The report made a courageous attempt in setting forth a new conceptual framework, a new paradigm for the progress of human society. In emphasizing the fundamental requirement for a participative society, the report went beyond a mere reiteration of democratic principles. It pointed towards people's participation as the single most important force in generating socio-economic development. Another Development, the report claims, must be geared to eradication of poverty. To succeed in that, it must be **endogenous** and **self-reliant**. In other words, it must rely on the strength of the societies which undertake it. Resource constraint is given. Moreover, Another Development must be in harmony with the environment and linked to **structural transformations**. The foresight of the report is embodied in the word **endogenous**. Although not explicitly stated, it entails the recognition, so belated in development thinking, that cultural identity is central. People have a right to selfhood i.e. to be as they are and to develop from what they are in a way they wish, if they so wish. In this there is the proviso in accordance with the United Nations own charter which says: "We the peoples of the world...." It does not say: "We the governments...."

In the 10 years since it was written, this report has not only retained but also enhanced its pertinence. Nevertheless, as its originators were well aware, the What Now Report was primarily a statement of principles. The problem remains how to translate these ideas into points of action which can be made operational in a process of socio-economic development.

In the following we attempt to analyze some of the social and economic aspects important for understanding the premises of Another Development.

Slowdown of growth

In a recent book entitled, *Slowdown, Global Economic Maladies*, the Hungarian economist Andras Brody argues that the trend of uninterrupted growth in the world economy since the Second World War was broken in the mid-seventies. (4) Ever since, growth in both free-market and centrally planned economies seems to have slowed down and the actual rate of unemployment has been increasing. He warns this is not a temporary malady which can be overcome by policy shifts. It will be necessary, Brody maintains, for us to accept not only the idea, but also the fact and consequences of a minimal or zero growth for many decades to come. And the present course of economic development taken by governments would only exacerbate that reality. Minimal growth is a consequence of long-term economic trends which do not enter into the everyday awareness of any living generation. Brody questions the validity of Keynesian economics and casts doubt on the very achievement of modern economic statistics and econometrics: the paradigm of national income accounts. Through this critique, he points to the ever-present disparity between saving and investment, places less emphasis on short-duration 4 to 5 year investment cycles, and concentrates instead on the long-term cycles of 40 to 50 years.

Of the present definition of economic growth which is so widely applied he writes,

"The level of per capita national income and its annual growth rate is a generally accepted indicator of success. In this capacity, it has squeezed out all the other numerical or unquantifiable characteristics and has preoccupied the whole world so that every economic phenomenon is examined more and more in the light of its positive or negative impact on the development of this worshipped fetish of an indicator."
(4, pp. 20-24)

This assessment uncovers the mystic element in a science that prides itself for its rationality. Northern economic paradigms assume without question its premises are rational. What is considered 'rational' is taken so much for granted, like the air we breathe, that it is never even examined. This mystically enshrined indicator of development is embodied in the economic policies spearheaded by the International Monetary Fund (IMF), propagated by national governments, and suffered by the peoples of the