

The impact of Micro-finance program on the poor: A Comparative study of Grameen Bank, BRAC and ASA in some selected areas in Bangladesh

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Abstract

The Grameen Bank (GB), BRAC and ASA in Bangladesh have developed a successful model of reaching credit to resource poor households that are generally bypassed by Government financial institutions. The article is mainly the comparison of the micro-finance program among the Grameen Bank, BRAC and ASA in Bangladesh. It includes the observations, general overview of micro-finance in Bangladesh. The comparison of the key indicators of microfinance services in Bangladesh. This paper includes some recommendations for the improvement of micro-finance programs in Bangladesh.

Keywords: Grameen Bank (GB), BRAC, ASA, Microfinance, MFI, Poverty, FGD, VO.

1. Introduction:

Micro-finance is relatively a new innovation in the age-old banking industry. With the untiring efforts of micro-finance practitioner specially by Muhammad Yunus (Winner of Nobel peace prize-2006) for over 30 years in developing country. Micro-finance has received a global recognition today not only as a powerful instrument for poverty reduction and empowerment of women, but also as a promising sector of financing for the banks, financial organizations and NGOs. Countries with sound Micro-finance system have succeeded in reducing poverty and improving socio-economic conditions of women significantly. MDG calls for reducing world poverty in all its forms by the year of 2015 with significant improvement in education, gender equality, health care and overcoming hunger and environmental degradation through microfinance intervention. In the process of observations we visited Grameen Bank (rural branch, center meeting, group and individual) and interacted and received valuable insight about the World famous "Grameen Bank" and ASA.

This article gives an overview and comparative analysis of the research findings on this issue. More specifically, it deals with the impact of Grameen Bank, BRAC and ASA on the economic and social situation of the poor. This topic has been discussed in many studies. Most studies focus on the results and impact of microcredit institutions at the level of the individuals concerned (the members, clients, or customers), their immediate environment (the household or the village), or their region or district. Very few studies compare their findings with those gathered by others. This article gives a comparative overview of the most relevant findings. The wider impact of these microcredit institutions on society at large has been subject to some debate, but so far no comprehensive research has been done on this matter. We nevertheless present some of the existing findings that give us an idea of what might be the effect of microcredit institutions on society.

2. Objectives:

The overall objective of this research is to identify the barriers and prospect of micro-finance program in Bangladesh which is playing the vital role as the engine of growth in our economic development efforts.

The general objectives of this research are given follows:

- Examine and highlight differences in socioeconomic status among the target groups.
- Identify the factors influencing membership in Grameen Bank, BRAC and ASA.
- Identify the factors influencing depth of participation in Grameen Bank, BRAC and ASA.
- To compare the relative performance analysis of top three MFI: Grameen Bank, BRAC and ASA
- To suggest what components should be incorporated with the Microfinance program that will reduce the risk of being vulnerable to poor.

3. Rationale of the Study:

Microfinance is an important tool to fight against the poverty, Grameen Bank, BRAC and ASA are operating microfinance program in both rural and urban area to reduce poverty, and actually they are the development partner of the development of Bangladesh. The extent to which they are performing their microfinance program to reduce extreme poverty is the burning question to development academicians and beneficiaries; in the same manner it is very much rational to study the theoretical framework and real condition of Grameen Bank, BRAC and ASA's microfinance program.

4. Research Methodology:

We have used survey method to analysis the real scenario of microfinance system of Grameen Bank, BRAC and ASA from the field level beneficiaries and the officials as well. After collecting data we also used content analysis as a tool for our research study to make more specification of the collected information. Here we used journals, articles, previous literature about such study, specially the research papers of Grameen Bank, BRAC and ASA. Then we set an attempt to Focused Group Discussion (FGD).

5. Study Area:

This research is conducted on the three Upazilas in Comilla District. The Upazilas are Sadar Upazil (South), Chauddagram Upazila and Chandina Upazila. The study areas are selected randomly because of the availability of information from the respondents. Here majority percent people are the beneficiary from these NGOs.

| Name of the Upazilas | Population | Ratio of | |
|-----------------------|------------|----------|--------|
| | | Male | Female |
| Sadar Upazila (South) | 1,35,313 | 53.47% | 46.53% |
| Chauddagram Upazila | 3,32,055 | 49.83% | 50.17% |
| Chandina Upazila | 2,69,878 | 50.18% | 49.82% |

Beneficiaries of these NGOs are given follows:

| Name of the Upazilas | BRAC | GB | ASA |
|-----------------------|--------|--------|-------|
| Sadar Upazila (South) | 13,570 | 10,975 | 6,485 |
| Chauddagram Upazila | 16,490 | 12,940 | 7,950 |
| Chandina Upazila | 15,780 | 13,375 | 9,830 |

Source: Data are collected from local and zonal Offices

6. Literature Review:

Microfinance is the provision of broad range of financial service such as deposits, loans, payments, money transfers and insurance to the low income households and their micro enterprises to break out of their impoverishment (Lazer, 2008). Poverty as per international definitions is either defined as number of people living under one dollar per day or people who can only take less than 2550 calories per day (adult) (Alam, 2005, Gohar, 2000). Micro-finance first is of "protectoral" type for core poor and then "promotional" (Fawzi,

1999). Khandker (1998) noted that woman borrowers become the victim of micro-credit. They fall into vicious cycle of loan burden. They cannot come out of that cycle. Microcredit provision can facilitate the establishment and growth of microenterprises and thereby securing social empowerment of the poor (Johnson & Rogaly, 1997). Microenterprises have long been associated with attempts aimed at providing poor persons with an opportunity for financial self-sufficiency and social empowerment (Mayoux, 2001; Sankaran, 2005; French, 2008; Sanyang & Huang, 2008). Microfinance is considered one of the most effective tools in poverty reduction. Poverty-focused microfinance is designed to be pro-poor i.e. without material collateral or threat of legal action. Small loans with avenue for subsequent loan cycles allowed the poor to capitalize on their income generating survival skills and generate self-employment in the process. It started spreading in the early eighties and emerged as an industry. MFIs can be a financially viable (Otero, 2002) and it is a viable economic tool for the poor (Yunus, 1998). One element of an effective strategy for poverty alleviation is to promote the productive use of the Poor's labor. This can be done by creating opportunities for wage employment, by raising agricultural productivity among small and marginal farmers, and by increasing opportunities for self-employment (Salehuddin, 2007). With the increasing number of collateral free micro credit disbursement by MFIs, some Nationalized Commercial Banks, and Specialized Banks have been encouraged to provide a considerable amount of their rural credit to the poor without security. However, the amount is much less compared to the deposit mobilization from the rural sector of the country (Haque, 2002). Therefore, the study concluded that if poverty is to be eradicated, 'microfinance' should absolutely focus on the very poor.

7. Definition of the key Concepts:

7.1. Microfinance:

Microfinance is an economic development approach that involves providing financial services, through institutions, to low-income clients, where the market fails to provide appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit saving and insurance services. Many microfinance institutions also provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives.

7.2. Micro-credit:

It is a component of microfinance and is the extension of small loans to entrepreneurs, who are too poor to qualify for traditional bank loans. Especially in developing countries, micro-credit enables very poor people to engage in self-employment projects that generate income, thus allowing them to improve the standard of living for themselves and their families.

7.3. Micro finance Institutions (MFIs):

A microfinance institution is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self-employment activities. An MFI is usually not a part of the formal banking industry or government. It is usually referred to as a NGO (Non-Government Organization).

7.4. Poverty:

Poverty is a condition in which a person of community is deprived of the basic essentials and necessities for a minimum standard of living. Since poverty is understood in many senses, the basic essentials may be material resources such as food, safe drinking water and shelter, or they may be social resources such as access to information, education, health care, social status, political power, or the opportunity to develop meaningful connections with other people in society.

8. Sample and Analysis:

The survey research collected data from 100 loan recipients in each targeted areas 50 men and 50 women. The sample size was determined by two criteria: to have sufficient numbers of cases for an accurate analysis and to be feasible to complete the research with the sources available. This study is focusing on the questionnaire designed specifically for the Microfinance beneficiaries of the Grameen Bank, BRAC and ASA of all loan recipients from both areas are examined. There is no control group in this research because

of the lack of data on population having access to loans from other microfinance institutions. Data were analyzed in simple way for understanding. All analyses are performed separately in the three regions and examine differences among the most popular MFIs in Bangladesh.

9. The Evolution of Microfinance Program in Bangladesh:

Providing credit is one way of enabling the poor to acquire assets and become productive. Targeted credit programs for the poor were first tried in 1976, when Muhammad Yunus, a Bangladeshi economics professor, introduced an experimental project to test whether the poor were creditworthy and whether credit could be provided without physical collateral. With the help of some Bangladeshi banks, Yunus conducted an innovative experiment emphasizing group delivery of credit and exploring what constituted a manageable group size for effective financial intermediation. The central bank of Bangladesh later facilitated Yunus' work by arranging for funding from the International Fund for Agricultural Development (IFAD). In Yunus' experiment, group collateral was substituted for physical collateral. The group guarantee to repay individual loans became the hallmark of micro-lending. Using the mechanism, poor people with no physical collateral were able to form groups to gain access to institutional credit. The mechanism also allowed credit to reach the poor, especially poor women.

The central premise of this targeted credit approach is that lack of access to credit is the greatest constraint on the economic advancement of the rural poor. Yunus believes that with appropriate support, the poor can be productively employed in income-generating activities, including processing and manufacturing, transport, storage and marketing of agricultural products, and poultry and livestock raising. After almost seven years of experimentation with a variety of group-based mechanisms, his idea took shape as a bank with its own charter. With the government holding about 90 percent of the shares in paid-up capital, Grameen Bank was established in 1983 to work exclusively with poor, defined as individuals owning less than half an acre of land.

Where Grameen Bank believes that the most immediate need of the poor is credit to create and expand self-employment opportunities, the Bangladesh Rural Advancement committee (BRAC) believes that the poor need skills development and other organizational inputs. BRAC was established in 1972 as a charitable organization to help resettle households displaced during the 1971 Independence War. BRAC soon realized that relief simply maintained the status quo; it was inadequate to alleviate poverty. BRAC's relief experience helped it understand the causes of rural poverty and develop a framework for poverty alleviation.

Over the time BRAC and Grameen Bank have learned from one another. BRAC has learned that credit must be provided along with skills development training; Grameen Bank has realized that credit alone is not enough, that the poor need social development and organizational inputs to become more disciplined and productive. BRAC continues to provide skills training and other inputs before disbursing credit, however, while Grameen Bank continues to disburse credit before providing social development and organizational inputs.

Following the examples of Grameen Bank and BRAC, the government of Bangladesh introduced a group-based targeted credit approach based on the Comilla model of two-tier cooperatives. The Comilla model rural development was designed and implemented by Akhter Hamid Khan in the 1960s at the Academy for Rural Development in Comilla, Bangladesh. The idea involves organizing farmers into cooperative societies in order to distribute modern inputs, such as high-yielding crop varieties, fertilizer, pesticides, irrigation, and subsidized credit. The organizational approach, which established primary farmers' cooperative societies that were federated into central cooperative societies at the thana (a thana is the administrative center for a number of villages) level, was found to be effective in reaching farmers.

Following Bangladesh's independence in 1971, the government adopted the Comilla model as the basis for the national development. This strategy led to the creation of two-tier cooperative system. The Comilla model was adopted throughout the nation as part of the Integrated Rural Development Program (IRDP). The Bangladesh Rural Development Board (BRDB), a semi-autonomous government agency under the Ministry of Local Government, Rural Development and Cooperatives, (MLGRDC) was established in 1982 to replace

the IRDP. Like the IRDP, it was based on two-tier cooperatives, but it employed credit as the main input and included a component that specifically targeted the rural poor. The BRDB experimented with a number of projects to increase income and employment opportunities for the rural poor by setting up a separate system of primary cooperatives. The eligible poor depend on manual labor as their main source of income. These cooperatives provided members with skills development, training in group leadership and management, and access to credit. Saving mobilization was also part of the program. With funds from Canadian International Development Agency, this program was strengthened in 1988 and renamed the Rural Development Project-12 (RD-12).

10. Characteristics Micro-finance:

Microfinance, in simple terms, can be described as small loans offered to poor households to foster self-employment and income generations. The loans largely go to rural landless, disadvantaged women and marginal farmers who depend largely on selling their labor. The terminology of Microcredit has undergone a change in recent time. Practitioners in many countries call it microfinance for its wider dimension. Microfinance generally involves the following features:

- Short- terms loan (usually up to the term of one year). Payment schedules attribute frequent installments (or frequent deposits).
- Installments made up from both principal and interest, which amortized in course of time.
- Higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflect the labor-intensive work associated with making small loans and allowing the microfinance intermediary to become sustainable over time.
- Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status.
- Short processing periods (between the completion of the application and the disbursement of the loan).
- The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates.
- No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

Around 60 million people in Bangladesh, nearly half of the country's population, live below the poverty line. But the poor did not practically have any access to institutional credit, primarily because they are not considered credit worthy. So they could not borrow from the banks or other financial institutions. The informal money markets including the traditional moneylenders provide loans but charge exorbitant rate of interest. Micro-finance thus found a space to operate for the poor.

11. Genesis, Organization, and Practice: An Overview of Grameen Bank, BRAC and ASA:

The roots of Grameen Bank, BRAC and ASA are going back to the early 1970s, when, after the independence of Bangladesh from Pakistan, a huge influx of refugees caused a severe famine. It is in this context that Grameen Bank, BRAC and ASA started their programs.

11.1. BRAC Bangladesh:

BRAC is the largest national NGO in Bangladesh. It is also the largest development organization in the private sector in this country. A brief sketch of BRAC's microfinance activities is added here as its experiences have been used in this paper. In terms of membership enrollment (3.6 million), BRAC can be regarded as the largest microfinance organization in Bangladesh. The organization has also been operating large programs in health, education and some other activities along with microfinance. BRAC programs are

targeted to the poor and focused on women. A total of 400 upazilas or sub-districts out of 464 of the country, are covered by BRAC programs.

11.1.1. Microfinance Programs of BRAC:

One of the oldest initiatives of its kind in Bangladesh and BRAC's largest program, our microfinance operations began in 1974 and covers all 64 districts. BRAC provides access to financial services to the poor, who are unable to obtain credit from mainstream banks due to lack of necessary assets and referrals. BRAC borrowers, most of whom are women, use these loans to engage in various income generating activities to improve their socio-economic status. Microfinance Programs of BRAC are given bellows,

| | |
|---------------------------------------|--------------------------|
| Inception of Microfinance Program | 1974 |
| Program Coverage | District: 64, Thanas:507 |
| Total number of Branch Office | 1381 |
| Total number of Village Organizations | 160, 197 |
| Total number of members | 4,837,099 |
| Percentage of Women members | 98% |
| Outstanding Borrowers | 4,159,793 |
| Cumulative Loan Distribution | 165,794 million Tk. |
| Average loan Size | 9,452 Tk. |
| Repayment Rate | 99.49% |

Figure: BRAC Annual Report (2005)

BRAC's microfinance activities are operated through its Rural Development Program or RDP. The nucleus of RDP is the village organization (VO). A VO comprises 40-45 rural poor as members. As of June 2000, RDP had 3.6 million active VO members. Around 97% of the members are women. The members have accumulated Tk. 3,480 million (US \$ 70 million). A total of Tk. 47,340 million (US \$ 1050) has been disbursed to the borrowers as loan. RDP comprises two broad type of activities - economic development and social development. RDP lays importance on enterprise development of the borrowers which is supported by credit, training, input and extension support and often marketing assistance. The social development activities comprise elements of essential health care and awareness development on social issues including legal rights. The following table presents the package of BRAC's microfinance interventions. The services are provided through each RDP Area Office which comprises around 6000 VO members.

Table: Services provided by a typical of BRAC

| Savings and Credit | Sector Programs | Social Development |
|---|--|---|
| <ul style="list-style-type: none"> • Compulsory savings • Income generation and housing loans • Life insurance | <ul style="list-style-type: none"> • Poultry & livestock • Fisheries • Sericulture & silk development • Social forestry • Agriculture extension | <ul style="list-style-type: none"> • Essential health care • Education • Environment awareness • Formation of federation of VO members • Group theatre • Gram Shabha • Human rights and legal services |

Source: BRAC Annual Report 2007

11.1.2. Approach to microfinance:

BRAC's approach to microfinance involves providing collateral free credit and savings services at the doorsteps of its target population – the landless poor, marginal farmers and vulnerable small entrepreneurs.

BRAC recognizes the heterogeneity among the poor and focus on careful targeting and development of customized financial products and services that best meet their varying needs. A distinctive aspect of BRAC's microfinance program is the credit-plus approach – in addition to providing loans and training BRAC has developed an integrated set of services that work to strengthen the supply chains of the enterprises that its members invest in, giving them access to quality inputs and support in marketing their products. These services are provided by its social enterprises. BRAC's microfinance members have access to all of its other development interventions. BRAC takes 15% service charge on micro loans which is generally treated as the interest rate. This interest is measured in flat way.

11.1.2.1. Village Organizations:

Organizing the poor is at the heart of its work. BRAC Village Organizations (VOs) - each with 30-40 women - act as platforms for poor women to come together, access services such as microfinance, exchange information and raise awareness on social, legal and other issues concerning their daily lives.

11.1.2.2. Microfinance: DABI (Micro loans):

These loans, which range from BDT3500 – 49000, are given exclusively to individual women who are serviced in a group setting, namely the Village Organization (VO). The VO acts as an informal guarantor by creating peer pressure for timely repayment. Borrowers repay through weekly installments and deposit savings during VO meetings, held every week in a borrower's courtyard. Micro loans are generally used for small operations in poultry, livestock, fruit and vegetable cultivation, handicrafts or rural trade. BRAC has also developed a specialized micro loan scheme to encourage the financial empowerment of adolescent girls, to help them continue their education and prepare for future financial responsibilities. Under this program, small loans, starting from BDT 2800, are coupled with savings facilities and livelihood training, to help girls start small home-based enterprises.

11.1.2.3. Microfinance: PROGOTI (Micro enterprise Loans):

These loans, which range from BDT 49000 to 490000, are given to both male and female entrepreneurs to support and expand existing small enterprises which are too small to qualify for credit from commercial banks. Borrowers generally use micro enterprise loans to finance shops and small-scale manufacturing activities and repay on a monthly basis.

BRAC's micro-credit program targeted at the poor; but, unlike the Grameen Bank and ASA, BRAC's emphasis is more on human capital development such as functional literacy, skill-promoting training, awareness, and so on, than on credit. Both programs provide financial services to their members, including savings mobilization.

11.2. Grameen Bank:

Grameen Bank, on the other hand, started from a rather "minimalist" philosophy in which microcredit is considered to be the main tool for combating poverty. Through the years, Grameen Bank has added training and education to its program, but its approach is still not as comprehensive as that of BRAC. By a Bangladeshi government ordinance on October 2, 1983, the project was transformed into an independent bank. After this establishment, the bank started experiencing tremendous demand from foreigners around the world, who wanted to learn further about the operations of Grameen Bank, as well as meet with its staff and clientele. Due to overwhelming requests from abroad, Grameen Bank's Head Office created the "training program" for internationals. Initially, this training program was designed for foreigners interested in conducting research about the operations of the bank and the impact of micro-lending on the poor, as well for policy makers from around the world. In 1987, the Managing Director officially inaugurated the establishment of the Grameen Bank Training Program.

As the success of Grameen's Micro-credit model increased on the global platform, curiosity and demand for this new approach extended beyond the research and policy frameworks. To meet the growing learning needs of the global community, Grameen Bank established the International Program Department.

The Bank today continues to expand across the nation and still provides small loans to the rural poor. By 2006, Grameen Bank branches numbered over 2,100. Its success has inspired similar projects in more than 40 countries around the world and has made World Bank to take an initiative to finance Grameen-type schemes.

11.2.1. Microfinance Programs of Grameen bank, at a Glance:

Microfinance Programs of Grameen bank is given at a glance:

| | |
|---|------------------------|
| Number of members | 5,579,399 |
| Percentage of Women members | 96% |
| Number of Centers | 99,502 |
| Number of Village covered | 59,912 |
| Number of Branches | 1,735 |
| Number of Zones | 21 |
| Cumulative amount Disbursed since Inception | 256,497,40 million Tk. |
| Amount of Loan outstanding | 27,970,31 million Tk |
| Portfolio Growth Rate | 39.66% |

Figure: Grameen Bank annual report 2005

The bank gets 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 very cheap rates. In the mid-1990s, the bank started to get most of its funding from the central bank of Bangladesh. More recently, Grameen Bank has started bond sales as a source of finance. The bonds are implicitly subsidized as they are guaranteed by the Government of Bangladesh and still they are sold above the bank rate.

11.2.2. Basic features of micro-credit program of Grameen Bank:

- Existing rules of Grameen Bank do not apply to beggar members; they make up their own rules.
- All loans are interest-free. Loans can be for very long term, to make repayment installments very small. For example, for a loan to buy a quilt or a mosquito-net, or an umbrella, many borrowers are paying Tk 2.00 (3.4 cents US) per week.
- Beggar members are covered under life insurance and loan insurance programs without paying any cost. Groups and centre's are encouraged to become patrons of the beggar members.
- Members are not required to give up begging, but are encouraged to take up an additional income-generating activity like selling popular consumer items door to door, or at the place of begging.

11.2.3. Credit Lending Models of Grameen Bank:

Microfinance institutions are using various Credit Lending Models throughout the world. Some of the models are listed below.

11.2.3.1. Associations:

This is where the target community forms an 'association' through which various micro-finance (and other) activities are initiated. Such activities may include savings. Associations or groups can be composed of youth, or women; they can form around political/religious/cultural issues; can create support structures for microenterprises and other work-based issues. In some countries, an 'association' can be a legal body that has certain advantages such as collection of fees, insurance, tax breaks and other protective measures. Distinction

is made between associations, community groups, peoples organizations, etc. on one hand (which are mass, community based) and NGOs, etc. which are essentially external organizations.

11.2.3.2. Bank Guarantees:

As the name suggests, a bank guarantee is used to obtain a loan from a commercial bank. This guarantee may be arranged externally (through a donor/donation, government agency etc.) or internally (using member savings). Loans obtained may be given directly to an individual, or they may be given to a self-formed group. Bank Guarantee is a form of capital guarantee scheme. Guaranteed funds may be used for various purposes, including loan recovery and insurance claims. Several international and UN organizations have been creating international guarantee funds that banks and NGOs can subscribe to, to on lend or start micro-finance programs.

11.2.3.3. Community Banking:

The Community Banking model essentially treats the whole community as one unit, and establishes semi-formal or formal institutions through which microfinance is dispensed. Such institutions are usually formed by extensive help from NGOs and other organizations, who also train the community members in various financial activities of the community bank. These institutions may have savings components and other income-generating projects included in their structure. In many cases, community banks are also part of larger community development programs which use finance as an inducement for action.

11.2.3.4. Cooperatives:

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Some cooperatives include member-financing and savings activities in their mandate.

11.2.3.5. Credit Unions:

A credit union is a unique member-driven, self-help financial institution. It is organized by and comprised of members of a particular group or organization, who agree to save their money together and to make loans to each other at reasonable rates of interest. The members are people of some common bond: working for the same employer; belonging to the same church, labor union, social fraternity, etc.; or living/working in the same community. A credit union's membership is open to all who belong to the group, regardless of race, religion, color or creed.

11.3. ASA Bangladesh:

ASA has emerged as one of the largest and most efficient Microfinance Institution (MFI) in the world and has been working relentlessly to assist the poor since its inception in 1978. The major drive behind ASA is to gradually eradicate poverty from society.

During its early years, ASA undertook various development programs like awareness building for social action, training local birth attendants, capacity building of journalists, etc. In the mid-80's it introduced new programs working in the sector of health and nutrition, education, sanitation, etc. It was at this stage that ASA introduced microcredit as a pilot project.

From its hands on experience in the field, and by evaluating the impact of development assistance, ASA realized that financial solvency, to a great extent, is what the poor need to bringing positive changes in their lives. In 1992, this paradigm shift led ASA to focus solely on microfinance as its tool in fighting poverty. ASA wanted to evolve its operations to become self-reliant and move away from depending on donor funding and grants - ASA's Microfinance Model gradually transformed itself to become the globally renowned "ASA Cost-effective and Sustainable Microfinance Model."

Following this model, ASA became self-sustainable within a short span of time and the organization declared itself a "donor free MFI" in 2001.

This model, that has been practiced and perfected in the field by ASA, has proved effective in making a branch self-reliant within 12 months. Any MFI that adopts this model for operations becomes sustainable within the shortest possible time. It has been adopted by many MFIs around the world to get result within the shortest possible time. As of December 2009, ASA has successfully extended its outreach in Bangladesh through 3,236 branches and its 24,021 staff works relentlessly to serve more than 5.50 million clients.

Up to December 2005, ASA's Cumulative Loan Disbursement was Taka 148,197 million. Loans are outstanding Taka 19,379 million among 4.18 million borrowers. At the end of 2005 ASA's Operational Self Sufficiency (OSS) is 275.24%, Financial Self-sufficiency 169.73% and rate of loan recovery 99.88%. Up to 2005 ASA operation expanded over 2,291 branches under 64 administrative areas all over in Bangladesh. ASA continues to perfect the role of financial intermediation by developing a variety of savings products that are quite successful at generating the necessary funds from local sources. ASA now offers customers liquid, semi-liquid and high return savings options that have attracted around Taka 3,036 millions.

ASA plans for 2006 to reach 2.741 Branches, 6.01 million borrowers with loan disbursement of Tk 45,183 and 6.88 million savings accounts by the year 2006 in Bangladesh alone, but also committed to sharing its successes in other countries. ASA is currently involved in several countries world-wide providing ASA experts to develop financial sectors elsewhere that are inclusive of low income groups. It will surely not be long before skeptics are convinced that a financial sector providing high quality products to all is achievable.

11.3.1. Microfinance Programs of ASA, at a Glance:

Microfinance Programs of ASA are given at a Glance:

| | |
|---------------------------------------|--------------------|
| Inception of Microfinance program | 1978 |
| Program coverage | 64 District |
| Total number of Branch Offices | 2,291 |
| Total number of village organizations | 178,904 |
| Outstanding Borrowers | 4.18 millions |
| Cumulative amount Disbursement | 33,082 million Tk. |
| Average Loan size | 7.129 Tk. |

Figure: ASA Annual Report 2005

11.3.2. The main micro-credit programs of ASA:

The main micro-credit program of ASA is divided in some categories which are given bellow:

11.3.2.1. Small Loan (women):

Seventy one (71%) percent of ASA's microcredit clients are women, most of these members are landless. At the initial stage rural women are given credit amounting to 70-110 US dollar and urban women, 150-310 US dollar. The income generating projects where the women generally invest the credit money are; cattle and poultry rearing, paddy husking, handicrafts, pisciculture, small trading etc. The tenure of this credit is one year, repayable in weekly installment. Because of its being encumbrance free and easy availability women feel comfortable with this credit. Till June 2008, the number of ASA's micro credit (women) customers was 45 lakh.

11.3.2.2. Small Loan (men):

To increase agri-production through helping marginal farmers ASA started male loan program in 2005. The installment system for this has been fixed according to the ability and convenience of poor men members. Many poor farmers in Bangladesh cannot purchase necessary agriculture implements for want of money. This credit was introduced with a view to helping farmers in purchasing necessary agriculture implements in time and cooperating in country's overall increase of agricultural produce. Amount of this credit is 30 to 50 US dollar.

11.3.2.3. Small Business Loan:

Small Business Loan was introduced with two objectives in view. One creates employment opportunity for the hard core poor, two providing fund to small traders on necessity. ASA's Small Business Loan is provided to such women and men as having business but unable to extend it for want of necessary fund and who are capable of medium size capital management's. The amount of this credit is 250-350 US dollar. Group guarantee is not necessary for this credit and one need not come to office to pay installments.

11.3.2.4. Small Entrepreneurs Lending (SEL):

ASA introduced medium size small Entrepreneurs loan (SEL) in 2003. This credit was introduced with a view to creating employment opportunities for the hard core poor at small manufacturing units. To extend this program successful micro credit receivers are brought under it and new members are included.

11.3.2.5. Supplementary Loan (BDS):

Because of seasonal poverty and sudden crisis many members cannot repay loan despite willingness. Specially, natural disasters like flood, drought, cyclone, river erosion etc. deter normal working of the members and their income being blocked they become unable to pay installments. With a view to bringing back such members again in the credit program the BDS was introduced. The member of BDS members till April 2008 was 6500.

11.3.2.6. Hardcore Poor Loan:

ASA introduced hard core poor credit program for the extremely poor people. Installment system for this credit is flexible. Members can repay this loan on monthly, quarterly, half-yearly and at a time basis according to their convenience and ability. The rate of interest for hard core poor loan is 10%.

The main objective of ASA's microcredit program is improving the economic condition of the poor and the deprived, gradually introducing them to develop mentality. To realize this objective ASA's microcredit program has been well arranged as supportive of the poor's development and welfare needs. Typical of both institutions are the provision of small loans to poor people who are deprived of access to credit offered by regular private banks. The cause of this problem, lack of material collateral, has been dealt with through the introduction of "social collateral." Grameen, BRAC and ASA give individual loans to villagers in group's jointly liable for repayment. If any group member defaults, the entire group is punished (denied future loans). This group mechanism creates peer pressure and solidarity, which seems to work well in a society where social networks are often of vital importance. The repayment success rate has never dropped below 90 percent.

In recent years, impact assessment of programs has gained momentum. Aid donors in particular want to make sure that their money is well spent. Nevertheless, measuring impact remains a controversial issue. It is difficult, as well as costly, and the results are susceptible to various interpretations, depending on how concepts are defined. This may result in contradictions and discrepancies among findings on microfinance programs. The contradictory results in microfinance literature are discussed below. Research results of optimists are confronted with those of more cautious writers who are skeptical of such optimism. We also try to clarify another controversy: whether or not microfinance programs manage to reach the "bottom poor."

12. Analysis of Micro-credit Programs in Bangladesh; A comparative Study:

12.1. Features of Micro-credit programs:

The following table shows the features of Grameen Bank, BRAC and ASA. All of the micro-credit programs under study have separate programs for men and women, in accordance with the socio cultural norm of Bangladesh. Membership is strictly limited to people who own less than half acre of land, are not members of the same household as another program member, have similar economic resources, and live in the same village. Experience shows that the spatial and social cohesiveness developed among individuals of the same gender, residing in the same village, and having similar economic backgrounds are important factors in the smooth functioning of these groups.

Insert Table-01

The five-member group is the central unit of Grameen Bank. The village organizations are the central pillar of BRAC. But because the village organizations are difficult to manage, at least for credit delivery and repayment, BRAC introduced solidarity groups of five to seven people within the village organizations to monitor group performance. The village organizations, not the solidarity groups, are the principal functionaries, however. ASA follows a structure very similar to that of Grameen Bank, BRAC. ASA has found that the small group approach works better than the large group approach in monitoring group performance in loan utilization and repayment.

In all three programs, groups hold weekly meetings in the presence of a group organizer to review the group's performance and deposit their weekly savings. They also learn, practice, and discuss the rules of the program and other group activities. Weekly loan installments are also repaid at these meetings. Each group elects a leader, who is responsible for the discipline of the group members. All members have the chance to lead their groups. The leader of the group initiates loan proposals monthly at the center or village organization meeting. A community leader is elected to manage the centers, village organizations, or cooperative societies and is responsible for reviewing loan applications, monitoring loans, and performing other non-economic services.

12.2. Age limit and Profession:

The NGOs target people are mainly the energetic people and specially the women. The three NGOs prefer the women most because of the availability of them. The age range of 20-40 is the ideal age for giving the loans but in this age range only female members have the priority to get the loan because of their socio-economic condition. But in the old age, the scenario is totally different, the NGOs first priorities goes to the male members for their earning capabilities in lieu of the old women members. Though the ASA officials said that they have given the same priority both men and women but we don't find any men member in this study area. On the other side, BRAC and ASA have few male members but not in satisfactory level. To identify the view of the beneficiaries we have placed 21 questions to them. Each question holds different view. These data reflect the following view of the respondents (beneficiaries) according to the question.

Insert Table-02

12.3. Causes of micro-loans:

The causes of loans are very much positive. The poor people can get easy access of financial support to take initiative to come out from the poverty situation. The poor people took the loans for their financial solvency. Because of the poor economic situation maximum women member in the responding area's taken loans for buying domestic animals which can help their economic stability. On the other hand, maximum men members start a small scale of business in local areas. Its very positive scenery that we find out, maximum members doesn't utilize their loans for their personal interest. Few of the respondents found that they were used the loans in family purposes. The NGOs official firstly give the advice how to utilize the money of the loans and then given the loans to the members. The NGOs gives the priorities to their women members because of the availabilities and awareness.

Insert Table-03

12.4. Advantages from Loans:

The micro-finance loan helps the poor people to eradicate their poverty. This is very much effective for the poor people as they opined. Maximum respondents said that the loan helps them to improve their economic condition by various income generation activities. They can use the loans not only for income generation but also to educate their children by the education loan. The members of GB both men and women utilize the loan in various income generating activities. BRAC gives the loans and with advice to the members how to gain economic solvency. On the other hand, ASA showed the ideal path to their members in which sector the members invest loans and how to get effective benefits. The respondent's views are available in the following table.

Insert Table-04

12.5. Improvement of situation:

They narrated that they are meeting their daily needs minimally which was not before. The most remarkable improvement is that now they are saving in this program. All the members of BRAC, GB and ASA have some positive change by the micro-loans. By using of this loan maximum member improve their status by cultivating their land, buying domestic animals, started small scale business in their locality. The following are the area on which they have developed.

Insert Table-05

12.6. Conditions of loans:

The main condition of getting loans is to be a member. Without member and minimum level of saving are the preconditions by getting any loan. Group leader is the responsible person for getting and repay the loans. It is the common scenario in BRAC, GB and ASA. But there is a negative side also that they can not tackle familial financial shocks such unexpected illness which leads to irregularities in repayment. In this case the BRAC authority becomes cruel to the borrower which is a humiliation. In this question (are there any conditions to get loans?) all respondents said the following conditions of the loan in the percentage narrated in the table.

Insert Table-06

12.7. Interest Rate:

Most of the borrowers don't know how much they have to pay as interest which is breaking of right to information. It's a common picture of BRAC, GB and ASA. The actual rate of interest rate is 15%. The rate is measuring on flat way. It can be criticized because of not measuring in decline way. As a result of flat rate the borrower have to pay more than declining rate. The respondent's views are available in the following table.

Insert Table-07

12.8. Problem in repayment Procedure:

Actually the borrowers can not earn money on reasonable amount in every week as a result sometimes can not handle the premium. The members claim that the interest rate and premium is very difficult and it is very difficult to them to repay the loan in weekly basis. The answer that the respondents are given following table,

Insert Table-08

12.9. Recommendations of the respondents:

From the following table it is observed that the main recommendations are that the number of premium should be reduced as well as the rate of interest will be reduced. On the other hand the amount of loan should also be increased. The respondent's views are available in the following table.

Insert Table-09

13. Recommendations:

By analyzing the data and the gained experience it can be summarized that the microfinance program of BRAC, GB and ASA are playing a significant role to elevate poverty in the grass root level of poor society in Bangladesh. But in the operation of microfinance programs have some limitation also. To remove these limitations followings can be suggested.

1. The condition of obligatory saving account to get the loans should be minimized.
2. The BRAC should make such an environment in where the poor can feel comfortable to get loan.
3. BRAC, GB and ASA should reduce their service charge or they should measure the rate of service charge in decline method rather than flat method.
4. The number of seminars and symposium in the grass-root level to enhance the microfinance program.
5. The amount of loan should increase.
6. The rate of interest should be increased in saving.
7. Wider adoption of technology should be a major focus of future microfinance operators. Modern production technology and enterprise development can increase productivity and ensure better returns out of the credit investment. Technology development is costly, but it will ensure sustainability of microfinance programs.
8. The incidence of membership overlaps and intense competition for resources among the NGOs are creating unhealthy atmosphere. It is also affecting the credit disciplines. NGOs have to consider this issue more seriously. The BRAC should be more alert towards transparency in operations and governance.
9. Continuing search for customer-friendly products, innovations, and cost-effective operational strategies must be ongoing for greater impact and sustainability of microfinance programs.
10. The re-installment process should be flexible.

14. Concluding Remarks:

This article attempted to compare the impact of three microfinance programs on the economic welfare of poor people. We focused on mainly three most important microfinance programs in Bangladesh, namely Grameen Bank, Bangladesh Rural Advancement Committee (BRAC), and ASA. Using similar program evaluation technique as in the above paper, we measured program impact of poor people's economic welfare for these programs separately. We find that BRAC outperforms Grameen Bank and ASA significantly in all the three welfare measure that we have used. This result is interesting since Grameen Bank is known to be the premier microfinance programs. This study also tries to find the determinant of economic success of poor people's participating in these programs- separately for each program. These results provide more insights why BRAC is more successful than other two microfinance programs. We find that all the important factors of production are more productive in BRAC than in other programs. This finding helped us to conclude that the emphasis of BRAC on human capital development and skill training has resulted in their superior performance compared to other microcredit programs operating in Bangladesh.

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Table 01: Features of three Micro-credit programs:

| Program features | Grameen Bank | BRAC | ASA |
|----------------------------------|--|---|---|
| Membership criteria | Minimum landholding of half an acre of land. Only one member allowed per household | Maximum landholding of half an acre of land. At least one household member must work for wages. One household member may earn daily wages. Since 1992 one allowed per thousand. | Maximum landholding of half an acre of land. At least one household member must work for wages. Only one member allowed per household |
| Group features | Five members from a group. Five to eight groups constitute a center. Separate groups for men and women. Weekly meetings of groups. | 30-40 members from village organizations. Village organizations are divided into solidarity groups for men and women Each men's group has a counterpart women's group. Weekly meeting of solidarity groups. | 20 members from village organizations. Separate groups for men and women. Weekly meetings of groups. |
| Saving Mobilization | Taka 01 per week. 5% of each loan goes to group fund. 0.5% of each loan used for group insurance. | Taka 02 per week. 4% of each loan. | Taka 10 per week. 5% of each loan. |
| Credit delivery mechanism | No collateral but group liability. 50 week | No collateral but group liability. 50 week | No collateral but group liability. 46 week installment of loan. Interest at |

| | | | |
|---------------------------|--|---|---|
| | installment of loan. Interest at the end of loan cycle. 20% interest for general loan, 8% for housing loan. Maximum loan Tk. 10,000. | installment of loan. Interest at the end of loan cycle. 20% interest rate of production loans. Maximum loan Tk. 10,000. | the end of loan cycle. 15% interest for general loan. The range of loan Tk. 5,000- 700,000. the duration of repayment of loan 01 year to 03 year. |
| Social Development | Training duration 15-30 days. Review of code of conduct at center meetings. Minimal skills based training. | Training duration 3-6 months. Review of code of conduct at center meetings. Substantial skills based training. | Minimal skills based training. Review of code of conduct at center meetings. |

Table 02: Age limit and Profession:

| Age Limit | BRAC | GB | ASA | No. of Respondent | % | Gender | Profession |
|--------------|-----------|-----------|-----------|-------------------|-------------|---------------------|---|
| 20-30 | 1 | 1 | 0 | 2 | 2% | Male | Rickshaw puller, Day Laborer, Small Business man, |
| 30-40 | 2 | 5 | 0 | 7 | 7% | | |
| 40-50 | 5 | 7 | 0 | 12 | 12% | | |
| 50-60 | 1 | 3 | 0 | 4 | 4% | | |
| 20-30 | 5 | 8 | 5 | 18 | 18% | Female | Housewife, Day Laborer, Small Business man, |
| 30-40 | 10 | 12 | 15 | 37 | 37% | | |
| 40-50 | 5 | 6 | 5 | 16 | 16% | | |
| 50-60 | 1 | 2 | 1 | 4 | 4% | | |
| Total | 30 | 44 | 26 | 100 | 100% | 30+44+26=100 | |

Table 03: Causes of micro-loans:

| Causes | BRAC | GB | ASA | Respondents | Number of Respondents | % | Total Respondents |
|--|------|----|-----|-------------|-----------------------|-----|-------------------|
| To enhance the agricultural activities such as buying cow, goat, agricultural tools and initiate poultry firm. | 4 | 3 | 0 | Male | 7 | 7% | 27 |
| To initiate a small business such as tea stall, cake shop. | 5 | 4 | 0 | | 9 | 9% | |
| To buy rickshaw and reaper auto-rickshaw | 5 | 4 | 0 | | 9 | 9% | |
| To provide education facilities to their children | 0 | 0 | 0 | | 0 | 0% | |
| To get more financial sufficiency. | 1 | 1 | 0 | | 2 | 2% | |
| To enhance the agricultural activities such as buying cow, goat, agricultural tools and initiate poultry firm. | 10 | 15 | 17 | | 42 | 42% | 73 |

| | | | | | | | |
|--|-----------|-----------|-----------|--------|---------------------|-------------|------------|
| To initiate a small business such as tea stall, cake shop. | 3 | 15 | 4 | Female | 22 | 22% | |
| To buy rickshaw and reaper auto-rickshaw | 1 | 0 | 3 | | 4 | 4% | |
| To provide education facilities to their children | 1 | 2 | 2 | | 5 | 5% | |
| To get more financial sufficiency. | 0 | 0 | 0 | | 0 | 0% | |
| Total | 30 | 44 | 26 | | 30+44+26=100 | 100% | 100 |

Table 04: Advantages from Loans:

| Causes | BRAC | GB | ASA | Respondents | Number of Respondents | % | Total Respondents |
|---|-----------|-----------|-----------|-------------|-----------------------|-------------|-------------------|
| Cow, goat, have been bought which enhance their income level through agricultural activities. | 4 | 5 | 0 | Male | 9 | 9% | 22 |
| Poultry firm has been made | 4 | 6 | 0 | | 10 | 10% | |
| Resident has been reappeared | 2 | 1 | 0 | | 3 | 3% | |
| Sending Wife to increase family income | 0 | 0 | 0 | | 0 | 0% | |
| Children have been sent to school | 0 | 0 | 0 | | 0 | 0% | |
| Cow, goat, have been bought which enhance their income level through agricultural activities. | 15 | 20 | 13 | Female | 48 | 48% | 78 |
| Poultry firm has been made | 3 | 8 | 10 | | 21 | 21% | |
| Resident has been reappeared | 0 | 0 | 1 | | 1 | 1% | |
| Sending husband to increase family income | 1 | 3 | 0 | | 4 | 4% | |
| Children have been sent to school | 1 | 1 | 2 | | 4 | 4% | |
| Total | 30 | 44 | 26 | | 30+44+26=100 | 100% | 100 |

Table 05: Improvement of situation:

| Conditions | BRAC | GB | ASA | Respondents | Number of Respondents | % | Total Respondents |
|--|------|----|-----|-------------|-----------------------|-----|-------------------|
| Economic sufficiency | 5 | 5 | 0 | Male | 10 | 10% | 24 |
| Improvement in the feeding system | 2 | 6 | 0 | | 8 | 8% | |
| Increment of commodities in shop | 2 | 1 | 0 | | 3 | 3% | |
| Cultivation of land | 1 | 0 | 0 | | 1 | 1% | |
| Access to educational facilities of children | 0 | 0 | 0 | | 0 | 0% | |
| Purchasing cow, goat etc. | 2 | 0 | 0 | | 2 | 2% | |
| Repairing the resident | 0 | 0 | 0 | | 0 | 0% | |
| Economic sufficiency | 10 | 16 | 15 | Female | 41 | 41% | 76 |
| Improvement in the feeding system | 2 | 2 | 5 | | 9 | 9% | |
| Increment of commodities in shop | 1 | 6 | 3 | | 10 | 10% | |
| Cultivation of land | 0 | 2 | 0 | | 2 | 2% | |
| Access to educational facilities of children | 1 | 1 | 1 | | 3 | 3% | |

| | | | | | | | |
|---------------------------|-----------|-----------|-----------|--|---------------------|-------------|------------|
| Purchasing cow, goat etc. | 4 | 5 | 2 | | 11 | 11% | |
| Repairing the resident | 0 | 0 | 0 | | 0 | 0% | |
| Total | 30 | 44 | 26 | | 30+44+26=100 | 100% | 100 |

Table 06: Conditions of loans:

| Conditions | BRAC | GB | ASA | Respondents | Number of Respondents | % | Total Respondents |
|---|-----------|-----------|-----------|-------------|-----------------------|-------------|-------------------|
| To get loan every person must have a saving account to the NGOs | 5 | 8 | 0 | Male | 13 | 13% | 28 |
| The loan must be used in the mentioned sector | 3 | 8 | 0 | | 11 | 11% | |
| The way of utilization of loan should be such that they can repay it and make profit. | 2 | 2 | 0 | | 4 | 4% | |
| To get loan every person must have a saving account to the NGOs | 13 | 18 | 15 | Female | 46 | 46% | 72 |
| The loan must be used in the mentioned sector | 5 | 5 | 8 | | 18 | 18% | |
| The way of utilization of loan should be such that they can repay it and make profit. | 2 | 3 | 3 | | 8 | 8% | |
| Total | 30 | 44 | 26 | | 30+44+26=100 | 100% | 100 |

Table 07: Interest Rate:

| Answer | BRAC | GB | ASA | | No. Of Respondents | % | Total Respondents |
|------------------|-----------|-----------|-----------|------------|--------------------|-------------|-------------------|
| Correctly Know | 1 | 2 | 0 | Male | 3 | 3% | 33 |
| Incorrectly Know | 7 | 7 | 0 | | 14 | 14% | |
| Do not Know | 6 | 10 | 0 | | 16 | 16% | |
| Correctly Know | 1 | 1 | 0 | Female | 2 | 3% | 67 |
| Incorrectly Know | 5 | 12 | 11 | | 28 | 28% | |
| Do not Know | 10 | 12 | 15 | | 37 | 37% | |
| Total | 30 | 44 | 26 | 100 | 100 | 100% | 100 |

Table 08: Problem in repayment Procedure:

| Answer | No. of Answer | Percentage | Total respondents |
|--------------|---------------|-------------|-------------------|
| Yes | 85 | 85% | 100 |
| No | 15 | 15% | |
| Total | 100 | 100% | 100 |

These problems are,

| Problems | BRAC | GB | ASA | No. of respondents | % | Total respondents |
|--------------------|------|----|-----|--------------------|-----|-------------------|
| More interest rate | 12 | 15 | 8 | 35 | 35% | |
| More premium | 6 | 5 | 4 | 15 | 15% | |

| | | | | | | |
|----------------------------------|-----------|-----------|-----------|------------|-------------|------------|
| Weekly repayment system is tough | 10 | 20 | 10 | 45 | 45% | 100 |
| Less interest rate in saving | 2 | 4 | 4 | 5 | 5% | |
| Total | 30 | 44 | 26 | 100 | 100% | 100 |

Table 09: recommendations of the respondents:

| Recommendations | BRAC | GB | ASA | | No. of Respondents | % | Total respondents |
|--|-----------|-----------|-----------|--------|--------------------|-------------|-------------------|
| The amount of the loan should be increased | 3 | 3 | 0 | Male | 6 | 6% | 36 |
| The number of premium should be 50 weeks | 3 | 2 | 0 | | 5 | 5% | |
| The number of premium should be 45 weeks | 1 | 1 | 0 | | 2 | 2% | |
| The rate of interest should be reduced | 5 | 5 | 0 | | 10 | 10% | |
| The premium system should be monthly | 5 | 5 | 0 | | 10 | 10% | |
| The premium should be once in two week | 1 | 2 | 0 | | 3 | 3% | |
| The amount of the loan should be increased | 1 | 5 | 5 | Female | 11 | 11% | 64 |
| The number of premium should be 50 weeks | 2 | 3 | 3 | | 8 | 13% | |
| The number of premium should be 45 weeks | 0 | 1 | 0 | | 1 | 1% | |
| The rate of interest should be reduced | 5 | 8 | 6 | | 19 | 19% | |
| The premium system should be monthly | 3 | 7 | 10 | | 20 | 20% | |
| The premium should be once in two week | 1 | 2 | 2 | | 5 | 5% | |
| Total | 30 | 44 | 26 | | 100 | 100% | 100 |

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