Pakistan Journal of Social Sciences 5 (9): 960-967, 2008
ISSN: 1683-8831

Evaluation of Microcredit Operation in Bangladesh: A Critical Study on Grameen Bank

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Abstract: Microcredit is an effective and accepted mechanism of alleviating poverty, improving the economic conditions of the peoples and country. Grameen bank is the pioneer in developing and establishing this microcredit system both in Bangladesh and in the world. This system has received worldwide recognition for its contributions. Critical evaluation of the microcredit operation of Grameen bank has revealed some major weaknesses. The consideration and treatment of those weaknesses for further creative and effective measures will help the microcredit operation very successful and value making. This research has revealed some important weaknesses and recommended some measures in this regard for future improvements.

Key words: Microcredit, Grameen bank, sustainability, evaluation, critical study, Bangladesh

INTRODUCTION

About 90% of the people in developing countries lack access to financial services from institutions, either for credit or savings, which further fuels the vicious cycle of poverty. If the people of LDCs have a limited capacity to invest in capital, productivity is restricted, incomes are inhibited, domestic savings remain low and again, any increases in productivity are prevented. A lack of access to financial institutions also hinders the ability for entrepreneurs in LDCs to engage in new business ventures, inhibiting economic growth and often, the sources and consequences of entrepreneurial activities are neither financially nor environmentally sustainable (existing for continuing future use). Over 500 million poor people around the world run profitable micro-enterprises and often cite credit as the primary constraint to business growth thus, credit is essential for poor entrepreneurs in LDCs. Microcredit is the name given to extremely small loans made to poor borrowers. A typical microcredit scheme involves the extension of an unsecured, commercial-type loan at interest to a poverty stricken borrower. The definition of poverty stricken varies with the situation, but in Bangladesh the typical definition is a borrower who owns less than 0.5 acres of land and relies on wages for all income (Brau and Woller, 2004). Loans are disbursed in a group setting to poor borrowers, with some amount of non-credit assistance also being made available. The non-credit assistance typically ranges from skills training to marketing assistance to lessons in social empowerment (Ahmed, 2002, 2003). Credit services are targeted to landless or assetless borrowers, the moderately to extremely poor. Borrowers are placed into groups of 10-20 people, which meet regularly with the loan officer of the microcredit program. These groups of borrowers substitute for collateral and take over the role of securing the loans dispersed. Each borrower in a group agrees to be held liable for all debts incurred by any member of the group. In the event that a borrower defaults, the other members of the group are required to make up the amount in default. Borrowers are encouraged or even required to monitor the behavior of one another to make sure that no one is danger of default. This process has led to extremely low rates of default, especially for first time borrowers. Repayment rates are usually above 95%.

Microcredit serves as a means to empower the poor and provides a valuable tool to assist the economic development process (Chowdhury *et al*., 2005). However, unavoidably, various barriers and obstacles limit the roles of microcredit in LDCs around the world. Microcredit is related to the economic development process through eradicating poverty from the country. Claims, If we are looking for one single action which will enable the poor to overcome their poverty, I would go for credit. Money is power. A variety of financial institutions, worldwide, have found ways to make lending to the poor sustainable and to build on the fact that even the poor self-employed repay their loans and seek savings opportunities. The challenge is to build capacity in the financial sector drawing on lessons from international best practices in micro, small enterprises and rural finance (Yunus and Jolis, 1999).

Morduch (1999) notes that the formal sector has begun to realize that financing the poor can be both economically and socially profitable. Microcredit contributes to alleviate poverty through developing entrepreneurship. It helps the economy through developing the living standard of the peoples and establishing business enterprises. The microcredit activities help the country through solving unemployment problems, empowering the women and maintaining a balance between men and women. The microcredit concept is attributed to, founded the Grameen (village) bank project in Bangladesh for the purpose of offering microcredit to the poor in rural Bangladesh.

In 1983, the Grameen bank project was transformed into a private independent bank (the Grameen bank) by a Government ordinance. The Grameen family of enterprises is now a global network of institutions and individuals that services over 2 million borrowers (primarily poor women) and promotes microcredit as a cost-effective way to fight poverty and promote socio-economic development.

Recent success of microcredit: Informal and small-scale lending arrangements have long existed in the rural areas and they still survive. The groups formed provide joint collateral and serve as instruments for spreading valuable information that is useful for economic and social progress. All economies rely upon the financial intermediary function to transfer resources from savers to investors. In many developing countries, capital markets are still at a rudimentary stage and commercial banks are reluctant to lend to the poor largely because of the lack of collateral and high transaction costs. The poor would borrow relatively small amounts and the processing and supervision of lending to them would consume administrative costs that would be disproportionate to the amount of lending. The absence of commercial banks has led to non-conventional forms of lending. The recent prominence given to microcredit owes much to the success of a relatively few microcredit programs and their increasing scale. The Grameen bank of Bangladesh, the most prominent of the successes, now reaches over 2 million people, with cumulative lending of about $2.1 billion. Women are a major beneficiary of their activities and the destination of the funds primarily includes agriculture, distribution, trading, small craft and processing industries. The administrative structure is generally light and the entire process is participatory in nature. The impact of microcredit lending varies widely between rural areas and urban areas. A large number of studies undertaken so far on the impact of microcredit programs on household income show that participants of such programs usually have higher and more stable incomes than they did before they joined the programs.

Problem statement: Grameen Bank is the pioneer in offering collateral free easy loan to the poor who has not access to borrow from financial institutions. The rapid expansion of the microcredit system is due to its contribution to the economy in terms poverty eradication, employment, income generation, empowerment and social development. The microcredit model is applied very widely in Bangladesh as well as in the world with great interest and hope for the future poverty free world. The recovery rate of micro credit is very high (98% in 2007), whereas the banks and other lending institutions are facing serious crisis due to the default credit. The supervision of credit has made it an example of high recovery in credit. The women empowerment in the family, society, state and politics is the unparallel contribution of the microcredit programs in rural Bangladesh.

The income generation, employment creation, enterprise development, educational and health development, etc. are the productive output of the microcredit in Bangladesh. The worldwide contribution of Grameen Bank has attracted the world community towards it and achieved the greatest reward Noble Prize in 2006.

The sustainability of microcredit program of Grameen Bank is questioned because of its some shortcomings in credit operation. The users of microcredit of Grameen bank, interested and concerned citizen are asking for the modification of credit policies of Grameen bank to make the program more appropriate, productive, sustainable and feasible. The interest rate, the installment system, the volume of credit to the borrowers, management of unexpected bad loans etc have made the credit operation of Grameen bank weak and less sustainable. This study will highlight the weaknesses in microcredit operation of Grameen bank and focus some guidelines to remove those weaknesses to ensure the sustainability of microcredit functions. This study will also help other organizations, which are involved in microcredit programs through forming sound and efficient credit operation and management system.

The objective of the study is to highlight, the achievements and the weaknesses of Grameen Bank in operating microcredit program. This study will also evaluate the mechanism of credit operations and highlight the factors that make microcredit operation successful.

The study is based on field survey and desk study. The data about the credit operation are obtained from the interview with client of the Grameen bank. The sample period is from 2000-2006. The other information is collected through interview with the officer and staffs of the branch. The study covers the Ghonarpara village, Kalatali village of Cox's bazar branch in Bangladesh. The interview follows, the set questions with the clients and staffs. The secondary data are obtained from the annual reports, monthly-quarterly publications and online information. The data are analyzed and summarized manually.

The limitations of the study are the absence of recorded information about the successive progress of the client. The ignorance of the client in responding as most of them are poor, illiterate and women and the poor cooperation of the staffs.

Brief history of Grameen bank: The origin of Grameen Bank can be traced back to, head of the rural economics program at the University of Chittagong, launched an action research project to examine the possibility of designing a credit delivery system to provide banking services targeted at the rural poor. The Grameen bank Project (Grameen means rural or village in Bangla language) came into operation with the following objectives:

- Extend banking facilities to poor men and women
- Eliminate the exploitation of the poor by money lenders
- Create opportunities for self-employment for the vast multitude of unemployed people in rural Bangladesh
- Bring the disadvantaged, mostly the women from the poorest households, within the fold of an organizational format, which they can understand and manage by themselves
- Reverse the age-old vicious circle of low income, low saving and low investment, into virtuous circle of low income, injection of credit, investment, more income, more savings, more investment, more income

The action research demonstrated its strength in Jobra (a village adjacent to Chittagong University) and some of the neighboring villages during 1976-1979. With the sponsorship of the central bank of the country and support of the nationalized commercial banks, the project was extended to Tangail district (a district north of Dhaka, the capital city of Bangladesh) in 1979. With the success in Tangail, the project was extended to several other districts in the country. In October 1983, the Grameen Bank Project was transformed into an independent bank by government legislation. Today Grameen Bank is owned by the rural poor whom it serves. Borrowers of the Bank own 90% of its shares, while the remaining 10% is owned by the government.

Role of microcredit of Grameen bank: Since, the world Summit for Social Development the priority given to poverty eradication has grown. As stated in the previous report of the Secretary-General on the eradication of poverty (A/52/573), it is now broadly accepted that robust economic growth that is labour-intensive and equitable, combined with larger outlays of social expenditures, especially directed towards the poor (now estimated at 1, 3 billion people), are a winning combination in the fight against poverty (Zaman, 1999).

Several factors have led to increased interest in microcredit in promoting growth with greater equity. There has been a growth in the recognition of the importance of empowering all people by increasing their access to all the factors of production, including credit. In addition, the value of the role of non-governmental organizations in development is receiving more attention (Moll, 2005).

It is in that context that microcredit has recently assumed a certain degree of prominence. It is based on the recognition that the latent capacity of the poor for entrepreneurship would be encouraged with the availability of small-scale loans and would introduce them to the small-enterprise sector. This could allow them to be more self-reliant, create employment opportunities and not least, engage women in economically productive activities. Currently, there are estimated to be about 3,000 microfinance institutions in developing countries. These institutions also help create deeper and more widespread financial markets in those countries.

General features of microcredit of Grameen bank:

- It promotes credit as a human right
- Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women
- Most distinctive feature of microcredit of Grameen Bank is that it is not based on any collateral or legally enforceable contracts. It is based on trust, not on legal procedures and system
- It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption
- It was initiated as a challenge to the conventional banking, which rejected the poor by classifying them to be not creditworthy. As a result it rejected the basic methodology of the conventional banking and created its own methodology
- It provides service at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people
- In order to obtain loans a borrower must join a group of borrowers
- Loans can be received in a continuous sequence. New loan becomes available to a borrower if her previous loan is repaid
- All loans are to be paid back in installments (weekly, or bi-weekly)

- Simultaneously more than one loan can be received by a borrower
- It comes with both obligatory and voluntary savings programs for the borrowers
- Generally these loans are given through non-profit organizations or through institutions owned primarily by the borrowers

If it is done through for-profit institutions not owned by the borrowers, efforts are made to keep the interest rate at a level, which is close to a level commensurate with sustainability of the program rather than bringing attractive return for the investors. Microcredit of Grameen Bank's thumb-rule is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible, without sacrificing sustain-ability. In fixing, the interest rate market interest rate is taken as the reference rate, rather than the moneylenders rate. Reaching the poor is its non-negotiable mission. Reaching sustainability is a directional goal. It must reach sustainability as soon as possible, so that it can expand its outreach without fund constraints.

Microcredit of Grameen Bank gives high priority on building social capital. It is promoted through formation of groups and centers, developing leadership quality through annual election of group and centre leaders, electing board members when the institution is owned by the borrowers (Hashemi *et al.*, 1996). To develop a social agenda owned by the borrowers, something similar to the sixteen decisions, it undertakes a process of intensive discussion among the borrowers and encourages them to take these decisions seriously and implement them. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children's education, provides scholarships and student loans for higher education. For formation of human capital it makes efforts to bring technology, like mobile phones, solar power and promote mechanical power to replace manual power (Osmani, 2007).

Credit delivery system: Grameen bank credit delivery system has the following features:

Focus on the poorest of the poor: Exclusivity is ensured by: establishing clearly the eligibility criteria for selection of targeted clientele and adopting practical measures to screen out those who do not meet them, in delivering credit, priority has been increasingly assigned to women, the delivery system is geared to meet the diverse socio-economic development needs of the poor.

Borrowers are organized into small homogeneous groups: Such characteristics facilitate group solidarity as well as participatory interaction. Organizing the primary groups of five members and federating them into centers has been the foundation of Grameen Bank's system. The emphasis from the very outset is to organizationally strengthen the Grameen clientele, so that they can acquire the capacity for planning and implementing micro level development decisions. The centers are functionally linked to the Grameen Bank, whose field workers have to attend centre meetings every week.

Special loan conditionalities which are particularly suitable for the poor: Very small loans given without any collateral, loans repayable in weekly installments spread over a year, eligibility for a subsequent loan depends upon repayment of first loan, individual, self chosen, quick income generating activities, which employ the skills that borrowers already posses, close supervision of credit by the group as well as the bank staff, stress on credit discipline and collective borrower responsibility or peer pressure, special safeguards through compulsory and voluntary savings to minimise the risks that the poor confront and transparency in all bank transactions most of which take place at centre meetings.

Undertaking of a social development agenda addressing basic needs of the clientele: This is reflected in the sixteen decisions adopted by Grameen borrowers. This helps to: raise the social and political consciousness of the newly organized groups, focus increasingly on women from the poorest households, whose urge for survival has a far greater bearing on the development of the family, encourage their monitoring of social and physical infrastructure projects-housing, sanitation, drinking water, education, family planning, etc.

Design and development of organization and management systems capable of delivering program resources to targeted clientele: The system has evolved gradually through a structured learning process that involves trials, errors and continuous adjustments. A major requirement to operationalize the system is the special training needed for development of a highly motivated staff, so that the decision making and operational authority is gradually decentralized and administrative functions are delegated at the zonal levels downwards.

Expansion of loan portfolio to meet diverse development needs of the poor: As the general credit program gathers momentum and the borrowers become familiar with credit discipline, other loan programs are introduced to meet growing social and economic development needs of the clientele. Besides housing, such programs include: credit for building sanitary latrines, credit for installation of tube wells that supply drinking water and irrigation for kitchen gardens, credit for seasonal cultivation to buy agricultural inputs, loan for leasing equipment/machinery, i.e., cell phones purchased by Grameen Bank members and finance projects undertaken by the entire family of a seasoned borrower.

The underlying premise of Grameen is that in order to emerge from poverty and remove themselves from the clutches of usurers and middlemen, landless peasants need access to credit, without, which they cannot be expected to launch their own enterprises, however small these may be. In defiance of the traditional rural banking, postulate whereby no collateral (in this case, land) means no credit, the Grameen Bank experiment set out to prove-successfully that lending to the poor is not an impossible proposition; on the contrary, it gives landless peasants the opportunity to purchase their own tools, equipment, or other necessary means of production and embark on income-generating ventures, which will allow them escape from the vicious cycle of low income, low savings, low investment, low income. In other words, the banker's confidence rests upon the will and capacity of the borrowers to succeed in their undertakings.

Achievements of Grameen bank: The Grameen Bank is based on the voluntary formation of small groups of five people to provide mutual, morally binding group guarantees in lieu of the collateral required by conventional banks. At first only 2 members of a group are allowed to apply for a loan. Depending on their performance in repayment the next 2 borrowers can then apply and subsequently, the 5th member as well.

The assumption is that if individual borrowers are given access to credit, they will be able to identify and engage in viable income-generating activities-simple processing such as paddy husking, lime-making, manufacturing such as pottery, weaving and garment sewing, storage and marketing and transport services. Women were initially given equal access to the schemes and proved not only reliable borrowers but astute entrepreneurs. As a result, they have raised their status, lessened their dependency on their husbands and improved their homes and the nutritional standards of their children. Today over 90% of borrowers are women.

Intensive discipline, supervision and servicing characterize the operations of the Grameen Bank, which are carried out by bicycle bankers in branch units with considerable delegated authority. The rigorous selection of borrowers and their projects by these bank workers, the powerful peer pressure exerted on these individuals by the groups and the repayment scheme based on 50 weekly installments, contribute to operational viability to the rural banking system designed for the poor. Savings have also been encouraged. Under the scheme, there is provision for 5% of loans to be credited to a group find and Tk 5 is credited every week to the fund.

Table 1: Summary of GB operations at a glance

Cumulative amount disbursed since inception	376596.74
Rate of recovery	98.06%
Number of groups	1184924
Number of centers	138646
Number of villages	81752
Number of branches	2511

Source: Grameen Dialogue, May 10, 2008

The success of this approach shows that a number of objections to lending to the poor can be overcome if careful supervision and management are provided. For example, it had earlier been thought that the poor would not be able to find remunerative occupations. In fact, Grameen borrowers have successfully done so. It was thought that the poor would not be able to repay; in fact, repayment rates reached 97% (Table 1). It was thought that poor rural women in particular were not bankable; in fact, they accounted for 94% of borrowers in early 1992. It was also thought that the poor cannot save; in fact, group savings have proven as successful as group lending. It was thought that rural power structures would make sure that such a bank failed; but the Grameen Bank has been able to expand rapidly. Indeed, from fewer than 15,000 borrowers in 1980, the membership had grown to nearly 100,000 by mid 1984. By the end of 2006, the number of branches in operation was 2319, with 6.90 million members (97% of them women) in 74462 villages. There are 1086744 centers of groups. Group savings have reached 633.31 million taka.

The total village covered, no of centers, groups, members, deposits, loans, all were increased at a higher rate during the period 2000-2006 (Table 2). The recovery rate is also very satisfactory (98%). It is estimated that the average household income of Grameen Bank members is about 50% higher than the target group in the control village and 25% higher than the target group non-members in Grameen Bank villages. The landless have benefited most, followed by marginal landowners. This has resulted in a sharp reduction in the number of Grameen Bank members living below the poverty line, 20% compared to 56% for comparable non-Grameen Bank members. There has also been a shift from agricultural wage labor (considered to be socially inferior) to self-employment in petty trading. Such a shift in occupational patterns has an indirect positive effect on the employment and wages of other agricultural waged laborers. What started as an innovative local initiative, a small bubble of

Table 2: Achievements of Grameen bank

Performance indicator	2002	2003	2004	2005	2006
Disbursement	272.52	365.96	430.36	608.79	724.96
Year-end outstanding	196.81	258.1	312.96	415.82	471.19
Housing loan disbursement	2.09	3.05	4.74	2.95	2.01
Number of houses built cum	558055	578532	607415	627058	641096
Total deposits (balance)	162.77	227.66	343.52	481.22	633.31
Number of members	2483006	3123802	4059632	60908704	6908704
Percentage of female members	95	95	96	96	97
Number of villages covered	41636	43681	48472	59912	74462
Number of branches	1178	1195	1358	1735	2319

Source: Annual Report of Grameen Bank (2006)

hope, has thus, grown to the point, where it has made an impact on poverty alleviation at the national level.

Weaknesses of Grameen bank microcredit programs

Turning a profit on the loan: One of the most fundamental problems with microcredit programs is the difficulty involved in actually turning a profit on the loans. In the first place, borrowers must bear not just the cost of the loan and interest payments. They must invest a significant part of their time in group activities mandated by their programs. In addition, women in many traditional societies must bear the stigma of being under the authority of a male (the loan officer), who is not a family member and of engaging in work outside the home. Also, the loans usually finance some type of women's work, which is not seen as fit for men to do. This leads women to rely on their female children for supplemental labor and thus female children are under increased pressure to stay out of school so that they can help contribute to the family income. Investments may not turn a profit. In this event, the money to repay the loan must come from reduced consumption or borrowing from some other source, usually on worse terms. Another problem is capture of the loans by male relatives. In some cases, male relatives use female borrowers as fronts to get relatively low interest loans. These loans may or may not be used to benefit the family and the female borrowers rarely see any benefit at all. And yet, the women are still held responsible for repayment of the loans (Pitt *et al*., 2005). Indeed the chances of a female-headed enterprise succeeding at all are often quite small. The experience of microentrepreneurs in Botswana is illustrative. Seventy five percent of the people engaged in informal sector business activities are women. A majority of their microenterprises never grow. They either fail completely or remain at the initial stage of street vending... in Botswana, Kenya, Malawi, Swaziland and Zimbabwe most enterprises that started with 1-4 workers never expanded (Hulme, 2000). Women are legally perceived as minors. They are not allowed to take out ordinary bank loans without the signature of absent, migrant laborer husbands. And even when women do manage to start small businesses, they must continually fight against a repressive patriarchal social structure and make do with what little schooling they may have received before going into business. So, it is plain that making use of a microcredit loan is not as easy as some supporters would make it sound.

Inability to reach the poorest of the poor: A second important drawback to microcredit programs is that they don't reach the poorest members of the society. The poorest have a number of constraints (fewer income sources, worse health and education, etc.), which prevent them from investing the loan in high-return activity (Goetz and Sen Gupta, 1996). The poorest need tiny loans, which are not cost effective even for microcredit programs. The poorest also place the greatest demands on microcredit training program, which makes the cost of lending even higher. As microcredit programs are pressured to become more self-sufficient, the incentive to lend to such desperately poor borrowers evaporates (Mallick, 2002). This is a major problem for microcredit programs. Although, they are raising some people out of poverty and keeping some people from further poverty, they do not appear to be reaching the people who need assistance the most. In fact, such programs may even be increasing the chasm between the poorest and the rest of society. This is clearly a failure for programs whose avowed purpose is to narrow the gap between rich and poor and rise up the poorest members of society.

Microcredit dependency: Another possible failure of microcredit programs lies behind seemingly benign statistics. Some researchers have proposed the idea that the high repayment rates, repeated borrowing and low drop-out rates indicate a dependency on microcredit programs rather than an attraction to successful microcredit programs on the part of poor borrowers. Many borrowers have no alternative to borrowing from microcredit programs and consequently can not afford to default. Neither can they afford to stop borrowing or drop-out of the programs. There is nowhere else for them to go. In order to stay in good standing with the microcredit program, borrowers may even be forced to resort to pawnbrokers or other alternate sources of funding. Furthermore, unless borrowers can increase their incomes they may become permanently dependent on microcredit lending. This is a very real possibility as was noted above.

Durability of poverty reduction: A related problem is the durability of poverty reduction. Infusions of cash in almost any amount are bound to have some effect on the poverty stricken borrowers. But this does not necessarily mean that the effect will be permanent. The poverty reductions may be rolled back in 2 ways. First of all, borrowers may use loans for consumption purposes, which result in a momentary increase in living standards, but which must be paid for by cuts in future consumption. (Zaman, 1999). Secondly, borrowers must make a net profit on their investments. Otherwise, as noted above, they may become dependent on the creditor programs. Even if, they do not become dependent on microcredit lenders, they will still have failed to improve their economic position. Again, this would be a failure of microcredit lenders to achieve their goals.

Early payment of installments before establishment: The borrowers get the loan in 1 week and start the payment of the installments just after the receiving the loans. This is quite difficult to manage revenues from the investment within 7 days of investment. The borrowers keep a portion of the credit for repayment of installments rather than investments. As a result the net cost of borrowing become very high and the borrowers have to borrow from other sources.

High cost of the credit: Grameen Bank demands that they charge only 10% simple interest on the income generating credit. As the payment of loan installments are weekly, the effective cost of interest is much more than 10%. It is observed that the EIR equals about 30-40%.

Insufficient credit: Though there are different types of credit offered by GB to the borrowers, but the amount of credit is insufficient to run/start a business at this high inflationary periods. Total 3000 taka as loan to buy milk cow is quite insufficient for the borrowers. Some borrowers became member of other microcredit organizations and they meet their demands for money by taking loans from all organizations at a time. This, sometimes, creates overburden for them and reported to fail to pay their installments (Mahmud, 1994).

No provision for the default loans: The borrowers for many real causes become failure to repay the loans partly or fully. The causes may be for cyclones, earthquake, tornado, sickness or other natural reasons that beyond their control. At this hard time, some collection officials are reported to force the borrowers to pay the installments even by selling their lands or animals and household utensils. This is because of the maintenance of low or even no provision for bad loans.

CONCLUSION

Microcredit is widely and actively applied in removing the poverty from the root, empowering the women by making them self reliant to participate in family, social and other crucial decision making, ensuring the basic human needs like food, clothes, shelter, education and health and developing the socio-economic condition. Grameen Bank is acknowledged as the pioneer and founder of the microcredit system. This system is replicated worldwide with a view to attain the aforementioned objectives. The achievements of Grameen bank are great. The model is used successfully by other NGOs and financial institutions as it is very demanding financial system. Due to the some problems, the Grameen Bank's microcredit model is questioned in relation to its validity, sustainability and efficiency. The microcredit system can ensure its unparallel contribution by making some changes in its credit system. The changes that should be made are as follows:

- The installments of the credit payment should have flexibility with respect to the capacity of the borrowers. The first installment should be at least 3 months after the credit is disbursed
- The interest rate should be lower as its effective rate is reasonable and lower in comparison to others
- The bank must have sufficient provision for the bad loans so that rational causes of loan failure can be compensated
- The volume of credit should be sufficient enough to cover the investment for agriculture, business or housing. This will prevent the borrowers to be free from others credit providers
- The bank must have some plans to make the borrowers self dependent so that they become free from credit dependency

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