

Grameen Bank a Road Map to Poverty Alleviation from the Poorest Door

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Abstract: Bangladesh has been striving since its colonial times to bring about betterment of the rural poor through different institutional approaches. Most of these institutions failed to approve the clear access of the poor in the state development resources. The Grameen Bank is an alternative institutional framework for rural development in Bangladesh, which has achieved considerable success in improving the socio economic conditions of the rural poor. In its attempt to fight poverty Grameen Bank started out as a money lender for poor people in Bangladesh through its idea “micro-credit” facility. In addition to developing countries, developed countries such as the USA, the UK and Canada have also initiated the Grameen Bank model in their country as an outreach for the poorest segment of their population. The main purpose of this research was to investigate the impact of micro credit on poverty reduction. Since its inception, the target of the micro-credit movement has consistently been to reduce poverty. Bangladesh is a poor country with a relatively long history of micro-credit lending. However as this research has demonstrated, there is still considerable debate in the development economics community concerning the impact of micro-credit on poverty.

Keywords: Poverty, Micro Credit, Microfinance, Grameen Bank, Economy

1 Introduction

Bangladesh has been striving since its colonial times to bring about betterment of the rural poor through different institutional approaches (Wood, 1984). Most of these institutions failed to approve the clear access of the poor in the state development resources. The Grameen Bank is an alternative institutional framework for rural development in Bangladesh, which has achieved considerable success in improving the socio economic conditions of the rural poor.

In its attempt to fight poverty Grameen Bank started out as a money lender for poor people in Bangladesh through its idea “micro-credit” facility. The term ‘microcredit’ refers to providing people who are not served by the conventional banking system with some capital so that this can be used for entrepreneurial purpose that will eventually pull people out of extreme poverty. The term was initially used by economists in developing economies who acknowledged the need for extending small amounts of loan to the rural people. Before 70’s providing credit for development purposes, i.e. agricultural activities was in practice but those were mainly provided by Government or development agencies and were limited. In early 1970s, Professor Muhammad Yunus, an economist from Bangladesh, first institutionalised the existence of a microcredit organisation called ‘Grameen Bank’. Eventually, Yunus along with the Bangladesh government realised the need for providing a formal structure to the bank through the Grameen Bank under special Ordinance in 1983, after which the bank formally started its operations. Due to the phenomenal success of the Grameen Bank, this model has now been replicated over 40 mostly countries around the world (Grameen Bank, 2011). In addition to developing

countries, developed countries such as the USA, the UK and Canada have also initiated the Grameen Bank model in their country as an outreach for the poorest segment of their population.

Microcredit programs are being used for reducing poverty, increasing awareness of Education, Health, and Sanitation etc. However, despite the phenomenal success of microcredit all over the world, and especially, the Grameen Bank in Bangladesh, significant challenges exist for the microfinance industry. The microfinance institutions are often criticised for their significantly higher levels of interests (compared to the conventional banking system) and the amount of profits they make. Also, a number of researchers have raised doubts of the actual contribution of microcredit on poverty reduction (e.g. Moduch 1999, Roodman and Morduch 2009). Also, some microfinance providers have attracted media criticism for their unethical behaviour.

1.1 Aim:

This article analyses, understand and examine the factors underlying the success of the Grameen Bank in poverty alleviation in Bangladesh. The research also aims to analyse the existing criticisms against the Grameen Bank in order to evaluate the sustainability of this bank in the future.

1.2 Objectives:

The objectives of the research are to examine how Grameen Bank gains success in reducing poverty.

1. To examine the key themes of microfinance literatures and institutional context of Bangladesh for Microfinance industry.
2. To analysis success of using Microcredit as a development tool for poverty reduction by Grameen Bank.
3. To investigate recent changes in Management of Grameen Bank and future prediction of Grameen Bank's success in attaining the goal of poverty alleviation.

2 Literature Review

2.1 MICROCREDIT, MICROFINANCE AND GRAMEEN BANK

Definition and Terminology:

In this paper "Microcredit" and "Microfinance"- these two words have been used under same context-financial services to the poor.

The word "microcredit" was first introduced to development studies in late 1970s (Grameen Bank, 2011). It is a development policy to reduce poverty. Different wording is used by different researchers, writers, development agencies for Microcredit but zest of all definitions is same- providing credit to the poor people without collateral who cannot get credit from conventional financial institutions (Grameen Bank, 2011, Hossain *et al.*, 2012, Microfinance Gateway, 2012, World Bank, 2013.) The Father of Microcredit (Financial times, 2009) Professor Yunus, a Nobel laureate of 2006 suggested while using the word Microcredit the objective and client of the microcredit is necessary to be clear (Grameen Bank 2013).

Microcredit and Microfinance is a kind of financial contributors for consumers and small businesses so that they can have the right to use of banking systems and related facilities. However within very poor group Microcredit is a powerful tool if exercised effectively (Harris, 2007:1). The Microfinance Gate way (2008) of the Consultative Group to Assist the poor (CGAP) defines microcredit as 'very small loans for non-salaried borrowers with little or no collateral, provided by legally registered institutions'.

Asian Development Bank (2008) defines microfinance as the provision of a wide range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their microenterprises.

Micro-finance Institutions (MFI): The organizations which provide financial services like microcredit, savings, insurance etc are known as Microfinance Institution (MFI). These MFI's has made vital role to expansion providing loans and facilities for poor. Due to the successiveness of Microcredit programs by MFI donor organizations like World Bank, UN, USAID etc are adopting Microfinance as a core component in their aid programs for Africa, Asia, Latin America, and transitional economics. NGO and other development groups hope to reduce poverty in poor countries and also to raise the status of those countries' women, who are the focus of many microcredit programs.

Definition of development: Development is a very multifarious subject and it is very difficult to give a definite definition as it is a continuous process. In general by development is referred to the economical development. The United Nations of Development Program (1997) defines development as letting people lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community. Development helps us to identify with the grounds of the problem and it also helps us to locate the way out of the reason and facilitate us to live improved life. Microcredit and development is the two sides of the same coin.

Institutional context and MFI Industry in Bangladesh and poverty alleviation: Bangladesh, a South Asian country, with 154.7 million populations is linked to Microcredit or Microfinance from early 1970s. Also the Grameen Model was originated in Bangladesh. One third of the total Population live under poverty line. (World Bank, 2013).

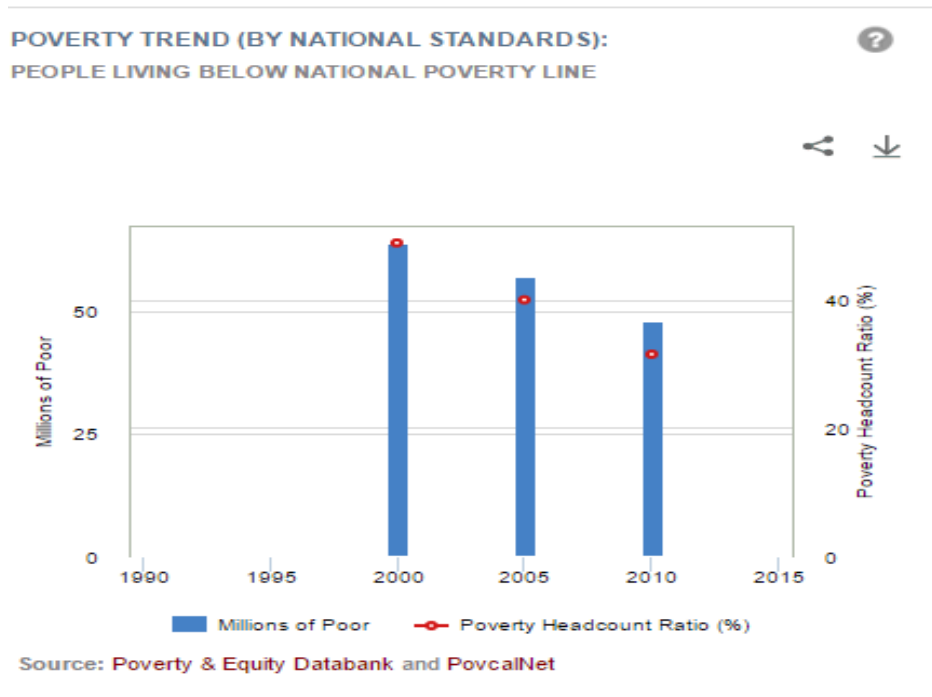


Figure 1: Poverty reduction in Bangladesh

Source: [www. http://povertydata.worldbank.org](http://povertydata.worldbank.org)

2.2 Poverty alleviation in Bangladesh

World bank research shows a continuous decline in the number of poor people in Bangladesh from 2000 to 2010 around from around 63 million to 55 million in 2005 and then 47 million in 2010 (world bank, 2012). The headcount ratio declining figure is also mentionable (see figure- 1). Bangladesh has already met bringing down the poverty gap ratio to 6.5 against target 8.0 by 2015! Not only this, reducing poverty gap by halve is already met in 2012 (from 56.7 percent to 29.0 percent) reported by UNDP (2013).

Critical review of Microcredit programme of Grameen Bank: Theory vs. practice- CGAP (quoted in Khandker and Samad 2013) reported about one-fifth of total population –including three-fifth of rural households are members of MFIs. Poverty is one of the major exertions in developing countries. The development agencies, AID providers, NGOS are working hard to provide Micro credit. Microfinance has an effective and sustainable development intervention to fight against the poverty and give the poorest people more probabilities and opportunities.

Microcredit programme has captured the image that it reduces poverty. The UN Summit (1997) has celebrated this microcredit programme “much-needed revolution in anti-poverty programs. Microfinance is global now. Leaders at World Bank, United Nations, and other international organizations have joined in pushing to reach 100 million house- hold poor around the world by the year 2005 .The practices of Microfinance as development policy in Bangladesh has shown its charisma by meeting the goal 1 poverty alleviation of MDG 2015 two years ahead in 2012. Microfinance has the capability to end poverty for many and reduce its severity for other.

2.3 Criticisms of Grameen Bank

Most criticisms of microfinance have actually been the criticisms of Microcredit. Criticisms are mainly emphasizes on the impact on poverty, the level of interest rates, high profits, over indebtedness, cause of suicides, lack of correct data. In Bangladesh the criticism is also similar around Grameen Bank.

Islamist group also raised their voice against Grameen Bank, mainly for empowering women and interest which they see as anti-Islam. Maulana Ibrahim, a reactionary Imam in Bangladesh, point out against the Grameen Bank in 1993 said "un-Islamic ways", alleging (referring to the lenders' pledge) that women were taking a vow not to obey their husbands and not to live in poverty anymore.”

Researchers finds Microfinance is charging “exorbitant” interest rates (on-lending rate of Grameen Bank is 20%, 7% percent higher than the commercial bank rate which goes against its stated mission of poverty alleviation(Khandker and Samad , 2013).

The biggest controversy for the first time against Grameen Bank came to media in 2010 when a Danish investigative journalist, Tom Heinemann, made a film looking at negative role of microfinance and Yunus’s Grameen Bank (The Guardian website, 2012). She also mentioned heavy-handed debt collection and high rates of interest and indebtedness as criticism of Microfinance and claimed unauthorised fund transfer of donor money was done by Grameen Bank.

Critics also pointed out how Microfinance and Grameen models have in recent years been distorted by venture capitalism and profit-makers, leading poor rural families into debt spirals, harassment by microfinance debt collectors, and in some cases suicide. (Roodman and Morduch 2005, Morduch 2009). They argue necessity of new product development, association with commercial banks are matter to think now for sustainability and growth of the industry (Ogden and Morduch 2013).

Some studies suggest that woman are abused by MFIs to reduce transaction costs, thus increasing the burden for women, deepening frustration and tension among household members and in women’s groups (Hossain *et al.*, 2012, Rahman, 1999: Kabeer, 2001). The newest criticism was on Governance of Grameen Bank by Government of Bangladesh and ruling party chair and Prime Minister Sheikh Hasina questioning on the accountability of Grameen Bank and other businesses by Professor Yunus and even PM marked Micro-lending “sucking blood out of the poor” (The Daily star, 2010).

Another group of critics finds management of Grameen Bank as One-man show, no successor after the founder, Board members have no power.

3 RESEARCH DESIGN AND METHODOLOGY

Microcredit program in development has been an area of research in the development studies since its invention in mid 1970's. The uniqueness of Microcredit is its roles in poverty reduction which is the mostly talked issues in the real world of development and even in development studies. There is also criticism on the bad impact of Microcredit on the poor people such as spiral loan, high interest rate etc. There are huge availability of literature, articles and material on internet regarding both types of the research questions, so researcher is using the deductive approach. This will help to create solid background in research topic rather than inductive approach.

This research's findings cannot be represented numerically or put a value to it and also researcher cannot apply mathematical models or concepts to solve the problem so this researcher has chosen qualitative research method for this research due to the topic and research questions.

3.1 Data Collection

To select the proper and correct method of data collection several steps has been taken including reading, analyzing and reporting resources, credibility and competence of authors whose literature has been reviewed. Different sources like previous researches, literature reviews, interviews, web etc. have been considered.

The researcher collected the statistical data and literature from different resources which helped to answer the questions. The statistical data was collected from Grameen Bank Grameen Bank website, literatures, UNDP website, and Microfinance network. This data consist of the criteria of borrowers, number of borrowers, financial results, assets, investment, branches and employees of Grameen Bank Grameen Bank. The historical data has been collected from Grameen Bank website and organization.

The research used the data to analyze the performance, development, organizational reengineering to achieve the goals of Grameen Bank and cross check to validate the assumption of this research that Grameen Bank has contributed to reduce poverty in Bangladesh. To do that the research compared data of different years to know about the improvement in the active borrower's, investments, loan recovery rate, new microfinance products and Grameen Bank personnel. The researcher looked at the different resources for Grameen Bank's works and micro financial products of Grameen Bank in Bangladesh, and their role in poverty alleviation.

3.1.1 Documentary Research: secondary data:

The research used most of the secondary data from several sources. Secondary data sources have sharper critical information that is already proven and researched by researchers. The research got the secondary data from the Literatures and researches on Grameen Bank , Microfinance network, Bangladesh Bank and web. This data is very reliable and valid to support finding the answer for the research questions. This secondary data includes all the facts and figures derived by the researcher to verify the performance reports of the Grameen Bank.

3.1.2 In-Depth Interview:

For qualitative research methods in-depth interviews are more like conversations than formal events with predetermined response categories (Kahn and Cannell, 1957 quoted in Marshall and Rossman, 2006, p: 101). The interview is aimed to understand the growth in reality and to verify the information derived from Secondary data. The researcher's strength is multilingual capability including Bengali- mother-tongue of Bangladesh. In-depth discussions with local women gave researcher an understanding of their situation in the Grameen Bank programme and the situation of the women who were not involved in Grameen Bank programmes to verify the assumptions researcher made. Semi-structured interviews were held with research participants in their mother tongue without interpreter which put participants feel easy and encouraged them to talk freely. Due to time constraint interviews were taken over the phone.

3.2 Data Analysis:

There is no standardized approach to the analysis of qualitative data like quantitative research. Saunders, *et al.*, (2007), while describing strategies for data collection suggests, approaches like understanding the characteristics of language and discovering regularities require structure, formalised set of procedures to follow and data are analysed deductively while approaches like comprehending the meaning of text or action and reflection are very flexible and information analysed by inductive reasoning. This report will use mainly the last two strategies in analyzing the data obtained. The researcher aimed to generalise the data found from interview into meaningful information.

After critically review the secondary data with an aim to fulfil research objectives, interview was concentrated on particular fields that needed more in depth information. Search for information was mainly focused pros and cons of Microcredit, the development of microcredit in Bangladesh by Grameen Bank, poverty in Bangladesh, Grameen Bank's sustainability, in-depth discussion was made for validating and understanding some new questions came out while analysing the data from secondary resources and literature review.

Now researcher needed to find out if it true or not, if true, the rationale behind this decision by female borrower. Finally two of the questions were designed to find out data on this issue, i.e. what they (male) do or will do with the money? Why (borrower/interviewee) allow to take/give the loan? Reason behind this was to find out if this has any significance on increasing number of female borrower, getting microcredit from several sources and "get caught in Microcredit debt" which is one of the criticism also found during literature review and data collection.

One of the recent use of technological advancement in MFI industry of Bangladesh "Village Phone" project of Grameen Bank was found being very helpful for the data collection. Once the interview was conducted the main issues and theories were revisited to cross verify to accept or deny. The feedback of the interview was interpreted & deduced and compared with the secondary data through reduction and classification process. However, since the research was based on informal interviews, the classification of findings could not be made.

3.3 Limitations of the Research

Perfection in designing research projects are not possible due to limitations (Marshall and Rossman, 2006, p: 42). There are always trades off in research (patton, 2002:223 mentioned in Marshall and Rossman, 2006, p: 42). The research while designing assumed some limitations. The research made use of secondary sources like research papers, websites, yearly reports etc where interpretation refluxed on those documents were by their authors. Now some of the widely accepted research showing Grameen Bank is Contributing in poverty reduction and mainly by women (2 other MFI BRAC and BDRB was part of the studies) is by Pitt and Khandker (1998), Khandker (2005), Pitt (2011).

In research design researcher had a plan to have informal chat with five Grameen Bank officials, but due to recent change and government's intervention, three interviewees declined to comment or even talk. In project design researcher assumed the collecting data would have limitations due to the recent controversy around Grameen Bank and change of Managing director. But Using telecommunications researcher has faced the challenge of the data collection.

4 CASE STUDY-MICROCREDIT AND GRAMEEN BANK

Expansion of microcredit has enormous influence on economic growth and it gives a better solution to reduce poverty and to come out of poverty. Being the inventor of a successful Microcredit model that worked in Bangladesh and over 40 countries (Grameen Bank, 2013) is one of the perfect examples of microfinance intuition in Bangladesh working for poverty alleviation through microcredit and microfinance services.

4.1 A brief overview of the Grameen Bank:

The word Grameen Bank means bank of villager in Bengali and the founder of this bank is Professor Muhammad Yunus. Grameen Bank is a specialised bank established in October 1983 under a special ordinance. But this bank concept and Microcredit have started its journey back in 1976 at Jobra Village of Hathazari upazila, Chittagong where Yunus gave \$27 to 42 women based on group loan without collateral. Over last 30 years it became one of the largest MFI in the world.

4.2 The Journey of Grameen Bank begins:

Professor Mohammad Yunus, founder of Grameen Bank and an Icon in the world of Microfinance, after completing his PHD in the USA and joined as a lecture in economics at Chittagong University. He was thinking how some of his economic theory can be applied to reduce hunger and deprived people he saw in rural Bangladesh and how to save them from the informal loan provider- "loan sharks". Instead give the money away as charity, he started an experiment by giving small amount of loan of USD 20-27 to 42 women to trustworthy clients and supervising the use of the money to make sure they use for Income generating services and repay. Being successful he came up with a model which had some features as Hulme (2012) describes, a) lending to poor and mainly women as women were found to be user of loan in more productive way than men and repayment rate is higher, b) group based credit to create social collateral and peer-pressure, c) setting up "Centres" (Kendra in Bengali) of 6 groups (30 women) to met at a set time every week to apply and repay loans d) charging a higher rate of interest than government schemes and NGOs, e) compulsory micro savings to create discipline and generate group collateral, f) simple standard loan for 1 year, g) recruiting and training bright, young graduates to administer services (to minimize corruption). Grameen Bank is one of the renowned MFI in Bangladesh that provides small loans to the insolvent without entail deposit. This loans are payable in instalment with small weekly amount over a year.

4.3 From microcredit to Microfinance Institute

By the beginning of 2001, the new system, "The Grameen Generalised System" (GGS) or GGS (known as Grameen II) was ready for launching. After 2 years on 7th August, 2002 the last branch of Grameen Bank was changed to GGS. 2 years to finish the reengineering. On this new system, the bank also offers inclusive investment options to its clients and facilitates them produce saving for them (Wahid, 1999). Grameen Bank's report shows that in 2011 total loan amount disbursed through 2562 branches was \$1150.5m among around 8m Members of which 97% were Female. The success of Grameen Bank has inspired lots of countries and now a day we found more than 65 countries in the world use microcredit programs in same or similar way as Grameen Bank (Hossain *et al.*, 2012).

Yunus encourages all borrowers to eventually become savers so that their local capital can be converted into new loans. Still Grameen Bank is one of the fastest growing banks; in Bangladesh it provides its service in 80511 villages (Wahid, 1999). The objectives of the bank are to extend banking facilities among the poor men and women. According to Yunus women are more effective and trust worthy customer who makes change in socio economic growth (Grameen Bank Brochure, 2006).

There are four interest rates for loans from Grameen Bank:

1. 20% for income generating loans,
2. 8% for housing loans,
3. 5% for student loans, and
4. 0% (interest-free) loans for Struggling Members (beggars).

On its journey, Grameen Bank has introduced mobile technology to the borrowers as a product and till now provided loans to 457953 borrowers to buy mobile phones and offer telecommunication services in nearly half of the villages of Bangladesh where this service never existed before. "Telephone-ladies" are earning profit with this business as per Grameen Bank (2013).

The main concern research finds in the customised report of Grameen Bank 2007-2012 is the growth of number of members. It slowed down from around 3% in 2008 to 0.02% in 2012 (table 1) though the accumulated total loan disbursed is up by 24% with only 14% increase in deposit from year 2011 to 2012. Though it is difficult to establish a correlation without math or economic tools and with 15 samples, but with the answers from the respondents it is evident that they are unsure what to do, what will happen to them, their money as they have little confidence on the government.

Table: 1
Grameen bank at a Glance (2007- 2012) In Million US\$

Particuliers	2007	2008	2009	2010	2011	2012
Exchange Rate: 1US\$=Taka	68.62	68.72	69.1	70.39	79.67	80.53
Authorised Capital	7.2	50.93	50.65	49.72	43.93	43.46
Own Fund:						
Total:	137.42	147.67	154.83	164.04	157.92	178.54
Deposita	758.92	940.09	1205.95	1492.02	1475.03	1630.11
Accumulated Disbursement (including housing loans)	5199.62	6095.79	7211.45	8445.25	8823.9	10202.52
Other Sources of Fund	82.4	91.95	105.73	102.83	110.67	146.98
Own Fund and Deposits as Percentage of Loan & Advances	164 %	163 %	163 %	170 %	168 %	175 %
Total Income (Before Provision)	155.06	174.61	209.8	252.05	267.67	311.06
Expenses:						
Total Expenses:	153.5	155.62	204.42	241.3	259.08	293
Net profit	1.56		5.38	10,75	8.59	18.06
Provision Balance	67.98	80.09	82.37	76.7	91.21	123.8
Bad Debt	10,78	7.31	22.11	17.36	12.38	18.33
Bad Debt Recovery	6.19	14,64	9,71	8.24	4,96	3,87
Number of Employees	25283	24240	23283	22255	22128	22261
Number of Members	7411229	7670203	7970616	8340623	8372081	8373893
% Increase in Members		3.38	3.77	4.44	0.38	0.02
Number of Centres	136619	140976	144106	144619	144095	143061
Number of Villages	80678	83566	83458	81376	81380	81386
Number of Branches	2481	2539	2562	2565	2565	2567

Poverty reduction and Grameen Bank

Poverty is one of the major and insolvent problems in the whole world. Some statistic shows that it is surprisingly noticeable that microcredit helps to reduce poverty from the world. Grameen Bank in Bangladesh is the role model of reducing poverty. Pitt and Khandker (1998) found that 5% the clients of Grameen Bank exit from poverty every year. The small loans that Grameen Bank provides to the poor people which they have used in much small business purpose bring profits. These profit they can use some others actives which also brings money. In this way they are able to fight against poverty and able to improve the associated problem like health, education, wealth maximization, consumption (Pitt and Khandker 1998, Morduch 205). The impact of Grameen Bank is not only limited to improving income of poor but it's also influence as a viable strategy for poor people to move forward and give chance to establish their rights in economic society

Recent achievements of Grameen Bank

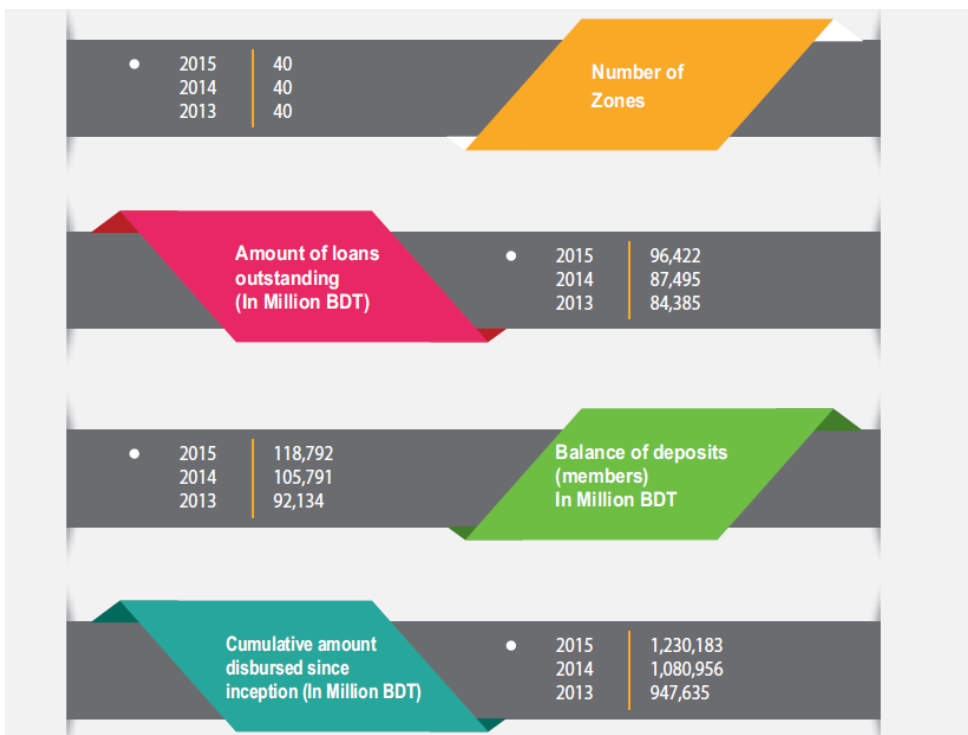


Figure-2: Grameen bank's cumulative Loan disbursement portfolio (2013- 2015).

Source : www.grameen.com, 2014

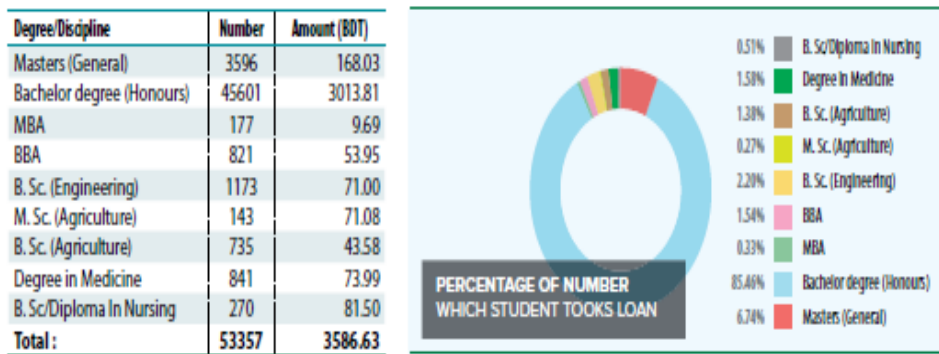


Figure: 3. Higher education loan, Source: www.grameen.com , 2014

The main challenges for Grameen Bank

- Interest rate:
 - Due to high cost involved to reach the credit to client and the poor being risky clients the interest is normally high. MRA recently set a ceiling of 27% as the maximum interest rate MFI can charge (BB, 2012), in Grameen case it is 20% only at the moment.
- Poverty reduction result contradiction:
 - Pitt and Khandker (1998) found 5% of Grameen Bank’s members go out of poverty every year, though it was criticised by Morduch (1999).
- Financial Inclusion: Critics finds that Grameen Bank is not targeting the poorest of the poor due to their vulnerability (Murdoch 1999, 2005, Roodman and Morduch 2009), however Grameen Bank already 110,902 for the Struggling (bagger) program as of December, 2011 (Grameen Bank 2011)
- Transparency: Grameen Bank accounts are audited by External auditors. However, despite this, Grameen Bank’s financial transparency has been subject to government investigation in recent times, although nothing tangible has been found so far.
- Governance:
 - One of the main weaknesses of Grameen Bank lies in the structure of its corporate governance system. The Bank was established through a special ordinance in 1983. As a result, Grameen Bank is neither a commercial bank, nor an NGO.
 - The strengths of Grameen Bank

Grameen Bank with 8.4 m members, the biggest MFI in the world (World bank 2012), three decades old, noble prize winner of 2006, really have lots of opportunities to reduce poverty in Bangladesh now and in future also. MFI sector is moving. Fast.

- Loan repayment: Loan repayment is very important for MFIs like Grameen Bank for sustainability and for keeping lending cost at a minimum level.

- Women empowerment: Almost 97 percent of Grameen Banks borrowers are women, and the bank has been praised for its contribution for empowering women in a developing country such as Bangladesh.

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The opportunities for Grameen Bank

- Reaching outreach: MFI became a very big industry in Bangladesh; with one third of population below poverty level creates a big market for the MFIs. This is an opportunity. Programs like beggars program is needed after identifying the demand for the poorest who are normally excluded.
- Product design: Grameen has experience of designing and adopting new product or model according to the market need - what kind of loan poor people really need and which terms and conditions are applicable to them.
- Product Mix; Further diversity of loan portfolio can be possible.
- Mobile transaction: using mobile technology to transfer money has been proved already very successful in Bangladesh and in other countries. (World Bank 2013).
- Coalition with commercial banks: For sustainability and better growth with access to conventional banking Knight *et al.*, (2009), Roodman (2013) suggests these as an big opportunity to work together with commercial banking to take their service to the door steps of the poor where Grameen already present.

5 CONCLUSION:

Investigating the impact of micro credit on poverty reduction was the main purpose of this research. Since its inception, the target of the micro-credit movement has consistently been to reduce poverty. Bangladesh is a poor country with a relatively long history of micro-credit lending. However as this research has demonstrated, there is still considerable debate in the development economics community concerning the impact of micro-credit on poverty. As discussed in chapter two, for Bangladesh considering the reduction in Foreign aid amount, increase in MFIs and no. of borrowers, disbursement of loan form members savings and meeting the Goal 1 of poverty reduction of MDG 2015, gives a strong ground to believe that in this successes MFIs in Bangladesh have contribution. A correlation can be established between these terms and their figures as there were NO such massive intervention like MFI sector evident in any research that could directly or fuel the poverty reduction. Grameen Bank has considered the education, health, and housing of their members in their loan programs. Based on the correlation researcher found has ground to believe the findings of Pitt and Khandker (1998). The analysis carried out in this paper does suggest that micro-credit borrowing is associated with lower poverty. However, the effectiveness of micro-credit as a real poverty alleviation tool does not depend on its short-run impacts only. Micro-credit is not the ONLY tool to alleviate poverty but it helps to bring the confidence in the poor people so they can at least try to use the money for income generating services resulting upgrade their living standard and finally contributing economic development of Bangladesh. There is controversy about the impact of micro-finance on poverty alleviation. The poverty rate of the country did not decrease significantly in last few years. But on the other hand there is no evidence found to show increase in poverty. Consequently to answer the first research question “Are Grameen Bank’s Microcredit programs are successful in poverty alleviation in Bangladesh?”, this paper, based on evidence believes that the effect of micro-credit programs by Grameen bank on poverty is visible but more reliable practical data from broader area required to track down the real long run effect.