

## Summary of the Review Committee Report on Grameen Bank

The Government formed a five-member Review Committee headed by Prof. A. K. Monaw-war Uddin Ahmad of the University of Dhaka (*composition of the committee and TOR are annexed in **appendix-I***) with specific tasks to know overall management and condition of Grameen Bank (GB) through a notification dated January 10, 2011 by the Bank and Financial Institutions Division of the Ministry of Finance.

02. The committee submitted an 88-page report with annexure and appendices of 90 pages to the government on 25 April 2011.

03. The committee prepared the report reviewing the related documents of GB and special inspection report on GB by Bangladesh Bank as well as in the light of opinions given by various institutions and persons (including 10 members of civil society) related to micro-credit and information received from different sources. The report is available in government website ([www.mof.gov.bd](http://www.mof.gov.bd)).

04. The committee has evaluated the activities of GB and analyzed the legal issues/compliance of rules and regulations on the basis of its organizational structure and financial condition, transfer of fund from GB to Grameen Kalyan (GK), associate institutions of GB, charging interest on credit and deposit, the Grameen Bank Ordinance, 1983 and the Microcredit Regulatory Authority Act 2006.

05. After comprehensive review, the committee has put forward 21 suggestions on following issues :

- The ownership of GB,
- The tenure of Managing Director,
- Violation of law and regulations,
- Regulatory authority, abuse of power in framing rules and regulations,
- Absence of transparent and accountable management,
- Absence of age limit of the chief executive,
- Financing in contravention of the ordinance,
- Ultra vires decisions of board of directors,
- The ownership of Grameen Telecom,
- The associate institutions and their management,
- Lack of transparency in audit report and compliance,
- Formulation of IT policy and establishment of separate IT department,

- Violation of Ordinance in creating undistributable reserve fund,
- Effective interest rate on credit,
- Nonpayment of excise duty and income tax on interest earned from deposit,
- Violation of the Ordinance while providing credit,
- Noncompliance of the procurement guidelines,
- Liquidity problem during crisis,
- Accountability of the associate institutions,
- Engagement of consultants for GB and associate institutions.

The committee has termed these recommendations as a checklist only. In conclusion, it has given opinions that -

Grameen Bank, established under the Grameen Bank Ordinance, 1983, has formed many associate institutions going beyond its micro-credit agenda. The evolution and expansion of huge socio-economic network bear significance in our economy. In spite of its success and far reaching social and economic impact, tendency of the violation of rules and regulations has been observed in almost all its previous activities. So, an effective regulator is very much essential for GB. Since its inception, GB has been operating without any regulatory authority leading to the present critical situation. In that case, Grameen Bank Ordinance should be amended. Apart from this, assessment and evaluation of financial and organizational status of these associate institutions and imposing legal authority over them by GB have become imperative. A national policy should be formulated to bring both microcredit activities and social businesses of GB within a single regulatory framework.

06. An introduction about GB has been given in the **first chapter** of the report comprising of 39 chapters.

In the **second chapter**, the organizational situation has been explained with bank's share capital, formation and activities of board of directors, and the appointment of Managing Director.

In the **third chapter**, the financial condition of GB including asset-liability management, internal control, Directors, IT management, dividend equalization fund, statutory reserve fund and rehabilitation fund have been discussed.

Analyzing the background of transferring fund from GB to GK, the sequence of the events, the news in national media, international reactions and views of

Norwegian authority have been given at the end of **fourth chapter**. Transferring fund by GB to other institutions was ultra vires.

In the **fifth chapter**, description has been given about the associate institutions of GB. GB has formed Grameen Fund by transferring fund created by foreign grant worth of Tk. 49.10 crore in 1994 and formed Grameen Kalyan transferring fund created by imposing imputed interest on grant/ loan given by donors' at low interest rate or interest free worth of Tk. 44.25 crore. These two (GK and Grameen Fund) not-for-profit companies created by GB have separately and jointly formed 34 institutions by giving equity and loan assistance. According to the committee, most of the companies have been formed going beyond the legal power of GB. These are not companies limited by share. Since they have no ownership-relationship with GB, they have no accountability to GB or any other authorities; which is a matter of grave concern (*this chapter is given in **appendix-II***).

In **chapter six**, the rate of imposing interest on the disbursed loan and deposit received by GB and their accounting method have been analyzed.

Evaluating the activities/performances of GB in the light of the MRA Act, 2006 and the Grameen Bank Ordinance, 1983, it has been said in **chapter seven** that there is no regulatory authority to monitor and regulate the activities of huge institution like GB.

The opinions of various distinguished persons/institutions including Dr. Muhammad Yunus relating to micro-credit have been summarized in **chapter eight** (*this chapter is given in **appendix-III***).

**Chapter nine** is provide the conclusions and recommendations. There are 21 suggestions in this chapter (*this chapter is given in **appendix-IV***).

07. One of the members of the committee, who is also a legal practitioner, has given his opinion separately at the end of the report. He has generally agreed with the report, but he differs on the point of bringing GB under the regulatory purview of Microcredit Regulatory Authority. In his review, he mentions that GB may be brought under the control of Bangladesh Bank like other scheduled banks exempting from the bindings of maintaining Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR) (*this section is given in **appendix-V***).

Government of the People's Republic of Bangladesh

Ministry of Finance

Bank and Financial Institutions Division

Training and Discipline Section

**Circular**

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No. 53.007.027.00.00.012.2010-15 - The activities of Grameen Bank was initiated in 1976 under a project to examine the probability of bringing the rural poor under a sustainable credit network. At one stage (in 1979), the central bank also provided assistance to the project. Through this project, the idea of providing credit without collateral and full credit recovery from poor borrower proved successful. This created an opportunity to empower women in rural areas and increase effective demand in rural economy. In this context, the Government of Bangladesh took the initiative to unveil a new horizon in micro credit sector through transforming the project into a bank. As a result, to enable traditional loan and savings based societies into sustainable and effective programme, Grameen Bank was established in 1983, under an ordinance. Grameen Bank and its Managing Director were awarded Nobel Prize in 2006 as its micro credit programme became known and popular worldwide.

02. Since the inception of Grameen Bank its activities have not been adequately evaluated. Recently, different newspapers published news on Grameen Bank. In this context, Government has constituted following high powered review committee to evaluate the details of the overall management, the overall position of Grameen Bank and maintain its special character and strength in future:

<b>Sl. No.</b>	<b>Name and Designation</b>	<b>Position in the Review Committee</b>
(1)	Prof. A. K. Monaw-war Uddin Ahmad Ex. Chairman, Dept. of Economics, and Dean, Faculty of Social Science University of Dhaka.	Chairman

(2)	Mr. Md.Nazrul Huda Deputy Governor Bangladesh Bank	Member
(3)	Begum Rokeya Din Ex. Deputy Comptroller and Auditor General	Member
(4)	Prof. R. M. Debnath Ex. Professor, BIBM and Columnist	Member
(5)	Advocate Mohsin Rashid Lawyer Supreme Court	Member

3. The Terms of Reference of this Review Committee are mentioned below:

- (1) Preparation of a report in the light of concerned laws and rules by considering the statement of Norwegian authority regarding the news broadcasted in the Norwegian television on fund transferred from Grameen Bank to Grameen Kalyan, the news published in the national news papers and its international reaction;
- (2) Preparation of a list of other enterprises of Grameen family, examining the relationship between Grameen Bank and these enterprises (e.g., Packages Corporation), and the personal relationship of CEO/CFO of Grameen Bank with other organizations/trusts to find out the real scenario and if any irregularities found, after proper investigation to recommend necessary action.
- (3) Preparation of a report on the system of fixing the interest rate of credit and savings and procedures of recovery, fixation of different charges through other processes and analysis of the process of interest payment to the depositors and recovery from the borrower. It will also prepare a comparative analysis of the interest rates and other charges fixed by the microfinance institutions licensed by the Micro credit Regulatory Authority and find out any irregularities or inconsistencies in the case of Grameen Bank and if any, recommend suggestions to overcome those irregularities and inconsistencies;
- (4) Preparation of a comprehensive report with recommendations on the overall position in respect of control, management, transparency, accountability of Grameen Bank (established by the Grameen Bank Ordinance, 1983 as a micro credit organization) and consider the possible jurisdiction of the Micro credit Regulatory Authority Act 2006.

4. (a) The Review Committee will review the documents of the concerned Ministry/Division and of the Grameen Bank;
  - (b) The Committee may record the opinion/evidence of concerned persons (including the members of the civil society) related to micro credit;
  - (c) Bangladesh Bank will conduct a special audit in Grameen bank to help in this review.
  - (d) The Bangladesh Bank will render the required secretarial and institutional support to the committee on behalf of the Government;
5. The review committee will submit the report within next 03 (three) months.

Sd/-

Md. Sahid Ulla Mia  
Joint Secretary (BIA)

No. 53.007.027.00.00.012.2010-30

Date : 25-01-2011

(Sabina Yeasmin)  
Deputy Secretary

## Chapter-5.00

**Associate Enterprises of Grameen Bank**

Grameen Bank was established under the Grameen Bank Ordinance 1983. As per the Ordinance, the objective of this bank is to provide credit facility to the landless poor people of the rural areas. Since its inception, the bank has been getting loan and grants/donations from various donor organizations including IFAD, NORAD, CIDA, SIDA, USAID and Ford Foundation. The goal of these grants/donations was to provide micro-credit.

Grameen Bank established a not-for-profit company limited by guarantee named '**Grameen Fund**' in 1994 by transferring Taka 49.10 crore from Social Venture Capital Fund(SVCF) created by the donation given by donors' consortium consisting foreign donor organizations like NORAD, CIDA, SIDA, USAID, and Ford Foundation. Apart from this, another not-for-profit company limited by guarantee named "**Grameen Kalyan**" was also established by Grameen Bank in 1996 under the Company Act by transferring Taka 44.25 crore from Social Advancement Fund (SAF) which was created by imposing imputed interest on the donations/loans given by the donors. Later on, 'Grameen Fund' and ' Grameen Kalyan' established 34 institutions individually and jointly through providing equity and credit assistance. Besides, under entrepreneurship of Dr. Muhammad Yunus and with Grameen Bank concept, 11 institutions have been established at home and abroad where Dr. Muhammad Yunus and Grameen Bank officials are associated with their operation. Overall, there are 48 institutions in which Grameen Bank officials including Dr. Muhammad Yunus are associated as director/chairman of the Board of Directors.

### **5.01. Fund flow in associate establishments:**

At present 'Grameen Fund' is financing 15 institutions and 13 institutions are being financed by 'Grameen Kalyan'. Again, Grameen Telecom established with the finance of Grameen Kalyan is also financing 12 institutions.

### **5.02. Grameen Bank's relation with other associate establishments:**

A brief description of the relation between Grameen Bank and other associate establishments is given below:

#### **5.02.1. Grameen Fund:**

- To earn more through involving them into new technology based experimental activities in vocational, institutional and practical cases for the socio-economic development of the members of Grameen Bank, Studies, Innovation, Development and Experimentation (SIDE) Project was begun in 1984. Later this project was renamed as Social Venture Capital Fund (SVCF). NORAD, CIDA, SIDA, USAID, and Ford Foundation have financed this project Taka 49.10 crore up to 1993. To use technology in enhancing income for supplying credit and equity capital to the poor people, a not-for-profit company limited by guarantee named 'Grameen Fund' was established in 1994 by transferring Taka 39.12 crore as investment and Taka 9.98 crore in cash (total Taka 49.10 crores) from Social Venture Capital Fund (SVCF).
- Other mentionable purposes of Grameen fund are to provide credit or equity to new and existing risky projects, to provide other assistance including financing to the acquisition of the management of existing company with a view to help the poor people.
- At present the total amount of investment in 15 institutions of Grameen fund is Taka 24.49 crores of which Taka 14.93 crore as equity and Taka 9.56 crore as credit.

- Grameen Bank waived Taka 9.30 crore of Grameen Fund in 1999 since Grameen Fund waived the same amount of Grameen Krishi Foundation. In this case, the interest of the shareholders has not been considered.
- Directors of Grameen Fund are- Dr. Muhammad Yunus, Mr. Mohammad Khaled Shams, Sheikh Abdud Daian, Mr. Abdur Rakib, Mr. A.S.M. Naim, Mr. M. Shahjahan, Mr. Golam Mostofa, Mr. Dulal Chandra Kar and Ms. Umme Kulsum Shapna.
- Among 9 members of the Board of Directors 4 members are the officials of Grameen Bank.
- Dr. Muhammad Yunus is the chairman of the Board of Directors of Grameen fund.
- Four officials of Grameen Bank provided guarantee in establishing Grameen Fund.
- At present, the list of institutions financed ( in the form of equity/credit) by Grameen Fund is the following :
  - Grameen Bybosha Sheba Ltd.
  - Grameen Bi-tek Ltd.
  - Grameen Cybernet Ltd.
  - Grameen Knit-wear Ltd.
  - Grameen Capital Management Ltd.
  - Grameen Solutions Ltd.
  - Grameen IT park Ltd.
  - Tulip Dairy and Food Products Ltd.
  - Globe Kids Digital Ltd.
  - Grameen Information High-way Ltd.
  - Grameen Star Education Ltd.
  - Rafique Autovan Manu: Industries Ltd.
  - Grameen Uddyog
  - Grameen Shikkha
  - Grameen Shamogree.
- Grameen Fund was established by the fund 'Social Venture Capital Fund (SVCF)' of Grameen Bank. According to Grameen Bank Ordinance 1983, formation of Grameen Fund by Grameen Bank was beyond its authority.

### 5.02.2. Grameen Kalyan

- A fund named Social Advancement Fund (SAF) was created in 1990 by Grameen Bank for welfare of the members and employees of Grameen Bank. The fund was created by imposing imputed interest at 2-6% on the donation/loan given by the donors with reduced interest or without interest. A not-for-profit company limited by guarantee named '**Grameen Kalyan**' was established by GB in 1996 under the Company Act by transferring Taka 44 crore from Social Advancement Fund (SAF) and Taka 347.18 crore from revolving fund given by the donors. Later, on objections by NORAD, Grameen Bank gets back the entire revolving fund amounting to Taka 347.18 crore in two installments. After 1996 Grameen Bank also gave Taka 25 crore to Grameen Kalyan by transferring to SAF as imputed interest. That means total amount of fund given by GB to Grameen Kalyan is Taka 69 crore.
- The key objectives of establishing Grameen Kalyan are to take various programs and to implement those for the development of the members/ employees of GB, to finance and invest in other associate institutions in taking various projects targeted to remove poverty and create employment, to provide financial assistance for higher education of the offspring of the members/ employees of GB.
- Grameen Kalyan is working for the welfare of the members/ employees of GB through reimbursing education scholarship and providing interest free credit to the offspring of the members/ employees and 12% interest subsidy on interest free credit given to the struggling members.
- Grameen Kalyan has reimbursed total Taka 64.38 crore (from 2008-2010) for the development of the members/ employees of GB (interest subsidy on education, beggars and medical treatment credit at 0% interest given by GB).
- At present the total amount of investment in 13 institutions by Grameen Kalyan is Taka 82.04 crore
- Directors are- Dr. Muhammad Yunus, Mr. Mohammad Imamus Sultan, Mrs. Nurjahan Begum, Mr. A.S.M. Shamim Anower, Mr. M. Shahjahan, Jannat-e-kaonain, and Mr. Anowar Hossain.

- Among 7 members of the Board of Directors of this institution, 5 members are the officials of Grameen Bank.
- Dr. Muhammad Yunus is the chairman of the Board of Directors Grameen Kalyan.
- Five officials of Grameen Bank provided guarantee in the formation of Grameen Kalyan.
- At present, the list of institutions financed (in the form of equity/credit) by Grameen Kalyan is the following:
  - Grameen Knitwear Ltd.
  - Grameen Byabosha Bikash
  - Grameen Capital management Ltd.
  - Grameen IT park Ltd.
  - Grameen Solution Ltd.
  - Grameen Danon Foods Ltd.
  - Grameen Health Care Services Ltd.
  - Grameen Star Education Ltd.
  - Grameen Telecom Ltd.
  - Grameen Shikkha.
  - Grameen Distirbution Ltd.
  - Grameen Fabrics and Fashions.
  - Grameen Krishi Foundation.
- Grameen Kalyan is established with the fund ‘Social Advancement Fund (SAF)’ of Grameen Bank. Establishment of Grameen Kalyan by Grameen Bank not in accordance with Grameen Bank Ordinance 1983.

### **5.02.3. Packages Corporation**

Packages Corporation is a family enterprise of Dr. Muhammad Yunus, Managing Director of Grameen Bank. From 1990 to 2005, amount of loan given to this enterprise and the amount repaid by the borrower were Taka 966.44 lac and Taka 869.69 lac, respectively. During this period, Taka 189.79 lac was charged as interest on the credit of which Taka 141.91 lac was repaid. As a result, in 2005, amounts payable to Grameen Bank by Packages Corporation were Taka 96.75 lac and Taka 47.88 lac (total Taka 144.63 lac) as principal and interest, respectively. The interest was calculated by imposing 10% interest rate on the term loan and 16% up to 1996 and from 1997 12% on working capital loan given to Packages Corporation.

In the 76<sup>th</sup> board meeting held in 2006, 5% interest rate was refixed on the loan given to Packages Corporation by GB up to December 2005. Following this decision, the Board fixed Taka 7.22 lac as the debt of Packages Corporation although the real debt was total Taka 144.63 lac (Taka 96.75 lac as principal and Taka 47.88 lac as interest). That means a total of Taka 137.41 (144.63-7.22) lac was waived. But at that time, since interest balance of Grameen Bank was Taka 47.88 lac, excess interest amount (on the basis of 5% interest rate) paid by the clients was regarded as principal.

There is no scope for waiving interest already recovered from the borrower institution. But the Board has allowed waiver of Taka 137.41 lac. The amount of interest due to the borrower was Taka 47.88 lac. That means the Board has waived Taka 89.53 lac (137.41-47.88) as principal. Interest of the depositors is hampered if the principal of credit is waived. This waiver facility has been allowed to Dr. Muhammad Yunus's family enterprise by violating the rule.

From 1990 to 1997 Grameen Bank was in the charge of managing the institution. All printing and packaging activities of Grameen Bank were accomplished by Packages Corporation. It may be mentioned that according to the procurement guidelines of Grameen Bank, Open tender is to be floated for procuring printing/stationery of more than Taka 2.00 lac. But without going for any open tender Grameen Bank procured printing/stationery from Packages Corporation.

In the final evaluation report on the Grameen Bank project by the donors submitted in January 1994, objection was raised against the continuation of Studies, Innovation, Development and Experimentation (SIDE) project by the management of GB and the management of Packages Corporation, Dr. Muhammad Yunus's family enterprise with allowing credit facility by GB. In spite of this objection, credit facility was given to Packages Corporation from the fund of SIDE.

Management of the family enterprise of the Managing Director, procuring goods and services from this institution without competitive tendering system and financing to it with allowing waiver of interest and principal amount of the credit create conflict of interest. It may be mentioned here that financial statements of the Packages Corporation of 2010 show that Packages Corporation is not given any credit facility by GB or its associate institutions at that time.

#### **5.02.4. Grameen Byabosha Sheba Ltd.**

- This institution was established as a limited company in 1996.
- This institution was established with a view to releasing the people from the excessive profiteering tendency of the middlemen.
- Activities of the institution were closed in 2003 since it failed to run satisfactorily.
- This institution was given Taka 1.90 lac as equity by Grameen fund (75%).

- Directors of the institution are – Mr. M. Imdadul Hoque, Mr. Altaf Hossain, Mr. Kazi Sultan Ahmed and Mr. M. Rabiul Islam.

**5.02.5. Globe Kids Digital Ltd.**

- This institution was established as a private limited company in 2002.
- This institution was established to produce animation and multimedia products.
- Activities of the institution were closed in 2004 since it failed to run satisfactorily.
- This institution was given Taka 10.80 lac as equity by Grameen Fund (35%).
- Directors of the institution are – Sheikh Abdud Daian, Mr. M. Khaled kadir, Mr. M.A. Malek, Mrs Shirin Kadir and Mr. M. Imdadul Hoque.

**5.02.6. Grameen Bi-tek Ltd.**

- This institution was established as a private limited company.
- This institution was established to produce and market electrical equipments.
- This institution was given Taka 20.40 lac as equity (51%) and Taka 53.30 lac as credit by Grameen Fund.
- Directors of the institution are- Mr. Muhammad Khaled Shams, Sheikh Abdud Daian, Mr. M. Imdadul Hoque, Mr. M Jamal Uddin Biswas, Kazi Sultan Ahmed, Mr. A.K.M. Shamsul Huda and Mrs Sultana Khurshida.
- Among seven members of the Board of Directors, one member is an employee of GB.

**5.02.7. Grameen Cyber net Ltd.**

- This institution was established as a private limited company.
- This institution was established to provide internet facilities, software, web and network services.

- This institution was given Taka 2.04 crore as equity by Grameen Fund (51%).
- Directors of the institution are- Sheikh Abdud Daian, Mr. Golam Mohiuddin, Mr. Muhammad Jamal Uddin Biswas, Mr. Ashraful Hasan, Mr. M. Imdadul Hoque, Mr. Shafkat ullah, Mr. Ajher H. Chowdhory, Mr. Shah Syed Bodrul Bari and Mir Mummad Mostaq.
- Among nine members of the Board of Directors, one member is an employee of GB.
- Head office of this institution is located at GB Bhaban.

#### **5.02.8. Grameen Information Highway Ltd.**

- This institution was established as a private limited company in 2001 to run business of information-technology. But it hasn't yet commenced its operation.
- This institution was given Taka 6.70 lac as equity by Grameen Fund (26.59%).
- Directors of the institution are- Dr.Muhammad Yunus, Mr. Muhammad Khaled Shams, Mrs Nazneen Sultana, Mr. Abdullah Al Mahmud and Mr. Moshiur Rahman.
- Among five members of the Board of Directors, Dr.Muhammad Yunus is the chairman.
- Head office of this institution is located at GB Bhaban.

#### **5.02.9 Grameen Shamogree**

- Grameen Shamogree was established in 1996 as a company limited by guarantee.

- Grameen Shamogree was established to facilitate the management of the institution through financing and providing other assistances so that all types of products produced in our country can be marketed in home and abroad as well as to establish trade or industry under joint venture.
- This institution was initially given Taka 2.42 crore as loan by Grameen fund. But at present it has no credit from GB allied institutions.
- Directors of the institution are- Dr.Muhammad Yunus, Mr. Muhammad Khaled Shams, Mr.S.M Shamim Anowar, Prof. H.I. Latifi, Mr. Dulal Chandra kar, Mr. S.M. Musa.
- Among six members of the Board of Directors, Dr.Muhammad Yunus is the chairman. Three officials of GB have given guarantee in establishing this institution, but they cannot give guarantee by law as they are public servant.
- This institution is located at GB Bhaban.

#### **5.02.10. Rafique Autovan Manufacturing Industries Ltd.**

- The organization was established as a limited company in 2002.
- It manufactures three/four wheelers autovan.
- The equity of Grameen fund in it is Taka 12.2 lac (40%).
- The directors are: Sheikh Abdud Daian, Mr. Hasan Reza, Mr. M Imdadul Haque, Kazi Sultan Ahmad, Mr. Rafiqul Islam, Mr. M Musharaf Hossain, Mr. Mustafizul Karim Manik and Mr. Hashim Reza.

#### **5.02.11. Tulip Dairy and Food Products Ltd.**

- The institution was established with a view to producing dairy products.
- The equity of Grameen fund is Taka 39.90 lac (25.50%).
- The directors are Dr. Jafarullah Chowdhury, Dr. Golam Mahbub, Mr. Tarun Chakrobarty Fiju, Ms. Rehan Parveen, Mr. Muhammad Shafiuddin and Ms. Sandhya Ray.

### **5.02.12. Grameen Byabosha Bikash**

- Grameen Byabosha Bikash is an institution, limited by guarantee, established in 2001.
- The main purposes of the organization are to help the poor entrepreneurs for their business development, to help the institutions engaged in activities related to poverty alleviation, to help marketing of the goods of the rural producers and handicrafts, to provide guarantee facilities against Grameen Bank loans.
- At the commencement, the organization was supported with Taka 1.10 lac from Grameen Bank Risk Fund and 7lac from Grameen Kalyan, which has been repaid subsequently.
- The directors are Dr. Muhammad Yunus, Ms. Saleha Begum, Mr. Siddiquir Rahman, Mr. Dulal Chandra Kar, Mr. Md. Akter Hossain, Mr. Md. Abul Khair, Mr. A S M Mohiuddin and Ms. Umme Kulsum.
- Among the eight members of the Board of Directors of the organization, seven members are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of the Board of Directors of the organization.
- Seven officers of Grameen Bank have offered guaranty for formation of the institution, as public servant who cannot actually do that.

Grameen Byabosha Bikash gets 1% service charge against the guaranty provided for Grameen Bank loans. As it is an organization formed with financial assistance/support and superintendence/management/supervision of Grameen Bank, giving it this 1% service charge is similar to money transfer from Grameen Bank.

### **5.02.13. Grameen Capital Management Ltd.**

- Grameen Capital Management Ltd. was founded as a private limited company for accomplishment of merchant banking activities.
- Grameen fund and Grameen Kalyan contributed equities of Taka 7.5 crore (75%) and Taka 2.5 crore (25%) respectively.
- The directors are Dr. Muhammad Yunus, Mr. Muhammad Khaled Shams, Sheikh Abdud Daian, Ms. Nurjahan Begum, Mr. Mohammad Imdadul

Haque, Mr. Md. Ali Uzzaman, Mr. M Shahjahan and Mr. Md. Imamus Sultan.

- Three members among the eight of Board of Directors are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of the Board of Directors of the organization.

#### **5.02.14. Grameen Knitwear Ltd.**

- Established as a private limited company, Grameen Knitwear Ltd. is a 100% export oriented knitwear factory.
- The equities held by Grameen fund and Grameen Kalyan are Taka 2.7 crore (32%) and Taka 5.75 crore (68%) respectively. Beside this, the amount of preferential share owned by Grameen Kalyan is Taka 4.67 crore.
- The directors are Dr. Muhammad Yunus, Ms. Nurjahan Begum, Sheikh Abdud Daian, Mr. S M Shamim Anowar, Mr. M Shahjahan, Mr. Md. Imamaus Sultan, Mr. Golam Mustofa, Mr. Mohammad Imdadul Haque and Mr. Md. Ashraful Hasan.
- Three among the nine members of Board of Directors are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of the Board of Directors of Grameen Knitwear Ltd.

#### **5.02.15. Grameen Star Education Ltd.**

- The organization was established in order to provide training on Information Technology through franchise.
- The equity of Grameen fund and Grameen Kalyan are respectively Taka 6.50 lac (19.17%) and Taka 24.00 lac (70.44%). Beside this, the loan amount from Grameen fund is Taka 43.5 lac.
- The directors are Dr. Muhammad Yunus, Mr. Muhammad Khaled Shams, Sheikh Abdud Daian, Mr. Md. Imamus Sultan, Mr. Mohammad Imdadul Haque, Mr. Abdullah Al Mahmud and Kazi Sultan Ahmad.
- Dr. Muhammad Yunus is the chairman of the Board of Directors of the organization constituted of seven members.
- The institution was closed in 2004 as it was not profitable.

#### **5.02.16. Grameen Telecom Ltd.**

- With a view to performing ICT activities, poverty elimination of rural people and development of life standard, Grameen Telecom Ltd. was founded.
- Grameen Kalyan supplied the total (100%) equity of this institution amounting Taka 53.26 crore.
- The organization has financed twelve institutions including Grameen Phone Ltd. Grameen Telecom Ltd. possesses Taka 461.77 crore (34.20%) as equity of Grameen Phone Ltd.
- The directors are Dr. Muhammad Yunus, Mr. S M Hujjatul Islam Latifi, Ms. Nurjahan Begum, Sheikh Abdud Daian, Mr. M Shahjahan, Mr. Md. Siddiqur Rahman, Mr. Md. Hossain Ali and Mr. Md. Ashraful Hasan.
- Five among the eight members of Board of Directors are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of the Board of Directors of Grameen Telecom Ltd.

#### **5.02.17. Grameen Phone**

- Grameen Phone was established to extend country- wide telecommunication service.
- Grameen Telecom Ltd. holds Taka 461.77 crore as equity of the institution. The paid-up capital of Grameen Phone was Taka 1215.00 crore as on 31 December, 2009. Grameen Telecom possesses 34.20% share of the organization.
- The institution has financed Taka 83.00 crore to Grameen Shikkha.
- The directors are Mr. Sigvey Breke, Ms. Nurjahan Begum, Mr. Hildey Tane, Mr. M Shahjahan, Mr. Per Eric Hiland, Mr. Md. Ashraful Hasan, Mr. Note Bergen and Mr. Snure Comeleusen.
- Among the eight members of the Board of Directors of the organization, two are Grameen Bank officials on behalf of Grameen Telecom.

#### **5.02.18. Grameen Uddyog**

- Grameen Uddyog was formed for the purpose of development of hand-made clothes.
- Grameen fund and Grameen Telecom supplied capital for Taka 1.35 crore and Taka 5.80 crore respectively.
- The directors are Dr. Muhammad Yunus, Mr. S M Shamim Anowar, Mr. M Shahjahan, Ms. Jannat-E-Kaunain, Mr. Md. Aktar Hossain, Mr. Mir Akter Hossain, Ms. Umme Kulsum, Mr. Md. Hossain Ali and Mr. S M Musa.
- Eight among the nine members of Board of Directors are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of the Board of Directors of Grameen Uddog.

#### **5.02.19. Grameen Solution Ltd.**

- Grameen Software Ltd., established for conducting information technology related activities, was renamed as Grameen Solution later on.
- The equity held by Grameen Fund, Grameen Kalyan and Grameen Telecom are Taka 1.15 crore, Taka 1.55 crore and Taka 1.93 crore respectively.
- The directors are Dr. Muhammad Yunus, Mr. Muhammad Khaled Shams, Sheikh Abdud Daian, Mr. Md. Imamus Sultan, Mr. Mohammad Imdadul Haque, Ms. Kamrul Mina, Mr. Aziz U Ahmed, Mr. Abdullah Al Mahmud, Mr. Naimuddin Chowdhury, Mr. Ashraful Hassan, Ms. Naznin Sultana and Mr. Kazi Islam.
- Dr. Muhammad Yunus is the chairman of the twelve members' Board of the institution.

#### **5.02.20. Grameen Shamogree Purbanchal**

- Grameen Samogree Purbanchal was constituted to assist the production and marketing of goods by rural people.
- The equity held by Grameen Shamogree and Grameen Byabosha Bikash are Taka 19.8 lac (98%) and Taka 0.20 lac (2%) respectively.
- The directors are Mr. M Shahjahan, Ms. Nurjahan Begum, Mr. S M Shamim Anowar, Mr. Dulal Chandra Kar and Ms. Umme Kulsum.

- Four members among the Five of Board of Directors are Grameen Bank officials.

#### **5.02.21. Grameen Shamogree Uttaranchal**

- Grameen Samogree Uttaranchal was established to support the production and marketing of goods by rural people.
- The equities held by Grameen Samogree and Grameen Shikkha are respectively Taka 1.98 million (98%) and Taka 0.02 million (2%).
- The directors are Ms. Nurjahan Begum, Mr. M Shahjahan, Mr. S M Shamim Anowar, Mr. Md. Anowar Hossain and Mr. Ratan K Nag.
- Four among the five members of Board of Directors are Grameen Bank officials.

#### **5.02.22. Grameen IT Park Ltd.**

- Grameen IT Park Ltd. was established in 2002 for providing the structural development of the probable/possible IT firms with necessary assistance. But the activities of the company were closed since 2004.
- The equity held by Grameen Fund, Grameen Kalyan and Grameen Telecom in the organization are Taka 54.2 lac, Taka 75.8 lac and Taka 75.8 lac respectively.
- Grameen Bank exempted the institution from arrears of loan for Taka 2.45 crore.
- The directors are Dr. Muhammad Yunus, Mr. Muhammad Khaled Shams, Sheikh Abdud Daian, Mr. Md. Imamaus Sultan, Mr. Naznin Sultana, Mr. A H Ikramul Hossain and Mr. Md. Musaddequr Rahman.
- Dr. Muhammad Yunus is the chairman of the Board of Directors, comprising seven members.

#### **5.02.23. Grameen Danone Foods Ltd.**

- Grameen Danone Foods Ltd. was founded for production and distribution of dairy/milk products.
- Each of Grameen Kalyan, Grameen Byabosha Bikash and Grameen Telecom possesses 16.67% of equities of the organization amounting Taka 2.19 crore each.

- The directors are Dr. Muhammad Yunus, Mr. Absar Kamal, Ms. Saleha Begum, Mr. Ashrafal Hassan, Mr. Imanuel Faber, Mr. Laren Sachi, Mr. Imanuel Merchant and Mr. Felix Martin.
- Dr. Muhammad Yunus is the chairman of the eight members' Board of Directors of the organization.

#### **5.02.24. Grameen Healthcare Services Ltd.**

- It was constituted as a social business organization for dealing in health service development.
- The equities held by Grameen Kalyan, Grameen Byabosha Bikash and Grameen Telecom are Taka 1.5 crore, Taka 1.5 crore and Taka 2.5 crore respectively.
- The directors are Dr. Muhammad Yunus, Ms. Nurjahan Begum, Mr. Md. Imamus Sultan, Ms. Saleha Begum, Mr. Md. Ashrafal Hassan, Mr. Absar Kamal and Ms. Lamia Morshed.
- Two members among the seven of the Board of Directors are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of the Board of Directors of Grameen Healthcare Services Ltd.

#### **5.02.25. Grameen Distribution Ltd.**

- The organization was established as a social business firm with a view to developing marketing network in the rural areas.
- The equity held by Grameen Kalyan and Grameen Telecom are Taka 25.00 lac (5%) and Taka 4.75 crore (95%) respectively.
- The directors are Ms. Nurjahan Begum, Sheikh Abdud Daian, Mr. Md. Imamus Sultan, Mr. M Shahjahan, Mr. Md. Siddiqur Rahman, Mr. Md. Hossain Ali and Mr. Md. Ashrafal Hassan.
- Four among the seven members of the Board of Directors of the institution are Grameen Bank officials.

#### **5.02.26. Grameen Fabrics and Fashions Ltd.**

- Grameen Fabrics and Fashions Ltd., a private limited company, was established for the purpose of forming environment friendly knitwear factory.
- The equity held by Grameen Kalyan and Grameen Telecom are Taka 10.00 crore (67%) and Taka 5.00 crore (33%) respectively.
- The directors are Dr. Muhammad Yunus, Professor H I Latiffee, Ms. Nurjahan Begum, Sheikh Abdud Daian, Mr. M Shahjahan, Mr. Md. Imamus Sultan and Mr. Md. Ashraful Hassan.
- Three members among the seven of the Board of Directors are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of the Board of Directors of Grameen Fabrics and Fashions Ltd.

#### **5.02.27. Grameen Health Care Trust**

- Grameen Health Care Trust was constituted in 2006 for the development of health sector of the country.
- Grameen Telecom possesses equity of it for Taka 3.32 crore.
- The directors are Dr. Muhammad Yunus, Professor H I Latiffee and Ms. Nurjahan Begum.
- Two among the three members of the Board of Directors are Grameen Bank officials. Dr. Muhammad Yunus is the chairman of Grameen Health Care Trust.

#### **5.02.28. Grameen Telecom Trust**

- In order to extend the social business/trade, Grameen Telecom Trust was established in 2010.
- The grant amount from Grameen Telecom is Taka 13.71 crore to this Trust.
- The directors are Dr. Muhammad Yunus, Professor H I Latiffee, Ms. Nurjahan Begum, Sheikh Abdud Daian, Mr. M Shahjahan, Mr. Sissiqur Rahman, Mr. Hossain Ali and Mr. Md. Ashraful Hassan.
- Among the eight members of the Board of Directors of the organization, five are Grameen Bank officials.

- Dr. Muhammad Yunus is the chairman of Grameen Telecom Trust.

#### **5.02.29. Gonoshastha Grameen Textile Mills Ltd.**

- Gonoshastha Grameen Textile Mills Ltd. was established for assisting the production of thread/cotton and hand-made goods.
- Grameen Uddyog holds equity of it for Taka 9.52 crore (13.17%).
- The directors are Dr. Jafarullah Chowdhury, Mr. S M Shamim Anowar, Mr. Md. Shamsul Huda, Dr. Abul Kashem Chowdhury, Mr. M Zakaria, Mr. Tarun Chakraborty Fizu, Ms. Rokeya Parveen Nilu, Ms. Dilruba Khatun and Ms. Sandhya Ray.

#### **5.02.30. Grameen Shikkha**

- Grameen Shikkha, a non-profitable organization limited by guarantee, was established for expansion of education among the poor people.
- Grameen Fund, Grameen Kalyan, Grameen Bikash, Grameen Knitwear, Grameen Uddog, Grameen Phone and Grameen Telecom supplied capital Taka 2.00 lac, 10.00 lac, 2.00 lac 10.00 lac, 82.50 lac and 31.00 lac respectively.
- The directors are Dr. Muhammad Yunus, Ms. Nurjahan Begum, Mr. Muhammad Khaled Shams, Dr. Muhammad Ibrahim, Sheikh Abdud Daian, Ms. Joushan Ara Rahman Ms. Naznin Sultana and Mr. M Shahjahan.
- Among the eight members of the Board of Directors of the organization, three are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of Grameen Shikkha.
- Three officials of Grameen Bank have offered guarantee for formation of the institution.

#### **5.02.31. BASF Grameen Ltd.**

- BASF Grameen Ltd. was established with a view to extending social business.
- The possessed equity by Grameen Health Care Trust is Taka 0.90 lac (0.5%).
- The directors are Dr. Muhammad Yunus, Mr. Sauri Du Boarg and Mr. Prosad Chandra.

- Dr. Muhammad Yunus is the chairman of the Board of Directors of the institution formed by three members.

#### **5.02.32. Grameen Veolia Water Ltd.**

- Grameen Veolia Water Ltd. was established for supplying pure drinking water to arsenic affected people.
- The held equity of Grameen Health Care Services Ltd. is Taka 1.50 crore (50%).
- The directors are Dr. Muhammad Yunus, Mr. Jin Maikel Hereoin, Mr. Eric Leziur, Mr. Petrik Rocio, Mr. Md. Ashraful Hassan and Mr. Md. Imamus Sultan.
- Dr. Muhammad Yunus is the chairman of the six members' Board of Directors of the institution.

#### **5.02.33. Grameen Krishi Foundation**

- Grameen Krishi Foundation was established for food production and achieving food security for the rural poor people.
- Grameen Kalyan, Grameen Telecom and Grameen Telecom Trust supplied capital for Taka 9.5 crore, Taka 8.32 crore and Taka 1.93 crore respectively.
- The directors are Dr. Muhammad Yunus, Mr. Muhammad Khaled Shams, Sheikh Abdud Daian, Ms. Nurjahan Begum, Mr. M Shahjahan and Mr. Md. Siddiqur Rahman.
- Four members among the six of the Board of Directors are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of Grameen Krishi Foundation.

#### **5.02.34. Grameen Matshya And Poshu Sampad Foundation**

- Grameen Matshay And Poshu Sampad Foundation was established for the development of fisheries and livestock.
- The capital supplied by Grameen Telecom Trust is Taka 1.6 crore.
- The directors are Dr. Muhammad Yunus, Mr. M Shamim Anowar, Dr. Md. Shafi, Dr. Nazir Ahmed, Dr. Absar Kamal, Ms. Nurjahan Begum, Mr. Akter Hossain, Mr. Md. Shahjahan Ali and Mr. Md. Ehsanul Bari.

- Four among the nine members of the Board of Directors of the organization are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of Grameen Matshya And Poshu Sampad Foundation.

#### **5.02.35. Grameen Employment Services Ltd.**

Grameen Employment Services Ltd. was established as a social business organization in order to create employment through exporting our manpower to foreign countries.

- The equity possessed by Grameen Shikkha is Taka 49.00 lac (98%).
- The directors are Dr. Muhammad Yunus, Ms. Nurjahan Begum, Mr. M Shahjahan, Mr. Md. Ashraful Hassan, Ms. Lamia Morshed and Ms. Naznin Sultana.
- Three among the six members of Board of Directors are Grameen Bank officials.
- Dr. Muhammad Yunus is the chairman of Grameen Employment Services Ltd.

#### **5.02.36. Grameen Yukiguni Muitaki Ltd.**

- Grameen Yukiguni Muitaki Ltd. was established to help in producing agricultural products by local farmers. This institution hasn't yet been registered.
- The equity held by Grameen Krishi Foundation is Taka 17.50 lac (51%)
- Directors are: Dr. Muhammad Yunus, Mr. Ehasanul bari, Dr. Abiar Rahman, Mr. Ushenubo odaira, Professor Mashaharu Okada, Mr. Ukuha Shataki and Mr. Shenji Moroshaoya.
- Dr. Muhammad Yunus is the chairman of seven member Board of Directors of this institution.

#### **5.02.37. Nobel Laureate Trust:**

Grameen Bank is the Settler/Grantor of Nobel Laureate Trust. Grameen Bank's chairman is the ex-officio chairman of the trustee board of Nobel Laureate

Trust. Dr. Muhammad Yunus and other five members of GB are the members of this trustee board. Dr. Muhammad Yunus, Mr. Tobarak Hossain, Mr. Kamrul Hasan, Mr. Dipal Chandra Barua, Mrs. Nurzahan Begum and Mr. M Shajahan are the members of the trustee board. The trust was formed to establish Yunus Center and provide financial and other assistance to it and for giving opportunity to Yunus Center to use floor space from Grameen Bank. No other activity of this institution has been observed but taking allotment of 11,000 square feet space at 15th floor worth of taka 1000 from Grameen Bank under an agreement and allotting it to the Yunus Center on same rent under another contract. It is mentionable that, Yunus Center is mainly a personal institution of Dr. Muhammad Yunus.

#### **Other related institutions:**

Besides the above stated institutions, Dr. Muhammad Yunus has personal relation with the following institutions:

#### **5.02.38. Grameen Trust:**

To spread the concept of Grameen Bank all over the world for alleviating poverty, Grameen Trust was formed in 1989. It is a company limited by guarantee. Initially, this institution started its activities by taking loan amounting to taka 26 thousand. At present this institution has been run by grant and loan. Among the 5 members of the Board of Directors of this institution, 4 members are the employees of Grameen Bank. Dr. Muhammad Yunus is the chairman of Grameen Trust. Four employees of Grameen Bank have given guarantee in forming this institution.

#### **5.02.39. Grameen Credit Agricole:**

This institution is a French Foundation registered in Luxemburg for micro finance. Grameen Trust has supplied capital fund worth of Euro 1000 as token money. Dr. Muhammad Yunus is the chairman of Grameen Credit Agricole.

#### **5.02.40 Grameen Communications Ltd.:**

Grameen Communications has been formed by transforming the computer services unit of Grameen Trust as a separate organization. Dr. Muhammad Yunus is the chairman of the Board of Directors of Grameen Communications Ltd.

All the computer accessories (Hardware and software) of Grameen Bank are purchased from Grameen Communications. It is mentionable that according to the article no 4.1 of Grameen Bank's own procurement guideline; it is compulsory/mandatory to ask for open tender for procuring goods and services worth of more than taka 1 lac other than printing and stationery equipments. Nevertheless, open tender has not been floated in procuring from Grameen Communications.

#### **5.02.41. Grameen Intel Social Business Ltd.**

In this institution the equity share of Grameen Trust is worth of Taka 3.40 lac (0.49%). Dr. Muhammad Yunus is the chairman of the Board of Directors of Grameen Intel Social Business Ltd.

#### **5.02.42 Grameen Shakti**

- Grameen Shakti was formed in 1996 to produce, spread and market environment friendly renewable energy cost effectively. It is a company limited by guarantee. This institution started its activities by taking grant of taka 31.21 lac, 16.64 lac and 4.40 lac from Rocfelor Brothers, Sticking Gilarce and Grameen Trust respectively and Taka 6.66 lac loan from Grameen Fund.
- Dr. Muhammad Yunus is the chairman of Grameen Shakti. Dr. Muhammad Ibrahim, Mr. SM Hujjatul Islam Lotifi, Mrs. Nurjahan Begum, M Shajahan, Mr. Md. Siddikur Rahman, Mr. Afsar Kamal and Mr. Md. Ashraful Hasan are working as the directors of the Board of Directors of this institution.
- On behalf of Grameen Shakti, Grameen Bank gave a guarantee in foreign currency to International Finance Corporation worth of \$ 7.50 lac against loan without prior approval of Bangladesh Bank (approval has been taken after the action). According the Grameen Bank Ordinance, 1983 Grameen Bank cannot give guarantee against the loan of any other institution.

#### **5.02.43. Yunus Centre Trust**

- It is the trust formed by Dr. Muhammad Yunus. Dr. Muhammad Yunus donated taka 1.00 lac as the Settler/Grantor of this institution. The main objectives of this institution are to increase the awareness about equal right

of women, to spread the concept of micro credit activities and social business, to manage the institutional education for the concept of micro credit and social business, arrange seminar, symposium etc.

- Dr. Muhammad Yunus is the chairman of the trustee board of this institution. Nobel Laureate Trust which is established by Grameen Bank taking allotment of 11,000 square feet space at 15th floor of the bank worth of taka 1000 by an agreement with Grameen Bank and give this to Yunus Center which is the personal institution of Dr. Muhammad Yunus on same rent under another agreement. The interest of GB has been hampered due to giving opportunity of using the 11,000 square feet floor of the bank against petty rent to its Managing Director

#### **5.02.44. Grameen America Incorporated**

It is an institution registered in New York to provide microcredit to the low income entrepreneur. Dr. Muhammad Yunus is the chairman of Grameen America.

#### **5.02.45 Grameen Technology Lab GMBH**

It is a German institution. Yunus Center is the owner of 51% share of it. Dr. Muhammad Yunus is the founder of it.

#### **5.02.46 Grameen Technology Lab**

It is a Japanese foundation formed by Hakozaki Campus of Kyushu University, Japan. Dr. Muhammad Yunus is the chairman of it.

#### **5.02.47 Grameen Caledonian Nursing College**

It is a nursing college established by the jointly initiative of Grameen Trust and Glasgow Caledonian University. For giving training on nursing and obstetrics the agreement for establishing the stated college is signed in 2009. It starts its activities in March, 2010.

#### **5.02.48. Grameen Shokti Samajik (Social) Byabsha (Business) Ltd:**

- This institution has been formed for renewable energy, marketing of solar energy equipment, bio gas plant and making high quality cooking oven.

- The equity supplied by Grameen Shokti and Grameen Trust is taka 99.75 lac and 0.25 lac respectively.
- Directors: Dr. Muhammad Yunus, Professor HI Lotif, Dr. Muhammad Ibrahim, Mrs. Nurjahan Begum, Mr. M Shajahan, Mr. Md. Siddikur Rahman, Mr. Abser Kamal, Mr. Md. Ashraful Hasan and Mr. Tamim Islam.
- Among the 9 members of the Board of Directors of this institution numbers of 4 are the employees of Grameen Bank. Dr. Muhammad Yunus is the chairman of the Board of Directors of this institution.

### **5.03. Review**

5.03.1. Review committee has studied in detail the minutes of the 30<sup>th</sup> to 62<sup>nd</sup> meetings of the Board of directors of Grameen Bank. The decision of forming Grameen Motshya (Fish) Foundation has been taken at the 31st meeting. At that stated meeting, it was decided that a trust named Social Venture Capital Fund for separate management of Social Venture Capital Fund (SVCF) would be formed. At the 32nd meeting, an Executive Committee was formed with the government nominated members. A decision was taken to continue the process of forming a separate institution in the name of "Grameen Fund" in the 33rd meeting. At 34th meeting, responding to the question of director Dr. Sadat Hossain, the Managing Director stated that it is not possible to run Grameen Motsha (Fish) Foundation, Grameen Fund and Grameen Yddyog within the rules and regulations of Grameen Bank. Grameen Bank will mainly be the sponsor of these institutions. At 35th meeting, activities of the following 12 projects operated under the SIDE Program were discussed:

1. Joy Sagar Fish Farm
2. Dinajpur Fish Farm
3. Satkhira Shrimp Farm
4. Chokoria Shrimp Farm
5. Fish Seed Production Farm
6. Service Center
7. Southern Agri Project
8. Baufal Agri Project
9. Housing Building equipment Project
10. Pure Honey Production Project

11.Silk Project

12.Packages Corporation.

5.03.2. At 37th meeting, the proposal of Grameen Bank to be the guarantor of the loans taken by any institution created by Grameen Bank from other financial institutions was approved. It was decided that Grameen Bank can be the guarantor for a maximum of taka 25.00 crore in case Grameen Uddyog takes loan from other financial institutions. The Board has given the power to the Managing Director of the bank for giving such guarantee to Grameen Uddyog for a maximum of taka 25.00 crore. At that meeting, the Board gave authority to Grameen Trust for running rural health program (Grameen Health Program). For running the stated program, the Board authorized the Managing Director of Grameen Bank to decide on the conditions of loan to Grameen Trust along with sanctioning power. At 39th meeting, Board approved the formation of an autonomous institution named "Grameen Samagri". At 41st meeting, Grameen Uddyog submitted its annual balance sheet to the Board of Directors of Grameen Bank as it (Grameen Bank) is the guarantor of that institution (Grameen Uddyog). Besides, the proposal of giving loan to Grameen Telecom from SAF worth of taka 30 crore was approved. The 42nd meeting approved the proposal to form an autonomous institution named "Grameen Shokti". Dr. Akbar Ali Khan presided over all the above stated meetings.

5.03.3. At 47th meeting, it was approved that Grameen Bank may give guarantee worth of maximum Taka 10.00 crore for taking loan from other institutions by Grameen Krishi Foundation and the authority was given to the Managing Director of the bank to issue such guarantee. At 48th meeting, the audited annual accounts of the institutions formed by Grameen Bank were submitted to the Board of Directors. The proceedings of this meeting (April 16, 1998) are especially noteworthy. Professor Rehman Sobhan, the chairman of the Board of Directors presided over the stated meeting. It stated that, according to the decision taken at the 35th meeting of the Board of Directors held on April 21, 1994, the yearly account statements (income-expenditure account and balance sheet) of the institutions, formed by Grameen Bank and where it has also provided guarantee against any loans taken by them from any other financial institution, would regularly be placed before the Board for the information of the Board of Directors of the bank.

The Proceedings of the meeting is under mentioned:

"According to the decision of the Board of Directors in that meeting the audited account statements (income-expenditure account and balance sheet) of the 4 institutions namely, Grameen Uddyog, Grameen Telecom, Grameen Krishi Foundation and Grameen Motshya Foundation were submitted for the information of the Board of Directors as Grameen Bank is the guarantor of these institutions. Discussing on the topic, Mr.Samsujjaman Chowdhury, one member of the Board of Directors said, there is nothing in these statements about the break-down of the amounts guaranteed by Grameen Bank for each institution, or, what's the benefit the bank is getting for being the guarantor. No clear idea can be made about the activities of these institutions from the audit reports which have been submitted for the information of the board. According to these audited report, he said, it appears that these institutions have taken various loans at various times from Grameen Bank. He advised to presentation of clear and constructive proposals on this topic in future.

On the same topic, the chairman of the Board of Directors Professor Rehman Sobhan expressed his opinion to the effect that as these institutions have been formed with the approval of board of Grameen Bank, it is necessary for the Board of Directors of the bank to be aware/ informed about the activities and the progress of these institutions. In connection with this, Managing Director commented that, possibly for this reason it has been decided in a previous meeting of the board that the institutions formed by Grameen Bank will submit a report about their activities and progress for information of the Board of Directors of the bank. In this matter, he advised the secretary of the bank to take necessary action by examining the past decisions of the board.

After the conversation on the above mentioned topic, the following decisions were taken in the meeting of the Board of Directors dated on 16.04.1998:

- " 1. The Board of Directors was informed about the following information regarding guarantees provided by Grameen Bank against loans taken from any other banks and leasing institutions by four institutions namely, Grameen Uddyog, Grameen Telecom, Grameen Krishi Foundation and Grameen Motsyha Foundation.

Taka in crore

Serial no	Name of associate institution	Amount of guarantee	Maturity of guarantee	Ceiling of the guarantee	Service charge	Comment
01	Grameen Uddyog	24.00	01 year	25.00	0.50%	-
02	Grameen Telecom	20.00	06 years	30.00	0.50%	-
03	Grameen Krishi Foundation	10.00	01 year	10.00	0.50%	-
04	Grameen Motsyha Foundation	0.50	08 years	5.00	0.50%	-
	Total	54.50				

2. The board of directors was informed about the annual audited accounts (income-expenditure account and the balance sheet) of the stated four institutions.

3. The board of directors was also informed that as the date of maturity of the guarantee for Grameen Uddyog was over; the total amount of guarantee issued in favor of the rest three institutions has been shown as contingent liability on the balance sheet of the bank.

4. In future, if Grameen Bank becomes the guarantor of any institution which has taken loan from other banks or leasing institutions, a summary report on the important points written in the audited report would be placed to the board of directors at the time of presenting annual account to the board.

5. From now on, the institutions which are formed by the approval of board of Grameen Bank, have to submit a detailed report about their activities and progress every year on a regular basis at the meeting of the board of directors of Grameen Bank for information."

5.03.4 At 56th meeting, Grameen Bank was given the approval for being the sponsor of the Grameen Mutual Fund. At 59th meeting, the draft regulations were approved for appointing Managing Director. At that meeting, it was decided that there will no definite age limit for serving in the post of Managing Director. The service rule of Grameen Bank would not be applicable for him.

5.03.5 After studying various proceedings of the meetings of board of directors, it is observed that the decisions about Grameen associate institutions were taken after discussion in the meetings. But Dr. Muhammad Yunus said to the Review Committee that, Grameen Bank has no relationship with these institutions. From the proceedings, it is also observed that, the elected female directors of Grameen Bank did not have any role in the board meetings. It is noticed that three government selected members and the Managing Director were conducting all the activities. An executive committee was formed comprising the Government selected members only. It is observed that the female directors elected from among the shareholders only attend meeting without any participation. The policy and the goals of Grameen Bank do not seem to match with that of many of the associate institutions.

The committee observed that the following institutions are formed by the guarantee of Grameen Bank and its directors.

Serial no	Name of the institutions formed by guaranty	Amount of guaranty
1	Grameen Trust	Taka 6000 by Grameen Bank and Tk 1000 by

		chairman along with every directors
2	Grameen Byabsha Bikash	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors
3	Grameen Kalyan	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors
4	Grameen Krishi Foundation	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors
5	Grameen Motshya and Poshu Shampad	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors
6	Grameen Shokti	
7	Grameen Shikkha	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors
8	Grameen Telecom	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors
9	Grameen Fund	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors
10	Grameen Uddyog	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors
11	Grameen Samogree	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors
12	Grameen Communications	Taka 6000 by Grameen Bank and Tk 1000 by chairman along with every directors

It is a matter of deep regret that in the presence of the director nominated by government such an irregular decision of empowering subsidiary institution to provide guarantee was taken by the board of directors.

## **Observations:**

**5.04.1.** It is clear enough that Grameen Fund and Grameen Kalyan were formed with financing from the Grameen Bank. The Grameen Bank Ordinance 1983, however, does not give any power for such financing by the Grameen Bank.

**5.04.2.** According to the article 14(4) of Grameen Bank Ordinance, 1983, Managing Director is the full time chief executive of Grameen Bank. Without the approval of the board of Grameen Bank, however, Managing Director has been working as chairman/director for the other institutions of Grameen family till 2003. The board meeting held on September 30, 2003, gave him post-facto approval for working as chairman for 20 institutions. Besides the Managing Director, the officials of Grameen Bank have been working as directors in 30 institutions. For working as directors in other institutions, the officials of Grameen Bank did not take approval of the board of directors of the bank. Since Grameen Bank Ordinance, 1983 does not authorize the formation of Grameen Fund and Grameen Kalyan, the approval of the appointment of Managing Director or other officials of Grameen Bank as chairman/director in subsidiary organization by the board of directors of Grameen Bank is completely irregular and the board of directors has acted in violation of its jurisdiction.

**5.04.3.** Among the related institutions of Grameen Bank, 12 are registered as company limited by guarantee. Different officials of Grameen Bank along with the Managing Director have personally given guarantee to form the stated institutions. Being regular employees of Grameen Bank, Dr. Muhammad Yunus and the others who have provided guarantee, cannot do so or be involved in forming new institution without the approval of the board of directors.

**5.04.4.** Equity and loan supports have been given to various projects (such as, Packages Corporations, Moinamoty Himagar (Cold storage), Grameen Samogree etc.) and Grameen Foundation (transformed from SVCF into a company) along with many institutions formed at the initiative of Grameen Bank from the Studies, Innovation, Development and Experimentation (SIDE) and Social Venture Capital Fund (SVCF) of Grameen Bank. According to the Grameen Bank Ordinance, 1983, loan can be disbursed only to the landless people and to finance income

generating projects for the landless. Most of the projects of SIDF and SVCF were large scale and landless people were not involved with these projects.

**5.04.5.** Packages Corporations is an institution owned by Dr. Muhammad Yunus's family and it was given loan worth of Taka 9.66 crore from SVCF of Grameen Bank during the 1990 to 2005 period. In 2006, Grameen Bank waived Taka 137.41 lac of that stated loan. From 1990 to 1997, Grameen Bank worked as the managing authority of the institution. Working as managing authority, buying goods/service from this institution without competitive tender, financing it and waving loan, point out conflict of interest.

**5.04.6.** Own procurement guideline has been violated by purchasing printing and computer equipments from Packages Corporations and Grameen Communication without inviting open tender.

**5.04.07.** The bank has suffered financial loss by giving allotment of 11,000 square feet bank space with petty rent to a private institution of Dr. Muhammad Yunus named Yunus Centre.

**5.04.8.** Grameen Byabsha Bikash gets 1% service charge in exchange of guarantees given against the loan of Grameen Bank. Being an institution made with the financial assistance and under supervision of Grameen Bank, giving 1% service charge to the Grameen Byabsha Bikash from Grameen Bank is the same as fund transfer.

**5.04.9.** On April 3, 2011, the market price of every share of Grameen Bank was Taka 170.40 whereas face value was Taka 10. The market value of 46.18 crore shares of Grameen Phone was about 8 thousand crore which belongs to Grameen Telecom. Grameen Telecom is a company limited by guarantee which has no shareholders. As a result, there is no assurance of proper management and utilization of large scale assets owned by Grameen Telecom.

**5.04.10.** Grameen Bank provided guarantee in foreign currency to International Finance Corporation against the loan of \$7.5 lac of Grameen Shokti. According to Grameen Bank Ordinance, 1983, providing guarantee by GB against loan of any other institution is beyond its authority

5.04.11. Waiving arrears of Taka 2.45 crore of Grameen IT Park, has hampered interest of Grameen Bank. Providing loans to Grameen IT Park, an associated companies by Grameen Bank, is beyond the Grameen Bank's authority. According to Grameen Bank Ordinance, 1983 the loan activities of Grameen Bank must be limited to the landless poor people.

5.04.12 At the 52nd meeting of the Board of Directors held on July 20,1999, considering the application of Grameen Krishi Foundation and at the request of Grameen Fund, the loan of Grameen Fund worth of Taka 9.3 crore was waived by Grameen Bank on condition that Grameen Fund would also waive the same amount from their loan to Grameen Krishi Foundation. In this case, the interest of the shareholders of Grameen Bank has not been cared for.

5.04.13 Dr. Muhammad Yunus, the full time Managing Director of Grameen Bank is a public servant. But in the memorandum and articles of association of Grameen Cybernet Ltd. and Grameen Byabsha Bikash, he has indicated his profession as Business, in Grameen Trust as Professor and in Grameen Uddyog as Managing Director of Grameen Bank. In the memorandum of association and the articles of association of Gonoshasta Grameen Textile Ltd. he has shown his address - Medical College Road, Patchlaish, Chittagong ( not the address of Grameen Bank Complex).

5.04.14. According to the Grameen Bank Ordinance, 1983, Grameen Bank can give loan only to the rural landless people. It cannot lend to any institutions, like, Grameen Krishi Foundation, Grameen Matshya Foundation, Biggyan Gonoshikha Kendra and Packages Corporation.

5.04.15. It has been observed that, the associated institutions of Grameen Bank have been formed in violation of the rules. As most of the associated institutions are not companies limited by share, there is no ownership relation of Grameen Bank with them. So, they have no responsibility to Grameen Bank or any other authorities. This is very alarming.

**Chapter-8.00**

**Opinion of various institutions and persons related to micro-credit along with those of members of civil society:**

At the time of reviewing the overall activities of Grameen Bank, opinions have been taken from various institutions and persons related to micro-credit along with members from the civil society about the background of the bank's formation, success, quality of management, role in poverty alleviation, expansion of associate institutions, future potentiality and plans. The following persons have given their valuable opinions to the Review Committee:

1. Dr. Mohammad Farashuddin, former Governor, Bangladesh Bank.
2. Dr. Muhammad Yunus, Founding Managing Director, Grameen Bank.
3. Dr. SR Osmani, Professor, Economics Department, University of Ulster, UK.
4. Dr. Selim Rashid, Professor, Economics Department, Illinois University, USA.
5. Dr. Syed M Ahsan, Professor, Department of Economics, Concordia University, Canada.
6. Dr. Zarina Rahman Khan, Professor, Department of Public Administration, Dhaka University.
7. Mr. Khandakar Mojammel Haque, Chairman, Board of Directors, Grameen Bank
8. Mr. Muhammad Khaled Shams, former Deputy Managing Director, Grameen Bank
9. Mrs. Nurjahan Begum, Deputy Managing Director, Grameen Bank
10. Dr. M M Akash, Professor, Department of Economics, Dhaka University.

The distinguished persons expressed their views and the future of Grameen Bank in their opinions. Highlights of their opinions are given below:

**8.01.** Grameen Bank is a specialized bank, which is now at its second phase overcoming its awkward first phase. Activities of the bank should be advanced

through ensuring its sound footing. Grameen Bank may turn into an unsuccessful institution if it lacks its innovative character.

**8.02.** Difference of opinion was noticed about the interest rate on credit charged by Grameen Bank. Some persons have considered it high whereas some have mentioned it the lowest rate among the micro-credit lenders. Many of them opined that the cost of fund, operational expense and profit should be included while determining the rate of interest.

**8.03.** Some of them raised questions about how the borrowers have become the owners of majority shares. They also pointed out that if the borrower becomes the owner of an organization, it does create conflict of interest.

**8.04.** Law has been grossly violated since the grant fund acquired by using the goodwill of Grameen Bank has been provided to the associated organizations hampering the interest of the bank. Equalization of business profit along with social benefit should be made while financing the associated organizations. Transparency should be ensured while preparing books of accounts of the associated institutions.

**8.05.** The borrowers are harassed in the name of loan recovery in Grameen Bank. There exists instances of such families which have become penniless; some borrowers even committed suicide having failed to repay the loan.

**8.06.** Question has been raised as to what extent woman empowerment was actually done through Grameen Bank activities as the role of Grameen Bank has been lauded for woman empowerment.

**8.07.** Decision is taken at the Board of Directors of Grameen Bank on the basis of majority. Logical opinion of the government nominated three directors, including Chairman, may be negated by the majority nine directors elected from the shareholders of the bank.

**8.08.** Violating the ratio mentioned in the Grameen Bank Ordinance, more shares have been issued to the members (borrowers) of bank compared to the shares held by the government.

**8.09.** Financial irregularities have been made through transferring fund to the Grameen Kalyan from Grameen Bank. Although the Norwegian government considered it settled, the government cannot ignore the intention of tax evasion.

**8.10.** One interviewer questioned the review of Grameen Bank commenting that such allegations may also be made against commercial banks like Janata Bank Limited and Agrani Bank Limited. He also commented that Dr. Mohammed Yunus is not an ordinary citizen; he is a great social capital of our country. He suggested a flexible regulatory framework for Grameen Bank maintaining its uniqueness and independence.

**8.11.** Success of Grameen Bank established on the concept of microcredit proves that it is possible to recover collateral free credit disbursed in rural areas of the country. Grameen Bank has unveiled a new dimension of credit in the banking arena.

**8.12.** Associated institutions of Grameen Bank have been established without lawful authority. Formation of analogous companies and institutions has created serious legal complexity which needs to be settled immediately.

## Chapter-9

### Conclusions and Recommendations

**9.01.** According to the article 152 of the Constitution of the People's Republic of Bangladesh, Grameen Bank is a Statutory Public Authority, since it was established in 1983 under an Ordinance. It is neither an NGO nor a bank /a bank company / a scheduled bank in traditional term. Although its micro credit activities are similar to that of an NGO, government possesses 25% ownership of that institution by law. But government didn't take that opportunity and it owns only 3.29% of the ownership. Thus, government must have to set it right in terms of ownership.

**9.02.** Government didn't take any effective initiative over a period of twelve years to rectify irregularities such as- the continuation as Managing Director by Dr. Mohammed Yunus after end of his tenure mentioned in the inspection report on GB by Bangladesh Bank submitted in 1999. It is needless to mention that present situation would not arise if timely initiatives were taken. It is a matter of investigation to identify the social, economic or political reasons behind inaction of the government.

**9.03.** Due to the expansion of micro credit program and other activities, Grameen Bank has become a large institution. But the tendency of violation of rules and regulations has been observed in almost all operations such as administrative decision, purchasing activities, the role of directors in the Board of Directors, establishment of company/institutions outside of Grameen Bank, use of fund, intercompany fund transfer etc. In fact, it has grown up as a person oriented

institution instead of a system oriented one. In these circumstances, at first a national policy has to be formulated to make the activities and poverty eradicating efforts of Grameen Bank effective where ensuring recovery of the collateral free loan disbursed to the landless poor in rural areas. The governance of micro credit, Grameen Bank and its associate institutions should be emphasized in formulating such policy. These policies have to be compiled in order to amend the necessary regulatory structure.

**9.04.** At the next stage, ‘Grameen Bank Reformation Commission’ has to be formed and a new act has to be drafted by the experts. According to the decision of the committee, following steps should be considered:

**9.04.1.** A regulatory authority is a must for any credit providing organization. It will ensure the proper use of assets and good governance. Even though Grameen Bank is a microcredit institution, according to Microcredit Regulatory Authority Act 2006, it is not a micro credit institution. As a result, Grameen Bank doesn’t come under the control of Microcredit Regulatory Authority (MRA). Microcredit Regulatory Authority (MRA) was established according to the Microcredit Regulatory Authority Act 2006 to supervise and control the activities of the microcredit institutions in the country. Since the main objective of establishing GB according to the Grameen Bank Ordinance 1983, is to extend credit to the rural landless people, it should be placed under the control of Microcredit Regulatory Authority. Necessary amendment of Grameen Bank Ordinance 1983 and MRA Act can be made for this purpose.

**9.04.2.** If the above recommendation is implemented, Government gazette notification with regard to application of article 44 and 45 of Bank Company Act 1991 to GB may be cancelled.

**9.04.3.** If Grameen Bank is brought under the control of Microcredit Regulatory Authority (MRA), according to the recommendation mentioned in 9.04.1, by amending the article 14(1) of the Grameen Bank Ordinance 1983, then it is possible to impose the condition of taking prior approval of Microcredit Regulatory Authority instead of that of the Bangladesh Bank for the appointment of its chief Executive.

**9.04.4.** According to article 36 of the Grameen Bank Ordinance 1983, Board of Directors is empowered to formulate the regulations. In this case, through amending the Ordinance the condition of taking prior approval by the government may be re-imposed for formulating regulations by the board.

**9.04.5.** In order to make an effective Board of Directors, the number of ‘loanee-shareholder director’ may be reduced from 09 to 06 and appointment of 03 new neutral/separate/independent directors (experts on microcredit, rural economy, banking, law etc) may be made by amending the Grameen Bank Ordinance. Consequently, the management of Grameen Bank will be more transparent and accountable. The directors in the Board nominated by the government should be well aware of their duties and functions in detail. Moreover, Fit and Proper Test Criteria may be formulated for the directors.

**9.04.6.** Complication has arisen due to the unspecified age limit of the Chief Executive in Grameen Bank Ordinance, 1983 and in the Managing Director Appointment Regulation, 2001. Thus, by fixing the age limit of the Managing Director (which may be 65), the Managing Director Appointment Regulation, 2001 can be amended.

**9.04.7.** Necessary amendment of the Grameen Bank Ordinance, 1983 may be made in order to set up the associate institutions whose objectives are similar to that of

Grameen Bank. At the same time, it is also necessary to amend the rules and regulations for the associate institutions of Grameen Bank in line with the main objective of the Grameen Bank Ordinance, 1983 i.e. to preserve the rights of the rural landless people.

**9.04.8.** With the combination of Grameen Bank and its associate institutions, a large scale conglomerate has been created. These should be restructured. By abolishing Grameen Fund and Grameen Kallyan, they can be included as departments within Grameen Bank. This way, all types of activities and assets-liabilities etc of these two institutions will be under control of Grameen Bank and accountability will be established.

**9.04.9.** Grameen Telecom has to be transformed into a company limited by share in order to ensure proper management and the utilization of the huge amount of assets (current market price of GP share is about taka eight thousands crore) and the participation of Grameen Bank has to be ensured in its equity. As a result, Grameen Bank will obtain the ownership of Grameen Telecom and the members of the Grameen Bank will be directly benefitted from Grameen Telecom.

**9.04.10.** Dr. Yunus is the chairman of the most of the existing associate institutions of Grameen Bank and mentionable number of the members of Board of Directors are the officials of the Grameen Bank. By reducing the number of associate institutions (by amalgamation/merger in line with the activities of the existing institutions), the Board of Directors of these institutions may be reconstituted.

**9.04.11.** An audit committee can be formed with the board members in order to strengthen the transparency and accountability of the Grameen Bank's activities. By formulating the regulations, the functions of the committee may be defined/determined.

**9.04.12.** It is necessary to separate Audit department and Compliance Department of the Bank. Because, it will strengthen the implementation of recommendations by addressing the objections raised in the Audit and Inspection Report.

**0.04.13.** In order to get the effective use of information technology, the GB has to formulate its' own IT policy and establish separate IT department.

**9.04.14.** To make financial statement transparent and acceptable, internationally accepted accounting standards has to be followed.

**9.04.15.** According to article 25 of the Grameen Bank Ordinance, 1983, it is urgent to create a Statutory Reserve Fund through appropriation of a definite amount of profit.

**9.04.16.** In case of determining the rate of interest on Grameen Bank's loan, cost of fund, administrative expenses and two/three percent margin should be considered.

**9.04.17.** Except the members of the Grameen Bank, any individual/institution can deposit in this Bank and depositors don't have to pay excise duty and tax on interest earned from that deposits. On the other hand, depositors of commercial banks have to pay excise duty and tax on interest earned on the deposits. Excise duty and tax on earned interest may be imposed on other depositors except the members of the Grameen Bank.

**9.04.18.** By amending the objectives of the Grameen Bank in the Ordinance, social service may be included along with the development of the landless people. Consequently the activities of the Grameen Bank will be expanded and success will be attained.

**9.04.19.** Procurement policies have to be followed appropriately in case of procurement for the bank.

**9.04.20.** It is necessary to formulate separate guidelines for the bank in asset-liability management, credit risk management and anti money laundering. Contingency Planning is a must to mitigate the problems in any crisis period.

**9.04.21.** Grameen Bank has to ensure efficient management structure and prepare succession plan in order to continue as a sustainable institution. Apart from this, after determining the ownership of the associate institutions, efficient management structure and monitoring system have to be ensured to establish good governance.

**9.04.22.** A complete report needs to be prepared to identify the structural, legal, regulating, administrative and financial problems of Grameen Bank and its associate institutions. A consultant may be appointed to help the government on this issue. In order to maintain transparency in the transfer of funds held among all companies/institutions having 'Grameen' title, a complete audit manual is essential.

**9.05.** Above mentioned steps are just a checklist of the Review Committee. In conclusion, we would like to state -

Grameen Bank was established according to the Ordinance of 1983. Extending the microcredit activities, it has now become a multi-faceted organization. The evolution and expansion of this colossal socio-economic organization plays a significant role in the society and economy of our country. Whatever may the reasons, the tendency of violations of rules and regulations has been observed in the operations of GB from its inception. However, even then the achievement of GB and its wide spread effects on the social and economic perspectives of our country is phenomenal and indeed salutary. In these circumstances, effective regulator is inevitable for Grameen Bank. Since its inception Grameen Bank was out of all regulatory control which created the present critical/complex situation. In

this case, the Grameen Bank Ordinance has to be amended. Besides, assessment and evaluation of financial and organizational status of the associate institutions and imposing legal regulation of Grameen Bank on them have become essential. According to the decision of the committee, a national policy has to be formulated to decide how both microcredit activities and social businesses of Grameen Bank may be brought under a single structure.

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It is a matter of deep regret that in the presence of the director nominated by government such an irregular decision of empowering subsidiary institution to provide guarantee was taken by the board of directors.

It is clear enough that Grameen Fund and Grameen Kalyan were formed with financing from the Grameen Bank. The Grameen Bank Ordinance 1983, how over dose not give any power for such financing by the Grameen Bank.

Since Grameen Bank Ordinance, 1983 dose not authorize the formation of Grameen Fund and Grameen Kalyan, the approval of the appointment of Managing Director or other officials of Grameen Bank as chairman/director in subsidiary organization by the board of directors of Grameen Bank is completely irregular and the board of directors has acted in violation of its jurisdiction.