

**REASONS FOR RDP VO DISSOLUTION: A CASE STUDY ON
FIVE SELECTED VOS**

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December 1997

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Table of Contents

Executive Summary	
1. Introduction	1
1.1. Background of the Study.....	1
1.2. Scope and Objective of the Study	1
2. Methodology.....	2
2.1. Selection of VOs	2
2.2. Data Collection Techniques.....	2
2.3. Limitations of the Study	3
3. Findings.....	3
3.1. Profile of the Study VOs.....	3
3.2. Dissatisfaction on Credit and Savings.....	4
3.3. Weak Management of the VOs.....	9
3.4. Non-fulfillment of Hopes	10
3.5. Some Special Issues for Dissolution.....	11
3.6. Steps Taken by BRAC to Keep the VOs Functioning.....	14
4. Discussion and Conclusion.....	14
References.....	19
Appendix	20

Executive Summary

During preparatory work for the Second Impact Assessment Study (IAS - II) in 1996, it was found that 18 VOs (8 women and 10 men) were not functioning out of 150 which were studied for the IAS - I. As BRAC wanted the VOs to sustain and eventually develop as institutions, it was felt that the reasons for their non-functioning should be investigated. The present study was undertaken with that aim in view.

In consultation with RDP, five dissolved VOs (B, C and D for women, and A and E for men) which had been dissolved during the previous year, from five area offices, were selected purposively. The study used data which were derived both from primary and secondary sources. To obtain primary information, the study relied mainly on selected RRA exercises including Time line, Problem tree, Mini-survey, Social mapping and Kinship relation. VO members and local BRAC staff were interviewed through a semi-structured checklist. Secondary information, relevant for the study, were collected from both Head Office and Area Offices.

The following gives the summary results:

The main reason for the dissolution of VO A was the withdrawal of the power tiller which the VO had purchased with BRAC loan. This was done to adjust the loans which had become overdue. BRAC's strategy to concentrate on female membership provided justification for it.

Strong kinship network played a vital role in dissolving VO B. More than two-third members of this VO were from one kin group. When some of the members of this group became defaulter VO management committee did not extend its cooperation to BRAC to take necessary disciplinary action. Finding no other way local BRAC management had to dissolve the VO.

Faction regarding VGD cards made VO C inactive. A dispute arose about selection of VGD card holders when the president of the VO and the respective BRAC staff made the selection ignoring the opinion of other members. Some cut down several hundreds of mulberry trees in the locality. The caretaker of the mulberry trees called police with the help of BRAC and threatened some of the members. Members were divided into two groups and the VO became non-functioning.

VO D was poorly organised since its inception. Members of this VO were scattered at different corners of the village. Some members had become defaulters and left the village. New loan was not disbursed as there were overdue loans in the VO. Members became inactive and the VO dissolved.

VO E was formed with migrating people who frequently go to outside of the village for their livelihoods. During 1988 flood most of the members became defaulter as they failed to run their business and migrated to other district towns. BRAC tried to follow their overdue

i

loans with the help of other VO members but could not manage to collect. Thus the VO became non-functioning and finally dissolved.

The strength of the dissolved VOs was that these were formed with mostly homogeneous people (80% of <50 decimals land group) which might help members to make the VO cohesive and to develop a sense of ownership of the VO among them. In each of the VOs there were a group of dedicated members who wanted to keep the VOs functioning. The weakness of the VOs was that except credit, other activities of the VO which increase awareness of the members, group cohesiveness, and VO discipline were overlooked. There were some loan defaulters from whom BRAC could not collect money and consequently stopped disbursing new loan. As a result, the regular members of the VOs also became inactive. It seems that most of the members tried to use VO as an instrument for getting credit.

There were some VO members who made regular loan repayments but BRAC was unable to use them to keep the VO operational. It is interesting to mention that 27% of member households of the study VOs are now involved with other NGOs and they are reportedly performing well. Members complained against the management system of BRAC for dissolution of their VOs. According to them BRAC did not try to solve the problem of overdue loan rather stopped disbursing new loans to the members who were not defaulters. Thus most of the members lost their interest to be involved with BRAC. It seems BRAC accepted dissolution of some of the VOs. Two of the study VOs were dissolved perhaps due to the policy change of RDP about exclusion of male VOs.

The study suggests that BRAC should review the overdue loan collection and record keeping system where there will be no opportunity for members to complain against improper record keeping on instalment payment. Frequent transfer of PA, which reportedly made ways for defalcation of members' money, created dissatisfaction of members to BRAC rules. In case of transfer of PA enough time should be given so that the PA can hand over the accounts and other responsibilities to the new staff properly. The main conclusion the study has drawn from the above analysis is BRAC can continue the inactive VOs excluding the defaulters and if necessary, some new members can join the VO to fill up the gaps.

1. Introduction

1.1. Background of the Study

Village Organisations (VOs) developed by BRAC's Rural Development Programme (RDP) designed to mobilise the rural poor, particularly women. It offers a forum where they can address their own needs and agenda regarding development (BRAC, 1997:10). RDP uses the VOs as a vehicle for reaching its various services such as credit, health and education to VO members (BRAC, 1996:19). RDP has so far organized 52,799 VOs (RDP Management Information System, December 1997).

It is recognised that there are many VOs in RDP which are not functioning to the satisfaction of BRAC. Some VOs have poor attendance in the meetings, and irregular savings and credit repayment. RDP considers those VOs as 'inactive' and except for collection of overdue loans other VO related activities are not in operation in these VOs. In 1992, RDP made some changes in VO member selection criteria, and as a result, only one member per household was allowed VO membership and in this the focus was given on female. There were several other changes which included, (i) reduction in the size of VO; (ii) changes in social awareness education course; (iii) decrease in amount of compulsory savings for getting loan; (iv) ensuring 80% borrowers at a given time; (v) repayment of loan instalments regularly as a pre-condition of getting new loan; and (vi) return of 50% of the Group Trust Fund (GTF) money to VO members which was deducted from the disbursed loans of RDP till 1994 (BRAC, 1995:9). All these changes were done primarily to make VOs effective in conducting their responsibilities. Many of the inactive VOs were dissolved in 1992 for smooth running of the programme. During 1993-95, proportion of male VOs was reduced.

1.2. Scope and Objective of the Study

During preparatory work for the Second Impact Assessment Study¹ (IAS - II), it was observed that 18 VOs (8 women and 10 men) were not functioning out of 150 which were

¹ To measure the socio-economic impact of RDP on programme participants the first IAS was conducted in 1993-95. In continuation of that study, IAS - II was conducted in 1996 to see the changes over time

studied for the first IAS in 1993-95 (Halder, 1996:72). As BRAC wanted the VOs to sustain and eventually develop as institutions, we became interested in knowing the reasons for their dissolution. The present study was undertaken with that aim in view.

2. Methodology

2.1. Selection of VOs

In this study, the VOs in which weekly meetings were not held at least for the last one year and the members did not deposit their weekly savings were considered dissolved. Some of the members of these VOs still had overdue loans. Five dissolved VOs (B², C and D for women, and A and E for men) were purposively selected for study after consultation with RDP staff. These VOs have been taken from five Area Offices (AOs) which were either “good” or “comparatively not good” AOs in the performance from the RDP management’s point of view. The AOs represented Darsona, Barura, Jessore, Faridpur, and Mirzapur. These five AOs came from five RDP regions. It should be noted that none of these study VOs was from IAS study areas.

2.2. Data Collection Techniques

For primary information the study relied on the following RRA exercises:

- Time line - to know the historical background of the VO and its evolution
- Problem tree - to identify the causes and the consequences for non-functioning of the VOs
- Mini-survey - to collect selected household information such as landholding, family size, occupation of the family members, and number of earners in the family (Appendix-III).

Social mapping and Kinship relation techniques were also used where necessary. All the RRA exercises were carried out in groups, followed by informal discussions. A semi-structured checklist was used to facilitate the discussion (Appendix-IV). BRAC staff (programme organisers and programme assistants) who worked with those VOs were interviewed as well. In addition, computer records, and loan and savings collection sheets

² Names were not mentioned here for anonymity.

preserved at Head Office and AO respectively were also scanned. Data was collected in October - November 1997.

2.3. Limitations of the Study

This study has some limitations. Firstly, the five dissolved VOs observed in this study might not be representative of all such VOs. Secondly, a good number of staff who had overseen the dissolution of the VOs were not available for interview; some had resigned from BRAC and the others transferred to other places. Finally, there were some who were members of the dissolved VOs but had migrated to other places and their information could not be collected.

3. Findings

This section addresses different issues which seemed important to reveal the reasons for dissolution of sample VOs. Issues are VO profiles, credit and savings related factors, VO management, fulfillment of members' hopes, some special factors, and steps taken by BRAC for keeping the VOs functioning.

3.1. Profile of the Study VOs

The usual process³ of inception has taken place in four VOs (see appendix II for an example). VO D was formed by splitting a large VO which consisted of 70 members. The male VOs in the study were older compared to the other three for female. Of the two male VOs, E was established in 1984 and A was established in 1986. Two female VOs were established in 1990 and the third was established in 1994. Four study VOs continued to

³ BRAC develops VOs to bring the rural poor into the mainstream of development with particular emphasis on women. One VO usually has 7-8 small groups each consisting of five members with a leader selected from among themselves. Each VO also has a management committee to ensure member participation in the decision making process regarding different aspects of the VO. Several meetings need to be conducted to mobilise the rural poor to form a VO. Different activities of a VO such as weekly meetings, savings deposits, orientation course etc. start as soon as the number of members reaches 20-25 (BRAC, 1995:6).

function for 4-6 years whereas one female VO which was established in May 1994 functioned only for two years. Study findings show that age is not a factor for dissolution of a VO.

Membership size of the VO was not revealed as a factor responsible for VO dissolution. Some of the dissolved VOs were quite large in size whereas a VO with only 22 members (VO B) was also dissolved.

Among the total of 213 members of the study VOs, 80% belonged to the target group (TG) households with less than 50 decimals of land. Of the rest 20% members who were in non-target group, 9% had between 50 and 100 decimals of land and 11% had more than 100 decimals of land (see appendix I, table 1). Inclusion of 20% non-target households did not play any role in VO dissolution. Findings of IAS - II also show that 17% of the RDP programme participants belong to non-target group.

3.2. Dissatisfaction on Credit and Savings

The basic objective of the credit and savings programmes⁴ of RDP is to improve the socio-economic condition of the participating households. It has two broad objectives, (i) to operate a self sustaining credit operation; and (ii) to mobilise savings. These issues are normally discussed in weekly meetings. Study findings on RDP show that members sometimes voiced dissatisfactions with credit and savings and these issues caused many drop-out of members from VOs (Mustafa et al., 1996:H1-H5, Halder, 1996:74).

3.2.1. Credit Related Factors Leading to the Dissolution of VO

In sample VOs, loanees have been selected jointly by the VO members and the management committee, taking into account the capacity of the applicant to repay her/his instalments. However, members were not happy with the BRAC loans they received. They

⁴ The credit programme is usually introduced about eight weeks after a VO is formed, which gives the members time to complete their functional education class, to establish solidarity, to gain a sense of their own efficacy, and to establish a saving discipline (Lovell, 1992:41; BRAC, 1995:9). Depositing weekly savings stands for an important part of credit operation of RDP. It is an indicator of the ability of VO members to pay back loan. Savings also represent an opportunity to earn interest on their money for which they do not normally have access to regular financial institutions (BRAC, 1995:8).

complained that they had to wait at least eight weeks to get the first loan and there was a big gap between the loan they expected and the amount they received. The respondents for VOs B and D expressed their dissatisfaction after comparing the loan they received with that of the members from Grameen Bank received. About 60% of the members from these two VOs are now involved with Grameen Bank (see Appendix I, Table 3 for details) and receiving larger loans as they desired.

It seemed that VO members were also not satisfied with the repayment system of BRAC loans. There was no gestation period to utilise the loan money. They had to start repaying loan instalments from the following weekly meeting. The main economic activity of about 32% of sample members was small trading (see Appendix I, Table 2). They preferred to repay instalments from the profit resulting from the investment of their loans. Members who earned every day like day-labourers, rickshaw/van pullers did not usually face such problem as compared to those who receive income monthly or periodically. However, the informants mentioned that most of them were regular in repaying loan instalments. If anyone was unable to pay a couple of instalments, the other members made her/his repayments. Findings show that 80% of sample VO members have land less than 50 decimals (see Appendix I, Table 1). In addition, most of their households had only one income earner. The economic condition of the VO members was not good and they were not in a position to repay their loans immediately after receiving the loans. Nevertheless, members of all VOs mentioned that there were many defaulters in the VOs because of misuse of their loans. Members of VO E were affected by flood in 1988. This VO was formed with migrating members who frequently go outside the village for their livelihoods. When the members were away from their home for a week or long other family members used to pay weekly instalments and savings for them. During the flood they failed to run their business and many of them migrated to the nearby district town with their family. Members mentioned that BRAC has tried to follow their overdue loans but could not manage to collect.

The respondents confessed that there were many defaulters in their VOs. According to BRAC the main reason for non functioning of sample VOs was overdue of loan. The BRAC

staff mentioned that members of these VOs were reluctant and irregular in repaying their loans. They had tendency to misuse their loans. One staff from VO D area mentioned that BRAC's policy - not to disburse loans where overdue loans are existing - affects borrowers' repayment practices. In that situation the defaulters observed that their fellow members had problem in receiving loan in spite of having a good record in past loan. By observing this incidence the defaulters felt that they had little chance in receiving loan in future thus they stopped repaying their existing loan.

Members were suspicious about the recording system of collection of loan. The respondents mentioned that their loan pass books were often taken to the AO for number of weeks to document loan related information in the collection sheets and in the pass books. During that period members were unable to get recorded their savings and loan instalments in the pass books. After the pass books were returned many of them found that information were not correctly registered on their pass books. Members complained about defalcation of their money by BRAC staff. Sometimes overdue loans have been collected in exchange of token (an additional receipt other than collection sheet and pass book) by which BRAC staff got chance to defalcate members' money. BRAC staff did not deny about this practice by mentioning that it happens once in a while. The frequent transfer of BRAC staff was also thought to have contributed in VO dissolution. New staff were usually reluctant to hear about any complain from the VO members of the past period when they were not in charge. According to members some staff were neither considerate nor cordial to their problems like those staff who took initiatives to form VOs in their villages. As a result, members lost their interest to be involved with BRAC and did not take initiatives to keep their VOs functioning when these were dissolved.

The *dando sood* (compound interest) that the members had to repay was also a factor in making one of the VOs inactive. The respondents from this VO (A) did not understand at the beginning that they had to pay compound interest on their loans if not paid on time. Moreover, they could not calculate the interest of overdue loans. These factors together

disappointed the members as a result they lost interest in the VO and in fulfilling the conditions associated with loan. The respondents said that the female BRAC members of their village do not understand the *dando sood* so that they are still happy with BRAC.

BRAC staff mentioned that they tried their level best to follow up the repayments by visiting each of the defaulters. Moreover, they went to their houses in a group to collect money by creating pressure. Active members of those VOs have also played an important role in this regard. Some loan defaulters sold their small assets like goats and poultry birds to repay their due. Few of them managed instalments for loan repayment by mortgaging out their jewellery. Few members sold their land in crisis and repaid a couple of instalments to BRAC from these money. However, many disputes had taken place about overdue loan collection between members and BRAC. Sometimes active members were forced to pay the overdue instalments of defaulters. Informants of VO D complained that BRAC stopped to disburse new loan in their VO on the plea of having overdue loans. Member who took loans during that period were compelled to pay Tk. 50-100 each in addition to normal deduction of 10% from each loan to adjust overdue loans of other members. Members, however, conceded to that due to lack of alternative access to formal credit.

Study shows that 27% of the ex-members of dissolved VOs are now involved with other NGOs (see Appendix I, Table 3). In case of two male VOs (A and E) many former members still remain connected with BRAC through their female members. It was reported that in their post-BRAC situation members are still dependent on other NGOs for getting loans. They borrow money from the rich people of the village as well. They find this loan helpful as they can repay it on their convenient time.

Members of VO C complained that BRAC did not give them clearance after leaving that organisation. They faced difficulties to be involved with other NGOs like Grameen Bank and ASA as they did not have written document certifying that BRAC has no overdue loan to them. They asserted that:

BRAC taught us not to sign on something which we don't understand. On the contrary, BRAC seized all our documents like loan and savings pass books, but didn't give any written clearance to us.

On this point BRAC staff mentioned that there is no provision in BRAC for giving clearance when a VO is dissolved, even after collection of overdue loans.

3.2.2. Savings Related Factors

Apparently it seems that VO members have very little knowledge about the objective of BRAC's savings system. Most members thought that savings was only a pre-condition of getting loans from BRAC. Savings in the observed VOs started immediately after the VOs were formed and the members deposited their savings regularly. If any of them failed to deposit their savings in a weekly meeting s/he had to make up that in the following meeting. The members disliked some of the policies associated with the savings. They were not allowed to withdraw their savings whilst their VOs continued to function. The members received interest on their savings with BRAC but they were not happy with it. One of the respondents from VO E remarked that:

There is no relation between what BRAC says and what it does. It gives less interest on our savings but charges more for its money that we have borrowed.

The members were not satisfied with BRAC's pre-condition of having a pre-determined amount of savings for getting loans. At the beginning BRAC needed 5% in savings of the loan applied for. Later on when many members had large amount of savings they were not given larger loans on the basis of the stipulated ratio.

The members of the dissolved VOs discontinued depositing savings when BRAC decided (under RDP phase III 1993-95) not to disburse new loans to any member in a VO in case of irregular repayments by a few members. The members of three VOs (B, C, and E) got their savings back after deducting some money as overdue loan instalments. Respondents from VO A mentioned that BRAC adjusted the unpaid loan instalments from their savings without

their permission. It disappointed the VO members very much. Fifteen members dropped out from the VO in protest against this action. Such a large scale withdrawal made the VO inoperative. BRAC returned the savings to none of the members of VO D because of many loan defaulters there.

The members of four VOs said that BRAC deducted 5% on all loans at source for GTF (the fifth VO was formed after discontinuation of this system). Initially the members were told that the money was refundable but after few years they were led to believe that the GTF would not be refunded. Such a change in the policy dissatisfied them greatly and led to the dropping out of the members. The members wanted to know what had happened to their contributions to the GTF. Since 1995, BRAC distributed 50% of the GTF to the VOs and credited the same to their savings accounts. The members of the observed VOs did not get the GTF money back because of their overdue loans. Such information was not disseminated to the members of the observed VOs. So the members of VO A felt that:

BRAC has become self-sufficient with our own money, it did not give us any statement of our GTF.

3.3. Weak Management of the VOs

The members of VO A elected the VO management committee⁵ twice through formal ballot whereas in the cases of other VOs the management committees were formed through selection by the members. It was reported that in most of the cases the management committees were not effective. Respondents of VO E (a male VO formed in pre-RDP period) mentioned that BRAC used to nominate the members of the management committee and change them if they did not work properly. Respondents of the female VOs mentioned that

⁵ To carry out different activities (regular attendance in the group meeting; savings deposits; repayment of loan installments; VGD card holder selection; and loanee and trainee selection), each BRAC VO has a management committee consisting of a chairperson, a secretary, a cashier and small group leaders. Management committee should be elected by all members of the VO (BRAC, 1995:6). The management committee along with members present at the VO meeting is supposed to take part in the decision making process regarding members' well being and socio-economic development.

they hardly changed the management committee since no one showed any interest to take the leadership and responsibilities in their VOs.

Usually selection of the members to provide credit, training and VGD card is done by the management committee after consultation with the members present at the meeting. In the VOs observed such a selection processes were followed for few years after those were formed. Later on the participation of the general members became restricted. The most sensitive issue in this regard was the selection of VGD card holders. In VO C the president and the respective BRAC staff made the selection ignoring the opinion of the members. Such selection created lot of discontent within the VO. Immediately after the development of a serious discontentment on the VGD and food for works programme, some cut down several hundreds of mulberry trees in the locality. It was suspected that the group which was unhappy on the selection for VGD card was behind the act. The caretaker of the mulberry trees called police with the help of BRAC and threatened some of the members. Later on the VO members were divided into two groups and the VO became non-functioning.

3.4. Non-fulfillment of Hopes

It was reported that the members of sample VOs could not improve their socio-economic condition to a large extent which they hoped before joining BRAC. At the beginning BRAC indicated that they would help members by giving them various benefits including loans, VGD cards, tube-well, housing materials, and sanitary latrine. The VO members thought that BRAC would provide these facilities without charge. Later on, they came to discover that BRAC in fact sell these facilities. In most of the cases the respondents mentioned that their hopes were not fulfilled and consequently they lost interest on VO. The members from dissolved VOs felt that the loans they received were too small to establish any economically viable business.

Respondents of two VOs (B and C) mentioned that BRAC did not keep its commitments related to the village organization. They said BRAC had not bought the

products of members' income generating activities as per their initial commitment. One member of VO B developed a sapling nursery by investing BRAC loan. At the starting of the nursery BRAC promised to her that it would buy all the saplings from the nursery and the member would not have any problem with marketing. Later on the office did not buy all the saplings. The member had to sell the saplings in the village and in the local market, but she faced problem to sell as there was no demand for the sapling in that area. Another complain was made by many silk rearing members of VO C. Under the sericulture programme they did not get expected price of their silk. Initially they were told that the price of cocoons would be fixed by counting their number, but in reality the price was fixed by weighing the cocoons. In addition, the price of cocoons per kilogram was reduced below the price promised.

One member from VO B was told by the office that if she repaid her loan in advance, she would be given another loan of a larger amount. Accordingly, she repaid her loan but the promise was not kept. Thus she lost interest in continuing as a VO member. Respondents mentioned that before joining BRAC they were told that if they join VO every member would get VGD card. In reality, VGD card was given to the selected members, even sometimes to the better off members of the VO. The members of the dissolved VOs complained that BRAC not only changed its policies frequently but also failed to keep its promises. Because of these, the members incurred losses and lost interest in keeping up with VO discipline.

3.5. Some Special Issues for Dissolution

The study observed a number of incidences which played a vital role in the dissolution of specific VOs.

3.5.1. Power Tiller

Conflict over a power tiller occurred in VO A which was formed in 1986. In collaboration with a female VO belonging to the same village it started a power tiller⁶ scheme. The scheme started in 1988 with 70 male and 30 female members of these two VOs. In order to carry out the scheme a management committee was formed which included the power tiller

driver and two cashiers. This committee was responsible for keeping a daily accounts on its income and expenditure. They used to run the power tiller and BRAC's PA would collect loan instalment from the income of the power tiller as loan instalment in the evening. The operating costs of the tiller in terms of oil, mobil, machine repairing, and wage of the driver were deducted from daily income. The driver received 10% of its daily income as his wage. Except the power tiller driver, the other two members in the committee were rotated among the members to prevent the corruption within the committee. The VO members tried to mediate in dispute that arose over the service of the power tiller. When farmers could not pay the charge of power tiller in time, the management committee had to pay from their own pocket and later they collected that money from the respective farmers. BRAC had told the members that after the price of the tiller was repaid through instalments they would become the outright owner of the power tiller.

The power tiller ran for about four years. During this time the members paid the loan instalments but not on regular basis. Members found the power tiller scheme unprofitable. On the contrary they observed that other power tillers owned privately in the same village made profit. According to the respondents group BRAC did not tell them the price of the power tiller, the total amount they would have to repay, the amount that was left to be paid, nor the duration for the repayment. Members were told that the detailed account of the power tiller was yet to come from the Head Office at Dhaka. However, this information cannot be cross checked as the respective BRAC staff then involved with the project was not available for interview. At one point the VO members stopped repaying instalments for two weeks. They said:

We pay instalment regularly but after four years the loan is still unpaid. It seems the price of power tiller increases gradually with our payments.

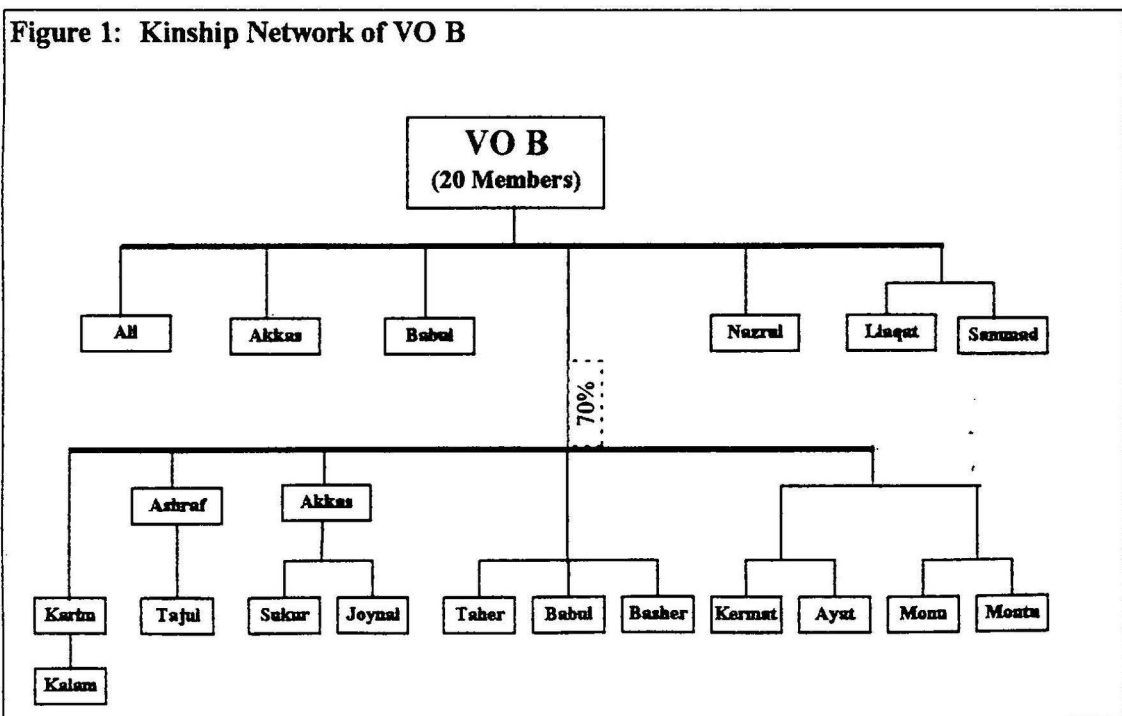
The local BRAC staff opined that they tried to regularise the scheme by collecting overdue loan instalments but have not succeeded. BRAC, therefore, decided to sell the power tiller. VO members wanted to own it but BRAC did not agree. BRAC withdrew the power

⁶ For the process of installation please see the Time line of that VO in appendix II.

tiller from the VO and sold it. After selling the power tiller the VO ran for few months. Later the male VO was dissolved but the female VO has been working in that village. Members believe that the power tiller issue was not the only reason for dissolution of the VO. Frequent transfer of PA, which made the power tiller crisis more complicated, and BRAC's decision to discontinue male VOs in future were among the other main reasons for its dissolution.

3.5.2. Kinship Network

Existence of a strong kinship network was observed in VO B where 70% of members came from one kin group (Figure 1). Most of the members of the management committee were from this kin. Some of the members of this kin group were very irregular in repaying instalments for the loan taken. BRAC could not take any disciplinary action as VO management committee did not extend its cooperation in this regard. Moreover, the members of this kin group were reluctant to allow other women to join in the VO. BRAC tried to change the management committee and the meeting place in order to make the VO regular, but the members of that kin group did not agree. Finding no other way local BRAC management had to dissolve the VO.



3.6. Steps Taken by BRAC to Keep the VOs Functioning

The members of the dissolved VOs complained that BRAC did not try to keep their VOs functioning. Some of the members misused their loans and had problem in repaying the loan instalments. BRAC did not want to solve this problem rather stopped disbursing new loans to the members who were not defaulters. Excepting VO C no special meeting was held in other VOs to make the members regular. BRAC gave considerable amount of efforts to realise overdue loans but no effort was given to sustaining the VO.

From the point of view of BRAC staff, the members of the observed VOs had poor performances. They misused their loans and were very irregular in attending VO meetings and in repaying instalments. BRAC staff tried to make them regular through motivation and in some cases by creating pressure. The members, however, lost their interest on VO for not receiving new loans. Consequently, BRAC decided to discontinue those VOs.

4. Discussion and Conclusion

This study documented several reasons for dissolution of VOs as reported by the VO members and the BRAC staff from the area offices. Some of the reasons for dissolution were common in all the VOs observed whereas there were reasons which were unique to particular VOs. The study gives emphasis on special reasons which played a vital role for dissolution of the VOs.

Tension over power tiller scheme between VO members and BRAC staff was the primary reason for dissolution of VO A. At on point the VO members stopped repaying instalment. BRAC withdrew the power tiller from the VO and sold it to adjust loan that had become overdue. As a result the VO dissolved. It was also thought by members that BRAC's strategy to concentrate on female membership provided justification for dissolution of this VO.

Strong kinship network played a vital role in dissolving VO B. More than two-third members of this VO were from one kin group. When some of the members of this group became defaulter VO management committee did not extend its cooperation to BRAC to take necessary disciplinary action. BRAC tried to change the management committee but the members of that kin did not agree. Finding no other way local BRAC management had to dissolve the VO.

Faction regarding VGD cards made VO C inactive. A dispute arose about selection of VGD card holders when the president of the VO and the respective BRAC staff made the selection ignoring the opinion of other members. Such selection created lot of discontent within the VO. Consequently some cut down several hundreds of mulberry trees in the locality. The caretaker of the mulberry trees called police with the help of BRAC and threatened some of the members. Later on the VO members were divided into two groups and the VO became non-functioning.

VO D was poorly organised since its inception. This VO was formed in 1991 by splitting a large VO of the same village. Members of this VO were scattered at different corners of the village and were not regular in attending VO meeting. Some members had become defaulters and left the village. New loan was not disbursed as there were overdue loans in the VO. Few loans were disbursed but Tk 50-100 from each borrower was deducted to adjust the overdue loans of other defaulters. Members were reluctant to pay for defaulters so, BRAC stopped disbursing new loan. Thus the members became inactive and the VO dissolved.

VO E was formed with migrating people who frequently go to outside of the village for their livelihoods. During 1988 flood most of the members became defaulter as they failed to run their business. Many of them migrated to nearby district town and other regions of the country with their family. BRAC tried to follow their overdue loans with the help of other VO members but could not manage to collect. Thus the VO became non-functioning and finally dissolved.

In addition to these specific reasons there are some common issues which contributed to non-functioning of the VOs. These are shown in the following chart. It is interesting that the reasons are mostly related with the management system of BRAC and common for all the VOs of RDP which are continuing to function.

Chart 1: Distribution of VOs with respective different reasons for dissolution

Different Reasons		Reported in VOs
1.	False hopes were given by BRAC at the beginning	A. B. C. D. E
2.	Amount of given loan was small	A. B. C. D. E
3.	There were many loan defaulters in the VO	A. B. C. D. E
4.	Few members' savings and loan instalments were misplaced due to frequent transfer of PA	A. B. C. D. E
5.	BRAC changes its policies quite often and these are not transparent to the members	A. C. D. E
6.	Active members were forced to repay for loan defaulters	A. B. D. E
7.	Some BRAC staff did not behave well with VO members	A. B. D. E
8.	Emphasis was given only on collection of loans. Other programmes were overlooked	A. C. D. E
9.	Wrong selection of members and loanees	B. C. D. E
10.	Poor attendance in VO meetings	B. D. E
11.	Faction among the group members	B. C
12.	Selection of VGD card holders was not fair	C. E
13.	IGA products were not bought by BRAC at local market price	B. C
14.	BRAC did not disburse loans on expected date	B. E
15.	Dispute on special issues	B

The strength of the observed VOs was these were formed with mostly homogeneous people (80% of <50 decimals land group) which might help members to make the VO cohesive and to develop a sense of ownership of the VO. It is interesting that the members of all VOs have mentioned several times that their VOs were very good at the beginning. Some of them added that BRAC staff used to come with visitors to them. They were quite often

interviewed as they were trying to improve their situation being involved with BRAC. Despite all these, the VOs did not function properly after a certain period. The main weakness of the VOs was that except credit operation other programmes of the VO which increase awareness of the members, group cohesiveness, and VO discipline were overlooked. In the female dissolved VOs, very few members were involved with income generating activities supported by BRAC. Their loans were mainly used in the main economic activity of the household controlled by the male persons. Such a situation along with wrong selection of loanee increased the number of defaulters in those VOs from whom BRAC could not collect loan instalments. Consequently, BRAC stopped disbursing new loan. As a result, other members of the VOs became inactive. They stopped attending VO meetings and repaying instalments of loans taken. It seems that most of the members tried to use VO as an instrument for getting credit. BRAC did not try to change such views of the member. For some VOs it could be possible to keep the VO operational. There were many VO members who made regular loan repayments but BRAC was unable to make use of them. Local BRAC management became more skeptical about the loyalty of the VO members. No one took initiative to keep the VO functioning. After dissolution of the VOs members lost their credit receiving opportunity so that they immediately tried to find out other sources. It is interesting to mention that 27% of member households of the study VOs are now involved with other NGOs and they are reportedly performing well.

One single reason was not fully responsible for dissolving a particular VO. Members complained that BRAC management was also responsible for dissolution of their VOs. They consequently mentioned that most of the members have lost their interest to be involved with BRAC. However, it would have been possible to keep some of the VOs functioning if the local management of BRAC tried to do so. It seems through analysis that BRAC accepted dissolution of some VOs due to changing policies. Two male VOs were dissolved perhaps due to the policy change of RDP about exclusion of male VOs. Members from one male VO expressed their impression accordingly as well.

The study suggests that BRAC should review the overdue loan collection and record keeping system in such a way where there will be no opportunity for members to complain against record keeping on instalment payment. Frequent transfer of PA may create chance for defalcation of members' money which creates dissatisfaction of members to BRAC. Information about different changes of programmes should be shared with programme participants. The sample VOs had many active members along with some loan defaulters. The active members lost opportunities to get services from BRAC as the VOs were dissolved. The main conclusion the study has drawn from the above analysis is that instead of dissolving the inactive VOs BRAC can reactivate them by retaining the regular members and recruiting new members, where necessary. Otherwise the VO will be considered as a credit giving group only where there is no responsiveness to members' interests.

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Table 1: Percentage distribution of member households by land holding status

VOs	Land Holding Status					Total* (n)
	TG			NTG		
	Landless	Homestead land only	<50 decimal	51-100 decimal	100 + decimal	
A	12.7	41.3	22.2	14.3	9.5	63
B	-	50.0	40.0	10.0	-	20
C	1.9	49.0	18.9	13.2	17.0	53
D	2.3	65.9	9.1	4.5	18.2	44
E	15.2	84.8	-	-	-	33
Total	7.0	55.9	16.9	9.4	10.8	100.0
	n=15	n=119	n=36	n=20	n=23	n=213
		79.81		20.19		100.0
		n=170		n=43		n=213

* Informant group were unable to provide household information of some members as few of them had died and many of them had migrated long before. So, the total number of the sample members was reduced to 213 from 270

Table 2: Percentage distribution of member households by economic activities while they were in BRAC

VOs	Economic Activities						Total (n)
	Day labour	Small Trading	Rickshaw/ Van Pulling	Agricultural work	Service	Others	
A	46.0	39.7	-	9.5	4.8	-	63
B	10.0	15.0	45.0	10.0	10.0	10.0	20
C	62.2	5.7	9.4	15.1	3.8	3.8	53
D	15.9	11.4	9.1	4.5	52.3	6.8	44
E	-	93.9	-	-	-	6.1	33
Total	33.3	31.5	8.4	8.4	14.1	4.2	100.0
	n=71	n=67	n=18	n=18	n=30	n=9	n=213

Table 3: Percentage distribution of member households involved with other NGOs

VOs	NGOs				Total (n)
	Grameen Bank	ASA	Jagoroni Chakro	Other* NGOs	
A	-	-	-	-	63
B	40.0	-	-	-	20
C	-	-	5.7	3.8	53
D	68.2	-	-	6.8	44
E	-	6.1	-	30.3	33
Total	17.8	1.0	1.4	7.0	27.2
	n=38	n=2	n=3	n=15	n=213

* Other NGOs include SSS, Ardin, and PP

Appendix -II

Timeline of VO A

Date of interview: 24 October 1997

Time	Main Events	Related Events
1986 (When BRAC office was situated in a rented house by the turn of Darshona road)	PO Ashraf came to the village to inform about BRAC's VO He called a meeting with the young people of the village in an evening	First he talked to Nurul Haque, general member of the VO who was later selected as driver of Power Tiller (PT) 50-60 villagers attended the first meeting. Ashraf explained the rules and regulations of BRAC's VO in the first 2-3 meetings and some people agreed to form a VO
	At first the VO consisted of 25-30 members. They didn't have pass book for their savings. They deposited savings to Nurul for the first 5-6 weeks	Later three of them opened a joint savings account with Agrani Bank on behalf of the VO. Members started to save money there
1988 (After about two years)	Members were reluctant to go to the bank as for doing that they would miss the work for rest of the day	Later they decided in a meeting that BRAC staff would come to collect their savings
	First loan was disbursed. Five members received loans, one thousand taka per person	After disbursing loans to two or three small groups, members informed BRAC staff that small loan can not help them to do any profitable business. They wanted to work in larger schemes
	BRAC proposed to give loans to the VO members for collective scheme	Members wanted to get either Power Tiller or a Rice Mill
	BRAC agreed to provide a Power Tiller but asked for some new members and demanded that members increase their savings	VO members deposited taka 100-300 per person. Some new members joined in the VO
	BRAC gave Power Tiller to 70 male and 30 female members	BRAC did not tell them precisely either the price of the Power Tiller or the size of its loan instalment
	A few farmers could not pay the ploughing-charge for the Power Tiller in time	The driver of the Power Tiller, who was in charge of management, had to pay from his own pocket. Later he collected that money from them
	Some members became defaulter of their individual loans	BRAC adjusted overdue loan from savings without prior permission of the member Fifteen members dropped out from the VO in protest against this
1992	VO members got no accounts about the income and the expenditure of the Power Tiller. They wanted to know detailed accounts (amount of overdue loan, total amount that was left to be paid) of their Power Tiller loan	AO staff informed that the detailed accounts of the PT did not come from BRAC Head Office till that period
		VO members stopped to repay their loan instalment of the Power Tiller for two weeks
1992 (After six months)	BRAC took off the Power Tiller from the VO and sold it to adjust overdue loan	
1993	VO related activities were stopped	
1996	VO was officially dissolved	

Household Information Card for Mini Survey

Name			HH #
Father / Husband's Name			
Family Size		Membership Status	
Earning Member		NGO Involvement	
Land	Before BRAC	While in BRAC	After BRAC
Economic Activity			

Semi-structured check list for the group discussion on dissolved VOs

VO Related

- When this VO was established?
- Describe the process of VO formation.
- How many members were there at the time of VO formation?
- Incidences of gross drop-out and reasons for drop-out.
- When and how the VO started not functioning?

General Issues

- What were their hopes at the beginning? How much of their hopes have been fulfilled?
- Did they have to sell any of their assets for repaying loan? Why did they sell their assets?
- Do you think your VO was a good VO (in terms of socio-economic betterment)? If yes, why? If not, why?
- Did their involvement with BRAC bring any change on their lives?
- Where did they go for credit before joining BRAC ? Where do they go now?
- Did anybody get the insurance money? Did they face problem to get the money?
- How many VOs were in the village? If many, was there any faction between those VOs?
- Could they withdraw their savings while they were with BRAC?

VO Management

- Who and how it was decided about who will get the loan, training, VGD card, self-employment opportunity? Was there any conflict about these?
- What were the steps taken by the members against defaulters?
- How many times were the president and the secretary of their VO changed and how it was decided each time?

Kinship Relation

- Was there any kin group within the VO?
- Was there any faction in their group?

NFPE

- Was there any NFPE school in the village?
- If yes, was there any conflict about it?
- Did the VO member's children get access to that school? Do they get access now?

For BRAC staff

- When and how the VO started not functioning?
- What were the steps taken by BRAC against defaulters?
- What step did the management take to keep the VO functioning?
- How and why it was decided that the VO will be dissolved? - Was there any faction group in the VO which played an active role to make the VO inactive?