



Financial Diarist – Ramna Dhaka, Bangladesh

Ramna's story shows that poor households need loans for a range of purposes, not just for microenterprise. While Ramna's loans were not applied to income-generating activities, they helped her smooth consumption across seasons and manage risk, and she was able to pay them back from household cash flow.

Ramna and her husband are landless. They live on her brother's land with their two school-age sons. Her husband's limited skill-set and poor health means he doesn't have a steady income. Ramna joined Grameen II the year before the researchers met her, and had taken a loan of \$83 to buy food stocks in a lean period. She was repaying weekly from a variety of sources, including her husband's sporadic income, interest-free loans from family and neighbors, and her own Grameen II savings account.

Grameen II

In 2001, after a decline in the quality of the bank's loan portfolio, Muhammad Yunus' Grameen Bank (winner of the 2006 Nobel Prize) transformed itself to establish Grameen II and began to offer more flexible products. Modifications to the agency's devices included relaxing lending rules, establishing an open passbook savings program, adding commitment savings accounts, and creating the "loan top-up" facility, under which loans could be refreshed to the amount that had originally been distributed.

In April 2003, Ramna topped-up her original loan to buy grain to keep for the coming monsoon period. In October, Ramna got another top-up worth \$67 when her father-in-law passed away. She continued paying off her loan so that in May 2004, when she was eligible for another top-up, she took it and stored it with a moneyguard, from whom it was later recovered and used to pay down a private loan. In December, the main rice harvesting season, she topped up with another \$75 to buy stocks of grain and medical treatment for her husband, with a portion held back to make weekly repayments. The couple struggled to repay in early 2005 because Ramna's father was ill and they had to find money to pay for his treatment. However, by early July, she was able to top up the loan with another \$65, this time paying school fees and restocking with food. When the researchers saw her last at the end of 2005, she had a loan balance of \$70 to pay and was looking forward to another top-up. Annual interest on her loans was 20%.

Ramna started with \$35 outstanding in her loan account, and ended with \$70: in the intervening three years, she took loans worth \$337, repaid \$302, and paid interest of \$44.

Loan #	Date	Amount	Use
1	2002	\$83	Food and stocks
1 st Top up	April 2003	N/A	Grain for coming monsoon season
2 nd Top up	October 2003	\$67	Funeral expenses
3 rd Top up	May 2004	N/A	Pay down private loan
4 th Top up	December 2004	\$75	Stocks of grain, medical treatment
5 th Top up	June 2005	\$65	School fees, restock food

While Ramna's loans were not used for business enterprise, she was certain of their value. Without access to the flow of usefully large lump sums from Grameen loans, maintenance tasks such as stocking up on food, keeping their sons in school, or buying her ailing husband medicine, would have been much harder and more expensive. Entrepreneurship is not a panacea for poor households, and the financial diaries show that households need to borrow for a range of non-business purposes.